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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)

**PAST CONTINUING CONNECTED TRANSACTIONS AND
BREACH OF LISTING RULES
AND
CONTINUING CONNECTED TRANSACTIONS
WITH CONNECTED PERSONS AT SUBSIDIARY LEVEL**

Dongneng has been an indirect 80%-owned subsidiary of the Company since January 2019 and has engaged in transactions of sales of sportswear products to the Li Ning Group since 2009. These transactions between Dongneng and the Li Ning Group have been continuing after Dongneng became an indirect 80%-owned subsidiary of the Company following completion of the Acquisition in January 2019, while the remaining 20% is held indirectly by Li Ning. Accordingly, since January 2019 and as at the date of this announcement, Li Ning and its subsidiaries are considered connected persons of the Company at the subsidiary level. Additionally, three indirect wholly-owned subsidiaries of the Group, namely EN (Shantou), EN (Yifeng) and EN (Foshan), have also carried out the same transactions with the Li Ning Group as previously carried out by Dongneng since August 2019.

The Group has carried out sales of sportswear products to the Li Ning Group since January 2019. In relation to these Past Transactions, the Group entered into the Past Framework Agreements with the Li Ning Group which constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Company should have complied with the announcement, annual reporting and annual review requirements; and set an annual cap under Chapter 14A of the Listing Rules for each of the six years ended 31 March 2024 but failed to do so.

The Group has entered into the Current Framework Agreements with the Li Ning Group relating to the On-going Transactions which constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules. Under Chapter 14A of the Listing Rules, the On-going Transactions are subject to announcement, annual reporting and annual review requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

** For identification purposes only*

PAST TRANSACTIONS

Dongneng has been an indirect 80%-owned subsidiary of the Company since January 2019 and has engaged in transactions of sales of sportswear products to the Li Ning Group since 2009. These transactions between Dongneng and the Li Ning Group have been continuing after Dongneng became an indirect 80%-owned subsidiary of the Company following completion of the Acquisition in January 2019, while the remaining 20% of Dongneng is held indirectly by Li Ning. Accordingly, since January 2019 and as at the date of this announcement, Li Ning and its subsidiaries are considered connected persons of the Company at the subsidiary level. Additionally, three indirect wholly-owned subsidiaries of the Group, namely EN (Shantou), EN (Yifeng) and EN (Foshan), have also carried out the same transactions with the Li Ning Group as previously carried out by Dongneng since August 2019.

The Group entered into the Past Framework Agreements with the Li Ning Group as below relating to the Past Transactions which constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Brief particulars of the Past Framework Agreements are as follows:

	Past Framework Agreement 1	Past Framework Agreement 2	Past Framework Agreement 3	Past Framework Agreement 4	Past Framework Agreement 5
Buyer:	LN (China)				LN Kidswear
Seller:	Dongneng	EN (Shantou)	EN (Yifeng)	EN (Foshan)	EN (Foshan)
Agreement term:	a) From 1 January 2019 to 31 December 2019; b) From 1 January 2020 to 31 December 2020; c) From 1 January 2021 to 31 December 2021; and d) From 1 January 2022 to 31 December 2023	a) From 7 August 2019 to 31 December 2019; and b) From 1 January 2020 to 31 December 2020	From 1 January 2022 to 31 December 2023	From 14 February 2022 to 31 December 2023	From 14 February 2022 to 31 December 2023
Nature of transactions:	Sales of finished goods of sportswear products				
Sales terms:	Set out in individual written contracts to be entered into between the parties				
Transaction amount:	Based on the unit price of sportswear products multiplied by the sales quantity after arm's length negotiations				

No annual caps were set under the Past Framework Agreements in respect of the Past Transactions. The amount of sales (exclusive of VAT) carried out by the Group with the Li Ning Group in respect of the Past Transactions during each of the six years ended 31 March 2024 are as follows:

For the year ended 31 March	RMB'000	Equivalent to approximately HK\$'000
2019	64,828	75,690
2020	279,022	313,051
2021	277,022	316,814
2022	359,406	435,907
2023	475,687	544,139
2024	659,823	721,749

ON-GOING TRANSACTIONS

The Group has entered into the Current Framework Agreements with the Li Ning Group in respect of the On-going Transactions, brief particulars of which are as follows:

	Current Framework Agreement 1	Current Framework Agreement 2	Current Framework Agreement 3	Current Framework Agreement 4
Buyer:	LN (China)	LN (China)	LN Kidswear	LN (Shenzhen)
Seller:	Dongneng	EN (Foshan)	EN (Foshan)	EN (Yifeng)
Agreement date:	1 January 2024			13 May 2024
Agreement term:	Two (2) years from 1 January 2024 to 31 December 2025			From 13 May 2024 to 13 May 2025
Nature of transactions:	Sales of finished goods of sportswear products			Sales of samples of sportswear products
Sales terms:	Set out in individual written contracts to be entered into between the parties			
Transaction amount:	Based on the unit price of sportswear products multiplied by the sales quantity after arm's length negotiations			

The amount of sales (exclusive of VAT) carried out by the Group with the Li Ning Group in respect of the On-going Transactions amounted to (i) RMB186,489,000 (equivalent to approximately HK\$203,991,000) during the period from 1 January 2024 to 31 March 2024; and (ii) RMB65,918,000 (equivalent to approximately HK\$71,163,000) during the period from 1 April 2024 to 30 June 2024.

The Company will comply with the annual reporting and annual review requirements in respect of the On-going Transactions as set out under Chapter 14A of the Listing Rules and the relevant Listing Rules if the Annual Cap(s) is/are exceeded or, when any of the Current Framework Agreements are renewed or, when there is a material change to the terms of the Current Framework Agreements.

Annual Caps

The aggregate Annual Caps for the sales of sportswear products (exclusive of VAT) under the Current Framework Agreements will not exceed RMB850 million and RMB850 million (equivalent to approximately HK\$919 million and HK\$919 million) for the year ending 31 March 2025 and 31 March 2026 respectively.

The Annual Caps were determined with reference to the historical value of transactions generated from transactions with the Li Ning Group and the forecast demand from the Li Ning Group.

Pricing policy

The terms and amounts receivable by the Group from the Li Ning Group in respect of the sales of sportswear products under both the Past Framework Agreements and the Current Framework Agreements are on normal and usual commercial terms (and on terms no less favourable than those offered to independent third parties) and determined after arm's length negotiations between the relevant parties with reference to the historical transaction amounts and prevailing market conditions.

Internal control measures

To ensure compliance with the requirements for the continuing connected transactions and that the transactions contemplated under the Current Framework Agreements will be conducted on a fair and reasonable basis and on terms no less favourable than those offered to independent third parties, the Company had adopted the following internal control measures:

- (i) the management will regularly review the transactions conducted under the Current Framework Agreements and counter-check the compliance of the terms thereof;
- (ii) the senior management has established a control system to monitor the transaction amounts under the Current Framework Agreements 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 Current Framework Agreements, as well as reports prepared by the management on the transactions details, to conduct annual review of the On-going Transactions; and
- (iv) the auditors of the Company will also conduct annual review of the On-going Transactions contemplated under the Current Framework Agreements.

In addition, the management and accounting staff will regularly review the trading volume of any continuing connected transactions between the Group and the Li Ning Group on a monthly basis and check with the sales team, production teams and accounting department for the forecast volume of the continuing connected transactions between the Group and the Li Ning Group.

REASONS FOR AND BENEFITS OF THE ON-GOING TRANSACTIONS

The On-going Transactions form an integral part of the ordinary and usual course of business of the Group and is conducted on normal commercial terms determined on an arm's length basis. The Group's sales relationship with the Li Ning Group commenced in January 2019 upon completion of the Acquisition. Since then, the Group has been continuing to have business transactions with the Li Ning Group to broaden the Group's customer base and increase the Group's revenue.

Management of the Company considers that the sales of the sportswear products to the Li Ning Group are on normal commercial terms and in the ordinary and usual course of business of the Group. Such sales to the Li Ning Group had in the past generated, and are expected to generate in the future, a stable source of revenue to the Group and hence beneficial to and in the best interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE LI NING GROUP

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 manufactures products according to the design supplied by the customers) basis. The sportswear manufactured and sold by the Group can broadly be divided into tracksuits, sports pants, jackets, sweaters and tee-shirts.

As at the date of this announcement, Dongneng is an indirect 80%-owned subsidiary of the Company, while the remaining 20% is indirectly held by Li Ning. All of EN (Shantou), EN (Yifeng) and EN (Foshan) are indirect wholly-owned subsidiaries of the Company. The principal activity of all aforesaid subsidiaries of the Company is the manufacture and trading of sportswear and garments.

Each of LN (China), LN Kidswear and LN (Shenzhen) is a wholly-owned subsidiary of Li Ning, which is a company listed on the Main Board of the Stock Exchange. According to the 2023 annual report of Li Ning, the principal activity of both LN (China) and LN Kidswear is sales of sports goods while the principal activity of LN (Shenzhen) is research and development.

LISTING RULES IMPLICATIONS

Li Ning and its subsidiaries are connected persons of the Company at the subsidiary level by virtue of Li Ning's 20% shareholding interests in Dongneng, an indirect 80%-owned subsidiary of the Company.

The Group has carried out the sales of sportswear products to the Li Ning Group since January 2019 and entered into the Past Framework Agreements with the Li Ning Group relating to the Past Transactions, which constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Company should have complied with the announcement, annual reporting and annual review requirements; and set an annual cap under Chapter 14A of the Listing Rules for each of the six years ended 31 March 2024 but failed to do so. The Stock Exchange reserves the right to take actions against the Company and/or the Directors as a result of the breaches of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, the Past Transactions would have been exempted from the circular, independent financial advice and shareholders' approval requirements insofar as the Company is concerned if (i) the Board has approved the Past Transactions; (ii) the independent non-executive Directors have confirmed that the terms of the Past Transactions are fair and reasonable, the Past Transactions were on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

As the Past Transactions were conducted with reference to the terms and gross profit margins of the other similar transactions carried out between the Group and its other customers and the prevailing market price of the raw materials and/or products concerned, the Directors, including the independent non-executive Directors, approved, confirmed and ratified the Past Transactions and considered that the terms of the Past Transactions were fair and reasonable and the Past Transactions had been carried out on normal commercial terms or better in the ordinary course of business of the Company and in the interests of the Company and the Shareholders as a whole.

The Current Framework Agreements entered into between the Group and the Li Ning Group relating to the On-going Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The On-going Transactions have been approved by the Board and the independent non-executive Directors have further confirmed that the terms of the On-going Transactions (including the Annual Caps) are fair and reasonable, and the On-going Transactions are on normal commercial terms or better in the ordinary course of business of the Company and in the interests of the Company and the Shareholders as a whole. Under Chapter 14A of the Listing Rules, the On-going Transactions are subject to announcement, annual reporting and annual review requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

No Director has a material interest in the Past Transactions and the On-going Transactions and none of them was required to abstain from voting on the board resolutions approving, confirming and/or ratifying the Past Transactions and the On-going Transactions.

REMEDIAL ACTIONS

The failure to make timely disclosure was due to the oversight of the management of the Company which was not intentional. The Directors consider that the failure to comply with Chapter 14A of the Listing Rules was inadvertent and regretful.

The Company has taken the following remedial actions to tighten its internal control procedures and to ensure timely compliance with the relevant requirements of the Listing Rules with a view to prevent the recurrence of similar event in the future:

- (i) a special and comprehensive training session will be arranged for all the Directors and senior management/relevant personnel of the Group to explain the relevant requirements applicable to notifiable and connected transactions under Chapters 14 and 14A of the Listing Rules, in particular in relation to transactions similar to the Past Transactions and the On-going Transactions to strengthen and reinforce their knowledge;

- (ii) the business and financial management departments at the subsidiary level are required to promptly report any proposed transaction or event where the counterparty(ies) or the subject company(ies) of the proposed transaction may in anyway relate to any of the Directors, substantial shareholders, chief executives or directors of any member of the Group (including their relatives and related trusts or companies) in order to ascertain whether there will be any connected transaction implications under Chapter 14A of the Listing Rules;
- (iii) additional measures have been implemented to strengthen the reporting and documentation system and internal control procedures of the Group and to increase training and communications to all managerial staff in the future; and
- (iv) the Company will continue to review and monitor the internal control measures of the Group and, where necessary, to consult legal advisers and the Stock Exchange to ensure all current and future transactions shall be in compliance with the applicable requirements of the Listing Rules and other relevant laws and regulations.

DEFINITIONS

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

“Acquisition”	acquisition by the Company of the entire shareholding interests of Prospect Converge Limited, a company holding 80% indirect interests in Dongneng, details of which have been disclosed in the announcements of the Company dated 18 October 2018 and 22 January 2019
“Annual Caps”	the maximum aggregate annual value of the On-going Transactions contemplated under the Current Framework Agreements for the year ending 31 March 2025 and 31 March 2026 being RMB850 million and RMB850 million (equivalent to approximately HK\$919 million and HK\$919 million) respectively
“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(s)”	has the same meaning ascribed to it under the Listing Rules
“Current Framework Agreement 1”, “Current Framework Agreement 2”, “Current Framework Agreement 3” and “Current Framework Agreement 4”	the current framework agreements entered into between the Li Ning Group and the Group in respect of the On-going Transactions, brief particulars of which are set out in the section headed “On-Going Transactions” in this announcement

“Current Framework Agreements”	collectively, Current Framework Agreement 1, Current Framework Agreement 2, Current Framework Agreement 3 and Current Framework Agreement 4
“Director(s)”	director(s) of the Company
“Dongneng”	湖北動能體育用品有限公司 (Hubei LPV Sports Co., Limited), a company established in the Chinese Mainland with limited liability which is indirectly owned, as to 80%, by the Company and, as to the remaining 20%, by Li Ning
"EN (Foshan)"	鷹美（佛山）製衣有限公司 (Eagle Nice (Foshan) Garment Company Limited), a company established in the Chinese Mainland and an indirect wholly-owned subsidiary of the Company
“EN (Shantou)”	裕美（汕頭）製衣有限公司 (Yumei (Shantou) Garment Company Limited), a company established in the Chinese Mainland and an indirect wholly-owned subsidiary of the Company
“EN (Yifeng)”	鷹美（宜豐）製衣有限公司 (Eagle Nice (Yifeng) Garment Company Limited), a company established in the Chinese Mainland and an indirect wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"HK\$" of “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Li Ning”	Li Ning Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Codes: 02331 (HKD counter) and 82331 (RMB counter))
“Li Ning Group”	Li Ning and its subsidiaries
“LN (China)”	李寧（中國）體育用品有限公司 (Li Ning (China) Sports Goods Co., Ltd.), a wholly-owned subsidiary of Li Ning
“LN Kidswear”	李寧體育童裝有限公司 (Li Ning Sports Kidswear Co., Ltd.), a wholly-owned subsidiary of Li Ning
“LN (Shenzhen)”	李寧體育科技（深圳）有限公司 (Li Ning Sports Technology (Shenzhen) Co., Ltd.), a wholly-owned subsidiary of Li Ning
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"On-going Transactions"	the on-going transactions between the Li Ning Group and the Group as contemplated under the Current Framework Agreements
"Past Framework Agreement 1", "Past Framework Agreement 2", "Past Framework Agreement 3", "Past Framework Agreement 4", and "Past Framework Agreement 5"	the past framework agreements entered into between the Li Ning Group and the Group in respect of the Past Transactions, brief particulars of which are set out in the section headed "Past Transactions" in this announcement
"Past Framework Agreements"	collectively, the Past Framework Agreement 1, the Past Framework Agreement 2, the Past Framework Agreement 3, the Past Framework Agreement 4 and the Past Framework Agreement 5
"Past Transactions"	the past transactions between the Li Ning Group and the Group conducted during the period commencing from the completion of the Acquisition in January 2019 to 31 March 2024
"RMB"	Renminbi, the lawful currency of the Chinese Mainland
"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
"substantial shareholder(s)"	has the same meaning ascribed to it under the Listing Rules
"VAT"	value-added tax
"% "	per cent.

For reference purposes only and unless otherwise specified, RMB amounts have been translated into HK\$ using the following rates:

For the year ended 31 March 2019	:	RMB0.8565 to HK\$1.00
For the year ended 31 March 2020	:	RMB0.8913 to HK\$1.00
For the year ended 31 March 2021	:	RMB0.8744 to HK\$1.00
For the year ended 31 March 2022	:	RMB0.8245 to HK\$1.00
For the year ended 31 March 2023	:	RMB0.8742 to HK\$1.00
For the year ended 31 March 2024	:	RMB0.9142 to HK\$1.00
For the period from 1 April 2024 to 30 June 2024	:	RMB0.9263 to HK\$1.00

For reference purposes only, the Chinese names of the entities in the Chinese Mainland have been translated into English in this announcement. In the event of any discrepancies between the Chinese names of these entities in the Chinese Mainland and their respective English translations, the Chinese version shall prevail.

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

Hong Kong, 10 July 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.