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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)

SETTLEMENT OF LITIGATION

This announcement is made pursuant to Rule 13.09 of Listing Rules.

As disclosed in the Company's 2009 annual report and 2010 interim report, the Company was engaged in litigation in the United States District Court for the Southern District of New York against Drew Pearson Marketing LLC and USPA Accessories LLC d/b/a Concept One (collectively, "Concept One"). On November 17, 2010, a Settlement Agreement was executed by the Company and Concept One which resolved the claims asserted in their entirety and terminated the litigation.

The Directors consider the entering into of the Settlement Agreement resolves the uncertainty which arose from the above litigation and is beneficial to the Company, its shareholders as well as other stakeholders of the Company. This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

* For identification purpose only

BACKGROUND OF THE LITIGATION

As disclosed in the Company's 2009 annual report and 2010 interim report, on 6 March 2008, Mainland Headwear Holdings Limited (the "Company", together with its subsidiaries, the "Group"), through its US attorney, filed a complaint in the United States District court (the "Court") for the Southern District of New York against Drew Pearson Marketing LLC and USPA Accessories LLC d/b/a Concept One ("Concept One") for breaches of the terms and conditions of an asset purchase agreement (the "Asset Purchase Agreement") and a manufacturing agreement (the "Manufacturing Agreement") entered with the Company in December 2006, the transactions of which were announced and circulated on 11 December 2006 and 29 December 2006 respectively. The Company was seeking a declaratory judgment, which can release the Company from any further performance under the Asset Purchase Agreement and a judgment for monetary damages plus interest under the Manufacturing Agreement.

Subsequent to the filing of the complaint on 6 March 2008, the Company, through its United States attorney, came to know that the Concept One had filed a complaint against the Company for a non-compliance of certain obligations under the Manufacturing Agreement, and sought from the Company for monetary damages, plus a declaratory judgment finding that the Manufacturing Agreement would be void and not enforceable.

In June 2008, Concept One amended its complaint to include a claim for commission allegedly due under the Manufacturing Agreement. Also, in May 2008, Concept One filed an answer and counterclaims to the Company's above complaint, adopting the same argument, further seeking declaratory and injunctive relief finding the non-compete provisions in the Asset Purchase Agreement to be in full force and effect. In April 2009, Concept One filed an amended counterclaim further seeking damages, an accounting and injunctive relief pursuant to the foregoing non-compete provisions based upon the Company's entry into a long-term manufacturing agreement with a business partner in October 2008, after Concept One terminated the Manufacturing Agreement.

SETTLEMENT OF LITIGATION

The parties have agreed to settle the litigation in order to avoid further time, expense and uncertainties of further litigation. Consequently, on 22 September 2010, the Court dismissed the litigation pending the parties' execution of a settlement agreement. On 17 November 2010, a settlement agreement (the "Settlement Agreement") was signed by the Company and Concept One. The terms of the Settlement Agreement are confidential.

As a result of the above settlement, management has determined that an estimated net loss of approximately HK\$14 million is expected to be recognised in the consolidated income statement of the Group for the year ending 31 December 2010.

The Directors consider the entering into of the Settlement Agreement resolves the uncertainty arose from the above litigation and is beneficial to the Company, its shareholders as well as other stakeholders of the Company.

By order of the Board
Mainland Headwear Holdings Limited
Ngan Hei Keung
Chairman

Hong Kong, 25 November 2010

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 is a 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.