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## MAINLAND HEADWEAR HOLDINGS LIMITED

飛達帽業控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1100)**

### MEMORANDUM OF UNDERSTANDING IN RESPECT OF PROPOSED ACQUISITION OF H3 HOLDINGS, INC.

The Board wishes to announce that on 15 June 2011 the Company entered into the MOU with the Vendor in relation to the Proposed Acquisition. The Target Company is the holding Company of H3 Sportgear, LLC which incorporated in the USA and is principally engaged in distribution of licensed and private label headwear, apparel and accessories products in the USA.

The entering into the MOU does not constitute the parties' legally binding commitment in respect of the Proposed Acquisition that is subject to the execution of the Formal Agreement in relation thereto by the parties.

**Shareholders and potential investors of the Company should note that the Proposed Acquisition may or may not materialize.** The Proposed Acquisition, if materializes, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and the Company shall comply with the relevant disclosure and/or shareholders' approval requirements under the Listing Rules where appropriate. **Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

\* For identification purpose only

## **MEMORANDUM OF UNDERSTANDING**

On 15 June 2011, Mainland Headwear Holdings Limited (the “**Company**”) entered into the memorandum of understanding (the “**MOU**”) with the vendor (the “**Vendor**”) , an independent third party, in relation to the proposed acquisition (the “**Proposed Acquisition**”) of 85% of the issued share capital of H3 Holdings, Inc. (the “**Target Company**”). The Target Company is the holding company of H3 Sportgear, LLC which incorporated in the United States of the America (“**USA**”) and is principally engaged in distribution of licensed and private label headwear, apparel and accessories in the USA. H3 Sportgear, LLC is a customer of the Group.

Pursuant to the MOU, the Vendor and the Company will negotiate in good faith the terms of the formal agreement (the “**Formal Agreement**”) for the Proposed Acquisition within three months from the date of the MOU (“**Exclusive Period**”).

The Company will conduct and the Vendor will provide assistance to the Company to conduct due diligence exercise on the Target Company. The Vendor has undertaken that during the Exclusive Period, it will not (i) solicit, initiate or encourage inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or understanding with any person or entity other than the Company with respect to the sale or other disposition of any of the Sale Shares.

Save for the matters disclosed above, the entering into the MOU does not constitute the parties’ legally binding commitments as to the Proposed Acquisition.

## **REASONS FOR THE PROPOSED ACQUISITION**

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in manufacture and sales of headwear products and sale of licensed products.

If the Proposed Acquisition proceeds, the Target Company is expected to represent the Group's distribution and trading arm in the USA which is currently the largest market of the Group and the Group will establish its own distribution channel in the USA to sell the products directly to major retailers in the USA. The Group is a major player in the business of licensed headwear and through the Proposed Acquisition, the Group will be able to build its own license portfolio and to attract more licensed products business, which generally enjoy a relatively higher profit margin. In addition, the Target Company will assist the Group to enter into the accessories business in the USA so as to improve the product mix of the Group.

## **GENERAL**

**Shareholders and potential investors of the Company should note that the Proposed Acquisition may or may not materialize.** The Proposed Acquisition, if materializes, may constitute a notifiable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and the Company shall comply with the relevant disclosure and/or shareholders' approval requirements under the Listing Rules where appropriate. **Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

By Order of the Board  
**Ngan Hei Keung**  
*Chairman*

Hong Kong, 15 June 2011

*As at the date of this announcement, the Board comprises seven directors, of which three are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline and Mr. James S. Patterson; one Non-executive Director, Mr. Tse Kam Fow; and three are Independent Non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Lo Hang Fong and Mr. Liu Tieh Ching, Brandon, JP.*