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EAGLE NICE (INTERNATIONAL) HOLDINGS LIMITED

鷹美(國際)控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2368)

POSSIBLE CONTINUING CONNECTED TRANSACTION

Reference is made to the Announcement.

As disclosed in the Announcement, Completion is conditional upon, among other things, the satisfaction or waiver of the condition precedent that the Master Services Agreement has been entered into. The Board wishes to announce the principal terms of the Master Services Agreement.

By virtue of Pouyuen Vietnam being an indirect wholly-owned subsidiary of Yue Yuen, the transactions contemplated under the Master Services Agreement, once entered into and upon Completion, would constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The transactions to be contemplated under the Master Services Agreement are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements.

Shareholders and potential investors of the Company should note that the Master Services Agreement will only be entered into after the approval of the Independent Shareholders in respect of the Sale and Purchase Agreement and the Acquisition contemplated thereunder having been obtained at the Extraordinary General Meeting, and consequently the Acquisition contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

** For identification purpose only*

INTRODUCTION

Reference is made to the announcement of the Company dated 29 March 2018 in relation to the discloseable and connected transaction and continuing connected transactions of the Company (the “**Announcement**”). Unless the context requires otherwise, terms used in this announcement shall have the same meanings as they are used in the Announcement.

As disclosed in the Announcement, Completion is conditional upon, among other things, the satisfaction or waiver of the condition precedent that the necessary agreement(s) in compliance with the Listing Rules covering certain administration and staff messing services (the “**Services**”) to be provided by Pouyuen Vietnam to the Target Group after Completion (the “**Master Services Agreement**”) has been entered into.

The Board wishes to announce the principal terms of the Master Services Agreement are as follows.

THE MASTER SERVICES AGREEMENT

Parties

- (i) Pouyuen Vietnam (an indirect wholly-owned subsidiary of Yue Yuen which is principally engaged in manufacture and sales of footwear); and
- (ii) Vietnam Company.

Term

Three (3) years commencing on 1 June 2018.

Scope of Services and basis of fee calculation

<i>Scope of Services</i>	<i>Basis of fee calculation</i>
Laboratory analysis services for drinking water	Fees to be determined at cost based on actual usage
Transportation services	Fees to be determined at cost based on the relevant costs incurred by Pouyuen Vietnam within the industrial park in Vietnam (the “ Industrial Park ”) owned and operated by Yue Yuen Group in relation to the Services (the “ Overheads ”) and actual usage
Provision of electricity and water	Fees to be determined at cost based on the Overheads and actual usage

Satellite services	Fees to be determined at cost based on the Overheads and allocated based on the number of staff employed by the Target Group within the Industrial Park (“ Staff ”) using the staff quarters (as described below) divided by the total number of staff using the staff quarters within the Industrial Park
Property security services	Fees to be determined at cost based on the Overheads and allocated based on the number of Staff working in the section of the Industrial Park in which the production facilities of the Target Group are located divided by total number of staff working in the abovementioned section
Catering services	Fees to be determined at cost based on the Overheads and allocated based on the number of Staff divided by total number of staff working within the Industrial Park
Provision of staff quarters	Fees to be determined at cost based on the Overheads and allocated based on the number of Staff using the staff quarters divided by total number of staff using the staff quarters within the Industrial Park
Medical services	Fees to be determined at cost based on actual usage
Provision of car parking spaces	Fees to be determined at cost based on the Overheads and allocated based on the number of Staff divided by total number of staff working within the Industrial Park
Any other Services to be provided to the Target Group from time to time pertaining to its operation in the Industrial Park	Fees to be determined at cost or at market rate or better to the Target Group

Payment terms

Vietnam Company shall pay fees for the Services in cash to Pouyuen Vietnam on a monthly basis within 30 days after the receipt of the monthly fee note from Pouyuen Vietnam.

The terms of the Master Services Agreement have been arrived at after arm’s length negotiations between the parties and having taken into account of the nature of the Services to be provided and the costs to be incurred by Pouyuen Vietnam for provision of the Services and the availability of other providers of the Services in the market.

Based on the aforesaid principal terms of the Master Services Agreement, the historical amount of service fees paid by Vietnam Company to Pouyuen Vietnam (which amounted to approximately US\$1.1 million to US\$1.2 million (exclusive of the value-added tax (“VAT”)) for each of the three years ended 31 March 2016, 2017 and 2018) and the potential growth in production, the maximum service fees payable by Vietnam Company to Pouyuen Vietnam during the term of the Master Services Agreement are estimated to be:

	<i>For the financial year ending 31 March</i>			
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
US\$ (exclusive of VAT)	1,500,000	1,800,000	1,800,000	300,000
Equivalent to approximately HK\$	11,700,000	14,040,000	14,040,000	2,340,000

It is expected that the Master Services Agreement will be entered into after the passing of the resolution approving the entering into of the Sale and Purchase Agreement in the Extraordinary General Meeting and on/or before Completion. For the avoidance of doubt, the Master Services Agreement will not be entered into if the Sale and Purchase Agreement is not approved by the Independent Shareholders. Further announcement(s) will be made by the Company in the event the Master Services Agreement has been signed.

INFORMATION ON THE GROUP AND REASONS FOR ENTERING INTO THE MASTER SERVICES AGREEMENT

The Group is principally engaged in the manufacture of sportswear for men, women and children on an OEM (an acronym for “original equipment manufacturer” which produces or customizes products according to the design supplied by the customers) basis. The sportswear manufactured and sold by the Group can broadly be divided into tracksuits, sport pants, jackets, sweaters and T-shirts.

The principal activities of Yue Yuen Group are the manufacturing, marketing and retailing of athletic footwear, athletic style leisure footwear, casual and outdoor footwear. Yue Yuen Group is also engaged in retail and distribution of sportswear products.

As disclosed in the Announcement, the production facilities of the Target Group are located at the Leased Properties which are within the Industrial Park and the Yue Yuen Group has from time to time provided the Services to the Target Group pertaining to its operation in the Industrial Park since around 2003. As at the date of this announcement, there are around 3,000 workers of the Target Group who were trained to manufacture products which are largely similar to those being produced by the Group for a major customer which is also a major customer of the Group and a third party independent of the Company and its connected persons.

Since it is intended that the Target Group shall continue to occupy the Leased Properties under the terms of the Tenancy Agreement and Pouyuen Vietnam will continue to provide the Services under the Master Services Agreement to the Target Group to facilitate the continuous operations of the Target Group at the Leased Properties after Completion, the Directors (including the independent non-executive Directors) are of the view that the entering into of the Master

Services Agreement is in the interest of the Company and the Shareholders as a whole and in the ordinary and usual course of business and the terms of the Master Services Agreement are on normal commercial terms and fair and reasonable.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yue Yuen is the controlling shareholder of the Company holding indirectly 192,000,000 Shares representing approximately 38.42% of the issued share capital of the Company and is therefore a connected person of the Company.

By virtue of Pouyuen Vietnam being an indirect wholly-owned subsidiary of Yue Yuen, the transactions to be contemplated under the Master Services Agreement, once entered into and upon Completion, would constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The transactions to be contemplated under the Master Services Agreement are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements.

By virtue of their respective positions held in Yue Yuen or its associates, the following Directors, namely Ms. Chen Fang Mei, Christina and Mr. Lee Cheng Chuan, are required to abstain from voting at the Board meeting on the resolution approving the Master Services Agreement.

GENERAL

Shareholders and potential investors of the Company should note that the Master Services Agreement will only be entered into after the approval of the Independent Shareholders in respect of the Sale and Purchase Agreement and the Acquisition contemplated thereunder having been obtained at the Extraordinary General Meeting, and consequently the Acquisition contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

For reference purposes only and unless otherwise specified, US\$ amounts have been translated into HK\$ using the rates of US\$1 to HK\$7.80 in this announcement.

By Order of the Board
Eagle Nice (International) Holdings Limited
Chung Yuk Sing
Chairman

Hong Kong, 27 April 2018

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Chung Yuk Sing, Mr. Chen Hsiao Ying, Ms. Chen Fang Mei, Christina and Mr. Lee Cheng Chuan, and three independent non-executive Directors, namely, Mr. Chan Cheuk Ho, Mr. Lu Chi Chant and Ms. Tham Kit Wan.