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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mainland Headwear Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF SUPPLY OF PRODUCTS; AND NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders of the Company



Alliance Capital Partners Limited  
同人融資有限公司

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A letter from the Board of Mainland Headwear Holdings Limited is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee is set out on page 18 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 36 of this circular.

The notice convening the Special General Meeting (“SGM”) of Mainland Headwear Holdings Limited (the “Company”) to be held at Rooms 2301-2305, 23rd Floor, CTF Life Tower, 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong on Monday, 30 December 2024 at 10:00 a.m. is set out on pages 43 to 44 of this circular.

A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, please complete the form of proxy and return the same to the office of the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the meeting (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting (or any adjourned meeting) if you so wish.

Such form of proxy is also published on the websites of the Stock Exchange and the Company at [www.hkexnews.hk](http://www.hkexnews.hk) and [www.mainland.com.hk](http://www.mainland.com.hk), respectively. Shareholders of the Company are advised to read the notice and complete and return the form of proxy for use at the SGM in accordance with the instructions printed thereon.

\* For identification purpose only

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Annual Period(s)”	the annual period(s) during the term of the Framework Agreement (five years ending 31 December 2029)
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Mainland Headwear Holdings Limited (飛達帽業控股有限公司*), a company incorporated under the laws of Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1100)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	1 January 2025 or the date of fulfillment of the condition precedent of the Framework Agreement, whichever is later
“Euro”	Euro, the lawful currency of the member states of the European Union
“Extended Term”	the period from 1 January 2028 to 31 December 2029 (both dates inclusive)
“Framework Agreement”	the framework agreement dated 11 November 2024 between Wintax and the Company of one part and NEC and NEHK of the other part in relation to the supply of Products
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board, comprising Mr. Gordon Ng, Mr. Cheung Tei Sing Jamie and Mr. Li Yinquan, all being independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Framework Agreement

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## DEFINITIONS

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“Independent Financial Adviser” or “Alliance Capital”	Alliance Capital Partners Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Framework Agreement
“Independent Shareholders”	Shareholders other than NEHK, its ultimate beneficial owners and their respective associates
“Initial Period”	the period from the Effective Date to 31 December 2027 (both dates inclusive)
“Latest Practicable Date”	6 December 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the People’s Republic of China
“Madam Ngan”	Ngan Po Ling, Pauline, Director and spouse of Mr. Ngan
“Manufacturer”	the Company, Wintax and other subsidiaries of the Company
“Minimum Annual Consideration”	the minimum commitment of the Purchasers in respect of the consideration of purchase of Products for the Annual Periods under the Previous Manufacturing Agreement and the Framework Agreement
“Mr. Ngan”	Ngan Hei Keung, Chairman and Executive Director of the Company
“NEC”	New Era Cap, LLC, a Delaware State corporation
“NEC Group”	NEC and its subsidiaries and affiliates
“NEHK”	New Era Cap Hong Kong, LLC, a New York State corporation and an affiliate of NEC
“New Caps”	the annual caps of the Transactions to be entered into by the parties for the three financial years ending 31 December 2027, to be approved in the SGM

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## DEFINITIONS

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“Previous Manufacturing Agreement”	the agreement dated 22 November 2019 between Wintax and the Company of one part and NEC and NEHK of the other part in relation to the manufacture and supply of Products
“Products”	any headwear, accessories and/or apparel products as set out in the purchase orders to be supplied by the Manufacturer to the Purchasers which may use, display or incorporate intellectual property (such as graphic design, trademark etc) of NEC
“Purchasers”	NEC, affiliates of NEC and purchasers designated by NEC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to approve the Framework Agreement and the transactions contemplated thereunder and the proposed New Caps
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the supply of the Products by the Manufacturer to the Purchasers under the Framework Agreement
“US”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“Wintax”	Wintax Trading Limited, a company incorporated in Macau and a wholly owned subsidiary of the Company
“%”	per cent

\* For identification purpose only

*Unless otherwise stated, the conversion of US dollars into Hong Kong dollars is based on the exchange rate of US\$1 = HK\$7.78 for illustration purpose only.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Ngan Hei Keung (*Chairman*)

Ngan Po Ling, Pauline *BBS, JP*

(*Deputy Chairman and Managing Director*)

James S. Patterson

Ngan Siu Hon, Alexander (*Chief Strategic Officer*)

Lai Man Sing, Thomas (*Chief Financial Officer*)

Andrew Ngan

*Independent Non-executive Directors:*

Gordon Ng

Cheung Tei Sing Jamie

Li Yinquan

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head office and principal place  
of business in Hong Kong:*

Unit 2301-2305, 23rd Floor

CTF Life Tower

No. 18 Sheung Yuet Road

Kowloon Bay, Kowloon

Hong Kong

12 December 2024

*To the Shareholders*

Dear Sir or Madam,

### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF SUPPLY OF PRODUCTS; AND NOTICE OF SPECIAL GENERAL MEETING

#### INTRODUCTION

Reference is made to the announcement of the Company dated 11 November 2024, in relation to the renewal of continuing connected transactions in respect of supply of Products.

The Independent Board Committee comprising the independent non-executive Directors has been constituted to advise the Independent Shareholders on the Framework Agreement and the transactions contemplated thereunder and the proposed New Caps amounts and an independent financial adviser, Alliance Capital, has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation thereto.

\* for identification purpose only

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## LETTER FROM THE BOARD

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The text of the letter of Alliance Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 36 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 18 of this circular.

The purpose of this circular is to provide you with information regarding, among other things, (i) further information about the Framework Agreement and the proposed New Caps; (ii) the letter from Alliance Capital to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee; and (iv) the notice of the SGM.

### FRAMEWORK AGREEMENT

References are made to the Company's announcement and circular dated 26 July 2022 and 6 October 2022 respectively in relation to continuing connected transactions under the Previous Manufacturing Agreement. On 31 October 2022, the Company obtained the approval of Independent Shareholders of the extension of the Previous Manufacturing Agreement and the annual caps for the continuing connected transactions for the three years ending 31 December 2024. The Previous Manufacturing Agreement will be expired on 31 December 2024.

On 11 November 2024, Wintax and the Company of one part (where Wintax and the Company are together referred to hereinafter as "**Manufacturer**") and NEC and NEHK of the other part entered into the Framework Agreement, pursuant to which NEC appoints the Manufacturer as approved manufacturer for the production and manufacture of Products to the Purchasers (including NEC, affiliates of NEC and purchasers designated by NEC, collectively referred to hereinafter as "**Purchasers**").

### Summary of principal terms of the Framework Agreement

**Date:** 11 November 2024

**Parties:** Wintax and the Company (manufacturers)  
NEC and NEHK (purchasers)

**Term:** Effective Date to 31 December 2027 ("**Initial Term**"), which could be extendable for the Extended Term (i.e. an additional term of two years from 1 January 2028 through 31 December 2029).

For details on the Extended Term, please refer to the paragraph headed "Extended Term".

**Transactions:** The Purchasers agreed to purchase Products (comprising headwear products) which are supplied and manufactured by the Manufacturer for the Initial Term, which could be extendable for another two years subject to the Independent Shareholders' approval in SGM by the end of 2027, with the related particulars (such as specifications, quantity, pricing and delivery schedule of the Products) set forth in the purchase orders as agreed in writing by the respective Purchaser and the Manufacturer from time to time.

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## LETTER FROM THE BOARD

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**Minimum Annual Consideration:**

The Minimum Annual Consideration during the term of the Framework Agreement is agreed to be US\$65 million. When the parties consider that this amount of Minimum Annual Consideration should be changed due to change in circumstances, the parties shall negotiate in good faith and come to consensus on the revision of the Minimum Annual Consideration. For more details, please refer to the paragraph headed “Minimum Annual Consideration” set out below.

**Payment terms:**

The Manufacturer issues to the respective Purchaser an invoice on the Products upon the delivery of the Products. The Purchaser makes payment to the Manufacturer within 60 days from the date of issue of invoice. In accordance with the usual practice adopted by the Group, there is no requirement on initial deposit to be paid by the Purchasers given the reputation of the Purchasers and the other terms of the supply of the Products under the Framework Agreement.

**Pricing:**

The price of the Products is determined by the parties on normal commercial terms and on arm’s length’s basis. For details on the pricing policy, please refer to the paragraph headed “Pricing Policy and Internal Controls”.

**Termination:**

The Purchasers shall have the right to terminate the Framework Agreement immediately upon the occurrence of any one or more of the following events:

- (i) If any governmental agency or court of competent jurisdiction finds that the Products are harmful or defective in material respect and the damage to be suffered by the Purchasers from the aforesaid finding is more than US\$1,000,000 which is not directly caused by the gross negligence of the Purchasers or designated fabric/component suppliers;
- (ii) If any governmental agency or court of competent jurisdiction finds that the Products are harmful or defective in any way, manner or form in contravention of applicable laws and regulations which is not directly caused by the gross negligence of the Purchasers or designated fabric/component suppliers;
- (iii) If Manufacturer manufactures, diverts, sells, ships or transfers any counterfeit product or fails to report any stolen goods;
- (iv) If Manufacturer manufactures any Product without the prior written approval of the Purchasers;



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## LETTER FROM THE BOARD

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- (v) If the Company, Wintax, Mr. Ngan, Madam Ngan or any third party or affiliate owned by, related to, or associated with the Company, Wintax, Mr. Ngan or Madam Ngan, engages in any activity which results in any communication transmitted by any means to media, the general public, the Fair Labor Association, the Workers Right Consortium, the United Students Against Sweatshops, any organized labor association, any governmental agency, any legal body or any Purchasers' licensor or affiliate of said licensor, alleging any violation or wrongdoing by the Purchasers as a result of the Purchasers association with the Company, Wintax, Mr. Ngan, Madam Ngan;
- (vi) If the Company undergoes a change in majority or controlling ownership without first obtaining the consent of NEC;
- (vii) If any of the license agreements between NEC and its customers is terminated or if any such customer no longer approves of the Company as a designated manufacturer of licensed products; or
- (viii) If a petition under any bankruptcy or insolvency law is filed by or against a party to the Framework Agreement, or if either party suspends business or commits any act amounting to a business failure.

Any party to the Framework Agreement shall have the right to terminate the Framework Agreement upon a material breach by the other party that is not completely cured within thirty (30) business days of the receipt of notice by the breaching party from the non-breaching party.

### **Condition Precedent**

The term of the Framework Agreement will commence on the Effective Date and shall terminate on 31 December 2027 (“**Initial End Date**”) and the period between the Effective Date and Initial End Date is the “**Initial Term**”. The Framework Agreement may be extended for an additional term (“**Extended Term**”) from 1 January 2028 (“**Extended Start Date**”) through 31 December 2029 (“**Extended End Date**”).

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## LETTER FROM THE BOARD

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### ***Initial Term***

The Initial Term of the Framework Agreement is conditional on the fulfilment of the following condition and will become effective on the Effective Date:

*“the passing of an ordinary resolution by the independent shareholders of the Company (who are permitted to vote under the Listing Rules) at a special general meeting of the Company approving, among other matters, the Framework Agreement and the transactions contemplated herein (including the continuing connected transactions together with the annual caps in relation to supply of the Products under the Framework Agreement) for the period of the Initial Term.”*

If the above condition is not fulfilled on or before 31 March 2025, the Framework Agreement and everything herein contained shall be null and void and of no effect and every party to the Framework Agreement shall be released from any liability and obligations contained thereof, except for any accrued rights and antecedent breach.

### ***Extended Term***

The Extended Term of the Framework Agreement is effective and conditional on the fulfilment of the following condition on or before the Extended Start Date:

*“the passing of an ordinary resolution by the independent shareholders of the Company (who are permitted to vote under the Listing Rules) at a special general meeting of the Company approving, among other matters, the Framework Agreement and the transactions contemplated herein (including the continuing connected transactions together with the annual caps in relation to supply of the Products under the Framework Agreement) for the period of the Extended Term.”*

If the above condition is not fulfilled on or before the Extended Start Date, the Framework Agreement and everything herein contained shall be terminated on the Initial End Date and every party to the Framework Agreement shall be released from any liability and obligations contained thereof, except for any accrued rights and antecedent breach.

### **Pricing Policy and Internal Controls**

The price of the Products can only be determined in the purchase orders as issued by the Purchasers and accepted by the Manufacturer later (not on the date of Framework Agreement) as the price of the Products will depend on other variables (such as complexity of specifications, quantity of the Products, and the prevailing market price of similar products and each step in the manufacture of the similar products) to be determined at the stage of issuance of purchase orders. The price of the Products is determined by the parties on normal commercial terms and by arm's length's negotiation. The more complicated the specification is, the higher the production cost and price of the Products are. While the price of the Products may be reduced with the increase in the quantity of the Products, the price of the Products is also determined between the Purchasers and the Manufacturer with reference to the prevailing market price of similar products, being comparable prices offered by the Group to independent third party for similar products having taken into account the technology and quality of the products. The management of the Manufacturer would regularly conduct market research and gather relevant

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## LETTER FROM THE BOARD

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information to ascertain the prevailing market price of similar products, and would review the comparable prices for the similar products in each case to ensure there are sufficient comparable prices to which it could refer to. For example, the management will (i) obtain quotations from other manufacturers with similar capacity and capability as the Group or which may engage in competition with the Group for price comparison on at least a seasonal basis; and (ii) analyse and compare the retail price of similar products offered by a variety of retailers, ranging from upper-tier retailers to mass retailers and specialty stores.

In the event that there are no sufficient comparable prices for similar products offered by the Group or there are no similar products in the market, the Manufacturer has to substantially rely on other factors (such as cost for supply and manufacture of the Products and mark-up rate) for the determination of the prices of the Products. Since these Products typically involve special processing methods during the course of manufacturing, tight manufacturing schedule, unique designs for a particular event or campaign, or relatively smaller order size, the actual price offered by the Manufacturers may vary significantly on a case-by-case basis. In fixing the price of these Products, the Group relies on the mechanism and internal control procedures mentioned below, which have been adopted by the Group for the determination of the prices of the products under the Framework Agreement with or without sufficient comparable prices of similar products.

Due to the proprietary nature of the Products under the Framework Agreement, none of them has a fixed unit price or standard price, or has a published reference price, the Group will determine and monitor the prices of the Products for each purchase order based on the following mechanism and internal control procedures:

- (a) the Manufacturer adopts a cost-plus pricing system to determine the Products' preliminary price (the "**Preliminary Pricing**"). When the Manufacturer receives particulars of a purchase order, it will estimate (i) the costs for the supply and manufacture of the ordered Products and (ii) the mark-up rate after taking into account of specifications, cost of materials, quantity and delivery schedule for the ordered Products, market supply and demand, the prevailing market price of similar products, and the gross profit margin of the Manufacturer's similar products. With the estimated costs and mark-up rate of the ordered Products, the Manufacturer arrives at a preliminary price for such Products;
  - where there are similar products of the Manufacturer or similar products in the market, the Manufacturer will rely on comparable prices offered by the Manufacturer to at least two independent third parties and the prevailing market price of similar products in the market, which will form the foundation for determining the preliminary price of the Products. In order to safeguard the interests of the Manufacturer, such information will be updated regularly through the market research conducted by the management of the Manufacturer. Subsequently, as part of the Preliminary Pricing, the Manufacturer further takes into account, among others, any adjustment in the cost of materials and labour, size of the purchase order, delivery schedule as well as the then capacity of the Manufacturer;

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## LETTER FROM THE BOARD

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- where there are no sufficient comparable prices for similar products of the Manufacturer or similar products in the market, the Manufacturer will rely on other factors in the Preliminary Pricing, such as the costs of the Products. As mentioned above, these Products typically differentiate themselves from other Products in terms of manufacturing complexity, quantity and designs. It is impractical for the Manufacturer to place specific reliance on any individual factor under the Preliminary Pricing. Instead, the Manufacturer generally adopts an ad hoc analysis in respect of the relevant purchase order on a case-by-case basis by considering all the circumstances with reference to the Preliminary Pricing. The preliminary price of the Products derived therefrom are subject to the evaluation of the senior management and regular review as illustrated below;
- (b) the Sales & Marketing Director in the Sales & Marketing Department of the Manufacturer reviews and finalizes the price for the ordered Products in every new order and reviews the prices of the Products for repeated orders at least once every year to ensure that the Products' price is consistent with the prevailing market price of similar products and is no less favourable to the price of similar products offered to the independent customers;
- (c) a committee (“**Committee**”) consisting of the executive Directors and chief financial officer of the Company has been set up to conduct a monthly review on the gross profit margin by customer to ensure that the price offered to the Purchasers is in line with the price offered to the independent customers and to provide guidance to the pricing of the Products; and
- (d) the Finance Department of the Manufacturer checks the ageing report of account receivables every month to review customers' settlement status. If the Purchasers fail to pay in accordance with the payment term, the Finance Department reports to the Committee for closely monitoring of the payment and consideration of further appropriate action.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors will review the Framework Agreement and the Transactions on an annual basis, and confirm in the Company's annual report that the continuing connected transactions contemplated under the Framework Agreement are entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms of better; and (iii) in accordance with the Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company will engage its auditors to report on the continuing connected transactions contemplated under the Framework Agreement on an annual basis and provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions contemplated under the Framework Agreement (i) have not been approved by the Board; (ii) are not, in all material respects, in accordance with the pricing policies of the Group; (iii) are not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the approved annual caps in connection therewith.

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## LETTER FROM THE BOARD

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After taking into account of the above price setting and reviewing process, the Directors are of the view that the Manufacturer has an adequate internal control system to safeguard that the price of the Products is determined by the parties on normal commercial terms and by arm's length's negotiation, and no less favourable than those offered to independent customers.

### ANNUAL CAPS

#### Historical transaction amounts and approved annual caps

Set out below are the summary of (i) the approved annual caps for the three years ending 31 December 2024; and (ii) the historical amounts of the Transactions for financial year ended 31 December 2022 (“FY2022”) and the financial year ended 31 December 2023 (“FY2023”) and the annualized figure based on the amount for six months ended 30 June 2024 (“6M2024”) :

		<b>FY2022</b>	<b>FY2023</b>	<b>Annualized</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Approved annual caps	(A)	895,000	1,239,000	1,278,000
Historical transaction amounts	(B)	761,903	598,728	630,934 <sup>(Note)</sup>
Growth rate of the historical transaction amounts		32.2%	-21.42%	5.4%
Actual utilization ratio of annual caps	C= (B)/(A)	85.1%	48.3%	49.4%

*Note:*

Annualized transaction amount of approximately HK\$630.93 million for the financial year ending 31 December 2024 (“Annualized FY2024”) is calculated by annualizing the amount of approximately HK\$315.47 million for 6M2024.

#### Proposed New Caps

The following table sets forth the proposed New Caps and the growth rate of the New Caps for the three financial years ending 31 December 2027:

(Amount in HK\$'000)	<b>Financial year ending 31 December 2025 ("FY2025")</b>	<b>Financial year ending 31 December 2026 ("FY2026")</b>	<b>Financial year ending 31 December 2027 ("FY2027")</b>
Proposed New Caps	1,093,323	1,202,656	1,322,919
(Amount in HK\$'000)	<b>FY2024 vs FY2025</b>	<b>FY2025 vs FY2026</b>	<b>FY2026 vs FY2027</b>
Growth rate of the proposed New Caps	-27.2%	10.0%	10.0%

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## LETTER FROM THE BOARD

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The proposed New Caps for each of financial year ending 31 December 2025, 31 December 2026 and 31 December 2027 are HK\$1,093,323,000, HK\$1,202,656,000 and HK\$1,322,919,000, respectively. The proposed New Cap for FY2025 is approximately 27.2% lower than that for FY2024, and the proposed New Caps for FY2026 and FY2027 are 10.0% higher than that for their respective previous year.

The utilization rates of the annual caps for FY2022, FY2023 and FY2024 are approximately 85.1%, 48.3% and 49.4%, respectively. The low utilization rates for FY2023 and FY2024 was mainly due to the decrease in transaction amounts for FY2023 when compared to that in FY2022 and the slight increase in annualized transaction amount for Annualized FY2024 when compared to transaction amounts for FY2023. The transaction amounts for FY2023 and Annualized FY2024 were mainly affected by the weak retail consumer confidence in Europe and the US, as well as slow sales as NEC was still reducing the large inventories amassed previously.

It was noted that NEC announced the completion of its acquisition of '47, a privately held premium sports lifestyle brand offering apparel and headwear, in August 2024. '47 is also an official licensee of Major League Baseball, the National Basketball Association, the National Football League, the National Hockey League, the National Association for Stock Car Auto Racing LLC, over 900 collegiate programs and many international football clubs. The Company anticipates an increase in transaction amount with NEC Group for FY2025, which will be driven by the acquisition of '47 by NEC.

The above proposed New Caps are proposed based on: (i) the internal budget plan relating to indication of estimated orders from NEC; and (ii) general buffer. The internal budget plan of the Group for FY2025 is determined based on the indication of estimated orders from NEC Group for FY2025 and internal assessment of the preliminary pricing of the Products, which amounts to approximately HK\$950,716,000. Furthermore, a general buffer of 15% was added to the estimated order from NEC Group for FY2025, which was determined having considered the historical growth of the sales amount with NEC (with a compound annual growth rate (“CAGR”) of approximately 18.5% from the financial year ended 31 December 2020 (“FY2020”) to FY2023).

Notwithstanding that the historical utilization rates of the historical annual caps for FY2023 and Annualized FY2024 are low, having considered that the potential increase in orders from NEC followed by NEC's acquisition of '47 and the indication of estimated orders from NEC Group, as well as the general buffer of 15% which was determined having considered the historical growth of the sales amount with NEC from FY2020 to FY2023, the Directors are of the view that the proposed New Caps for FY2025 is reasonable.

In addition, the proposed New Caps for FY2026 and FY2027 are 10.0% higher than that for FY2025. The Company has considered the historical growth rate of sales to NEC Group. As mentioned above, the CAGR of sales amount from NEC Group is approximately 18.5% from FY2020 to FY2023. Having considered the above, the Directors are of the view that that the growth rates of the annual cap for FY2026 and FY2027 are reasonable.

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## LETTER FROM THE BOARD

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### Revenue contribution from NEC Group

NEC Group is the largest customer of the Group in recent years and the revenue contribution from the NEC Group and other major customers in the financial years ended 31 December 2021, 2022 and 2023 is set out in the following table:

	2023		2022		2021	
	Amount (HK\$M)	%	Amount (HK\$M)	%	Amount (HK\$M)	%
Revenue generated from						
– NEC Group	598.7	42.2%	761.9	40.6%	576.1	36.0%
– Second to fifth customers	299.4	21.1%	433.0	23.1%	364.8	22.8%
– Other customers	520.9	36.7%	679.5	36.3%	659.3	41.2%
<b>Total</b>	<b>1,419.0</b>	<b>100%</b>	<b>1,874.4</b>	<b>100%</b>	<b>1,600.2</b>	<b>100%</b>

The Group has established business relationship with NEC Group as their major supplier of headwear products for a long period of time and the Group has signed the first manufacturing agreement with NEC Group in 2008.

The customer base of the Group mainly comprises department stores, importers, leading headwear distributors and leading retailers on headwear, accessories, belt and wallet which are located in the US and Europe. The Group has sourced new customers from participation in trade shows on headwear products and accessories and referral from existing customers.

The management of the Company is aware of the potential reliance issue on a single largest customer and has taken the following measures:

- (1) The Group has actively participated in trade shows on headwear products so as to attract more orders from other customers.
- (2) Reference is made to the Company's announcements dated 5 August 2024 and 29 August 2024. The Group completed the acquisition of 55% shareholding in Difuzed B.V. which is incorporated in the Netherlands. Difuzed B.V. is a leading design company that develops and distributes lifestyle products for a wide range of entertainment, fashion, sports and consumer goods brands of clothing and fashion accessories. It has grown to become one of the biggest licensee organizations in Europe, Middle East and Africa. The revenue of Difuzed B.V. for the year ended 31 December 2023 amounted to Euro 27.06 million (equivalent to about HK\$230.01 million (based on the exchange rate of Euro 1 = HK\$8.5)). The aforesaid acquisition will alleviate the reliance issue on a single largest customer.

On the assumption that the Group can diversify its customer base through participation in trade shows and the recent acquisition of Difuzed B.V., along with the expectation of increased revenue contributions from these new entities, it is expected that there shall be no material reliance on NEC Group for its revenue contribution in the foreseeable future.

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## LETTER FROM THE BOARD

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### Minimum Annual Consideration

Reference is made to pages 17 and 18 in the Company's circular dated 6 October 2022 on the renewal of continuing connected transactions. It is understood that NEC has established a knowledge, skills, abilities and performance rating ("**KSAP Rating**") for its manufacturers and suppliers. At the end of each Annual Period ("**Prior Annual Period**"), the Minimum Annual Consideration for the immediate subsequent Annual Period will be calculated based upon the following formula:

= Prior Annual Period's Minimum Annual Consideration + KSAP Rating Adjustment (as illustrated below) based on the KSAP Rating for the Prior Annual Period

<b>KSAP Rating</b>	<b>Adjustment amount</b>
Role Model	+US\$2,000,000
Proficient	+US\$1,000,000
Average	0
Needs improvement	-US\$3,000,000

It is expected that NEC will continue to adopt the KSAP Rating to evaluate the performance of the Manufacturer. The relevant parties will negotiate in good faith on any proposed adjustments to the Minimum Annual Consideration based on the results of such evaluation.

### INFORMATION OF THE PARTIES TO THE FRAMEWORK AGREEMENT

The Group is principally engaged in the design, manufacturing and retail of quality casual headwear worldwide.

NEC is a US based company engaging in the global marketing, sale and manufacturing of headwear and apparel. It is a leading licensee and marketer of sports and fashion headwear and apparel in the US. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, NEC is ultimately and beneficially owned by Mr. Christopher Koch.

NEHK, being a substantial shareholder of the Company, is an affiliate of NEC and primarily engages in the business of investment holding. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, NEHK is ultimately and beneficially owned by Mr. Christopher Koch.



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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

New Era is an international lifestyle brand with an authentic sports heritage that dates back over 100 years. Best known for being the official on-field cap for Major League Baseball, New Era is a significant and fundamental brand in Sports, Fashion and Culture. It is globally recognised for its headwear collections, but also has comprehensive product offerings in apparel and accessories for men, women and youth. NEC has a myriad of licensed entities from various sports, entertainment and fashion properties, in addition to its own branded product. The fourth-generation family-owned business is headquartered in Buffalo, N.Y. and operates facilities in Canada, Europe, Brazil, Japan, Mexico, Australia, Korea and Hong Kong. As mentioned in NEC's website, in 2016, NEC became the official on court cap of the NBA, making NEC the only brand in sports history to have exclusive on-field, sideline and on court headwear rights for all three major U.S. leagues at the same time. New Era is a visionary brand, driven by innovation and originality in its quest to always create the very best product supported by world class marketing.

NEC is one of the most well-established and important customers of the Group. The supply of Products to NEC Group has generated significant profitable business to the Group in recent years. The Previous Manufacturing Agreement will expire by 31 December 2024. By entering into the Framework Agreement, the Company is able to continue to derive benefit from supply of the Products to the Purchasers. The transactions contemplated under the Framework Agreement can also promote the synergies and benefits for both the Company and NEC.

The terms of the Framework Agreement were negotiated between the parties at arm's length. In view of the benefits derived from the transactions under the Framework Agreement, the Directors (including the independent non-executive Directors who have taken into account the advice of Alliance Capital, but excluding Mr. James S. Patterson who the Board considered to have a material interest in the Framework Agreement) are of the view that the Framework Agreement is on normal commercial terms, is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

As NEHK owned 83,581,050 Shares (representing about 19.48% of the issued share capital of the Company) as at the Latest Practicable Date, it is a connected person of the Company under the Listing Rules. As the Transactions (the supply of Products by the Group under the Framework Agreement) involves provision of goods on a continuing or recurring business and in the ordinary and usual course of business of the Group, the Transactions constitute continuing connected transactions of the Company under the Listing Rules. NEHK, its ultimate beneficial owners and their respective associates are required to abstain from voting in a general meeting in respect of resolution proposed for approval of the above continuing connected transactions.

As the proposed New Caps of Transactions will exceed the thresholds set out in Rule 14A.76(2) of the Listing Rules, the Framework Agreement and the Transactions (including the proposed New Caps) will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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As Mr. James S. Patterson is an executive Director appointed by NEC and has material interest in the Framework Agreement, he has abstained from voting on the board resolution approving the Framework Agreement and the proposed New Caps. Save for disclosed, none of the Directors have material interest in the transactions contemplated under the Framework Agreement or need to abstain from voting on the board resolution approving the Framework Agreement and the New Caps.

Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Framework Agreement and the New Caps. Alliance Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Framework Agreement and the transactions contemplated thereunder and the proposed New Caps.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder, whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, there existed no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the SGM in respect of the resolution approving the Framework Agreement and proposed New Caps.

### **SGM**

Set out on pages 43 to 44 of this circular is a notice convening the SGM which will be held at Rooms 2301-2305, 23rd Floor, CTF Life Tower, 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong on Monday, 30 December 2024 at 10:00 a.m. at which a resolution will be proposed to approve the Framework Agreement and the proposed New Caps.

The Framework Agreement and proposed New Caps are subject to, among other things, the approval by the Independent Shareholders at the SGM to be taken by way of a poll. NEHK and its associates shall abstain from voting for the resolution approving the Framework Agreement and the proposed New Caps at the SGM due to their interest in the concerned transactions. Other than the above, no other Shareholders have a material interest in the above transactions and will abstain from voting in respect of the resolution to approve the Framework Agreement and proposed New Caps at the SGM. As at the Latest Practicable Date, NEHK (including its associates) is the holder of 83,581,050 Shares (representing about 19.48% of the issued share capital of the Company).

A form of proxy for the SGM is enclosed. Whether or not you wish to attend the SGM, you are requested to complete the form of proxy and return the same to the office of the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the meeting (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting (or any adjourned meeting) if you so wish.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Independent Board Committee has been established to advise the Independent Shareholders whether the terms of the Framework Agreement and the proposed New Caps are fair and reasonable so far as they are concerned.

Alliance Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter from Alliance Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 36 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 18 of this circular.

The Independent Board Committee, having taken into account the advice of Alliance Capital, is of the opinion that the Framework Agreement together with the proposed New Caps are of normal commercial terms and in the ordinary and usual course of business of the Group, and the Manufacturing Agreement together with the New Caps are fair and reasonable and in the interests of the Company and the Shareholders as whole and recommends the Independent Shareholders to vote in favour of the resolution to be proposed at SGM approving the Framework Agreement and the proposed New Caps.

The Board is of the view that the Framework Agreement and proposed New Caps are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM approving the Framework Agreement and the proposed New Caps.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
By Order of the Board  
**Mainland Headwear Holdings Limited**  
**Ngan Hei Keung**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

12 December 2024

*To the Independent Shareholders*

Dear Sir or Madam,

#### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF SUPPLY OF PRODUCTS

We refer to the circular dated 12 December 2024 issued by the Company (the “Circular”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Framework Agreement and proposed New Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the aforesaid matters, and to recommend how the Independent Shareholders should vote at the SGM. Alliance Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 17 of the Circular, and the letter from Alliance Capital to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Framework Agreement and the proposed New Caps, as set out on pages 19 to 36 of the Circular.

Having taken into account of the advice of Alliance Capital, we consider that the Framework Agreement together with the New Caps are of normal commercial terms and in the ordinary and usual course of business of the Group, and the Framework Agreement together with the proposed New Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Framework Agreement and the proposed New Caps.

Yours faithfully,  
the Independent Board Committee

**Gordon Ng**  
*Independent non-executive  
Director*

**Cheung Tei Sing Jamie**  
*Independent non-executive  
Director*

**Li Yinquan**  
*Independent non-executive  
Director*

\* For identification purpose only

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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*Set out below is a full text of the letter of advice from the Independent Financial Adviser, Alliance Capital Partners Limited to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement and the proposed New Caps, which has been prepared for the purpose of incorporation into this circular.*



Alliance Capital Partners Limited  
同人融資有限公司

12 December 2024

*To: The Independent Board Committee and the Independent Shareholders*

Dear Sir/Madam,

### **RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF SUPPLY OF PRODUCTS**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the proposed New Caps, details of which are set out in the letter from the Board (the “**Board Letter**”) as contained in the circular of the Company dated 12 December 2024 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 11 November 2024, Wintax and the Company of one part and NEC and NEHK of the other part entered into Framework Agreement, pursuant to which NEC appoints the Manufacturer as approved manufacturer for the production and manufacture of Products to the Purchasers (including NEC, affiliates of NEC and purchasers designated by NEC) for the three financial years ending 31 December 2027, which could be extendable for another two years subject to the Independent Shareholders’ approval in a general meeting by the end of 2027.

As NEHK owned 83,581,050 Shares (representing about 19.48% of the issued share capital of the Company) as at the Latest Practicable Date, it is a connected person of the Company under the Listing Rules. As the Transactions (the supply of Products by the Group under the Framework Agreement) involves provision of goods on a continuing or recurring business and in the ordinary and usual course of business of the Group, the Transactions constitute continuing connected transactions of the Company under the Listing Rules (the “**Continuing Connected Transactions**”). Furthermore, as the proposed New Caps of Transactions will exceed the thresholds set out in Rule 14A.76(2) of the Listing Rules, the Framework Agreement and the Transactions (including the New Caps) will be subject to the reporting, announcement and Independent Shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules. NEHK, its ultimate beneficial owners and their respective associates are required to abstain from voting in a general meeting in respect of resolution proposed for approval of the above continuing connected transactions.

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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### THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises nine directors, including six executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, *BBS, JP*, Mr. James S. Patterson, Mr. Ngan Siu Hon, Alexander, Mr. Lai Man Sing, Thomas and Mr. Andrew Ngan; and three independent non-executive Directors, namely Mr. Gordon Ng, Mr. Cheung Tei Sing Jamie and Mr. Li Yinquan.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Gordon Ng, Mr. Cheung Tei Sing Jamie and Mr. Li Yinquan, has been formed to advise the Independent Shareholders as to whether the Framework Agreement are on normal commercial terms, and in ordinary and usual course of business of Group, and the Framework Agreement together with the proposed New Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Alliance Capital has not acted as independent financial adviser or provided other services to the Company in the last two years. Apart from the appointment as independent financial adviser in relation to the Framework Agreement and the New Caps, Alliance Capital is independent of the Group pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or its management and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or its management and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the management of the Group contained in the Circular have been reasonably made after due and careful enquiry. We have been advised by the Group and/its management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or its management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Group and NEC Group.

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# LETTER OF ADVICE FROM ALLIANCE CAPITAL

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## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

### 1. Background information and reasons of the strategic partnership with NEC Group

#### 1.1 Information of the Group

##### *Principal business of the Group*

The Group is principally engaged in manufacture and sales of apparel, small leather goods, bags and accessories. With its major manufacturing plants in Bangladesh, Mexico and Shenzhen, the PRC, the Group manufactures a wide range of licensed casual headwear products, including baseball caps, bucket hats, winter caps, Gatsby hats, headbands and sun visors. The Group produces over 40 million hats annually in more than 5,000 brand new designs, establishing the leading position in the licensed casual headwear market.

##### *Historical financial performance of the Group*

The following is the breakdown of the Group's revenue by the two business segments for each of the three financial years ended 31 December 2023 and the six months ended 30 June 2024, which is extracted from the Company's respective annual reports and interim report:

	Financial year ended 31 December				Six months ended 30 June	
	2020 ("FY2020") HK\$'000 (Audited)	2021 ("FY2021") HK\$'000 (Audited)	2022 ("FY2022") HK\$'000 (Audited)	2023 ("FY2023") HK\$'000 (Audited)	2023 ("6M2023") HK\$'000 (Unaudited)	2024 ("6M2024") HK\$'000 (Unaudited)
Manufacturing	533,728	844,256	1,127,566	821,760	469,233	445,769
Trading	514,278	755,999	746,858	597,234	311,025	241,345
<b>Total Revenue</b>	<b>1,048,006</b>	<b>1,600,255</b>	<b>1,874,424</b>	<b>1,418,994</b>	<b>780,258</b>	<b>687,114</b>

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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	Growth rate			
	FY2020 vs FY2021	FY2021 vs FY2022	FY2022 vs FY2023	6M2023 vs 6M2024
	%	%	%	%
Manufacturing	58.2	33.6	-27.1	-5.0
Trading	47.0	-1.2	-20.0	-22.4
<b>Total Revenue</b>	<b>52.7</b>	<b>17.1</b>	<b>-24.3</b>	<b>-11.9</b>

### *FY2021 compared to FY2020*

The Group's revenue increased from approximately HK\$1,048.0 million for FY2020 to approximately HK\$1,600.2 million for FY2021, representing an increase of approximately 52.7%. The increase was mainly attributable to the increase in the revenue generated from manufacturing business and trading business of approximately 58.2% and 47.0%, respectively.

As disclosed in the annual report for FY2021 ("**FY2021 Annual Report**"), the growth in the manufacturing business was mainly attributable to the rapid rebound in customer purchases, supported by the increased production capacity of its Bangladesh factory.

According to the FY2021 Annual Report, most of the Group's products are sold to the US, Europe and the PRC markets, which represented approximately 89.0%, 7.4% and 1.4% of the Group's total revenue for FY2021 respectively. Amongst the customers in the Group, approximately HK\$360.1 million and HK\$576.1 million of revenue was derived from NEC Group for FY2020 and FY2021, respectively. NEC was the largest customer of the Group and contributed approximately 34.4% and 36.0% of the Group's revenue for FY2020 and FY2021, respectively.

### *FY2022 compared to FY2021*

For FY2022, the Group's revenue increased by approximately 17.1% to approximately HK\$1,874.4 million when compared to that of approximately HK\$1,600.3 million for FY2021. As set out in the annual report for FY2022 ("**FY2022 Annual Report**"), the increase was mainly attributable to the increase in revenue from manufacturing segment which was mainly because the factory in Bangladesh boosted production efficiency during the year by adding manpower and optimizing project management.



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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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### *FY2023 compared to FY2022*

The Group's revenue decreased from approximately HK\$1,874.4 million for FY2022 to approximately HK\$1,419.0 million for FY2023. The decrease was mainly attributable to the decrease in the revenue generated from manufacturing business and trading business of approximately 27.1% and 20.0%, respectively.

As disclosed in the annual report for FY2023 ("**FY2023 Annual Report**"), the sluggish manufacturing business was mainly attributable to (i) significant slow purchasing activity as retailers in Europe and the United States were still digesting previous year's inventory backlog; and (ii) suppressed customer sentiment by factors such as interest rate hikes, resulting in a weak retail market.

According to the FY2023 Annual Report, most of the Group's products were sold to the US, Europe and the PRC markets, which represented approximately 86.7%, 10.5% and 0.7% of the Group's total revenue for FY2023 respectively. Amongst the customers in the Group, approximately HK\$761.9 million and HK\$598.7 million of revenue was derived from NEC Group for FY2022 and FY2023 respectively. NEC was the largest customer of the Group and contributed approximately 40.6% and 42.2% of the Group's revenue for FY2022 and FY2023 respectively.

### *6M2024 compared to 6M2023*

The Group's revenue decreased by approximately 11.9% for 6M2024 when compared to that of 6M2023. As stated in the interim report for 6M2024 ("**FY2024 Interim Report**"), the decrease was mainly attributable to (i) the weak retail consumer confidence in Europe and the US, as well as slow sales as major customers were still reducing the large inventories amassed previously; and (ii) decrease in production and sales volume at the Bangladesh factory when compared to the same period in the previous year as there were two major traditional festivals concentrated in the first half of the year, hence raising the number of days off during such period.

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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### *1.2 Information of NEC*

New Era is an international lifestyle brand with an authentic sports heritage that dates back over 100 years. Best known for being the official on-field cap for Major League Baseball, New Era is a significant and fundamental brand in Sports, Fashion and Culture. It is globally recognized for its headwear collections, but also has comprehensive product offerings in apparel and accessories for men, women and youth. NEC has a myriad of licensed entities from various sports, entertainment and fashion properties, in addition to its own branded product. The fourth-generation family-owned business is headquartered in Buffalo, N.Y. and operates facilities in Canada, Europe, Brazil, Japan, Mexico, Australia, Korea and Hong Kong. As mentioned in NEC's website, in 2016, NEC became the official on court cap of the NBA, making NEC the only brand in sports history to have exclusive on-field, sideline and on court headwear rights for all three major U.S. leagues at the same time. New Era is a visionary brand, driven by innovation and originality in its quest to always create the very best product supported by world class marketing.

NEC is a leading licensee and marketer of sports and fashion headwear and apparel in the United States. It is one of the most well-established and important customers of the Group. The supply of Products to NEC Group has generated significant profitable business to the Group in recent years.

### *1.3 Reasons for the Framework Agreement and strategic alliance with NEC*

As stated in the Board Letter, the Previous Manufacturing Agreement will expire on 31 December 2024 unless the Company can obtain the approval of the Independent Shareholders for the Framework Agreement. By entering into the Framework Agreement, the Company is able to continue to derive benefit from supply of the Products to the Purchasers.

The terms of the Framework Agreement were negotiated between the parties at arm's length. In view of the benefits derived from the transaction, the Directors (excluding Mr. James S. Patterson who the Board considered to have a material interest in the Framework Agreement) are of the view that the Framework Agreement is on normal commercial terms, is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

We have discussed with the management of the Group (the "**Management**") and noted that NEC has been one of the major customers of the Group. NEC Group contributed about 40.6% and 42.2% of the Group's revenue for FY2022 and FY2023, respectively, as mentioned above.

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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In this connection, the Framework Agreement enables the Group to maintain the long-term business relationship with NEC, the Group's largest customer. Furthermore, the Group will be able to secure a substantial amount of purchase orders and maintain recurring and promising income for the manufacturing business from the Group's largest customer for the three financial years ending 31 December 2027.

After considering the factors above, we are of the view that the Framework Agreement with NEC is in the interest of the Company and Shareholders as a whole.

### 2. The Framework Agreement

References are made to the Company's announcement and circular dated 26 July 2022 and 6 October 2022 respectively in relation to continuing connected transactions under the Previous Manufacturing Agreement. On 31 October 2022, the Company obtained the approval of Independent Shareholders of the extension of the Previous Manufacturing Agreement and the annual caps for the continuing connected transactions for the three years ending 31 December 2024. The Previous Manufacturing Agreement will be expired on 31 December 2024.

On 11 November 2024, Wintax and the Company of one part (where Wintax and the Company are together referred to hereinafter as "**Manufacturer**") and NEC and NEHK of the other part entered into the Framework Agreement, pursuant to which NEC appoints the Manufacturer as approved manufacturer for the production and manufacture of Products to the Purchasers (including NEC, affiliates of NEC and purchasers designated by NEC, collectively referred to hereinafter as "**Purchasers**").

#### 2.1 Summary of principal terms of the Framework Agreement

##### *Term*

Effective Date to 31 December 2027 ("**Initial Term**"), which could be extendable for the Extended Term (i.e. an additional term of two years from 1 January 2028 through 31 December 2029)

##### *Transactions*

Under the Framework Agreement, the Purchasers agreed to purchase Products (comprising headwear products) which are supplied and manufactured by the Manufacturer for the Initial Term, which could be extendable for another two years subject to the Independent Shareholders' approval in SGM by the end of 2027, with the related particulars (such as specifications, quantity, pricing and delivery schedule of the Products) set forth in the purchase orders as agreed in writing by the respective Purchaser and the Manufacturer from time to time.

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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### *Payment terms*

The Manufacturer issues to the respective Purchaser an invoice on the Products upon the delivery of the Products. The Purchaser makes payment to the Manufacturer within 60 days from the date of issue of invoice. In accordance with the usual practice adopted by the Group, there is no requirement on initial deposit to be paid by the Purchasers given the reputation of the Purchasers and the other terms of the supply of the Products under the Framework Agreement.

We have discussed with the Management and understand that the credit period of 60 days provided to NEC is generally in line with credit period of the other independent customers of the Group's manufacturing business. We have also reviewed invoices of other independent customers and noted that more than half of the top five customers (excluding NEC) have credit period of 60 days or longer. Having considered the above, we are of the view that the payment term of 60 days is reasonable.

Furthermore, based on our discussion with the Management, we noted that the finance department will check the aging report of account receivables every month to review customers' settlement status. We noticed from such aging reports that there were overdue account receivables from the Purchasers, mainly for less than 30 days. However, based on our discussion with the Management, we are given the understanding that the Group does not expect to experience material recoverability issue for such overdue account receivables in view of the following:

- (i) the finance team actively reach out its debtors regarding overdue account receivables to seek for payment arrangement;
- (ii) if the Purchasers fail to pay in accordance with the payment term, the finance department will report to a committee ("**Committee**") consisting of the executive Directors and chief financial officer of the Company for close monitoring of the payment and consideration of further appropriate action.

### *Minimum Annual Consideration*

The Minimum Annual Consideration during the term of the Framework Agreement is agreed to be US\$65 million. When the parties consider that this amount of Minimum Annual Consideration should be changed due to change in circumstances, the parties shall negotiate in good faith and come to consensus on the revision of the Minimum Annual Consideration.

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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Reference is made to pages 17 and 18 in the Company's circular dated 6 October 2022 on the renewal of continuing connected transactions. It is understood that NEC has established a knowledge, skills, abilities and performance rating ("**KSAP Rating**") for its manufacturers and suppliers. At the end of each Annual Period ("**Prior Annual Period**"), the Minimum Annual Consideration for the immediate subsequent Annual Period will be calculated based upon the following formula:

= Prior Annual Period's Minimum Annual Consideration + KSAP Rating Adjustment (as illustrated below) based on the KSAP Rating for the Prior Annual Period

<b>KSAP Rating</b>	<b>Adjustment amount</b>
Role Model	+US\$2,000,000
Proficient	+US\$1,000,000
Average	0
Needs Improvement	-US\$3,000,000

It is expected that NEC will continue to adopt the KSAP Rating to evaluate the performance of the Manufacturer. The relevant parties will negotiate in good faith on any proposed adjustments to the Minimum Annual Consideration based on the results of such evaluation.

### *Pricing policy and internal control*

The price of the Products can only be determined in the purchase orders as issued by the Purchasers and accepted by the Manufacturer later (not on the date of the Framework Agreement) as the price of the Products will depend on other variables (such as complexity of specifications, quantity of the Products, and the prevailing market price of similar products and each step in the manufacture of the similar products) to be determined at the stage of issuance of purchase orders.

The price of the Products is determined by the parties on normal commercial terms and by arm's length's negotiation. The more complicated the specification is, the higher the production cost and price of the Products are. While the price of the Products may be reduced with the increase in the quantity of the Products, the price of the Products is also determined between the Purchasers and the Manufacturer with reference to the prevailing market price of similar products, being comparable prices offered by the Group to independent third party for similar products having taken into account the technology and quality of the products.

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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The management of the Manufacturer would regularly conduct market research and gather relevant information to ascertain the prevailing market price of similar products, and would review the comparable prices for the similar products in each case to ensure there are sufficient comparable prices to which it could refer to. For example, the management will (i) obtain quotations from other manufacturers with similar capacity and capability as the Group or which may engage in competition with the Group for price comparison on at least a seasonal basis; and (ii) analyze and compare the retail price of similar products offered by a variety of retailers, ranging from upper-tier retailers to mass retailers and specialty stores.

In the event that there are no sufficient comparable prices for similar products offered by the Group or there are no similar products in the market, the Manufacturer has to substantially rely on other factors (such as cost for supply and manufacture of the Products and mark-up rate) for the determination of the prices of the Products. Since these products typically involve special processing methods during the course of manufacturing, tight manufacturing schedule, unique designs for a particular event or campaign, or relatively smaller order size, the actual price offered by the Manufacturers may vary significantly on a case-by-case basis.

As far as we understand, the price for the Products shall be determined fairly in accordance with costs, resources and technology with reference to the market practices and prices. Prices of the Products will effectively be determined by an arm's length negotiation with relevant purchasers, which considers the quality and technical skills required for manufacture of the Products, and volume of the Products to be purchased. Being in line with the practices of the Group, prices will be negotiated with reference to the costs, resources and technical skills required for manufacture of the Products, which may vary according to the different periods of time, despite the long history of supplying goods to NEC Group by the Group.

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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In order to assess whether cost-plus pricing model is one of the pricing mechanisms adopted in the market, we have conducted research (“**Research**”) based on the information publicly available on the website of the Stock Exchange on companies which (i) are listed on the Stock Exchange; (ii) are in apparel industry; and (iii) published announcements with respect to continuing connected transaction from 12 November 2023 to 11 November 2024. On our best effort basis, we have identified five comparable companies (“**Comparable Companies**”) that announced continuing connected transactions involving cost-plus pricing model for apparel-related products. The five Comparable Companies mentioned above are set out below:

<b>Comparable companies</b>	<b>Stock Code</b>	<b>Date of announcement</b>
Luen Thai Holdings Limited	311	8 December 2023
Dickson Concepts (International) Limited	113	26 March 2024
KNT Holdings Limited	1025	18 April 2024
JNBY Design Limited	3306	3 June 2024
Grown Up Group Investment Holdings Limited	1842	1 November 2024

Based on the above, we consider that the cost-plus pricing model is not uncommon in the market.

Due to the proprietary nature of the Products under the Framework Agreement, none of the Products under the Framework Agreement has a fixed unit price or standard price, or has a published reference price, the Group will determine and monitor the prices of the Products for each purchase order based on the following mechanism and internal control procedures to safeguard transactions which are under normal commercial terms, and no less favourable than those offered to independent customers:

- (i) the Manufacturer adopts a cost-plus pricing system to determine the Products’ preliminary price (the “**Preliminary Pricing**”). When the Manufacturer receives particulars of a purchase order, it will estimate (i) the costs for the supply and manufacture of the ordered Products; and (ii) the mark-up rate after taking into account of specifications, cost of materials, quantity and delivery schedule for the ordered Products, market supply and demand, the prevailing market price of similar products, and the gross profit margin of the Manufacturer’s similar products. With the estimated costs and mark-up rate of the ordered Products, the Manufacturer arrives at a preliminary price for such Products;

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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- where there are similar products of the Manufacturer or similar products in the market, the Manufacturer will rely on comparable prices offered by the Manufacturer to at least two independent third parties and the prevailing market price of similar products in the market, which will form the foundation for determining the preliminary price of the Products. In order to safeguard the interests of the Manufacturer, such information will be updated regularly through the market research conducted by the management of the Manufacturer. Subsequently, as part of the Preliminary Pricing, the Manufacturer further takes into account, among others, any adjustment in the cost of materials and labour, size of the purchase order, delivery schedule as well as the then capacity of the Manufacturer;
  - where there are no sufficient comparable prices for similar products of the Manufacturer or similar products in the market, the Manufacturer will rely on other factors in the Preliminary Pricing, such as the costs of the Products. As mentioned above, these Products typically differentiate themselves from other Products in terms of manufacturing complexity, quantity and designs. It is impractical for the Manufacturer to place specific reliance on any individual factor under the Preliminary Pricing. Instead, the Manufacturer generally adopts an ad hoc analysis in respect of the relevant purchase order on a case-by-case basis by considering all the circumstances with reference to the Preliminary Pricing. The preliminary price of the Products derived therefrom are subject to the evaluation of the senior management and regular review as illustrated below;
- (ii) the Sales & Marketing Director in the Sales & Marketing Department of the Manufacturer reviews and finalizes the price for the ordered Products in every new order and reviews the prices of the Products for repeated orders at least once every year to ensure that the Products' price is consistent with the prevailing market price of similar products and is no less favourable to the price of similar products offered to the independent customers;
- (iii) a Committee consisting of the executive Directors and chief financial officer of the Company has been set up to conduct a monthly review on the gross profit margin by customer to ensure that the price offered to the Purchasers is in line with the price offered to the independent customers and to provide guidance to the pricing of the Products; and



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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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- (iv) the Finance Department of the Manufacturer checks the ageing report of account receivables every month to review customers' settlement status. If the Purchasers fail to pay in accordance with the payment term, the Finance Department reports to the Committee for closely monitoring of the payment and consideration of further appropriate action.

Besides, the independent non-executive Directors will review the Framework Agreement and the Transactions on an annual basis, and the Company will engage its auditors to report on the continuing connected transactions contemplated under the Framework Agreement on an annual basis and provide a letter to the Board confirming whether anything has come to their attention. Please refer to the section headed "3. Requirements of the Listing Rules on the Continuing Connected Transactions" in this letter for more details.

After taking into account of the above price setting and reviewing process, the Directors are of the view that the Manufacturer has an adequate internal control system to safeguard that the price of the Products is determined by the parties on normal commercial terms and by arm's length negotiation, and no less favourable than those offered to independent customers.

In assessing the adequacy of the internal control system, we have reviewed one sample copy of invoice every month which are of the largest invoice of the month for one year period from September 2023 to August 2024, totaling 12 samples, entered into between the Group and the Purchasers. We have also reviewed the relevant cost sheets in respect of the historical transactions between the Group and the Purchasers and 12 samples copies of invoices and relevant cost sheets entered into between the Group and other two independent customers in respect of the supply of similar Products from the Group. Based on our review, we noted that where there are no sufficient comparable prices for similar products of the Manufacturer or similar products in the market, the prices of the products provided by the Group are using cost-plus pricing system, besides, the pricing of the products sold by the Group to the Purchasers were on normal commercial terms and no less favourable than those offered by the Group to the independent customers. As mentioned above, based on our Research, it is not uncommon for companies in the apparel industry to use cost-plus pricing model. Therefore, we consider that it is fair and reasonable for the Manufacturer to use the cost-plus pricing model where there are no sufficient comparable prices for similar products of the Manufacturer or similar products in the market. Furthermore, we have reviewed the copies of monthly gross profit margin review for each month during the period from September 2023 to August 2024. We noted that the monthly gross profit margins of Products sold to the Purchasers were generally in line with the profit margin of the independent customers.

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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Based on our review of (i) the selected sample copies of invoices entered into between the Group, the Purchasers and other two independent customers; and (ii) the relevant cost sheets in respect of the historical transactions between the Group, the Purchasers and other two independent customers, we consider the selected samples are sufficient for us to understand the Products' pricing mechanism with the Purchasers and other independent customers. Therefore, we consider that the selected samples are representative and sufficient for assessing the fairness and reasonableness of the pricing mechanism.

Having considered the steps to ensure the prices offered to the Purchasers are no less favourable than those offered by the Group to independent customers as mentioned above, we concur with the Directors' view that the internal control system is adequate.

Having considered the above, we are of the view that the Framework Agreement is in the interests of the Company and Shareholders as a whole and in the ordinary and usual course of business of the Group, and the terms of the Framework Agreement are fair and reasonable.

### 2.2 *Proposed New Caps*

#### *Historical transaction amounts and approved annual caps*

Set out below are the summary of (i) the approved annual caps for the three years ending 31 December 2024; and (ii) the historical amounts of the Transactions for FY2022 and FY2023 and the annualized figure based on the amount for 6M2024:

		<b>FY2022</b>	<b>FY2023</b>	<b>Annualized</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<b>FY2024</b>
				<i>HK\$'000</i>
Approved annual caps	(A)	895,000	1,239,000	1,278,000
Historical transaction amounts	(B)	761,903	598,728	630,934 <sup>(Note)</sup>
Growth rate of the historical transaction amounts		32.2%	-21.42%	5.4%
Actual utilization ratio of annual caps	C = (B)/(A)	85.1%	48.3%	49.4%

*Note:*

Annualized transaction amount of approximately HK\$630.93 million for the financial year ending 31 December 2024 ("**Annualized FY2024**") is calculated by annualizing the amount of approximately HK\$315.47 million for 6M2024.

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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### *Proposed New Caps*

The following table sets forth the proposed New Caps and the growth rate of the New Caps for the three financial years ending 31 December 2027:

	<b>Financial year ending 31 December 2025 ("FY2025")</b>	<b>Financial year ending 31 December 2026 ("FY2026")</b>	<b>Financial year ending 31 December 2027 ("FY2027")</b>
<b>(Amount in HK\$)</b>			
Proposed New Caps	1,093,323,000	1,202,656,000	1,322,919,000
	<b>FY2024 vs FY2025</b>	<b>FY2025 vs FY2026</b>	<b>FY2026 vs FY2027</b>
Growth rate of the proposed New Caps	-27.2%	10.0%	10.0%

The proposed New Caps for each of financial year ending 31 December 2025, 31 December 2026 and 31 December 2027 are HK\$1,093,323,000, HK\$1,202,656,000 and HK\$1,322,919,000, respectively. The proposed New Cap for FY2025 is approximately 27.2% lower than that for FY2024, and the proposed New Caps for FY2026 and FY2027 are 10.0% higher than that for their respective previous year.

The utilization rates of the annual caps for FY2022, FY2023 and FY2024 are approximately 85.1%, 48.3% and 49.4%, respectively. As discussed with the Management, we understand that the low utilization rates for FY2023 and FY2024 was mainly due to the decrease in transaction amounts for FY2023 when compared to that in FY2022 and the slight increase in annualized transaction amount for Annualized FY2024 when compared to transaction amounts for FY2023. The transaction amounts for FY2023 and Annualized FY2024 were mainly affected by the weak retail consumer confidence in Europe and the US, as well as slow sales as NEC was still reducing the large inventories amassed previously.

We note that NEC announced the completion of its acquisition of '47, a privately held premium sports lifestyle brand offering apparel and headwear, in August 2024. '47 is also an official licensee of Major League Baseball, the National Basketball Association, the National Football League, the National Hockey League, the National Association for Stock Car Auto Racing LLC, over 900 collegiate programs and many international football clubs. As discussed with the Management, the Company anticipates an increase in transaction amount with NEC Group for FY2025, which will be driven by the acquisition of '47 by NEC.

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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As discussed with the Management, we noted that the proposed New Caps were determined having considered the internal budget plan of the Group and the general buffer. The internal budget plan of the Group for FY2025 is determined based on the indication of estimated orders from NEC Group for FY2025 and internal assessment of the preliminary pricing of the Products, which amounts to approximately HK\$950,716,000. Furthermore, a general buffer of 15% was added to the estimated order from NEC Group for FY2025, which was determined having considered the historical growth of the sales amount with NEC (with a compound annual growth rate (“CAGR”) of approximately 18.5% from FY2020 to FY2023).

Notwithstanding that the historical utilization rates of the historical annual caps for FY2023 and Annualized FY2024 are low, having considered that the potential increase in orders from NEC followed by NEC’s acquisition of ’47 and the indication of estimated orders from NEC Group, as well as the general buffer of 15% which was determined having considered the historical growth of the sales amount with NEC from FY2020 to FY2023, we concur with the Director’s view that the proposed New Caps for FY2025 is reasonable.

In addition, we note that the proposed New Caps for FY2026 and FY2027 are 10.0% higher than that for FY2025. We understand from the Management that it has considered the historical growth rate of sales to NEC Group. As mentioned above, the CAGR of sales amount from NEC Group is approximately 18.5% from FY2020 to FY2023. Having considered the above, we concur with the Directors’ view that the growth rates of the annual cap for FY2026 and FY2027 are reasonable.

Having considered the above, we are of the view that the proposed New Caps are fair and reasonable.

### **3. Requirements of the Listing Rules on the Continuing Connected Transactions**

Pursuant to Rules 14A.50 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report that the Continuing Connected Transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
  - (i) have received the approval of the Board;
  - (ii) are, in all material respects, in accordance with the pricing policies of the Group;
  - (iii) have been entered into, in all material respects, in accordance with the terms of the relevant agreements governing the Continuing Connected Transactions; and
  - (iv) have not exceeded the proposed New Caps;
- (c) the Company shall allow, and shall procure the relevant counterparties to the Continuing Connected Transactions to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the amount of the Continuing Connected Transactions by way of the proposed New Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the Continuing Connected Transactions and the proposed New Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders. The Management has confirmed that the Group has implemented the following on-going measures to ensure its actual Transactions under the Framework Agreement will not exceed the proposed New Caps:

- (i) sales and marketing department will update the purchase orders received from the Purchasers at the end of each month and monitor the utilization ratio of the proposed New Caps to ensure the Transactions do not exceed the New Caps, and provide such information to the Committee;
- (ii) finance accounting department will review the sales transactions with the Purchasers at the end of each month and monitor the utilization ratio of the proposed New Caps to ensure the Transactions do not exceed the New Caps;

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## LETTER OF ADVICE FROM ALLIANCE CAPITAL

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- (iii) the Committee will report to the Board once the utilization ratio reaches 65% and will then closely monitor the sales amount to ensure the proposed New Caps will not be breached; and
- (iv) in the event that the proposed New Caps may be exceeded, the Company will seek approval from the Independent Shareholders for the revision of proposed New Caps.

### RECOMMENDATION

Having considered all the above-mentioned principal factors and reasons, we are of the opinion that the Framework Agreement is on normal commercial terms, and in the ordinary course of business of the Group, and the terms thereof as well as the proposed New Caps are fair and reasonable, and in the interests of Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Framework Agreement and the proposed New Caps at the SGM.

Yours faithfully,  
For and on behalf of  
**Alliance Capital Partners Limited**  
**Alyssa Ng**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests and short positions of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) contained in the Listing Rules, were as follows:

#### *Long positions in Shares and underlying Shares of the Company*

Name of Director	Number of Shares		Number of Underlying shares	Total	Percentage of interest
	Personal interest	Other interest			
Mr. Ngan Hei Keung	–	232,583,400 <i>(notes 1, 2)</i>	47,040,000 <i>(notes 3, 4)</i>	279,623,400	65.23%
Madam Ngan Po Ling, Pauline <i>BBS, JP</i>	39,698,400 <i>(note 2)</i>	192,885,000 <i>(note 1)</i>	47,040,000 <i>(notes 3, 4)</i>	279,623,400	65.23%
Mr. James S. Patterson	–	–	1,050,000 <i>(note 5)</i>	1,050,000	0.24%
Mr. Ngan Siu Hon, Alexander	–	–	2,100,000 <i>(note 6)</i>	2,100,000	0.49%
Mr. Lai Man Sing, Thomas	–	–	1,050,000 <i>(note 7)</i>	1,050,000	0.24%

*Notes:*

- (1) 192,885,000 shares are legally and beneficially owned by Successful Years International Co., Ltd., a company ultimately and beneficially owned by Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline as to 40% and 60% respectively.
- (2) The 39,698,400 shares are beneficially owned by Madam Ngan, Pauline, the spouse of Mr. Ngan Hei Keung.
- (3) Pursuant to the contingent purchase deed renewed on 22 November 2019 between Mr. Ngan Hei Keung, Madam Ngan and New Era Cap Hong Kong LLC (“NEHK”), NEHK is entitled to require Mr. Ngan and Madam Ngan to purchase up to 39,800,000 shares on the terms and conditions of the said deed. The number of underlying shares has been adjusted to 41,790,000 after adjustment for bonus shares issued in June 2022.
- (4) Mr. Ngan Hei Keung and Madam Ngan are entitled to subscribe for 2,100,000 shares and 3,150,000 shares respectively pursuant to the outstanding options granted under the Company’s share options scheme.
- (5) Mr. James S. Patterson is entitled to subscribe for 1,050,000 shares pursuant to the outstanding options granted under the Company’s share options scheme.
- (6) Mr. Ngan Siu Hon, Alexander is entitled to subscribe for 2,100,000 shares pursuant to the outstanding options granted under the Company’s share options scheme.
- (7) Mr. Lai Man Sing is entitled to subscribe for 1,050,000 shares pursuant to the outstanding options granted under the Company’s share options scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.



**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders**

So far as is known to the Directors and the chief executive, as at the Latest Practicable Date, the following person (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the issued voting shares at general meetings of any member of the Group:

*Long positions in Shares and underlying Shares*

Name	Capacity	Number of Shares	Percentage of interest
Madam Ngan Po Ling, Pauline, <i>BBS, JP</i>	Beneficial owner	39,698,400	9.25%
	Interest of a controlled corporation ( <i>note 1</i> )	192,885,000	44.94%
	Total	232,583,400	54.19%
Successful Years International Co., Ltd. ( <i>note 1</i> )	Beneficial owner	192,885,000	44.94%
Mr. Christopher Koch ( <i>note 2</i> )	Interest of a controlled corporation	83,581,050	19.48%
NEHK ( <i>note 2</i> )	Beneficial owner	83,581,050	19.48%

*Notes:*

1. Successful Years International Co., Ltd. is owned by Mr. Ngan Hei Keung and Madam Ngan as to 40% and 60% respectively. The interests of Mr. Ngan and Madam Ngan in the Shares and underlying Shares of the Company have been disclosed in the section 2(a) of this Appendix. Mr. Ngan and Madam Ngan are directors of Successful Years International Co., Ltd.
2. Mr. Christopher Koch owns 75% of the issued share capital of NEHK. As such, Mr. Christopher Koch is deemed to be interested in the 83,581,050 shares.

*Short positions in the underlying Shares:*

Name	Number of underlying Shares	Percentage of interest
Mr. Christopher Koch	41,790,000 ( <i>note</i> )	9.74%
NEHK	41,790,000 ( <i>note</i> )	9.74%

*Note:*

Pursuant to the contingent purchase deed renewed on 22 November 2019 between Mr. Ngan Hei Keung, Madam Ngan and NEHK, NEHK is entitled to sell up to 39,800,000 shares to Mr. Ngan and Madam Ngan on the terms and conditions of the said deed. In view of Mr. Koch's 75% shareholding interest in NEHK, Mr. Koch is also taken to have interest in short position of 39,800,000 underlying shares. The number of underlying shares have been adjusted for bonus shares issued in June 2022

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the issued voting shares at general meetings of any member of the Group.

### 3. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or their respective close associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Company were made up.

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant to the business of the Group.

### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

## 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest audited financial statements of the Company were made up.

## 6. EXPERT

Alliance Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which they appear.

The following is the qualification of the expert who has provided its advice, which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Alliance Capital	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO

As at the Latest Practicable Date, Alliance Capital was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2023), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

**7. MISCELLANEOUS**

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the head office and principal place of business in Hong Kong of which is at Room 2301-2305, 23rd Floor, CTF Life Tower, 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The principal share registrar and transfer office of the Company is Conyers Corporate Services (Bermuda) Limited at 6 Front Street, Hamilton HM 11, Bermuda. and the Hong Kong branch share registrar and transfer office of which is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The company secretary of the Company is Ms. Chan Hoi Ying who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

**8. DOCUMENTS ON DISPLAY**

A copy of the following document will be published on the website of the Company at (<http://www.mainland.com.hk>) and the website of the Stock Exchange at ([www.hkexnews.hk](http://www.hkexnews.hk)) for a period of not less than 14 days from the date of this circular:

- (i) the Framework Agreement.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)

**NOTICE IS HEREBY GIVEN** that the Special General Meeting (the “SGM”) of Mainland Headwear Holdings Limited (the “Company”) will be held at Rooms 2301-2305, 23rd Floor, CTF Life Tower, 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong at 10:00 a.m. on Monday, 30 December 2024 for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

**“THAT:**

- (a) the framework agreement (the “**Framework Agreement**”) dated 11 November 2024 between Wintax Trading Limited (a wholly owned subsidiary of the Company) and the Company of one part (collectively, “**Manufacturer**”) and New Era Cap, Inc. (“**NEC**”) and New Era Hong Kong, LLC of the other part in relation to the appointment of the Manufacturer as approved manufacturer for the production and manufacture of products to the purchasers (including NEC, affiliates of NEC and purchasers designated by NEC) for an initial term of three years from 1 January 2025 through 31 December 2027 and all the transactions contemplated in the Framework Agreement are hereby approved, confirmed and ratified (details of the Framework Agreement are set out in the Company’s circular dated 12 December 2024 (the “**Circular**”), copies of the Framework Agreement and the Circular have been tabled at the meeting and marked “A” and “B” initialed by the chairman of the SGM for identification purpose);
- (b) the proposed New Caps (as defined and more particularly described in the Circular) be and are hereby approved and confirmed; and
- (c) the directors of the Company, acting together, individually or by committee, be and are hereby authorised to take such actions, do such things and execute such further documents or deeds which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to and/or to implement the transactions contemplated under the Framework Agreement.”

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

Hong Kong, 12 December 2024

\* for identification purpose only

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

1. A member of the Company entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the Bye-Laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the SGM is enclosed. In order to be valid, the form of proxy should be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, at the office of the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours (i.e. 10:00 a.m. on Saturday, 28 December 2024) before the time for holding the SGM or adjourned meeting. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.

*As at the date hereof, the Board of Directors of the Company comprises nine directors, of which six are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, BBS, JP, Mr. James S. Patterson, Mr. Ngan Siu Hon, Alexander, Mr. Lai Man Sing, Thomas and Mr. Andrew Ngan; and three are Independent Non-executive Directors, namely Mr. Gordon Ng, Mr. Cheung Tei Sing Jamie and Mr. Li Yinquan.*