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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 THE CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF SUPPLY OF PRODUCTS (1) EXTENSION OF THE MANUFACTURING AGREEMENT FOR THE EXTENDED TERM; AND (2) PROPOSED NEW CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2024

Extension of Manufacturing Agreement and proposed New Caps

The Manufacturing Agreement will expire on 31 December 2022 unless the Company can obtain the approval of the Independent Shareholders for the Extension of Manufacturing Agreement.

In addition, based on the internal estimate of the demand and operating conditions of the Group, the Directors are of the view that the existing annual cap for the financial year ending 31 December 2022 in relation to the supply transactions contemplated under the Manufacturing Agreement will not be sufficient for the Group's current requirements and therefore propose to revise the existing annual cap for the financial year ending 31 December 2022 to HK\$895,000,000.

The Company intends to convene the SGM to obtain the approval of the Independent Shareholders for, among others, the Extension of Manufacturing Agreement and the transactions contemplated thereunder (including the proposed New Caps).

Implications under the Listing Rules

As NEHK is a substantial shareholder of the Company, the Transactions (the supply of Products by the Group under the Manufacturing Agreement) constitute continuing connected transactions of the Company under the Listing Rules.

* *For identification purpose only*

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

Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Manufacturing Agreement is on normal commercial terms, and in ordinary and usual course of business of the Group, and the Extension of Manufacturing Agreement together with the proposed New Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Alliance Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in this regard.

A circular containing, among other things, further information about the Extension of Manufacturing Agreement and the New Caps, the letter from Alliance Capital to the Independent Board Committee and the Independent Shareholders, and the recommendation from the Independent Board Committee together with the notice of the SGM will be despatched to the Shareholders in accordance with the Listing Rules on or before Tuesday, 16 August 2022.

INTRODUCTION

Reference is made to the Company's announcement and circular dated 22 November 2019 and 10 December 2019 respectively in relation to continuing connected transactions under the Manufacturing Agreement. On 27 December 2019, the Company obtained the approval of Independent Shareholders regarding the Manufacturing Agreement and the annual caps for the continuing connected transactions for the three years ending 31 December 2022. The Manufacturing Agreement can be extended for the Extended Term upon obtaining the approval of the Independent Shareholders for the Extension of Manufacturing Agreement together with the annual caps in relation to supply of the Products under the Manufacturing Agreement for the Extended Term.

The approved annual cap for the Transactions for the financial year ending 31 December 2022 amounted to HK\$706,035,000 (the "**Original Cap**"). Based on the internal estimate of the demand and operating conditions of the Group, the Directors are of the view that the existing annual cap for the financial year ending 31 December 2022 in relation to the Transactions will not be sufficient for the Group's current requirements and therefore propose to revise the Original Cap.

MANUFACTURING AGREEMENT

On 22 November 2019, Wintax and the Company of one part and NEC and NEHK of the other part entered into the Manufacturing Agreement, pursuant to which NEC designates and appoints the Manufacturer as approved manufacturer for the manufacture of the Products and the supply of the Products to the Purchasers with minimum purchase commitments for the five financial years ending 31 December 2024.

Summary of principal terms of the Manufacturing Agreement

Date: 22 November 2019

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

Term: 1 January 2020 to 31 December 2022, which can be extended for the Extended Term (i.e. an additional term of two years from 1 January 2023 through 31 December 2024).

For details on the Extended Term, please refer to the paragraph headed “Extended Term” in this announcement.

Consideration: Minimum Annual Consideration

1 January 2020 –	US\$47,000,000
31 December 2020	
1 January 2021 –	Based on KSAP Rating
31 December 2024	(as explained below)

For details on the Minimum Annual Consideration, please refer to the paragraph headed “Minimum Annual Consideration” in this announcement.

Transactions: The Purchasers agreed to purchase the Products (comprising headwear products) which are supplied and manufactured by the Manufacturer for the three financial years from 1 January 2020 to 31 December 2022, which can be extended for another two years subject to the Independent Shareholders’ approval at a special general meeting of the Company by the end of 2022, 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.

Payment schedule: The Manufacturer will issue to the respective Purchaser an invoice on the Products upon the delivery of the Products. The Purchasers will make payment to the Manufacturer within 60 days from the date of issuance of the relevant 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 Manufacturing Agreement.

Pricing: The price of the Products is determined by the parties on normal commercial terms and by arm's length negotiation, which shall be determined by reference to:

- (a) Complexity — the more complicated the specification is, the higher the production cost and price of the Products are.
- (b) Volume — the price of the Products may be reduced with the increase of the quantity of the Products.
- (c) Market price — the price of the Products is determined with reference to similar products, being comparable prices offered by independent third party for similar products having taken into account the technology and quality of the products.

For details on the pricing policy, please refer to the paragraph headed "Pricing Policy" in this announcement.

Termination: The Purchasers shall have the right to terminate the Manufacturing 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 gross negligence of the Purchasers and/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 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 prior written approval of the Purchasers;
- (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 either 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 the license agreement between NEC and Major League Baseball Properties, Inc. is terminated or if Major League Baseball Properties, Inc. no longer approves of the Company as a designated manufacturer of licensed products;
- (viii) if the license agreement between NEC and National Football League Properties, LLC is terminated or if National Football League Properties, LLC no longer approves of the Company as a designated manufacturer of licensed products; or

- (ix) if a petition under any bankruptcy or insolvency law is filed by or against a party to the Manufacturing Agreement, or if either party suspends business or commits any act amounting to a business failure.

Any party to the Manufacturing Agreement shall have the right to terminate the Manufacturing Agreement:

- (i) 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; or
- (ii) when the parties cannot agree on the pricing of the Products after negotiation in good faith during a period of forty-five (45) days.

Others:

Board Representation

So long as NEC and/or its affiliate is holding at least 10% of the issued share capital of the Company, NEC is entitled to maintain representation and a seat as a Director on the Board subject to compliance with the Listing Rules and recommendation of the Company's Nomination Committee (the "**Right**"). If NEC's (including its affiliate) holding of the Shares is less than 10% of the issued share capital of the Company and a representative of NEC has been appointed as a Director, NEC shall procure such Director to resign from directorship of the Company without compensation as soon as possible, failing which the Company is entitled to remove such Director from directorship of the Company immediately.

The Right has been granted to NEC, among other terms, upon arm's length negotiation of terms of the Manufacturing Agreement between the parties. When NEC and/or its affiliates hold at least 10% of the issued shares of the Company, NEC is entitled to nominate a candidate to act as a Director of the Board. NEC is required to provide personal information, background, academic and professional qualification, business experience, expertise, knowledge and other relevant information relating to the requirements of the Listing Rules to the Company and the Nomination Committee of the Company to consider whether the candidate is suitable to join the Board.

After receipt of the recommendation of the Nomination Committee, the Board will review the background, qualification and experience of the candidate and other matters to ensure the compliance with the applicable Listing Rules and the appointment of the candidate of NEC is in the interests of the Company and the Shareholders as a whole so as to discharge the fiduciary duties of the members of the Board. The arrangement of the Right is not uncommonly found in similar commercial transactions.

Under the Bye-laws of the Company, a Director appointed by the Board to fill a casual vacancy on or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Board is of the view that NEC's Right under the Manufacturing Agreement is not different from the nomination right empowered to other Shareholders under the Bye-laws of the Company because the appointment of person nominated by NEC as Director is subject to the same approval procedures as applicable to other Directors (including compliance with applicable provisions of the Listing Rules and the approvals by the Board and the Shareholders).

Dispute on invoices

In case of any dispute on the particulars of the invoices issued by the Manufacturer (including the payment amount), the Purchasers should lodge the dispute to the Manufacturer together with reasons and evidence of the basis in writing as soon as possible and in any event should be within fifteen (15) days after receipt, both the Purchasers and the Manufacturer should discuss and resolve the dispute in good faith at their best endeavours in the next fifteen (15) days. If the dispute is resolved with the result that the Manufacturer can issue another invoice (whether with or without changes as compared with the original invoice) and the Manufacturer is entitled to charge service charge of 1.5 percent per month on the new invoiced amount from the sixtieth (60) day of the original invoice date until paid. There was no significant disagreement regarding the pricing of the Products since the effective date of the Manufacturing Agreement.

Condition precedent regarding the term of the Manufacturing Agreement

The term of the Manufacturing Agreement has commenced on 1 January 2020 and shall terminate on 31 December 2022 (the “**Initial Term**”). Upon the satisfaction of a condition, the Manufacturing Agreement will be extended for an additional term from 1 January 2023 through 31 December 2024 (the “**Extended Term**”).

Initial Term

The Shareholders approved the Initial Term of the Manufacturing Agreement by an ordinary resolution passed at the special general meeting of the Company convened on 27 December 2019.

Extended Term

The Extended Term of the Manufacturing Agreement is effective and conditional on the fulfilment of the following condition on or before the first day of the Extended Term:

“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 Manufacturing 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 Manufacturing Agreement) for the period of the Extended Term.”

If the above condition is not fulfilled on or before the first day of the Extended Term, the Manufacturing Agreement and everything contained therein shall be terminated upon the expiry of the Initial Term and every party to the Manufacturing Agreement shall be released from any liability and obligations contained thereof.

Minimum Annual Consideration

The Purchasers agreed to purchase the Products from the Manufacturer during the Annual Periods with consideration not less than the minimum amounts (the “**Minimum Annual Consideration**”) based on KSAP Rating (as explained below). NEC has established a knowledge, skills, abilities and performance rating (“**KSAP Rating**”) for its manufacturers and suppliers. NEC will evaluate and measure the Manufacturer according to NEC’s KSAP Rating evaluation process which takes account of the following criteria: quality, logistics, production, compliance and sourcing. At the end of each Annual Period (“**Prior Annual Period**”), the Minimum Annual Consideration for the immediate subsequent Annual Period shall 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.

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

The KSAP Rating assigned to the Manufacturer for the years ended 31 December 2020 and 31 December 2021 were both “proficient”. Accordingly, the Minimum Annual Consideration for the years ended 31 December 2021 and 31 December 2022 were adjusted to US\$48,000,000 (equivalent to approximately HK\$373,440,000) and US\$49,000,000 (equivalent to approximately HK\$381,220,000), respectively.

In case the actual aggregate purchases of Products by the Purchasers is less than 75% of the Minimum Annual Consideration for any of the Annual Periods, the Purchasers shall have a further 60 business days (“**Extended Period**”) to place additional purchase orders to meet the Minimum Annual Consideration for the preceding Annual Period. Should the Purchasers not place adequate purchase orders on the Products during the Extended Period, the Purchasers shall have an obligation to make a cash payment to the Manufacturer or its designated party equal to 10% of such deficiency within 30 days after the Extended Period. In case the actual aggregate purchases of Products by the Purchasers in any of the Annual Periods is not less than 75% of the Minimum Annual Consideration for the relevant Annual Period, the Purchasers do not have obligation to make the above cash payment to the Manufacturer for that Annual Period.

Pricing Policy

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 Manufacturing 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 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 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 that there are sufficient comparable prices to which it could refer to. In the event that there are no sufficient comparable prices for similar products 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.

The Manufacturer adopts a cost-plus pricing system to determine the Products' price. 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. The Sales & Marketing Director in the Sales & Marketing Department of the Manufacturer reviews and finalises 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. In addition, 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. 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.

After taking 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.

HISTORICAL ANNUAL CAPS AND PROPOSED NEW CAPS

Historical amounts of annual caps in recent years

Set out below are the historical amounts of the Transactions for the five months ended 31 May 2022, and the years ended 31 December 2021 and 31 December 2020, respectively:

	Five months ended 31 May 2022	Year ended 31 December 2021	Year ended 31 December 2020
Value of Transactions (HK\$)			
Historical amounts	282,840,000	576,140,000	360,083,000
Approved Caps	706,035,000	641,850,000	583,500,000
	for whole year		

Proposed annual caps for the coming three years

Based on the internal estimate of the demand and operating conditions of the Group, the Directors are of the view that the existing annual cap for the financial year ending 31 December 2022 (HK\$706,035,000) (the “Original Cap”) in relation to the Transactions will not be sufficient for the Group’s current requirements and therefore propose to revise the Original Cap. The amounts of the proposed New Caps in respect of the Transactions, including the Revised Cap for the year ending 31 December 2022 and the annual caps for the Extended Term, subject to the approval of the Independent Shareholders, are set out as below:

Value of Transactions (HK\$)	Year ending 31 December 2022	Year ending 31 December 2023	Year ending 31 December 2024
Proposed New Caps	895,000,000	1,239,000,000	1,278,000,000

The above New Caps are proposed based on: (i) the Minimum Annual Consideration as agreed by the parties and set out in the Manufacturing Agreement; (ii) the historical growth of the sales amount with NEC; (iii) the internal budget plan relating to indication of estimated order from NEC based on discussions with customers; (iv) the expansion plan of production capacity; and (v) general buffer.

The following table sets out the Minimum Annual Consideration in the years from 2020 to 2022 and the maximum amount of Minimum Annual Consideration in the years 2023 and 2024 as compared to the proposed New Caps in the respective years:

(all amounts in HK\$)	Years ended/ending 31 December				
	2020	2021	2022	2023	2024
KSAP Rating for the year	Proficient	Proficient	N/A	N/A	N/A
Minimum Annual Consideration	365,660,000	373,440,000	381,220,000	N/A	N/A
Maximum amounts of Minimum Annual Consideration ^(Note 1)	N/A	N/A	N/A	396,780,000	412,340,000
Historical amounts	360,083,000	576,140,000	282,840,000	N/A	N/A
			<i>(Note 2)</i>		
Proposed New Caps	N/A	N/A	895,000,000	1,239,000,000	1,278,000,000
Approved annual cap	583,500,000	641,850,000	706,035,000	N/A	N/A

Notes:

1. The calculations of the maximum amounts of Minimum Annual Consideration are based on the assumption that the Manufacturer will obtain “role model” KSAP Rating for the financial years ending 31 December 2022 and 2023.
2. The historical amounts for the year ending 31 December 2022 refer to the historical amounts of the Transactions up to the five months ended 31 May 2022.

REASONS FOR AND BENEFITS OF EXTENSION OF MANUFACTURING AGREEMENT AND SETTING OF NEW CAPS

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

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 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 manufacturer 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. The Manufacturing Agreement will expire on 31 December 2022 unless the Company can obtain the approval of the Independent Shareholders for the Extension of Manufacturing Agreement. In addition, the Original Cap for the year ending 31 December 2022 will not be sufficient for the Group's current requirements. By extending the Manufacturing Agreement and increasing the Original Cap to the Revised Cap, the Company is able to continue to derive benefit from supply of the Products to the Purchasers. The transactions contemplated under the Manufacturing Agreement can also promote the synergies and benefits for both the Company and NEC.

The terms of the Manufacturing Agreement were negotiated between the parties at arm's length. In view of the benefits derived from the Transactions, the Directors (excluding the independent non-executive Directors) are of the view that the Manufacturing Agreement is on normal commercial terms and in ordinary and usual course of business of the Group, and the Extension of Manufacturing Agreement together with the proposed New Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors would not be able to form the view in relation to the above aspects until they have discussed with Alliance Capital and have reviewed its letter of advice. As Mr. James S. Patterson is an executive Director appointed by NEC and has material interest in the Manufacturing Agreement, he has abstained from voting on the board resolution approving the Extension of Manufacturing Agreement and the proposed New Caps.

IMPLICATIONS UNDER THE LISTING RULES

As NEHK owns 83,581,050 Shares (representing about 19.61% of the issued share capital of the Company) as at the date of this announcement, it is a connected person of the Company under the Listing Rules. As the Transactions (the supply of Products by the Group under the Manufacturing Agreement) involve provision of goods on a continuing or recurring basis 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 (including the Revised Cap) will exceed the thresholds set out in Rule 14A.76(2) of the Listing Rules, the Extension of Manufacturing Agreement (including the New Caps) will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. In addition, under Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the announcement and shareholders' approval requirements before the proposed Revised Cap takes effect.

GENERAL

The Company will seek in the SGM the approval by the Independent Shareholders by way of poll of the Extension of Manufacturing Agreement and transactions contemplated thereunder (including the proposed New Caps). NEHK, its ultimate beneficial owners and their respective associates are required to abstain from voting in the SGM in respect of resolution proposed for approval of the above continuing connected transactions.

Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Manufacturing Agreement is on normal commercial terms, and in ordinary and usual course of business of the Group, and the Extension of Manufacturing Agreement together with the proposed New Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Alliance Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in this regard.

A circular containing, among other things, further information about the Extension of Manufacturing Agreement, the New Caps, the letter from Alliance Capital to the independent board committee and the Independent Shareholders and the recommendation from the Independent Board Committee together with the notice of the SGM will be despatched to the Shareholders in accordance with the Listing Rules on or before Tuesday, 16 August 2022.

DEFINITIONS

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

“Alliance Capital”	Alliance Capital Partners Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Extension of Manufacturing Agreement and the New Caps
“Annual Period(s)”	the annual periods during the term of the Manufacturing Agreement (five years ending 31 December 2024)
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company as amended, modified or supplemented from time to time
“Company”	Mainland Headwear Holdings Limited (飛達帽業控股有限公司*), a company incorporated under the laws of Bermuda, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Extended Term”	the period from 1 January 2023 to 31 December 2024 (both dates inclusive)
“Extension of Manufacturing Agreement”	the extension of the Manufacturing Agreement for the Extended Term in accordance with the terms and conditions stated in the Manufacturing Agreement
“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

* For identification purpose only

“Independent Board Committee”	an independent board committee of the Board, comprising Mr. Leung Shu Yin, William, Mr. Liu Tieh Ching, Brandon, <i>JP</i> and Mr. Gordon Ng, all being independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Extension of Manufacturing Agreement and the amounts of the New Caps
“Independent Shareholders”	Shareholders other than NEHK, its ultimate beneficial owners and their respective associates
“Listing Rules”	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, <i>BBS, JP</i> , an executive Director and the spouse of Mr. Ngan
“Manufacturer”	the Company and Wintax
“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 supply of Products
“Minimum Annual Consideration”	the minimum commitment of the Purchasers in respect of the consideration of purchase of Products for the Annual Periods under the Manufacturing Agreement
“Mr. Ngan”	Ngan Hei Keung, the chairman of the Board and an executive Director
“NEC”	New Era Cap, LLC (in substitution for New Era Cap Co., Inc. subsequent to a merger by operation of law), a Delaware State corporation
“NEC Group”	NEC and its subsidiaries (including without limitation NEHK)
“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 2024, including the Revised Cap

“Original Cap”	the original approved annual cap of the Transactions for the financial year ending 31 December 2022 and its amount is HK\$706,035,000
“Products”	any headwear, accessories and/or apparel products as set out in the purchase orders to be provided 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
“Revised Cap”	the proposed revised annual cap of the Transactions for the financial year ending 31 December 2022 with approved amount of HK\$895,000,000
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to approve the Extension of Manufacturing Agreement and the New Caps
“Share(s)”	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
“Transactions”	the supply of the Products by the Manufacturer to the Purchasers under the Manufacturing Agreement
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“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

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

By Order of the Board
Ngan Hei Keung
Chairman

Hong Kong, 26 July 2022

As at the date hereof, the Board of Directors of the Company comprises eight directors, of which five are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, BBS, JP, Mr. James S. Patterson, Mr. Ngan Siu Hon, Alexander and Mr. Lai Man Sing; and three are Independent Non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Liu Tieh Ching, Brandon, JP and Mr. Gordon Ng.