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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: 02368)

**RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTION AND
EXISTING CONNECTED TRANSACTION**

The Board wishes to announce that the Existing Master Services Agreement and the Existing Tenancy Agreement expired on 31 May 2024. On 31 May 2024 (after trading hours), Pouyuen Vietnam, an indirect wholly-owned subsidiary of Yue Yuen and Vietnam Company, an indirect wholly owned subsidiary of the Company, entered into the New Master Services Agreement and the New Tenancy Agreement, each for a term of three years from 1 June 2024 to 31 May 2027, and set the Annual Caps for the continuing connected transactions contemplated under the New Master Services Agreement.

Prior to entering into the New Master Services Agreement and the New Tenancy Agreement, on 1 June 2023, Pouyuen Vietnam (as landlord) and Vietnam Company (as tenant) entered into the Additional Tenancy Agreement 1 for a term of 13 months from 1 June 2023 to 30 June 2024. On 1 April 2024, the same parties entered into the Additional Tenancy Agreement 2 for a term of 5 months from 1 April 2024 to 31 August 2024.

LISTING RULES IMPLICATIONS

Pouyuen Vietnam is a connected person of the Company. The transactions contemplated under (i) each of the Additional Tenancy Agreement 2 and the New Master Services Agreement; and (ii) each of the Additional Tenancy Agreement 1 and the New Tenancy Agreement would constitute continuing connected transactions and connected transactions for the Company under the Listing Rules respectively.

As the highest of the applicable percentage ratios in respect of the aggregate amount of rental expenses under the Additional Tenancy Agreement 2 and the Annual Caps under the New Master Services Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder would be subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the aggregate value of right-of-use assets under the Additional Tenancy Agreement 1 and the New Tenancy Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder do not constitute a notifiable transaction under Chapter 14 of the Listing Rules but would be subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

* *For identification purposes only*

INTRODUCTION

Reference is made to the Announcements in respect of, among other things, the Existing Master Services Agreement and the Existing Tenancy Agreement.

The Board wishes to announce that the Existing Master Services Agreement and the Existing Tenancy Agreement expired on 31 May 2024. On 31 May 2024 (after trading hours), Pouyuen Vietnam, an indirect wholly-owned subsidiary of Yue Yuen and Vietnam Company, an indirect wholly owned subsidiary of the Company, entered into the New Master Services Agreement and the New Tenancy Agreement, each for a term of three years from 1 June 2024 to 31 May 2027, and set the Annual Caps for the continuing connected transactions contemplated under the New Master Services Agreement.

Prior to entering into the New Master Services Agreement and the New Tenancy Agreement, on 1 June 2023, Pouyuen Vietnam (as landlord) and Vietnam Company (as tenant) entered into the Additional Tenancy Agreement 1 for a term of 13 months from 1 June 2023 to 30 June 2024. On 1 April 2024, the same parties entered into the Additional Tenancy Agreement 2 for a term of 5 months from 1 April 2024 to 31 August 2024.

THE TENANCY AGREEMENTS

The principal terms of the Additional Tenancy Agreement 1, the Additional Tenancy Agreement 2 and the New Tenancy Agreement are as follows:

	Additional Tenancy Agreement 1	Additional Tenancy Agreement 2	New Tenancy Agreement
Date:	1 June 2023	1 April 2024	31 May 2024
Landlord:	Pouyuen Vietnam		
Tenant:	Vietnam Company		
Premises:	Additional Leased Properties 1	Additional Leased Properties 2	Leased Properties
Gross floor area:	3,698 square metres	4,707 square metres	23,728 square metres
Term (both days inclusive):	13 months from 1 June 2023 to 30 June 2024	5 months from 1 April 2024 to 31 August 2024	3 years from 1 June 2024 to 31 May 2027
Monthly rental (inclusive of management fees but exclusive of VAT):	VND261 million (equivalent to approximately HK\$81,000)	VND332 million (equivalent to approximately HK\$102,000)	VND1,675 million (equivalent to approximately HK\$517,000)
Use:	For use in relation to Vietnam Company's manufacturing business		

The terms of each of the Additional Tenancy Agreement 1, the Additional Tenancy Agreement 2 and the New Tenancy Agreement have been arrived at arm's length negotiations between the parties and having taken into account of the rental per square metre payable under the Existing Tenancy Agreement which was determined with reference to the market rent for similar properties in the nearby area.

Pursuant to HKFRS 16, the Group will recognize a right-of-use asset for the leases of properties with a term of more than 12 months. Accordingly, the transactions contemplated under the Additional Tenancy Agreement 1 and the New Tenancy Agreement represented acquisition of right-of-use assets, whereas the transaction contemplated under the Additional Tenancy Agreement 2 would be recorded as rental expenses.

THE NEW MASTER SERVICES AGREEMENT

The principal terms of the New Master Services Agreement are as follows:

Date: 31 May 2024 (after trading hours)

Parties: Pouyuen Vietnam (as service provider) and Vietnam Company (as service buyer)

Term: Three (3) years commencing on 1 June 2024

Scope of Major Services and Basis of Fee Calculation

<i>Scope of Major Services</i>	<i>Basis of fee calculation</i>
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 Pouyuen Vietnam 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
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 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 pertaining to Vietnam Company’s operation in the Industrial Park	Fees to be determined at cost or at market rate or better to the Group

Payment terms: 30 days after the receipt of the monthly fee note from Pouyuen Vietnam

Historical transaction amounts under the Existing Master Services Agreement

Historical transaction amounts (exclusive of VAT) under the Existing Master Services Agreement for each of the three financial years ended 31 March 2024 and the two months ended 31 May 2024 are set out below:

	<i>For the financial year ended 31 March</i>			<i>For the two months ended 31 May 2024</i>
	<i>2022</i>	<i>2023</i>	<i>2024</i>	
US\$ (exclusive of VAT)	825,000	1,129,000	1,099,000	183,000
Equivalent to approximately HK\$	6,452,000	8,829,000	8,594,000	1,431,000

The Group has closely monitored the transaction amounts under the Existing Master Services Agreement which have not exceeded the historical annual caps during their respective terms. As at the date of this announcement, the annual caps for the transactions contemplated under the Existing Master Services Agreement for the year ending 31 March 2025 have not been and are not expected to be exceeded.

Annual Caps

Based on the aforesaid historical amounts of service fees paid by Vietnam Company under the Existing Master Services Agreement and the potential growth in production, the Annual Caps (exclusive of VAT) payable by Vietnam Company to Pouyuen Vietnam under the New Master Services Agreement for each of the four financial years ending 31 March 2028 are set out below:

	<i>For the financial year ended 31 March</i>			
	<i>2025</i>	<i>2026</i>	<i>2027</i>	<i>2028</i>
US\$ (exclusive of VAT)	1,500,000	1,800,000	1,800,000	300,000 <i>(Note)</i>
Equivalent to approximately HK\$	11,730,000	14,076,000	14,076,000	2,346,000

Note: This represented the maximum fees for the Services of US\$150,000 per month under the New Master Services Agreement from 1 April 2027 to 31 May 2027 before its expiry on 31 May 2027.

The Directors (including the independent non-executive Directors) believe that the Annual Caps for the New Master Services Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Taking also into account the total amount of rental expenses payable by Vietnam Company to Pouyuen Vietnam under the Additional Tenancy Agreement 2 during its term from 1 April 2024 to 31 August 2024 of VND1,660 million (equivalent to approximately HK\$512,000), the maximum aggregate fees payable by Vietnam Company to Pouyuen Vietnam under the New Master Services Agreement and the Additional Tenancy Agreement 2 for the financial year ending 31 March 2025 are estimated to be HK\$12,242,000.

Pricing policy

The terms and fees payable by the Group under the New Master Services Agreement comprise various types of services, which are determined after arm's length negotiation between the parties with reference to the historical transaction amounts 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.

Internal control measures

To ensure compliance with the requirements for the continuing connected transactions and that the transactions contemplated under the New Master Services Agreement and the Additional Tenancy Agreement 2 will be conducted on a fair and reasonable basis at terms no less favourable than that conducted with independent third parties, the Company had adopted the following internal control measures:

- (i) the management of the Company will regularly review the transactions conducted under the New Master Services Agreement and the Additional Tenancy Agreement 2 and countercheck the compliance of the terms thereof;
- (ii) the senior management has established a control system to monitor the transaction amounts under the New Master Services Agreement and the Additional Tenancy Agreement 2 on a monthly basis to ensure that the transaction amounts have not exceeded and will not exceed the approved Annual Caps;
- (iii) the independent non-executive Directors will be provided with the New Master Services Agreement and the Additional Tenancy Agreement 2, as well as the report prepared by the management on the transactions details, to conduct annual review of the transactions; and
- (iv) the auditors of the Company will also conduct annual review of the transactions contemplated under the New Master Services Agreement and the Additional Tenancy Agreement 2.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED UNDER THE TENANCY AGREEMENTS AND THE NEW MASTER SERVICES AGREEMENT

As disclosed in the Announcements, the production facilities of Vietnam Company are located at the Leased Properties which are within the Industrial Park and Pouyuen Vietnam has from time to time provided the Services to Vietnam Company pertaining to its operation in the Industrial Park since around 2003. Following the completion of the acquisition resulting in Vietnam Company becoming a wholly-owned subsidiary of the Company since June 2018, the leasing of the Leased Properties and the provision of Services by Pouyuen Vietnam to Vietnam Company have been a connected transaction and a continuing connected transaction for the Company under the Listing Rules respectively.

As at the date of this announcement, there are around 2,100 workers in Vietnam Company who have been trained to manufacture products largely similar to those being produced by the Group for two major customers which are also major customers of the Group and third parties independent of the Company and its connected persons. As the Existing Tenancy Agreement relate to the Leased Properties at which Vietnam Company's operation is carried out, and the provision of the Services under the Existing Master Services Agreement is part and parcel of the Group's manufacturing base located at the Leased Properties, it is beneficial to the Group to renew the Existing Master Services Agreement and the Existing Tenancy Agreement upon their respective expiry on comparable terms to facilitate the continuous operations of Vietnam Company at the Leased Properties.

The Additional Leased Properties 1 has been used for storage of inventories pertaining to Vietnam Company's production to cope with its increase in demand for storage space for inventories. Due to short-term increase in demand for additional storage space for inventories, Pouyuen Vietnam agreed to lease the Additional Leased Properties 2 which is in the proximity of the Leased Properties to Vietnam Company. Accordingly, Pouyuen Vietnam and Vietnam Company entered into the Additional Tenancy Agreement 1 and the Additional Tenancy Agreement 2.

The Directors (including the independent non-executive Directors) consider that each of the Additional Tenancy Agreement 1, the Additional Tenancy Agreement 2, the New Tenancy Agreement and the New Master Services Agreement is entered into in the ordinary and usual course of business of the Group and that the terms are on normal commercial terms and fair and reasonable, and the entering into of the Additional Tenancy Agreement 1, the Additional Tenancy Agreement 2, the New Tenancy Agreement and the New Master Services Agreement is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

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. Vietnam Company is an indirect wholly-owned subsidiary of the Company and is principally engaged in the business of manufacture of sportswear in Vietnam.

Pouyuen Vietnam is a company established in Vietnam and an indirect wholly-owned subsidiary of Yue Yuen and to the best of the Directors’ knowledge, information and belief having made reasonable enquiries, Pouyuen Vietnam is principally engaged in manufacture and sales of footwear.

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 35.96% of the issued share capital of the Company. Accordingly, Pouyuen Vietnam is a connected person of the Company. The transactions contemplated under each of (i) the Additional Tenancy Agreement 2 and the New Master Services Agreement; and (ii) the Additional Tenancy Agreement 1 and the New Tenancy Agreement would constitute continuing connected transactions and connected transactions for the Company under the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, each of (i) the Additional Tenancy Agreement 2 and the New Master Services Agreement which are continuing connected transactions for the Company; and (ii) the Additional Tenancy Agreement 1 and the New Tenancy Agreement which are connected transactions for the Company, is entered into within a 12-month period, for the purpose of calculating the applicable percentage ratios, the total amount of rental expenses payable by Vietnam Company under the Additional Tenancy Agreement 2 should be aggregated with the Annual Caps under the New Master Service Agreement; and the value of right-of-use assets under the Additional Tenancy Agreement 1 and the New Tenancy Agreement should be aggregated.

As the highest of the applicable percentage ratios in respect of the total amount of rental expenses under the Additional Tenancy Agreement 2 is less than 0.1%, the transaction contemplated thereunder is considered a de minimis transaction for the Company and is fully exempt from reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. However, when aggregated with the Annual Caps under the New Master Services Agreement, the highest of the applicable percentage ratios is more than 0.1% but less than 5%, the transactions contemplated under the Additional Tenancy Agreement 2 and the New Master Services Agreement would be subject to the reporting and announcement requirements but are exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Pursuant to HKFRS 16, the Additional Leased Properties 1 leased under the Additional Tenancy Agreement 1 and the Leased Properties leased under the New Tenancy Agreement will be recognised by the Group as right-of-use assets in an aggregate value of VND60,506 million (equivalent to approximately HK\$18.67 million), which is the present value of aggregate lease payments to be made under the aforesaid tenancy agreements. Thus, the entering into of the Additional Tenancy Agreement 1 and the New Tenancy Agreement and the transactions contemplated thereunder will be regarded as acquisition of assets under the Listing Rules.

As the highest of the applicable percentage ratios in respect of the value of right-of-use asset under the Additional Tenancy Agreement 1 is less than 0.1%, the transaction contemplated thereunder is considered a de minimis transaction for the Company and is fully exempt from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. However, when aggregated with the value of right-of-use asset under the New Tenancy Agreement, the highest of the applicable percentage ratios is more than 0.1% but less than 5%, the transactions contemplated under the Additional Tenancy Agreement 1 and the New Tenancy Agreement do not constitute a notifiable transaction under Chapter 14 of the Listing Rules but would be subject to reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

By virtue of their respective positions held in Yue Yuen or its associates, the following Directors, namely, Ms. Chen Fang Mei, Mr. Shih Chih-Hung and Mr. Hu Chia-Ho are required to abstain from voting at the Board meeting on the resolutions approving and/or ratifying the Additional Tenancy Agreement 1, the Additional Tenancy Agreement 2, the New Master Services Agreement and the New Tenancy Agreement.

DEFINITION

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Additional Leased Properties 1”	the area identified as J2-2F located in the precinct of Pouyuen Vietnam, leased by Pouyuen Vietnam to Vietnam Company under the Additional Tenancy Agreement 1
“Additional Leased Properties 2”	the area identified as Y3-3F located in the precinct of Pouyuen Vietnam, leased by Pouyuen Vietnam to Vietnam Company under the Additional Tenancy Agreement 2
“Additional Tenancy Agreement 1”	the additional tenancy agreement dated 1 June 2023 entered into between Pouyuen Vietnam as landlord and Vietnam Company as tenant in respect of Additional Leased Properties 1, which will expire on 30 June 2024
“Additional Tenancy Agreement 2”	the additional tenancy agreement dated 1 April 2024 entered into between Pouyuen Vietnam as landlord and Vietnam Company as tenant in respect of Additional Leased Properties 2, which will expire on 31 August 2024
“Announcements”	the two announcements of the Company dated 1 June 2021 and 9 June 2021, respectively, in relation to, among other things, the Existing Master Services Agreement and the Existing Tenancy Agreement
“Annual Caps”	the respective annual caps in relation to the transaction amounts under the New Master Services Agreement for the four financial years ending 31 March 2028
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Eagle Nice (International) Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 02368)
“connected person”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Existing Master Services Agreement”	the master services agreement dated 1 June 2021 entered into between Pouyuen Vietnam as service provider and Vietnam Company as service buyer in respect of the Services, which expired on 31 May 2024

“Existing Tenancy Agreement”	the tenancy agreement dated 1 June 2021 entered into between Pouyuen Vietnam as landlord and Vietnam Company as tenant in respect of the Leased Properties, which expired on 31 May 2024
“Group”	the Company and its subsidiaries
“HKFRS 16”	Hong Kong Financial Reporting Standards 16
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Leased Properties”	the factory premises located at Section Y4 in the precinct of Pouyuen Vietnam leased by Pouyuen Vietnam to Vietnam Company under the Existing Tenancy Agreement and the New Tenancy Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Master Services Agreement”	the master service agreement dated 31 May 2024 entered into between Pouyuen Vietnam as service vendor and Vietnam Company as service buyer in respect of the Services
“New Tenancy Agreement”	the tenancy agreement dated 31 May 2024 entered into between Pouyuen Vietnam as landlord and Vietnam Company as tenant in respect of the Leased Properties
“Pouyuen Vietnam”	Pouyuen Vietnam Company Limited, a company established in Vietnam and an indirect wholly-owned subsidiary of Yue Yuen
“Services”	the provisions of certain administration and staff messing services by Pouyuen Vietnam to Vietnam Company under the terms of the Existing Master Services Agreement or the New Master Services Agreement (as the case may be)
“Share(s)”	ordinary shares of HK\$0.01 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollars, the lawful currency of the United States of America
“VAT”	value-added tax

“Vietnam”	Socialist Republic of Vietnam
“Vietnam Company”	Pro Kingtex Vietnam Co., Ltd., a company incorporated in Vietnam with limited liability and is an indirect wholly-owned subsidiary of the Company
“VND”	Vietnamese Dong, the lawful currently of Vietnam
“Yue Yuen”	Yue Yuen Industrial (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 00551)
"%"	per cent.

For reference purposes only and unless otherwise specified, US\$ amounts have been translated into HK\$ using the rate of US\$1 to HK\$7.82 and VND amounts have been translated into HK\$ using the rate of VND3,240 to HK\$1 in this announcement.

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

Hong Kong, 31 May 2024

As at the date of this announcement, the Board comprises seven executive directors, namely, Mr. Chung Yuk Sing, Mr. Chen Hsiao Ying, Mr. Huang Yongbiao, Ms. Chen Fang Mei, Mr. Shih Chih-Hung, Mr. Chung Chi Kit and Mr. Hu Chia-Ho and four independent non-executive directors, namely, Mr. Chan Cheuk Ho, Ms. Tham Kit Wan, Mr. Leung Spencer Yu Cheong and Mr. Sun Yun-Rui.