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Yue Yuen Industrial (Holdings) Limited
裕元工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 551)



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)

JOINT ANNOUNCEMENT

PROPOSED AMENDMENTS TO THE TERMS OF THE CONVERTIBLE NOTE ISSUED TO THE SUBSCRIBER APPLICATION FOR WHITEWASH WAIVER BY THE SUBSCRIBER AND CONNECTED TRANSACTION FOR EAGLE NICE (INTERNATIONAL) HOLDINGS LIMITED

Financial adviser to Eagle Nice (International) Holdings Limited



Barits Securities (Hong Kong) Limited

SUMMARY

Reference is made to the announcements dated 3 March 2004, 8 April 2004 and 16 April 2004 and the circular dated 24 March 2004 issued jointly by Yue Yuen and Eagle Nice in relation to, among other things, the Subscription Agreement, the Placing Agreement and the Existing Whitewash Waiver. Reference is also made to the announcement dated 8 October 2004 issued by Eagle Nice in relation to, among other things, the negotiations between the Subscriber and Eagle Nice regarding a proposed variation of the terms (including the conversion period) of the Convertible Note. The then proposed terms of the Amendment Agreement may lead to Eagle Nice unable to meet the public float requirement upon full conversion of the Convertible Note. After further discussions among the parties to the Amendment Agreement, this issue has been resolved and details of which are stated in the paragraph headed "Maintaining the listing status of Eagle Nice" in this announcement.

On 28 December 2004, Eagle Nice entered into the Amendment Agreement with, among other parties, the Subscriber to amend the existing terms of the Convertible Note so that the Subscriber may immediately after the Amendment Agreement becomes effective exercise the conversion rights under the Convertible Note to convert the outstanding Convertible Note into Eagle Nice Shares, instead of only during the one month period before the third anniversary of the Convertible Note. In addition, according to the terms of the Amendment Agreement, within 3 Business Days after the Amendment Agreement becomes effective, the

* *For identification only*

Subscriber will exercise the conversion rights under the Convertible Note in full and Eagle Nice shall allot and issue the Conversion Shares to the Subscriber or its nominee in accordance with the terms and conditions of the Convertible Note. The Amendment Agreement will take effect upon the fulfillment or, as the case may be, waiver of the conditions set out in the paragraph headed “Conditions of the Amendment Agreement” below.

The executive Directors believe that the Amendment Agreement and the Early Conversion are in the interest of Eagle Nice and the Eagle Nice Shareholders as a whole.

The Subscriber is a controlling shareholder of Eagle Nice and accordingly, the Subscriber is a connected person of Eagle Nice under the Listing Rules. The entering into of the Amendment Agreement constitutes a connected transaction for Eagle Nice and it is subject to, among other things, the approval of Independent Eagle Nice Shareholders by way of a poll at the EGM.

The Existing Whitewash Waiver was granted by the Executive on the basis of the original terms of the Subscription Agreement as approved by the Independent Eagle Nice Shareholders at the extraordinary general meeting of Eagle Nice on 8 April 2004. The Existing Whitewash Waiver will cease to apply upon the variation of the original terms of the Subscription Agreement by the Amendment Agreement and as such, the Subscriber will be, in the absence of the New Whitewash Waiver, obliged under Rule 26.1 of the Takeovers Code to make a mandatory general offer to acquire all the issued Eagle Nice Shares other than those already owned or agreed to be acquired by the Subscriber and its concert parties as a result of the Early Conversion since the shareholding of the Subscriber and its concert parties in Eagle Nice would have increased by more than 2% from their lowest percentage shareholding (as determined or deemed for this purpose under the Takeovers Code) in the then preceding 12-month period. An application has been made by the Subscriber to the Executive for the New Whitewash Waiver, subject to separate vote by the Independent Eagle Nice Shareholders to be taken by way of a poll at the EGM. The Executive may or may not grant the New Whitewash Waiver. The Amendment Agreement is conditional upon, among other things, the granting of the New Whitewash Waiver by the Executive. If the New Whitewash Waiver is not granted by the Executive or the New Whitewash Waiver is not approved by the Independent Eagle Nice Shareholders at the EGM, the Amendment Agreement will lapse.

An independent board committee of Eagle Nice will be appointed to consider the Amendment Agreement and the New Whitewash Waiver. An independent financial adviser will also be appointed to advise the independent board committee of Eagle Nice in this respect and further announcement will be made by Eagle Nice when the independent financial adviser has been appointed. A circular containing, among others, further details on the Amendment Agreement, the New Whitewash Waiver, the letter of recommendation from the independent board committee of Eagle Nice, a letter from the independent financial adviser to the independent board committee and independent shareholders of Eagle Nice and a notice of the EGM will be sent to the Eagle Nice Shareholders as soon as practicable and in accordance with the requirement of the Takeovers Code. The directors of Eagle Nice, Time Easy, Ms. Tsang and the Subscriber, their respective associates and parties acting in concert with any of them are required to abstain from voting in the EGM.

Barits has been appointed as the financial adviser to Eagle Nice in relation to the Amendment Agreement.

Trading in the Eagle Nice Shares on the Stock Exchange was suspended at the request of Eagle Nice with effect from 9:30 a.m. on 24 December 2004 pending the release of this announcement. Eagle Nice has applied to the Stock Exchange for the resumption of trading in the Eagle Nice Shares with effect from 9:30 a.m. on 30 December 2004.

The Subscriber has no intention of incurring any obligation to make a general offer for the Eagle Nice Shares in connection with the Amendment Agreement. If the New Whitewash Waiver is not granted by the Executive or the New Whitewash Waiver is not approved by the Independent Eagle Nice Shareholders, the Amendment Agreement will lapse.

BACKGROUND

Reference is made to the announcements dated 3 March 2004, 8 April 2004 and 16 April 2004 and the circular (the “Circular”) dated 24 March 2004 issued jointly by Yue Yuen and Eagle Nice in relation to, among other things, the Subscription Agreement, the Placing Agreement and the Existing Whitewash Waiver. Reference is also made to the announcement dated 8 October 2004 issued by Eagle Nice in relation to, among other things, the negotiations between the Subscriber and Eagle Nice regarding a proposed variation of the terms (including the conversion period) of the Convertible Note. The then proposed terms of the Amendment Agreement may lead to Eagle Nice unable to meet the public float requirement upon full conversion of the Convertible Note. After further discussions among the parties to the Amendment Agreement, this issue has been resolved and details of which are stated in the paragraph headed “Maintaining the listing status of Eagle Nice” in this announcement.

On 3 March 2004, Eagle Nice entered into the Subscription Agreement with, among other parties, the Subscriber in relation to the Share Subscription and CN Subscription. On that same day, Eagle Nice also entered into the Placing Agreement with Barits in relation to the Placing.

In view of the mandatory general offer obligations that would arise upon completion of the Subscription Agreement under Rule 26 of the Takeover Code, an application was made by the Subscriber to the Executive for the Existing Whitewash Waiver in respect of the issue of the Eagle Nice Shares as a result either of the Subscription or of the exercise in part or in full of the Convertible Note.

On 2 April 2004, the Existing Whitewash Waiver was granted by the Executive subject to approval by the Independent Eagle Nice Shareholders, which approval was granted at the extraordinary general meeting of Eagle Nice on 8 April 2004 and completion of the Subscription Agreement and the Placing Agreement took place on 16 April 2004.

THE AMENDMENT AGREEMENT

On 28 December 2004, Eagle Nice entered into the Amendment Agreement with, among other parties, the Subscriber to amend the existing terms of the Convertible Note so that the Subscriber may immediately upon the Amendment Agreement becomes effective exercise the conversion rights under the Convertible Note to convert the outstanding Convertible Note into Eagle Nice Shares, instead of only during the one month period before the third anniversary of the Convertible Note. In addition, according to the terms of the Amendment Agreement, within 3 Business Days after the Amendment Agreement becomes effective, the Subscriber will exercise the conversion rights under the Convertible Note in full and Eagle Nice shall allot and issue the Conversion Shares to the Subscriber or its nominee in accordance with the terms and conditions of the Convertible Note. Save for the amendments set out above, all of the other existing terms of the Convertible Note will remain the same and in full force and effect.

The executive Directors consider that, since save for the Early Conversion, all of the other existing terms of the Convertible Note will remain the same and in full force and effect, the terms of the Amendment Agreement were negotiated on an arm’s length basis, agreed on normal commercial terms between the parties involved, and are fair and reasonable.

Upon full conversion of the Convertible Note at the conversion price of HK\$2.38 per Eagle Nice Share, a total of 87,000,000 Eagle Nice Shares will be issued, which will represent approximately 25.59% of the existing issued share capital of Eagle Nice as at the date of this announcement and approximately 20.37% of the enlarged issued share capital of Eagle Nice upon issue of the Conversion Shares. The conversion price of HK\$2.38 per Eagle Nice Share represents a discount of approximately 40.87% over the closing price of HK\$4.025 per Eagle Nice Share quoted on the Stock Exchange on 23 December 2004, being the last trading day immediately prior to the suspension of trading in the Eagle Nice Shares on the Stock Exchange.

Conditions of the Amendment Agreement

The Amendment Agreement will take effect immediately upon satisfaction or, as the case may be, waiver of the following conditions:

- (i) the Amendment Agreement and the New Whitewash Waiver having been approved by the Independent Eagle Nice Shareholders by way of a poll at the EGM;
- (ii) the New Whitewash Waiver having been granted by the Executive;
- (iii) all consents or approvals of any relevant governmental authorities or other relevant regulatory bodies in Hong Kong and other relevant jurisdiction or of any bank creditor pursuant to any loan documentations which are necessary for the entering into and implementation of the Amendment Agreement by Eagle Nice having been obtained; and
- (iv) compliance by Mr. Chung and Time Easy with the undertaking that within 45 days (or such other date as may be agreed by Eagle Nice, Mr. Chung, Time Easy, the Subscriber and Yue Yuen) after the date of satisfaction of condition (i) above, they will ensure that the public float of the Eagle Nice Shares is increased to such extent so that immediately upon full conversion of the Convertible Note, the public float of the Eagle Nice Shares (as required under the Listing Rules from time to time) will not be breached. Further details of the undertaking are stated in the paragraph headed “Maintaining the listing status of Eagle Nice” below.

The above conditions are not capable of being waived, except for item (iii) above which may be waived by the Subscriber. As at the date of this announcement, the Company has no outstanding bank indebtedness and no bank consent is required for the entry by the Company of the Amendment Agreement.

If any of the above conditions has not been fulfilled or waived, as the case may be, on or before 30 April 2005 (or such later date as the Subscriber and Eagle Nice may agree in writing), then the Amendment Agreement will lapse and become null and void and the parties will be released from all obligations under the Amendment Agreement, save for the liabilities for any antecedent breaches.

Application for listing

Eagle Nice will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INTENTION OF THE SUBSCRIBER ON THE EAGLE NICE GROUP

The Board currently comprises 6 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. It is proposed that, as soon as practicable after the Early Conversion takes effect, the Board will be reconstituted so as to comprise and will at all times thereafter until 15 April 2007 comprise not more than 12 members, of whom 8 will be executive Directors and the balance will be non-executive Directors as follows:

- (i) 4 executive Directors will be nominated by the Subscriber;
- (ii) 4 executive Directors and 1 non-executive Director will be nominated by Mr. Chung and Time Easy; and

(iii) 3 independent non-executive Directors, of whom 2 candidates will be proposed by the Subscriber and 1 candidate will be proposed by Mr. Chung and Time Easy.

The biography of each of the new Directors to be appointed and details of changes in the Board (if any) will be set out in the forthcoming circular of Eagle Nice as they have not yet been selected.

Following the Early Conversion, both Time Easy and the Subscriber intend that the Eagle Nice Group will remain as an investment holding company and that its subsidiaries will continue to carry on their principal businesses of the design and manufacture of sportswear for men, women and children on an OEM basis. Whereas the Yue Yuen Group's principal business will remain as the manufacture of athletic and casual footwear.

There is no plan for the Subscriber to inject any of its existing assets or businesses into the Eagle Nice Group. Both Time Easy and the Subscriber intend to retain the services of the existing management and employees of the Eagle Nice Group to continue to manage the core business of the Eagle Nice Group.

REASONS FOR THE AMENDMENT AGREEMENT AND THE EARLY CONVERSION

The Directors believe that the further involvement of Yue Yuen, which through the Subscription is already a strategic shareholder of Eagle Nice, will strengthen the permanent capital base of Eagle Nice. As previously disclosed in the Circular, the participation of Yue Yuen is expected to assist Eagle Nice in (1) expansion in its marketing force since Yue Yuen currently has customers which are based in the United States and Europe; and (2) setting up new production facilities outside the PRC with the assistance provided by Yue Yuen as Yue Yuen has long experience in establishing production facilities located outside the PRC. The Directors believe, through the Early Conversion, Yue Yuen has reflected its confidence in the strategic relationships with the Eagle Nice Group and by becoming the largest shareholder of Eagle Nice after the Early Conversion, Yue Yuen will be in a better position to provide strategic support to the Eagle Nice Group. Although Time Easy will cease to be the largest shareholder of Eagle Nice after the Early Conversion, Mr. Chung and Time Easy will still be able to nominate 4 of the 8 executive directors of the reconstituted Board until 15 April 2007 and continuity in the existing business and management of the Eagle Nice Group will therefore be maintained during this period. As advised by the directors of Yue Yuen, it has no current plan as to how the operations of Eagle Nice will be run after 15 April 2007.

Moreover, the Directors believe that the Early Conversion will remove any uncertainty as to whether the Convertible Note is to be repaid and if so, by what means by Eagle Nice in the event that the Subscriber elects not to convert the Convertible Note thereby allowing Eagle Nice greater flexibility in planning the use of the proceeds under the Convertible Note.

In view of the above, the executive Directors believe that the entry into of the Amendment Agreement and the Early Conversion are in the interest of Eagle Nice and the Eagle Nice Shareholders as a whole.

SHAREHOLDING STRUCTURE OF EAGLE NICE

Set out below is a table showing the shareholding structure of Eagle Nice immediately before (i.e. as at the date of this announcement) and after the Early Conversion:

	Immediately before the Early Conversion		Immediately after the Early Conversion <i>(note)</i>	
	<i>Number of Eagle Nice Shares</i>	<i>%</i>	<i>Number of Eagle Nice Shares</i>	<i>%</i>
Time Easy	148,500,000	43.68	148,500,000	34.78
Ms. Tsang	1,500,000	0.44	1,500,000	0.35
The Subscriber	105,000,000	30.88	192,000,000	44.96
Public	85,000,000	25.00	85,000,000	19.91
Total	<u>340,000,000</u>	<u>100.00</u>	<u>427,000,000</u>	<u>100.00</u>

Note: This table is for illustrative purposes only. The Early Conversion is conditional upon the full compliance by Mr. Chung and Time Easy of their undertaking to ensure that the public float of Eagle Nice Shares is increased to such extent so that immediately upon full conversion of the Convertible Note, the public float of the Eagle Nice Shares (as required by the Listing Rules from time to time) will not be breached. Further details of the undertaking are stated in the paragraph headed "Maintaining the listing status of Eagle Nice" in this announcement. Accordingly, the Early Conversion will not take place unless there will be sufficient public float of the Eagle Nice Shares immediately after the Early Conversion.

As at the date of this announcement, save for the Convertible Note, there are no outstanding share options, warrants, derivatives or debt securities which are convertible into the Eagle Nice Shares.

INFORMATION ON EAGLE NICE

Eagle Nice is incorporated in the Cayman Islands with limited liability and the Eagle Nice Shares are listed on the Stock Exchange. Eagle Nice is an investment holding company. Its subsidiaries are principally engaged in the design and manufacture of sportswear for men, women and children on an OEM basis. The Eagle Nice Group manufactures products under international brandnames such as *Nike*.

The audited combined net profit before and after taxation of Eagle Nice were approximately HK\$34.3 million and approximately HK\$30.8 million, respectively, for the financial year ended 31 March 2003. The audited combined net profit before and after taxation of Eagle Nice were approximately HK\$35.6 million and approximately HK\$32.1 million, respectively, for the financial year ended 31 March 2004. As disclosed in Eagle Nice published interim report, the unaudited combined net profit before and after taxation of Eagle Nice were approximately HK\$50.0 million and approximately HK\$43.3 million, respectively, for the six months ended 30 September 2004.

As at 31 March 2004, the audited consolidated net tangible asset value of Eagle Nice was approximately HK\$90.4 million or approximately HK\$0.48 per Eagle Nice Share. As at 30 September 2004, the unaudited consolidated net tangible asset value of Eagle Nice was approximately HK\$264.1 million or approximately HK\$0.78 per Eagle Nice Share.

INFORMATION ON THE YUE YUEN GROUP

The Yue Yuen Group is the largest branded athletic and casual footwear manufacturer in the world with facilities in the PRC, Vietnam and Indonesia. It is an original equipment manufacturer/original design manufacturer (OEM/ODM) for major international brand name companies such as *Nike, adidas, Reebok, New Balance, Asics, Timberland and Rockport*. Its strength lies in providing a fully integrated supply chain infrastructure with dedicated and flexible production and research and development facilities for its clients. Founded in 1988, Yue Yuen has been listed on the Stock Exchange since 1992 and a constituent of the Hang Seng Index since 9 June 2003.

LISTING RULES IMPLICATION

The Subscriber is a controlling shareholder of Eagle Nice and accordingly, the Subscriber is a connected person of Eagle Nice under the Listing Rules. The entering into of the Amendment Agreement constitutes a connected transaction for Eagle Nice and it is subject to, among other things, the approval of Independent Eagle Nice Shareholders by way of a poll at the EGM.

TAKEOVERS CODE IMPLICATIONS

The Existing Whitewash Waiver was granted by the Executive on the basis of the original terms of the Subscription Agreement as approved by the Independent Eagle Nice Shareholders at the extraordinary general meeting of Eagle Nice on 8 April 2004. The Existing Whitewash Waiver will cease to apply upon the variation of the original terms of the Subscription Agreement by the Amendment Agreement and as such, the Subscriber will be obliged, in the absence of the New Whitewash Waiver, under Rule 26.1 of the Takeovers Code to make a mandatory general offer to acquire all the issued Eagle Nice Shares other than those already owned or agreed to be acquired by the Subscriber and its concert parties as a result of the Early Conversion since the shareholding of the Subscriber and its concert parties in Eagle Nice would have increased by more than 2% from their lowest percentage shareholding (as determined or deemed for this purpose under the Takeovers Code) in the then preceding 12-month period. An application has been made by the Subscriber to the Executive for the New Whitewash Waiver, subject to separate vote by the Independent Eagle Nice Shareholders to be taken by way of a poll at the EGM. The Executive may or may not grant the New Whitewash Waiver. The Amendment Agreement is conditional upon, among other things, the granting of the New Whitewash Waiver by the Executive. If the New Whitewash Waiver is not granted by the Executive or the New Whitewash Waiver is not approved by the Independent Eagle Nice Shareholders at the EGM, the Amendment Agreement will lapse.

None of the Subscriber, Yue Yuen, Time Easy and their respective directors, Mr. Chung, Ms. Tsang, Ms. Tsang Yuk Ni and their respective parties acting in concert with each of such persons has dealt in the Eagle Nice Shares during the six month period prior to the signing of the Amendment Agreement.

MAINTAINING THE LISTING STATUS OF EAGLE NICE

It is the intention of Eagle Nice and the Subscriber to maintain the listing of the Eagle Nice Shares on the Stock Exchange after the Early Conversion.

As a condition to the Amendment Agreement, Mr. Chung and Time Easy have undertaken to the Subscriber and Yue Yuen that within 45 days (or such other date as may be agreed by Eagle Nice, Mr. Chung, Time Easy, the Subscriber and Yue Yuen) after the date of satisfaction of condition (i) of the Amendment Agreement stated in the paragraph headed “Conditions of the Amendment Agreement” in this announcement, they will ensure that the public float of the Eagle Nice Shares is increased to such extent so that immediately upon full conversion of the Convertible Note, the public float of the Eagle Nice Shares (as required under the Listing Rules from time to time) will not be breached. This obligation will cease on the date on which the public float of Eagle Nice is increased to such extent as Mr. Chung and Time Easy have undertaken to the Subscriber and Yue Yuen. Accordingly, the Early Conversion will not take place unless there will be sufficient public float of the Eagle Nice Shares immediately after the Early Conversion. Eagle Nice, Mr. Chung and Time Easy have also undertaken to the Stock Exchange to ensure that the public float of the Eagle Nice Shares will not be less than 25% immediately before and after the Early Conversion. However, as at the date of this announcement, Mr. Chung and Time Easy do not have any concrete plan on how to increase the public float prior to the Early Conversion. A separate announcement will be made when such plan is confirmed.

The Stock Exchange has stated that it will closely monitor trading in the Eagle Nice Shares if less than 25% of the Eagle Nice Shares are held by public. If the Stock Exchange believes that

- **a false market exists or may exist in the trading in the Eagle Nice Shares; or**
- **there are too few Eagle Nice Shares in public hands to maintain an orderly market;**

then it will consider exercising its discretion to suspend trading in the Eagle Nice Shares until sufficient public float is attained.

The Stock Exchange will also closely monitor all future acquisitions or disposals of assets by Eagle Nice. The Stock Exchange has indicated that it has the discretion to require Eagle Nice to issue an announcement and a circular to its shareholders irrespective of the size of any proposed transaction, particularly when such proposed transactions represent a departure from the principal activities of Eagle Nice. The Stock Exchange has also stated that it has the power, pursuant to the Listing Rules, to aggregate a series of transactions of Eagle Nice and any such transactions may result in Eagle Nice being treated as if it were a new listing applicant as set out in the Listing Rules.

GENERAL

An independent board committee of Eagle Nice will be appointed to consider the Amendment Agreement and the New Whitewash Waiver. An independent financial adviser will also be appointed to advise the independent board committee of Eagle Nice in this respect and further announcement will be made by Eagle Nice when the independent financial adviser has been appointed. A circular containing, among others, further details on the Amendment Agreement, the New Whitewash Waiver, the letter of recommendation from the independent board committee of Eagle Nice, a letter from the independent financial adviser to the independent board committee and independent shareholders of Eagle Nice and a notice of the EGM will be sent to the Eagle Nice Shareholders as soon as practicable and in accordance with the requirement of the Takeovers Code. The directors of Eagle Nice, Time Easy, Ms. Tsang and the Subscriber, their respective associates and parties acting in concert with any of them are required to abstain from voting in the EGM.

Barits has been appointed as the financial adviser to Eagle Nice in relation to the Amendment Agreement.

Trading in the Eagle Nice Shares on the Stock Exchange was suspended at the request of Eagle Nice with effect from 9:30 a.m. on 24 December 2004 pending the release of this announcement. Eagle Nice has applied to the Stock Exchange for the resumption of trading in the Eagle Nice Shares with effect from 9:30 a.m. on 30 December 2004.

As at the date of this announcement, the Board comprises 6 executive Directors, namely, Chung Yuk Sing, Tsang Yuk Ni, Chung Tung Sau, Tsang Sau Fan, Edward Ku Yu Sun and Kuo Tai Yu, 1 non-executive Director, namely, Ong Chor Wei and 3 independent non-executive Directors, namely, Chan Cheuk Ho, Li Chi Chung and Tony Cheng Yung-Hui.

As at the date of this announcement, the board of directors of Yue Yuen comprises 8 executive directors, namely, Tsai Chi Neng, David N.F. Tsai, Edward Ku Yu Sun, Kuo Tai Yu, Lu Chin Chu, Kung Sung Yen, Chan Lu Min and Li I Nan, Steve, 2 non-executive directors, namely, Choi Kwok Keung and John J. D. Sy and 3 independent non-executive directors, namely, Shih Hung, Poon Yiu Kin, Samuel and So Kwan Lok.

The Subscriber has no intention of incurring any obligation to make a general offer for the Eagle Nice Shares in connection with the Amendment Agreement. If the New Whitewash

Waiver is not granted by the Executive or the New Whitewash Waiver is not approved by the Independent Eagle Nice Shareholders, the Amendment Agreement will lapse.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Amendment Agreement”	the conditional agreement dated 28 December 2004 and entered into between the Subscriber, Eagle Nice, Mr. Chung, Time Easy and Yue Yuen in relation to the amendment of certain terms of the Convertible Note and the Early Conversion
“associate(s)”	the meaning ascribed thereto under the Listing Rules
“Barits”	Barits Securities (Hong Kong) Limited, a deemed licensed corporation registered under the SFO to carry out types 1 and 6 regulated activities
“Board”	the board of Directors
“Business Days”	a day (other than a Saturday) on which banks are open for business in Hong Kong
“CN Subscription”	the subscription of the Convertible Note by the Subscriber under the Subscription Agreement
“Convertible Note”	the convertible note in the principal amount of HK\$207.06 million issued by Eagle Nice to the Subscriber under the Subscription Agreement
“Conversion Shares”	any Eagle Nice Shares falling to be issued upon exercise of the conversion rights under the Convertible Note
“Director(s)”	director(s) of Eagle Nice
“Eagle Nice”	Eagle Nice (International) Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Eagle Nice Group”	Eagle Nice and its subsidiaries
“Eagle Nice Shareholders”	holders of the Eagle Nice Shares
“Eagle Nice Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of Eagle Nice
“Early Conversion”	the conversion of the Convertible Note into Eagle Nice Shares within 3 Business Days after the Amendment Agreement becomes effective
“EGM”	the extraordinary general meeting of Eagle Nice to be held to consider and, if thought fit, approve, among other things, the transactions contemplated under the Amendment Agreement and the New Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

“Existing Whitewash Waiver”	a waiver granted by the Executive on 2 April 2004 from the obligation of the Subscriber and parties acting in concert with it to make a general offer under Rule 26 of the Takeovers Code for all the issued Eagle Nice Shares (other than those already owned by them) pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code as a result either of the Share Subscription or of the exercise in part or in full of the Convertible Note
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Eagle Nice Shareholders”	the Eagle Nice Shareholders other than the directors of Eagle Nice, Time Easy, Ms. Tsang and the Subscriber, their respective associates and parties acting in concert with any of them
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Tsang”	Ms. Tsang Sau Fan, an executive Director
“Mr. Chung”	Mr. Chung Yuk Sing, chairman of Eagle Nice and an executive Director
“New Whitewash Waiver”	a waiver by the Executive from the obligation of the Subscriber and parties acting in concert with it to make a general offer under Rule 26 of the Takeovers Code for all the issued Eagle Nice Shares (other than those already owned by them) pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code as a result of the Early Conversion
“ODM”	an acronym for “original design manufacturer”, one which designs and manufactures its own products
“OEM”	an acronym for “original equipment manufacturer”, one which produces or customises products according to the design supplied by others
“Placing”	the placing of the 35,000,000 new Eagle Nice Shares to independent places on a fully underwritten basis under the Placing Agreement
“Placing Agreement”	the placing agreement dated 3 March 2004 and entered into between Eagle Nice and Barits in relation to the Placing, completion of which took place on 16 April 2004
“PRC”	the People’s Republic of China (excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Subscription”	the subscription of 105,000,000 new Eagle Nice Shares by the Subscriber under the Subscription Agreement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Great Pacific Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Yue Yuen
“Subscription”	the Share Subscription and the CN Subscription
“Subscription Agreement”	the subscription agreement dated 3 March 2004 and entered into between Eagle Nice, the Subscriber, Mr. Chung, Time Easy and Yue Yuen in relation to the Subscription, completion of which took place on 16 April 2004
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Time Easy”	Time Easy Investments Holdings Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, which is beneficially owned as to 90% by Mr. Chung, the chairman and an executive director of Eagle Nice, and as to 10% by Ms. Tsang Yuk Ni, an executive director of Eagle Nice
“Yue Yuen”	Yue Yuen Industrial (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Yue Yuen Group”	Yue Yuen and its subsidiaries, which are principally engaged in the manufacturing of athletic and casual footwear on an OEM/ODM basis
“HK\$”	Hong Kong dollar(s), the lawful currency in Hong Kong

By Order of the Board of
Yue Yuen Industrial (Holdings) Limited
Tsai Chi Neng
Chairman

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

Hong Kong, 29 December 2004

The directors of Yue Yuen jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Eagle Nice Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those relating to the Eagle Nice Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Eagle Nice Group) not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Yue Yuen Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those relating to the Yue Yuen Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Yue Yuen Group) not contained in this announcement, the omission of which would make any statement in this announcement misleading.

“Please also refer to the published version of this announcement in The Standard.”