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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)

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

The Board wishes to announce that the Existing Master Services Agreement and the Existing Tenancy Agreement expired on 31 May 2021. On 1 June 2021 (after trading hours), Pouyuen Vietnam, an indirect wholly-owned subsidiary of Yue Yuen and Vietnam Company, an indirect wholly owned subsidiary of the Company, renewed the Existing Master Services Agreement and the Existing Tenancy Agreement, each for a term of three years from 1 June 2021 to 31 May 2024, and set the Annual Caps for the continuing connected transactions contemplated under the New Master Services Agreement, the New Tenancy Agreement and the New Supplemental Tenancy Agreement for the four financial years ending 31 March 2025.

As at the date of this announcement, Yue Yuen is the controlling shareholder of the Company holding indirectly 192,000,000 Shares representing approximately 36.09% of the issued share capital of the Company. Accordingly, Pouyuen Vietnam is a connected person of the Company and the transactions to be contemplated under the New Master Services Agreement and the New Tenancy Agreement would constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios of the Annual Caps under the New Master Services Agreement, the New Tenancy Agreement and the New Supplemental Tenancy Agreement are less than 5%, the transactions to be contemplated under the Master Services Agreement, the New Tenancy Agreement and the New Supplemental Tenancy Agreement and the Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

** For identification purposes only*

INTRODUCTION

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

The Board wishes to announce that the Existing Master Services Agreement and the Existing Tenancy Agreement expired on 31 May 2021. On 1 June 2021 (after trading hours), Pouyuen Vietnam, an indirect wholly-owned subsidiary of Yue Yuen and Vietnam Company, an indirect wholly owned subsidiary of the Company, renewed the Existing Master Services Agreement and the Existing Tenancy Agreement, each for a term of three years from 1 June 2021 to 31 May 2024, and set the Annual Caps for the continuing connected transactions contemplated under the New Master Services Agreement, the New Tenancy Agreement and the New Supplemental Tenancy Agreement for the four financial years ending 31 March 2025.

The principal terms of the New Supplemental Tenancy Agreement have been disclosed in the announcement of the Company dated 25 November 2020. The principal terms of the New Master Services Agreement and the New Tenancy Agreement are as follows.

NEW MASTER SERVICES AGREEMENT

Date

1 June 2021 (after trading hours)

Parties

- (i) Pouyuen Vietnam; and
- (ii) Vietnam Company

Term

Three (3) years commencing on 1 June 2021

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 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
Satellite services	Fees to be determined at cost based on the Overheads and allocated based on the number of staff employed by the 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 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
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 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 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 New 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 New Master Services Agreement, the historical amount of service fees paid by Vietnam Company to Pouyuen Vietnam under the Existing Master Services Agreement (which amounted to approximately US\$1.1 million to US\$1.3 million (exclusive of VAT) for each of the three years ended 31 March 2019, 2020 and 2021) and the potential growth in production, the maximum service fees payable by Vietnam Company to Pouyuen Vietnam during the term of the New Master Services Agreement are estimated to be:

	<i>For the financial year ended 31 March</i>			
	2022	2023	2024	2025
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

NEW TENANCY AGREEMENT

Date:	1 June 2021 (after trading hours)
Landlord:	Pouyuen Vietnam
Tenant:	Vietnam Company
Leased Properties:	The factory premises located at Section Y4 in the precinct of Pouyuen Vietnam
Gross floor area:	23,728 square metres
Term:	Three (3) years from 1 June 2021 to 31 May 2024 (both days inclusive)
Rental:	US\$71,184 per month (exclusive of VAT but inclusive of management fees), payable in advance on a monthly basis
Use:	The Leased Properties is being used and will continue to be used by Vietnam Company for industrial use as its production base

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

Based on the aforesaid principal terms of the New Tenancy Agreement, the maximum rental payable by Vietnam Company to Pouyuen Vietnam during the term of the New Tenancy Agreement shall be as follows:

	<i>For the financial year ended 31 March</i>			
	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>
US\$ (exclusive of VAT)	711,840	854,208	854,208	142,368
Equivalent to approximately HK\$	5,552,000	6,663,000	6,663,000	1,110,000

HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

Historical transaction amounts

Historical transaction amounts under the Existing Master Services Agreement, the Existing Tenancy Agreement and the New Supplemental Agreement during the three years ended 31 March 2021 and the two months ended 31 May 2021 are set out below:

	<i>For the year ended 31 March</i>			<i>For the two months ended</i>
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>31 May 2021</i>
	HK\$	HK\$	HK\$	HK\$
Historical transaction amounts under the Existing Master Services Agreement	7,337,000	9,245,000	8,152,000	1,356,000
Historical transaction amounts under the Existing Tenancy Agreement	5,552,000	6,663,000	6,663,000	1,110,000
Historical transaction amounts under the New Supplemental Tenancy Agreement	--	--	346,000	173,000
Aggregate historical transaction amounts	12,889,000	15,908,000	15,161,000	2,639,000

The Group has closely monitored the transaction amounts under the Existing Master Services Agreement, the Existing Tenancy Agreement and the New Supplemental Tenancy Agreement, which have not exceeded the historical annual caps during the three years ended 31 March 2021 and the two months ended 31 May 2021. As at the date of this announcement, the respective annual caps for the transactions contemplated under the Existing Master Services Agreement, the Existing Tenancy Agreement and the New Supplemental Tenancy Agreement has not been exceeded.

Annual Caps

The Annual Caps under the New Master Services Agreement, the New Tenancy Agreement and the New Supplemental Tenancy Agreement for the four years ending 31 March 2025 are set out below:

	<i>For the financial year ended 31 March</i>			
	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>
	HK\$	HK\$	HK\$	HK\$
Annual Caps for the New Master Services Agreement	11,700,000	14,040,000	14,040,000	2,340,000
Annual Caps for the New Tenancy Agreement	5,552,000	6,663,000	6,663,000	1,110,000
Annual Caps for the New Supplemental Tenancy Agreement	1,038,000	1,038,000	173,000	--
Aggregate Annual Caps	18,290,000	21,741,000	20,876,000	3,450,000

Basis of determination for the Annual Caps

The Annual Caps for the New Master Services Agreement and the New Tenancy Agreement are determined after taking into account the historical transaction amounts for the Existing Master Services Agreement and the Existing Tenancy Agreement for the three financial years ended 31 March 2021 and the two months ended 31 May 2021.

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

Pricing policy

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

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, the New Tenancy Agreement and the New Supplemental Tenancy Agreement were 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, the New Tenancy Agreement and the New Supplemental Tenancy Agreement 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, the New Tenancy Agreement and the New Supplemental Tenancy Agreement 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, the New Tenancy Agreement and the New Supplemental Tenancy Agreement, 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, the New Tenancy Agreement and the New Supplemental Tenancy Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED UNDER THE NEW MASTER SERVICES AGREEMENT AND THE NEW TENANCY 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 became continuing connected transactions for the Company under the Listing Rules.

As at the date of this announcement, there are around 2,300 workers of Vietnam Company who have been trained to manufacture products which are 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 part of the Group'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 the Group at the Leased Properties.

The Directors (including the independent non-executive Directors) consider that each of the New Master Services Agreement and the New Tenancy 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 New Master Services Agreement and the New Tenancy 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 36.09% of the issued share capital of the Company. Accordingly, Pouyuen Vietnam is a connected person of the Company and the transactions to be contemplated under the New Master Services Agreement and the New Tenancy Agreement would constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios of the Annual Caps under the New Master Services Agreement, the New Tenancy Agreement and the New Supplemental Tenancy Agreement are less than 5%, the transactions to be contemplated under the New Master Services Agreement, the New Tenancy Agreement and the New Supplemental Tenancy Agreement and the Annual Caps are subject to the reporting and announcement requirements but are exempt from the independent shareholders’ approval requirement pursuant to 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, Christina, Mr. Shih Chih-Hung and Mr. Hu Chia-Ho are required to abstain from voting at the Board meeting on the resolution approving 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”	the area identified as J2-2F located in the precinct of Pouyuen Vietnam, leased by Pouyuen Vietnam to the Group under the New Supplemental Tenancy Agreement
“Announcements”	the five announcements of the Company dated 29 March 2018, 27 April 2018, 1 June 2018, 29 May 2020 and 25 November 2020, respectively, in relation to, among other things, the Existing Master Services Agreement, the Existing Tenancy Agreement and the New Supplemental Tenancy Agreement
“Annual Caps”	the respective annual caps in relation to the transaction amounts under the New Master Services Agreement, the New Tenancy Agreement and the New Supplemental Tenancy Agreement for the four financial years ending 31 March 2025
“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: 2368)
“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 2018 entered into between Pouyuen Vietnam and Vietnam Company in respect of the Services, which expired on 31 May 2021

“Existing Tenancy Agreement”	the tenancy agreement dated 1 June 2018 entered into between Pouyuen Vietnam and Vietnam Company in respect of the Leased Properties, which expired on 31 May 2021
“Group”	the Company and its subsidiaries
“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 1 June 2021 entered into between Pouyuen Vietnam and Vietnam Company in respect of the Services
“New Supplemental Tenancy Agreement”	the supplemental tenancy agreement dated 25 November 2020 entered into between Pouyuen Vietnam as landlord and Vietnam Company as tenancy in respect of Additional Leased Properties, which will expire on 31 May 2023
“New 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
“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 and the New Master Services Agreement

“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
“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: 551)
"% "	per cent.

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, 1 June 2021

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, Christina, Mr. Shih Chih-Hung, Mr. Chung Chi Kit and Mr. Hu Chia-Ho and four independent non-executive directors, namely, Mr. Chan Cheuk Ho, Mr. Lu Chi Chant, Ms. Tham Kit Wan and Mr. Leung Spencer Yu Cheong.