

IMPORTANT

If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Eagle Nice (International) Holdings Limited, you should at once hand this document and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

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

Financial adviser to Eagle Nice (International) Holdings Limited



Barits Securities (Hong Kong) Limited

Independent financial adviser to the Independent Board Committee



博大資本國際有限公司

Partners Capital International Limited

A letter from the independent board committee of Eagle Nice (International) Holdings Limited is set out on page 17 of this document. A letter from Partners Capital International Limited containing its advice to the independent board committee and independent shareholders of Eagle Nice (International) Holdings Limited is set out on pages 18 to 32 of this document.

A notice convening an extraordinary general meeting of Eagle Nice (International) Holdings Limited to be held at Units 0902-0903 and 0905-0906, 9th Floor, Tower B, Regent Centre, 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong on 28 February 2005 at 11:00 a.m., is set out on pages 97 to 98 of this document. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of Eagle Nice (International) Holdings Limited, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

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DEFINITIONS

In this document, 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 and the financial adviser to Eagle Nice
“Board”	the board of Directors
“Business Days”	a day (other than a Saturday) on which banks are open for business in Hong Kong
“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
“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)”	the 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 Development”	Eagle Nice Development Limited, a company incorporated in Hong Kong with limited liability on 29 December 1992 and an indirect wholly-owned subsidiary of Eagle Nice

DEFINITIONS

“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 exercise of the conversion rights under the Convertible Note 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 waiving the obligation of the Subscriber and parties acting in concert with it from making 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 to Notes 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
“Far East”	Far East (International) Garment Limited, a company incorporated in Hong Kong with limited liability on 31 March 2000 and an indirect wholly-owned subsidiary of Eagle Nice
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Chan Cheuk Ho, Mr. Li Chi Chung and Mr. Tony Cheng Yung-Hui who are the independent non-executive Directors, appointed to advise the Independent Eagle Nice Shareholders on, among other things, the terms of the Amendment Agreement and the New Whitewash Waiver

DEFINITIONS

“Independent Eagle Nice Shareholders”	the Eagle Nice Shareholders other than the directors of Eagle Nice, Time Easy, Ms. Tsang, the Subscriber, their respective associates and parties acting in concert with any of them
“Independent Third Party”	a person(s) or company(ies) which is/are independent of and not connected with any director, chief executive or substantial shareholder (within the meaning under the Listing Rules) of the Eagle Nice Group or any of its associate(s)
“Jespar”	Jespar Age Limited, a company incorporated in BVI with limited liability on 18 April 2000 and a wholly-owned subsidiary of Eagle Nice
“Joint Announcement”	the joint announcement dated 29 December 2004 made by Eagle Nice and Yue Yuen in relation to, among other things, the Amendment Agreement and the New Whitewash Waiver
“Latest Practicable Date”	17 January 2005, being the latest practicable date prior to the printing of this document for ascertaining certain information contained in this document
“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, the 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 to Notes 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 designs supplied by others

DEFINITIONS

“Partners Capital”	Partners Capital International Limited, a licensed corporation registered under the SFO to carry out types 1 and 6 regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Eagle Nice Shareholders
“Placing”	the placing of 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 document, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Property”	all those units 0901, 0902, 0903, 0905, 0906, 0907, 0908, 0909, 0910, 0911, 0912, 0913 (and private water closet wc 0906), 0915 (and private water closet wc 0907), 0916 (and private water closet wc 0908), 0917 (and private water closet wc 0909), 0918, 0919 and 0920 on the 9th Floor of Tower B, Regent Centre, 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong
“Provisional Agreement”	the provisional agreement for sale and purchase dated 12 January 2005 and entered into between Chericourt Company Limited, an Independent Third Party, and Eagle Nice Development relating to the acquisition by Eagle Nice Development of the Property at the consideration of HK\$19,594,080 payable in cash as to HK\$600,000 as an initial deposit upon the signing of the Provisional Agreement, as to HK\$1,359,408 as a further deposit upon the signing of the formal agreement for sale and purchase in respect of the Property (which is expected to be on or before 25 January 2005) and as to the remaining balance of HK\$17,634,672 upon the completion of the acquisition of the Property (which is expected to be on or before 28 February 2005)
“Relevant Period”	the period commencing six months prior to 29 December 2004, being the date of the Joint Announcement, up to and including the Latest Practicable Date

DEFINITIONS

“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 under the laws of 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 Investment Holdings Limited, an investment holding company incorporated under the laws of the British Virgin Islands with limited liability, which is beneficially owned as to 90% by Mr. Chung, the chairman of Eagle Nice and an executive Director, and as to 10% by Ms. Tsang Yuk Ni, an executive Director and the spouse of Mr. Chung
“Tsai Family”	Mr. Tsai Chi Jui and his family members
“Yue Yuen”	Yue Yuen Industrial (Holdings) Limited, an exempted company incorporated under the laws of 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\$” and “cents”	Hong Kong dollar(s) and cent(s), the lawful currency in Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres

In this document, RMB are translated into HK\$ at the exchange rate of RMB106:HK\$100.

LETTER FROM THE BOARD



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)

Executive Directors:

Chung Yuk Sing (*Chairman*)

Tsang Yuk Ni

Chung Tung Sau

Tsang Sau Fan

Edward Ku Yu Sun

Kuo Tai Yu

Non-executive Director:

Ong Chor Wei (*Company secretary*)

Independent non-executive Directors:

Chan Cheuk Ho

Li Chi Chung

Tony Cheng Yung-Hui

Registered office:

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

Cayman Islands

British West Indies

*Head office and principal place of
business in Hong Kong:*

Units 0902-0903 and 0905-0906

9th Floor, Tower B

Regent Centre

70 Ta Chuen Ping Street

Kwai Chung

New Territories

Hong Kong

19 January 2005

To the Eagle Nice Shareholders

Dear Sir or Madam,

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

INTRODUCTION

The Board refers to the announcements dated 3 March 2004, 8 April 2004 and 16 April 2004 and the Circular issued jointly by Yue Yuen and Eagle Nice in relation to,

* *For identification only*

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among other things, the Subscription Agreement, the Placing Agreement and the Existing Whitewash Waiver.

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 Takeovers 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 Board also refers 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 might have led 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 the solution is explained in the paragraph headed "Maintaining the listing status of Eagle Nice" below.

As set out in the Joint 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 amount of the Convertible Note into Eagle Nice Shares, instead of during only 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 will 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 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

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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 votes by the Independent Eagle Nice Shareholders to be taken by way of a poll at the EGM. The Executive has indicated that it will grant the New Whitewash Waiver, subject to separate votes by the Independent Eagle Nice Shareholders to be taken by way of a poll at the EGM. If the New Whitewash Waiver is not approved by the Independent Eagle Nice Shareholders at the EGM, the Amendment Agreement will lapse.

Mr. Chung, Ms. Tsang Yuk Ni, Mr. Chung Tung Sau and Ms. Tsang are executive Directors and salaried employees of Eagle Nice. Mr. Ong Chor Wei is a non-executive Director, the company secretary and a salaried employee of Eagle Nice. Mr. Edward Ku Yu Sun is an executive Director and a director of Yue Yuen and the Subscriber. Mr. Kuo Tai Yu is an executive Director and a director of Yue Yuen. In addition, Mr. Chung, Mr. Chung Tung Sau and Mr. Edward Ku Yu Sun have been involved in the negotiations and discussions in relation to the Amendment Agreement. Accordingly, none of the above mentioned Directors is considered sufficiently independent for the purpose of advising the Independent Eagle Nice Shareholders in relation to the Amendment Agreement and the New Whitewash Waiver. As such, the Independent Board Committee, comprising Mr. Chan Cheuk Ho, Mr. Li Chi Chung and Mr. Tony Cheng Yung-Hui, has been established to advise the Independent Eagle Nice Shareholders as to the fairness and reasonableness of the terms of the Amendment Agreement and the New Whitewash Waiver. Partners Capital has been appointed as the independent financial adviser to the Independent Board Committee in this respect.

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

The purpose of this document is (i) to provide you with, among other things, further information relating to the Amendment Agreement and the New Whitewash Waiver; (ii) to set out the recommendation of the Independent Board Committee and the advice of Partners Capital in relation to the Amendment Agreement and the New Whitewash Waiver; and (iii) to give you notice of the EGM at which resolutions approving the Amendment Agreement and the New Whitewash Waiver will be proposed.

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 amount of the Convertible Note into Eagle Nice Shares, instead of during only the one month period before the third anniversary of the Convertible Note. In addition, according

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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 will 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 Latest Practicable Date 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 40.50% over the closing price of HK\$4.00 per Eagle Nice Share quoted on the Stock Exchange as at the Latest Practicable Date.

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.

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Further details of the undertaking in (iv) above 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 Latest Practicable Date, Eagle Nice had no outstanding bank indebtedness and no bank consent is required for the entry by Eagle Nice 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 has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INTENTION OF THE SUBSCRIBER TOWARD 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.

As at the Latest Practicable Date, the Subscriber has yet to propose any new Director. A separate announcement will be made when appropriate.

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.

LETTER FROM THE BOARD

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. The participation of Yue Yuen has already assisted Eagle Nice and 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 that 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. Yue Yuen has indicated that it has no current plan as to how the operations of Eagle Nice will be run after 15 April 2007. A separate announcement will be made if there is a concrete plan to substantially change the operation of Eagle Nice after 15 April 2007.

Moreover, 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 entering 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 as at the Latest Practicable Date and immediately after the Early Conversion:

	As at the Latest Practicable Date		Immediately after the Early Conversion (note)	
	<i>Number of Eagle Nice Shares</i>	%	<i>Number of Eagle Nice Shares</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
	<u>340,000,000</u>	<u>100.00</u>	<u>427,000,000</u>	<u>100.00</u>

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Note: This table is for illustrative purposes only. The Early Conversion is conditional upon the full compliance by Mr. Chung and Time Easy with their undertaking to 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 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” below. 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 Latest Practicable Date, save for the Convertible Note, Eagle Nice had no outstanding share options, warrants, derivatives or debt securities which are convertible into the Eagle Nice Shares.

INFORMATION ON THE EAGLE NICE GROUP

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 consolidated net profit before and after tax 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 consolidated net profit before and after tax 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’s latest published interim report, the unaudited consolidated net profit before and after tax 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.

LETTER FROM THE BOARD

The Subscriber is a wholly-owned subsidiary of Yue Yuen which is owned as to approximately 50.88% by Pou Chen Corporation whose shares are listed on the Taiwan Stock Exchange. Pou Chen Corporation is owned as to approximately 20.14% by members of the Tsai Family and related entities. The directors of Pou Chen Corporation are Tsai Chi Chien, Tsai Nai Fung, Kuo Tai Yu, Kung Sung Yen and Chan Lu Min. The directors of the Subscriber are Tsai Chi Neng, Choi Kwok Keung, Edward Y. Ku, Wu Yaw Min and Chen Shih Chi. The directors of Yue Yuen are Tsai Chi Neng, David N. F. Tsai, Edward Y. Ku, Kuo Tai Yu, Lu Chin Chu, Kung Sung Yen, Chan Lu Min, Li I Nan, Steve, Choi Kwok Keung, John J. D. Sy, Shih Hung, Poon Yiu Kin, Samuel and So Kwan Lok.

LISTING RULES IMPLICATIONS

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 votes by the Independent Eagle Nice Shareholders to be taken by way of a poll at the EGM. The Executive has indicated that it will grant the New Whitewash Waiver, subject to separate votes by the Independent Eagle Nice Shareholders to be taken by way of a poll at the EGM. If 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 or parties acting in concert with each of such persons had dealt in the Eagle Nice Shares during the Relevant Period. As at the Latest Practicable Date, the Subscriber and Time Easy respectively owned more than 20% of the voting rights of Eagle Nice and were associated companies within the meaning of the Takeovers Code. Accordingly, under the Takeovers Code, the Subscriber and Time Easy are presumed to be acting in concert with each other with respect to Eagle Nice.

LETTER FROM THE BOARD

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 period as may be agreed by Eagle Nice, Mr. Chung, Time Easy, the Subscriber and Yue Yuen) after the date of the satisfaction of condition (i) of the Amendment Agreement stated in the paragraph headed "Conditions of the Amendment Agreement" 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. 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 Latest Practicable Date, Mr. Chung and Time Easy did not have any concrete plan on how to increase the public float of the Eagle Nice Shares 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.

LETTER FROM THE BOARD

EGM

There is set out on pages 97 to 98 of this document a notice convening the EGM to be held at Units 0902-0903 and 0905-0906, 9th Floor, Tower B, Regent Centre, 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong on 28 February 2005 at 11:00 a.m., at which resolutions will be proposed to approve the Amendment Agreement and the New Whitewash Waiver.

Only the Independent Eagle Nice Shareholders will be permitted to vote on the resolutions in relation to the Amendment Agreement and the New Whitewash Waiver, details of which are set out in the notice of the EGM. The directors of Eagle Nice, Time Easy, the Subscriber, their respective associates and parties acting in concert with any of them are required to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of Eagle Nice, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time for the holding of the EGM. Completion and the return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

PROCEDURE FOR DEMANDING A POLL

Pursuant to Article 66 of the articles of association of Eagle Nice, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three Eagle Nice Shareholders present in person (or in the case of a Eagle Nice Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by a Eagle Nice Shareholder or Eagle Nice Shareholders present in person (or in the case of a Eagle Nice Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Eagle Nice Shareholders having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (iv) by a Eagle Nice Shareholder or Eagle Nice Shareholders present in person (or in the case of a Eagle Nice Shareholder being a corporation by its duly authorised representative) or by proxy and holding shares in Eagle Nice conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

The Independent Board Committee has been appointed to consider the terms of the Amendment Agreement and the New Whitewash Waiver. Partners Capital has been appointed to advise the Independent Board Committee and the Independent Eagle Nice Shareholders regarding the terms of the Amendment Agreement and the New Whitewash Waiver.

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this document. Your attention is also drawn to the letter of advice from Partners Capital which contains, among other things, its advice to the Independent Board Committee and the Independent Eagle Nice Shareholders in respect of the terms of the Amendment Agreement and the New Whitewash Waiver and the principal factors and reasons considered by it in arriving at such advice. The text of the letter of advice from Partners Capital is set out on pages 18 to 32 of this document.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this document and the notice of the EGM.

Yours faithfully,
For and on behalf of the Board
Chung Yuk Sing
Chairman



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)

19 January 2005

To the Independent Eagle Nice Shareholders

Dear Sir or Madam,

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

We refer to the document of Eagle Nice dated 19 January 2005, of which this letter forms part. Terms used in it shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to consider and advise the Independent Eagle Nice Shareholders in respect of the terms of the Amendment Agreement and the New Whitewash Waiver, details of which are set out in the letter from the Board contained in this document. Partners Capital has been appointed as the independent financial adviser to the Independent Board Committee in this respect.

Having considered the terms and conditions of the Amendment Agreement, the New Whitewash Waiver and the advice and recommendation of Partners Capital as set out on pages 18 to 32 of this document, we consider that the terms of the Amendment Agreement and the New Whitewash Waiver are in the interest of Eagle Nice and are fair and reasonable so far as the Independent Eagle Nice Shareholders are concerned. Accordingly, we recommend the Independent Eagle Nice Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Amendment Agreement and the New Whitewash Waiver.

Yours faithfully,

Chan Cheuk Ho Li Chi Chung Tony Cheng Yung-Hui
Independent Board Committee

* For identification only

LETTER OF ADVICE FROM PARTNERS CAPITAL

The following is the text of a letter of advice from Partners Capital to the Independent Board Committee and the Independent Eagle Nice Shareholders in respect of the terms of the Amendment Agreement and the New Whitewash Waiver, prepared for inclusion in this document.



博大資本國際有限公司
Partners Capital International Limited

Partners Capital International Limited
Room 1305, 13th Floor
9 Queen's Road Central
Hong Kong

19 January 2005

*To the Independent Board Committee
and the Independent Eagle Nice Shareholders*

Dear Sirs,

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

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Eagle Nice Shareholders in respect of the terms of the Amendment Agreement and the New Whitewash Waiver, particulars of which are set out in this document (the "Document") to the Eagle Nice Shareholders dated 19 January 2005 and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the meanings ascribed to them in the section headed "Definitions" in the Document.

As set out in the letter from the Board contained in the Document (the "Letter from the Board"), Eagle Nice entered into the Amendment Agreement on 28 December 2004 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 during only the one month period before the third anniversary of the Convertible Note. In addition, according to the terms of the Amendment Agreement, within three Business Days after the Amendment Agreement becomes effective, the Subscriber will exercise the conversion rights under the Convertible Note in full and Eagle Nice will allot and issue the Conversion Shares to the Subscriber or its nominee.

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.

LETTER OF ADVICE FROM PARTNERS CAPITAL

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 grant of the New Whitewash Waiver, subject to separate votes by the Independent Eagle Nice Shareholders to be taken by way of a poll at the EGM.

Mr. Chung, Ms. Tsang Yuk Ni, Mr. Chung Tung Sau and Ms. Tsang are executive Directors and salaried employees of Eagle Nice. Mr. Ong Chor Wei is a non-executive Director, the company secretary and a salaried employee of Eagle Nice. Mr. Edward Ku Yu Sun is an executive Director and a director of Yue Yuen and the Subscriber. Mr. Kuo Tai Yu is an executive Director and a director of Yue Yuen. In addition, Mr. Chung, Mr. Chung Tung Sau and Mr. Edward Ku Yu Sun have been involved in the negotiations and discussions in relation to the Amendment Agreement. Accordingly, none of the above mentioned Directors is considered sufficiently independent for the purpose of advising the Independent Eagle Nice Shareholders in relation to the Amendment Agreement and the New Whitewash Waiver. As such, the Independent Board Committee, comprising Mr. Chan Cheuk Ho, Mr. Li Chi Chung and Mr. Tony Cheng Yung-Hui, has been established to advise the Independent Eagle Nice Shareholders as to the fairness and reasonableness of the terms of the Amendment Agreement and the New Whitewash Waiver. Partners Capital has been appointed as the independent financial adviser to the Independent Board Committee in this respect.

Partners Capital is not connected or acting in concert with the directors, chief executive and substantial shareholders of Eagle Nice and the Subscriber or any of its subsidiaries or their respective associates and therefore is considered suitable to give independent advice to the Independent Eagle Nice Shareholders. Apart from normal professional fees payable to Partners Capital in connection with this appointment, no arrangement exists whereby Partners Capital will receive any fees or benefits from Eagle Nice or the directors, chief executive and substantial shareholders of Eagle Nice or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Document and have assumed that all information and representations made or referred to in the Document as provided by the Directors were true at the time they were made and continue to be true as at the date of the Document. We have also relied on our discussion with the Directors regarding the Eagle Nice Group

LETTER OF ADVICE FROM PARTNERS CAPITAL

and the Amendment Agreement, the Early Conversion and the application for the New Whitewash Waiver, including the information and representations contained in the Document. We have also assumed that all statements of belief, opinion and intention made by the Directors, Mr. Chung, Time Easy and the Subscriber in the Document were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Document and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Document nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, Mr. Chung, Time Easy and the Subscriber. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Eagle Nice Group, Mr. Chung, Time Easy and the Subscriber and their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS CONSIDERED FOR THE AMENDMENT AGREEMENT

In arriving at our recommendation in respect of the terms of the Amendment Agreement, we have taken into consideration the following principal factors:-

1. Reasons for entering into the Amendment Agreement and merits of the Early Conversion

(a) Background of and the events leading to the Amendment Agreement

The Eagle Nice Group is principally engaged in the design and manufacture of sportswear for men, women and children on an OEM basis. On 22 August 2003, Eagle Nice was listed on the Main Board of the Stock Exchange, upon which as to approximately HK\$22 million of net proceeds were raised from the issue of new Eagle Nice Shares to public.

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 the same date, Eagle Nice also entered into the Placing Agreement with Barits in relation to the Placing. On 16 April 2004, completion of the Subscription Agreement and the Placing Agreement took place, thereby raising total net proceeds of approximately HK\$349.4 million for the Eagle Nice Group. Following completion of the Subscription Agreement and the Placing Agreement, Yue Yuen (via the Subscriber) had become the second largest Eagle Nice Shareholder. 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 (essentially in pursuit of the Early Conversion).

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(b) Strengthening the strategic relationship with Yue Yuen and the capital base of Eagle Nice

Yue Yuen is already a strategic Eagle Nice Shareholder following completion of the Subscription Agreement and the Placing Agreement in April 2004. As set out in the Letter from the Board, the Yue Yuen Group is the largest branded athlete and casual footwear manufacturer in the world with facilities located in the PRC, Vietnam and Indonesia. It is an original equipment manufacturer/original design manufacturer (OEM/ODM) for international companies with well versed brand names including, amongst others, *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 Main Board of the Stock Exchange since 1992 and has become a constituent stock of the Hang Seng Index since 9 June 2003. Yue Yuen is owned as to approximately 50.88% by Pou Chen Corporation whose shares are listed on the Taiwan Stock Exchange.

By entering into the Amendment Agreement which is essentially in pursuit for the Early Conversion, we note that Yue Yuen has reflected its confidence in the strategic relationship with the Eagle Nice Group. On the basis that the Early Conversion will take place as contemplated under the Amendment Agreement, Yue Yuen will become the largest shareholder of Eagle Nice and the capital base of Eagle Nice will be strengthened. We concur with the Directors' belief that Yue Yuen will accordingly be in a better position to provide strategic support to the Eagle Nice Group, especially taking into account of the business reputation, the operation scale, the multinational customer base, the strong distribution network and the industry experience of the Yue Yuen Group.

(c) Financial performance of Eagle Nice before and after the support of Yue Yuen

A summary of the audited consolidated results of the Eagle Nice Group for the three years ended 31 March 2004 and the unaudited consolidated results of the Eagle Nice Group for the six months ended 30 September 2004 is set out in Appendix I to the Document. We analyse the consolidated results of the Eagle Nice Group for these periods as follows:

- Audited consolidated results for the year ended 31 March 2002

For the year ended 31 March 2002, the Eagle Nice Group recorded a turnover of approximately HK\$218.7 million, representing a respectable increase of approximately 22.7% as compared with that of the preceding financial year. For the same financial year, the Eagle Nice Group recorded a net profit attributable to the Eagle Nice Shareholders of approximately HK\$28.1 million, representing a respectable increase of approximately 38.4% as compared with that of the preceding financial year.

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- Audited consolidated results for the year ended 31 March 2003

For the year ended 31 March 2003, the Eagle Nice Group recorded a turnover of approximately HK\$242.3 million, representing a moderate increase of approximately 10.8% as compared with that of the preceding financial year. For the same financial year, the Eagle Nice Group recorded a net profit attributable to the Eagle Nice Shareholders of approximately HK\$30.8 million, representing a moderate increase of approximately 9.6% as compared with that of the preceding financial year.

According to the prospectus of Eagle Nice dated 12 August 2003, we note that the increases in both turnover and net profit of the Eagle Nice Group for the two years ended 31 March 2002 and 31 March 2003 were mainly attributable to the increase in demand and orders placed by customers for sport pants, jackets, sweaters, t-shirts and track suits and the expansion of the Eagle Nice Group's production capacity in the PRC.

- Audited consolidated results for the year ended 31 March 2004

For the year ended 31 March 2004, the Eagle Nice Group recorded a turnover of approximately HK\$325.4 million, representing a respectable increase of approximately 34.3% as compared with that of the preceding financial year. For the same financial year, the Eagle Nice Group recorded a net profit attributable to the Eagle Nice Shareholders of approximately HK\$32.1 million, representing a slight increase of approximately 4.2% as compared with that of the preceding financial year.

According to the annual report of Eagle Nice for the year ended 31 March 2004, we note that the increases in both the turnover and net profit of the Eagle Nice Group for the year ended 31 March 2004 were mainly attributed to an increase in the orders placed by customers as a result of the hard work of the Eagle Nice Group's marketing team as supported by an expansion in the Eagle Nice Group's production capacity.

- Unaudited consolidated results for the six months ended 30 September 2004

For the six months ended 30 September 2004, the Eagle Nice Group recorded a turnover of approximately HK\$242.2 million, representing a significant increase of approximately 65.8% as compared with that of the corresponding period for the preceding financial year. For the same period, the Eagle Nice Group recorded a net profit attributable to the Eagle Nice Shareholders of approximately HK\$43.3 million, representing a remarkable increase of approximately 183.0% as compared with that of the corresponding period for the preceding financial year. For the

LETTER OF ADVICE FROM PARTNERS CAPITAL

same period, the gross profit margin of the Eagle Nice Group improved to approximately 27.1%, from approximately 22.4% in the corresponding period for the preceding financial year.

According to the interim report of Eagle Nice for the six months ended 30 September 2004, the performance of the Eagle Nice Group was fairly strong as the principal markets to which the Eagle Nice Group sold its products (Japan, the PRC, South Korea) continued to enjoy economic growth during the period. In particular, we note that the improvement in gross profit margin was attributable to (a) improved production efficiency as a result of (i) implementation of a more advanced production planning computer system assisted by Yue Yuen; (ii) increase in the use of more advanced machinery; (iii) a more stable quality and timely delivery of materials; and (b) a lower percentage increase in fixed overheads.

- Our further analysis

We note that the consolidated results of the Eagle Nice Group had been on a healthy uptrend for the three years ended 31 March 2004. The consolidated results of the Eagle Nice Group experienced better growth for the six months ended 30 September 2004 as compared with those of the corresponding period for the preceding financial year.

By means of the Early Conversion as contemplated under the Amendment Agreement, the Directors consider that Yue Yuen can further assist Eagle Nice in (i) the expansion in its marketing force since Yue Yuen has a wider market coverage including the United States of America, Canada, Europe, South America and Asia; and (ii) setting up new production facilities outside the PRC as Yue Yuen has long experience in establishing production facilities located outside the PRC.

In respect of expansion in the marketing force, we note that the Eagle Nice Group and the Yue Yuen Group have customer base complementary to each other and without direct competition, given that the former is focusing on sportswear, whereas the latter is focusing on athletic footwear. Upon enquiry, we were confirmed by the Directors that Eagle Nice had enjoyed client referral opportunities from the Yue Yuen Group following completion of the Subscription and the Placing. To this end, trial orders from new customers were successfully procured in addition to the orders placed by the existing customer base of the Eagle Nice Group as a result of the enhanced profile of Eagle Nice and accordingly the greater confidence of customers on Eagle Nice after the introduction of Yue Yuen as the strategic partner to Eagle Nice.

LETTER OF ADVICE FROM PARTNERS CAPITAL

Regarding setting up new production facilities outside the PRC, it comes to our attention that the gross profit margin of the Eagle Nice Group actually improved for the six months ended 30 September 2004 owing to, amongst other things, improved production efficiency as a result of implementation of a more advanced production planning computer system assisted by Yue Yuen.

Given the aforesaid track records, we consider that the Eagle Nice Group would be in a stronger position to develop its business by penetrating into overseas markets and expanding its production capacity after Yue Yuen becomes the largest Eagle Nice Shareholder by means of the Early Conversion as contemplated under the Amendment Agreement.

- (d) *Preservation of financial resources and greater flexibility in the use of proceeds from the CN Subscription*

As the Early Conversion eliminates the possibility of redemption of the Convertible Note by the Subscriber, Eagle Nice could preserve the cash reserves amounting to HK\$207,060,000 which would have to be arranged for repayment in the event that the Subscriber does not exercise the conversion right upon maturity of the Convertible Note.

According to the interim report of Eagle Nice for the six months ended 30 September 2004, we note that the net proceeds from the Subscription (inclusive of the CN Subscription) and the Placing in April 2004 amounted to approximately HK\$349.4 million.

As set out in the Circular, the Directors intended to apply the net proceeds from the Subscription (inclusive of the CN Subscription) and the Placing for its core business of design and manufacture of sportswear. Out of these net proceeds, we note that as to approximately HK\$40 million had been utilised solely for the general working capital purpose by the Eagle Nice Group up to 30 September 2004. The remaining net proceeds from the Subscription (inclusive of the CN Subscription) and the Placing of approximately HK\$309.4 million were placed on short-term interest-bearing deposits with banks in Hong Kong. Upon review, we note that the utilisation of the net proceeds from the Subscription and the Placing up to 30 September 2004 was in line with the proposed applications as set out in the Circular. Upon the entering into of the Amendment Agreement and on the basis that the Early Conversion will take place, the outstanding principal amount of the Convertible Note Eagle Nice would no longer be repayable and Eagle Nice would hence be offered greater flexibility in planning the use of proceeds under the Convertible Note. Upon enquiry, the Directors would following the Early Conversion become more willing to use the principal amount of the Convertible Note for long term purposes such as fixed assets investments instead of working capital.

LETTER OF ADVICE FROM PARTNERS CAPITAL

However, we were confirmed by the Directors that no specific plan in the relevant use of proceeds under the Convertible Note was formulated at this stage.

2. Terms of the Amendment Agreement

Under the existing terms of the Convertible Note, the principal amount of the Convertible Note may be converted, in whole or in part, into the Conversion Shares by the holder of the Convertible Note at any time and from time to time during the 30-day period prior to and including the maturity date (defined as the third anniversary from the date of issue of the Convertible Note). Pursuant to the Amendment Agreement, the conversion period of the Convertible Note will be amended 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. In addition, pursuant to the Amendment Agreement, the Subscriber will exercise the conversion rights under the Convertible Note in full within three Business Days after the Amendment Agreement becomes effective and Eagle Nice shall allot and issue the Convertible Shares to the Subscriber or its nominee.

Save for the above amendments, all of the other existing terms of the Convertible Note (including, among other things, conversion price, coupon and maturity) will remain the same and in full force and effect. The existing terms of the Convertible Note were determined at the time of entering into the Subscription Agreement by the Subscriber and Eagle Nice and have already been approved by the Independent Eagle Nice Shareholders in April 2004.

Given that the Amendment Agreement will take effect immediately upon satisfaction or (as the case may be) waiver of certain conditions on or before 30 April 2005 (or such later date as the parties thereto may agree in writing), we consider that the Amendment Agreement could facilitate and secure an early conversion of the Convertible Note by the Subscriber.

On the assumption that the Amendment Agreement would become unconditional and hence the Early Conversion would take place within three Business Days after the Amendment Agreement becomes effective, we envisage that the possible redemption of the outstanding Convertible Note at 100% plus a premium equal to 0.75% per annum as stipulated under the existing terms of the Convertible Note would no longer be applicable.

LETTER OF ADVICE FROM PARTNERS CAPITAL

3. Dilution effect on the shareholdings of the Independent Eagle Nice Shareholders and public float of Eagle Nice

To evaluate the dilution effect on the shareholdings of the Independent Eagle Nice Shareholders as contemplated under the Amendment Agreement, we have reviewed the shareholding structure of Eagle Nice immediately before and after the Early Conversion as set out below:–

	Immediately before the Early Conversion		Immediately after the Early Conversion	
	<i>Number of Eagle Nice Shares</i>	%	<i>Number of Eagle Nice Shares</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	340,000,000	100.00	427,000,000	100.00

The Subscriber is currently the second largest Eagle Nice Shareholder holding approximately 30.88% of the issued share capital of Eagle Nice. Immediately after the Early Conversion, 87,000,000 new Eagle Nice Shares will be issued and allotted to the Subscriber which will then hold a total of 192,000,000 Eagle Nice Shares, representing approximately 44.96% of the then issued share capital of Eagle Nice. Given that the shareholding of Time Easy will be reduced from approximately 43.68% to approximately 34.78% of the issued share capital of Eagle Nice, the Subscriber will surpass Time Easy to become the largest controlling Eagle Nice Shareholder immediately after the Early Conversion.

As illustrated in the above table, the Independent Eagle Nice Shareholders currently holds 85,000,000 Eagle Nice Shares in aggregate, representing 25% of the existing issued share capital of Eagle Nice, being the minimum public float required to be maintained by Eagle Nice under the Listing Rules. Immediately after the Early Conversion, the shareholding of the Independent Eagle Nice Shareholders will be diluted to approximately 19.91% of the issued share capital of Eagle Nice as enlarged by the issue of the Conversion Shares. In view of the fact that the public float will fall below the minimum threshold as required under the Listing Rules, Mr. Chung and Time Easy have undertaken to the Subscriber and Yue Yuen to ensure that the public float of Eagle Nice Shares will be 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. However, as at the Latest Practicable Date, Mr. Chung and Time Easy do not have any concrete plan on how to increase the public float of the Eagle Nice Shares prior to the Early Conversion. Independent Eagle Nice Shareholders should note that if the public float of Eagle Nice is to be restored by way of placing of new Eagle Nice Shares, the aggregate shareholding of the existing Independent Eagle Nice

LETTER OF ADVICE FROM PARTNERS CAPITAL

Shareholders will further be diluted to the extent corresponding to the number of new Eagle Nice Shares to be placed by Eagle Nice. Moreover, the Amendment Agreement is subject to, and will not become effective until, the full compliance of the aforesaid undertakings by Mr. Cheung and Time Easy. 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. We consider that the undertakings from Mr. Chung and Time Easy represent a protective measure to safeguard Eagle Nice from breach of the requirement of maintaining minimum public float under the Listing Rules.

Notwithstanding the immediate dilution to shareholding of the Independent Eagle Nice Shareholders as a result of the Early Conversion when compared with the possible deferred dilution if the Subscriber exercises its conversion right under the existing terms of the Convertible Note, the extent of dilution has been presented to the Independent Eagle Nice Shareholders in the Circular. Given the merits of the Early Conversion as detailed under the section headed "Reasons for entering into the Amendment Agreement and merits of the Early Conversion", we consider the immediate dilution of the Early Conversion to shareholding of the Independent Eagle Nice Shareholders is justifiable.

4. Financial effects on the Eagle Nice Group

(a) Net tangible assets and net tangible asset value per Eagle Nice Share

According to the statement of the pro forma unaudited adjusted consolidated net tangible assets of the Eagle Nice Group as set out in appendix II to the Document, we summarise the effect of the Early Conversion as contemplated under the Amendment Agreement on the net tangible assets of Eagle Nice Group as follows:-

	<i>HK\$'000</i>	Per Eagle Nice Share <i>HK\$</i>
Unaudited consolidated net tangible assets of the Eagle Nice Group as at 30 September 2004	264,114 <i>(Note 1)</i>	0.78 <i>(Note 2)</i>
<i>Add:</i>		
Increase in shareholders' equity upon the exercise of the conversion rights under the Convertible Note in full	198,860 <i>(Note 3)</i>	
Pro forma unaudited adjusted consolidated net tangible assets of the Eagle Nice Group immediately after the Early Conversion	462,974	1.08 <i>(Note 4)</i>

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Notes:

1. Based on the unaudited interim report of Eagle Nice for the six months ended 30 September 2004.
2. Based on 340,000,000 Eagle Nice Shares in issue as at 30 September 2004.
3. A total of 87,000,000 Eagle Nice Shares will be issued upon full conversion of the Convertible Note at HK\$207,060,000, based on the conversion price of HK\$2.38 per Eagle Nice Share, with related expenses of HK\$8.2 million which will be charged to Eagle Nice's share premium account and have no impact on the profit and loss account of the Eagle Nice Group according to the Company.
4. Based on 427,000,000 Eagle Nice Shares in issue upon conversion of the Convertible Note in full.

As illustrated in the above table, the pro forma unaudited adjusted consolidated net tangible assets of the Eagle Nice Group would increase from HK\$264,114,000 to HK\$462,974,000 upon the Early Conversion, representing a significant increase of approximately 75.3%.

On a per share basis, the pro forma unaudited adjusted consolidated net tangible asset value would increase from HK\$0.78 per Eagle Nice Share to HK\$1.08 per Eagle Nice Share upon the Early Conversion, representing a substantial increase of approximately 38.5%. We envisage that the increase is attributable to the substantial premium of the conversion price of the Convertible Note of HK\$2.38 per Eagle Nice Share over the unaudited consolidated net tangible asset value of HK\$0.78 per Eagle Nice Share as at 30 September 2004.

On the above basis, it can be demonstrated that the Early Conversion would have a considerable favourable impact on the net tangible assets of the Eagle Nice Group and the net tangible asset value per Eagle Nice Share.

(b) Gearing

Based on the total bank and other borrowings as set out in the interim report of the Eagle Nice Group for the six months ended 30 September 2004, and based on the pro forma unaudited adjusted consolidated net tangible assets of the Eagle Nice Group as set out in appendix II to the Document, we summarise the effect of the Early Conversion on the gearing position of Eagle Nice Group as follows:–

	Unaudited total bank and other borrowings <i>(HK\$'000)</i>	Net tangible assets <i>(HK\$'000)</i>	Gearing ratio <i>(%)</i>
Before the Early Conversion	208,437	264,114	78.9
Immediately after the Early Conversion	1,377	462,974	0.3

LETTER OF ADVICE FROM PARTNERS CAPITAL

As illustrated in the above table, upon the Early Conversion, the total bank and other borrowings (inclusive of the Convertible Note) of the Eagle Nice Group would be reduced by HK\$207,060,000, whereas the pro forma unaudited adjusted consolidated net tangible assets of the Eagle Nice Group would be increased by HK\$198,860,000 as a result of the issue and allotment of the Conversion Shares to the Subscriber or its nominee. On such basis, the gearing ratio of the Eagle Nice Group would be remarkably reduced from approximately 78.9% to 0.3% upon the Early Conversion.

Hence, it is demonstrated that the Early Conversion would have a considerable favourable impact on the gearing position of the Eagle Nice Group.

(c) *Earnings and cashflow*

Pursuant to the existing terms of the Convertible Note, we understand that any outstanding amount of the Convertible Note not converted by the Subscriber at maturity is required to be redeemed at 100% plus a premium equal to 0.75% per annum.

Upon the entering into of the Amendment Agreement and on the basis that the Early Conversion will take place, the outstanding principal amount of the Convertible Note Eagle Nice would no longer be redeemable and Eagle Nice could preserve the cash resources amounting to HK\$207,060,000. Eagle Nice would hence be offered greater flexibility in planning the use of proceeds under the Convertible Note.

Given that the Convertible Note bears no coupon, the existing cost of fund from issuing the Convertible Note should be equivalent to 0.75% per annum on the basis of full principal redemption at maturity. On such basis, the Eagle Nice Group would benefit from avoiding this cost of fund upon the Early Conversion.

By eliminating the possibility of redeeming the principal amount of the Convertible Note, the Early Conversion would have a positive impact on the earnings and cashflow position of the Eagle Nice Group.

5. Intention of the Subscriber toward the Eagle Nice Group

As set out in the Letter from the Board, 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 following the Early Conversion. 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.

LETTER OF ADVICE FROM PARTNERS CAPITAL

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. The Board currently comprises six executive Directors, one non-executive Director and three independent non-executive Directors. Among the six executive Directors, two were nominated and appointed by the Subscriber to the Board following completion of the Subscription in April 2004. 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 eight will be executive Directors and the balance will be non-executive Directors as follows:

- (i) four executive Directors will be nominated by the Subscriber;
- (ii) four executive Directors and one non-executive Director will be nominated by Mr. Chung and Time Easy; and
- (iii) three independent non-executive Directors, of whom two candidates will be proposed by the Subscriber and one candidate will be proposed by Mr. Chung and Time Easy.

Although Mr. Chung and Time Easy will cease to be the largest Eagle Nice Shareholder, we consider that the proposed composition of the Board will allow Mr. Chung and Time Easy to retain 50% of the reconstituted Board seats until 15 April 2007, thereby maintaining continuity in the existing business and management of the Eagle Nice Group during the period. However, it is stated in the Document that Yue Yuen has no current plan as to how the operations of Eagle Nice will be run after 15 April 2007.

RECOMMENDATION FOR THE AMENDMENT AGREEMENT

Having considered the above factors, in particular,

- (i) the reasons for the Amendment Agreement and the merits of the Early Conversion, in particular, strengthening the strategic relationship with Yue Yuen, expanding the capital base of Eagle Nice, and preserving the cash resources of Eagle Nice in the absence of the possible redemption of the Convertible Note;
- (ii) the dilution effect on the shareholdings of the Independent Eagle Nice Shareholders, the extent of which has been presented to the Independent Eagle Nice Shareholders in the Circular; and
- (iii) the positive financial effects on the Eagle Nice Group (as to net tangible assets, gearing, earnings and cashflow) as a result of the Early Conversion in general;

LETTER OF ADVICE FROM PARTNERS CAPITAL

we consider that the terms of the Amendment Agreement (including the Early Conversion) are fair and reasonable and in the interest of Eagle Nice so far as the Independent Eagle Nice Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Eagle Nice Shareholders to vote in favour of the resolution approving the Amendment Agreement (including the Early Conversion) to be proposed at the EGM.

PRINCIPAL FACTORS CONSIDERED FOR THE NEW WHITEWASH WAIVER

In arriving at our recommendation in respect of the terms of the New Whitewash Waiver, we have taken into consideration the following principal factors:-

1. Background of the New Whitewash Waiver

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, 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 or 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.

We understand that an application has been made by the Subscriber to the Executive for the grant of 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.

2. Granting of the New Whitewash Waiver as a condition precedent to the Amendment Agreement

The Amendment Agreement is conditional on, among other things, (i) the approval of the New Whitewash Waiver by the Independent Eagle Nice Shareholders to be taken by way of a poll at the EGM and (ii) the granting of the New Whitewash Waiver by the Executive.

As set out in the above section headed "Principal factors considered for the Amendment Agreement", we are of the opinion that the terms of the Amendment Agreement (including the Early Conversion) are fair and reasonable and in the interest of Eagle Nice so far as the Independent Eagle Nice Shareholders are concerned.

In the event that the New Whitewash Waiver is not approved by the Independent Eagle Nice Shareholders or not granted by the Executive, the Amendment Agreement will lapse given that there are no provisions in the Amendment Agreement allowing the parties to waive the relevant conditions precedent thereto. Under such circumstances, Eagle Nice would be deprived of the opportunity to implement the terms of Amendment Agreement and Eagle Nice will not be able to enjoy the merits of the Early Conversion.

LETTER OF ADVICE FROM PARTNERS CAPITAL

3. Change in the identity of largest Eagle Nice Shareholder

As at the Latest Practicable Date, the Subscriber was the second largest Eagle Nice Shareholder holding approximately 30.88% interest in the issued Eagle Nice Shares. Upon the issue and allotment of the Conversion Shares to the Subscriber under the Early Conversion, the aggregate shareholding of the Subscriber in Eagle Nice will become approximately 44.96%.

Independent Eagle Nice Shareholders should note that the New Whitewash Waiver, if approved and granted, will result in the Subscriber becoming the largest Eagle Nice Shareholder, surpassing the existing largest Eagle Nice Shareholder of Time Easy. In this connection, we consider that Eagle Nice would be in a better position to leverage on the strength of the Yue Yuen Group of which the Subscriber is a member, which is the largest branded athlete and casual footwear manufacturer in the world with sizeable operation scale, wide multinational customer base, strong distribution network and established industry experience. As set out in the interim report of Yue Yuen for the six months ended 31 March 2004, the Yue Yuen Group had net assets of approximately US\$1,675 million, including cash on hand of approximately US\$479 million as at 31 March 2004. As at the Latest Practicable Date, the market capitalisation of Yue Yuen was approximately HK\$35.6 billion.

However, Independent Shareholders should note that they would be suffering from an immediate dilution in their shareholding interest in Eagle Nice from 25.00% to approximately 19.91% as a result of the issue and allotment of the Conversion Shares. Given the merits of the Early Conversion as mentioned above, we consider that the immediate shareholding dilution to the Independent Eagle Nice Shareholders is justifiable.

RECOMMENDATION FOR THE NEW WHITEWASH WAIVER

Having considered the above principal factors, we consider that the approval of the New Whitewash Waiver would be in the interest of Eagle Nice so far as the Independent Eagle Nice Shareholders are concerned and is fair and reasonable in the circumstances. Accordingly, we recommend the Independent Board Committee to advise the Independent Eagle Nice Shareholders to vote in favour of the ordinary resolution approving the New Whitewash Waiver to be proposed at the EGM.

Yours faithfully,

For and on behalf of

Partners Capital International Limited

Alan Fung

Managing Director

Harry Yu

Director

SHARE CAPITAL

The authorised and issued share capital of Eagle Nice as at the Latest Practicable Date were as follows:

<i>Authorised:</i>		<i>HK\$</i>
	10,000,000,000 Eagle Nice Shares	<u>100,000,000</u>
 <i>Issued and fully paid:</i>		
	<u>340,000,000</u> Eagle Nice Shares	<u>3,400,000</u>

All of the Eagle Nice Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. No part of the share capital of Eagle Nice is listed or dealt in on any stock exchange other than the Stock Exchange.

On 16 April 2004, 140,000,000 Eagle Nice Shares was issued by Eagle Nice pursuant to the Subscription Agreement and the Placing Agreement. Save as aforesaid, no Eagle Nice Share has been issued since 31 March 2004 up to the Latest Practicable Date.

Pursuant to the share option scheme conditionally adopted by Eagle Nice on 6 August 2003, Eagle Nice may grant options to, any directors, employees, advisers, consultants, suppliers, distributors, contractors, agents, business partners, promoters, service providers or customers of the Eagle Nice Group who the Board may think fit with reference to their respective contributions to the Eagle Nice Group, to subscribe for Eagle Nice Shares in Eagle Nice, subject to in aggregate, a maximum of 30% of the issued share capital of Eagle Nice as at the adoption date of the share option scheme of Eagle Nice. No options have been granted by Eagle Nice under the share option scheme of Eagle Nice since its adoption.

Save as disclosed above and other than the Convertible Note, Eagle Nice did not have any other convertible securities, options, derivatives or warrants in issue or agreed to be issued as at the Latest Practicable Date.

APPENDIX I	FINANCIAL INFORMATION OF THE EAGLE NICE GROUP
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(A) FINANCIAL SUMMARY

The following is a summary of the audited consolidated results of the Eagle Nice Group for each of the three financial years ended 31 March 2004, extracted from the annual report of Eagle Nice for the financial year ended 31 March 2004 and the prospectus of Eagle Nice dated 12 August 2003:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(For the year ended 31 March 2004)

	2004	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	325,411	242,330	218,704
Cost of sales	<u>(264,576)</u>	<u>(186,746)</u>	<u>(170,004)</u>
Gross profit	60,835	55,584	48,700
Other revenue	3,606	2,727	2,726
Selling and distribution costs	(4,431)	(1,683)	(1,439)
Administrative expenses	<u>(22,138)</u>	<u>(20,854)</u>	<u>(17,174)</u>
PROFIT FROM OPERATING ACTIVITIES	37,872	35,774	32,813
Finance costs	<u>(2,275)</u>	<u>(1,499)</u>	<u>(1,183)</u>
PROFIT BEFORE TAX	35,597	34,275	31,630
Tax	<u>(3,511)</u>	<u>(3,444)</u>	<u>(3,502)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>32,086</u>	<u>30,831</u>	<u>28,128</u>
DIVIDENDS	<u>17,900</u>	<u>15,000</u>	<u>20,000</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
EARNINGS PER SHARE			
Basic	<u>17.0</u>	<u>18.1</u>	<u>16.5</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(B) AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

The following is the audited consolidated financial statements of the Eagle Nice Group for the financial year ended 31 March 2004 together with the comparative figures and accompanying notes, extracted from the annual report of the Eagle Nice Group for the financial year ended 31 March 2004:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(For the year ended 31 March 2004)

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	5	325,411	242,330
Cost of sales		<u>(264,576)</u>	<u>(186,746)</u>
Gross profit		60,835	55,584
Other revenue	5	3,606	2,727
Selling and distribution costs		(4,431)	(1,683)
Administrative expenses		<u>(22,138)</u>	<u>(20,854)</u>
Profit from operating activities	6	37,872	35,774
Finance costs	9	<u>(2,275)</u>	<u>(1,499)</u>
Profit before tax		35,597	34,275
Tax	10	<u>(3,511)</u>	<u>(3,444)</u>
Net profit from ordinary activities attributable to shareholders	11	<u><u>32,086</u></u>	<u><u>30,831</u></u>
Dividends	12	<u><u>17,900</u></u>	<u><u>15,000</u></u>
Earnings per share	13		
Basic		<u><u>17.0 cents</u></u>	<u><u>18.1 cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

CONSOLIDATED BALANCE SHEET

(At 31 March 2004)

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	14	50,056	38,369
Prepayments and deposits for fixed assets		1,630	2,589
Long term investments	15	4,500	4,276
		<hr/>	<hr/>
		56,186	45,234
CURRENT ASSETS			
Inventories	17	44,520	17,497
Accounts and bills receivable	18	33,469	18,761
Prepayments, deposits and other receivables		3,297	4,215
Pledged deposits	19	5,518	6,479
Cash and cash equivalents	19	31,358	913
		<hr/>	<hr/>
		118,162	47,865
CURRENT LIABILITIES			
Accounts payable	20	21,146	9,426
Accrued liabilities and other payables		12,272	5,253
Tax payable		10,432	7,974
Dividends payable		–	5,000
Interest-bearing bank borrowings, secured	21, 22	32,556	19,680
Finance lease payables	23	730	–
		<hr/>	<hr/>
		77,136	47,333
NET CURRENT ASSETS			
		<hr/>	<hr/>
		41,026	532
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		97,212	45,766
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings, secured	21, 22	4,468	6,964
Finance lease payables	23	1,172	–
Deferred tax liabilities	24	1,210	810
		<hr/>	<hr/>
		6,850	7,774
		<hr/>	<hr/>
		90,362	37,992
CAPITAL AND RESERVES			
Issued capital	25	2,000	280
Reserves	27	76,462	37,712
Proposed final dividend	12	11,900	–
		<hr/>	<hr/>
		90,362	37,992
		<hr/> <hr/>	<hr/> <hr/>

APPENDIX I	FINANCIAL INFORMATION OF THE EAGLE NICE GROUP
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CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

(For the year ended 31 March 2004)

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Total equity at beginning of year		37,992	22,371
Capital reserve arising on Group Reorganisation	27	–	(272)
Issue of new shares for cash consideration, including share premium	25	30,000	–
Share issue expenses	27	(8,926)	–
Surplus on revaluation of leasehold land and buildings	14	5,386	–
Deferred tax charged to equity	24, 27	(400)	–
Surplus on revaluation of long term investments	15	224	62
Net gains not recognised in the profit and loss account		5,210	62
Net profit for the year	27	32,086	30,831
Dividends	12, 27		
Interim dividend		(6,000)	–
Dividend declared and paid by a subsidiary to its then shareholder		–	(15,000)
Total equity at end of year		90,362	37,992

APPENDIX I	FINANCIAL INFORMATION OF THE EAGLE NICE GROUP
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CONSOLIDATED CASH FLOW STATEMENT

(For the year ended 31 March 2004)

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		35,597	34,275
Adjustments for:			
Interest income	5	(288)	(126)
Depreciation	6	8,736	5,606
Write off of fixed assets	6	103	–
Finance costs	9	2,275	1,499
		46,423	41,254
Operating profit before working capital changes		46,423	41,254
Increase in inventories		(27,023)	(2,482)
Increase in accounts and bills receivable		(14,708)	(15,232)
Decrease/(increase) in prepayments, deposits and other receivables		918	(2,541)
Increase/(decrease) in accounts payable		11,720	(585)
Increase in accrued liabilities and other payables		7,019	1,135
		24,349	21,549
Cash generated from operations		24,349	21,549
Interest paid		(2,193)	(1,499)
Interest element on finance lease rental payments		(82)	–
Dividends paid		(11,000)	–
Hong Kong profits tax paid		(1,053)	(2,639)
		10,021	17,411
Net cash inflow from operating activities		10,021	17,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(10,248)	(33,589)
Prepayments and deposits for fixed assets		(1,630)	(2,589)
Decrease in an amount due from a director		–	5,605
Decrease/(increase) in pledged deposits		961	(1,456)
Interest received		288	126
		(10,629)	(31,903)
Net cash outflow from investing activities		(10,629)	(31,903)

APPENDIX I	FINANCIAL INFORMATION OF THE EAGLE NICE GROUP
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	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	25	30,000	–
Share issue expenses	27	(8,926)	–
Drawdown of bank loans		117,421	102,170
Repayment of bank loans		(110,500)	(88,008)
Capital element of finance lease rental payments		(401)	–
		<hr/>	<hr/>
Net cash inflow from financing activities		27,594	14,162
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		26,986	(330)
		<hr/>	<hr/>
		(3,019)	(2,689)
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		23,967	(3,019)
		<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	31,358	913
Bank overdrafts	21	(7,391)	(3,932)
		<hr/>	<hr/>
		23,967	(3,019)
		<hr/> <hr/>	<hr/> <hr/>

APPENDIX I	FINANCIAL INFORMATION OF THE EAGLE NICE GROUP
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BALANCE SHEET

(At 31 March 2004)

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investments in subsidiaries	16	43,368	–
CURRENT ASSETS			
Due from subsidiaries	16	13,030	–
Prepayments, deposits and other receivables		26	–
Cash and cash equivalents	19	26,151	–
		<u>39,207</u>	–
CURRENT LIABILITIES			
Accrued liability		100	–
Due to a subsidiary	16	5,642	–
		<u>5,742</u>	–
NET CURRENT ASSETS			
		<u>33,465</u>	–
		<u><u>76,833</u></u>	<u><u>–</u></u>
CAPITAL AND RESERVES			
Issued capital	25	2,000	–
Reserves	27	62,933	–
Proposed final dividend	27	11,900	–
		<u>76,833</u>	–
		<u><u>76,833</u></u>	<u><u>–</u></u>

NOTES TO FINANCIAL STATEMENTS

(At 31 March 2004)

1. CORPORATE INFORMATION AND GROUP REORGANISATION

Eagle Nice was incorporated as an exempted company with limited liability in the Cayman Islands on 9 October 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of Eagle Nice were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 August 2003.

Upon incorporation, Eagle Nice had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 28 October 2002, an aggregate of 1,000,000 shares were allotted and issued nil paid. Apart from the foregoing, no other transactions were carried out by Eagle Nice during the period from 9 October 2002 (date of incorporation) to 31 March 2003. Accordingly, Eagle Nice had not recorded any assets or liabilities as at 31 March 2003, nor any profits or losses for the period then ended.

The principal place of business of Eagle Nice is located at Units 0902-0903 and 0905-0906, 9th Floor, Tower B, Regent Centre, 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong. Eagle Nice's principal activity is investment holding. The Eagle Nice Group's principal activities are the manufacture and trading of sportswear and garments.

Group reorganisation

Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Eagle Nice Group in preparation for the listing of the Eagle Nice Shares on the Main Board of the Stock Exchange, Eagle Nice became the holding company of the companies now comprising the Eagle Nice Group on 6 August 2003. This was accomplished by acquiring the entire issued ordinary share capital of Jespar, which is, as at the date of this report, the intermediate holding company of other subsidiaries, in consideration of and in exchange for the allotment and issue of an aggregate of 27,000,000 shares of HK\$0.01 each in Eagle Nice, credited as fully paid, to the then shareholder of Jespar, and the existing 1,000,000 nil paid shares being credited as fully paid at par.

Further details of the Group Reorganisation are set out in note 25 to the financial statements and in the prospectus of Eagle Nice dated 12 August 2003.

The Directors consider Time Easy Investment Holdings Limited, a company incorporated in the British Virgin Islands ("BVI"), to be Eagle Nice's ultimate holding company at the balance sheet date.

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE

The revised Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 12 "Income taxes" is effective for the first time for the current year's financial statements.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and
- a deferred tax liability has been recognised on the revaluation of the Eagle Nice Group's land and buildings.

Disclosures:

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 24 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes are included in the accounting policy for deferred tax in note 3 and in note 24 to the financial statements.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting in accordance with SSAP 27, "Accounting for group reconstructions". On this basis, Eagle Nice has been treated as the holding company of its subsidiaries throughout the financial years presented rather than from the date of their acquisition. Accordingly, the consolidated results and cash flows of the Eagle Nice Group for the years ended 31 March 2003 and 2004 include the results and cash flows of Eagle Nice and its subsidiaries with effect from 1 April 2002 or since their respective dates of incorporation, where this is a shorter period. The comparative consolidated balance sheet as at 31 March 2003 has been prepared on the basis that the current group structure has been in place at that date.

In the opinion of the Directors, the consolidated financial statements prepared on the above basis present more fairly the results, cash flows and state of affairs of the Eagle Nice Group as a whole.

All significant intercompany transactions and balances within the Eagle Nice Group are eliminated on consolidation.

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets and long term investments, as further explained below.

Subsidiaries

A subsidiary is a company whose financial and operating policies Eagle Nice controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in Eagle Nice's profit and loss account to the extent of dividends received and receivable. Eagle Nice's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

In prior years, the Eagle Nice Group's leasehold land and buildings were stated at cost less accumulated depreciation and any impairment losses. Following the listing of Eagle Nice's shares on the Stock Exchange during the year, the Eagle Nice Group's leasehold land and buildings are now stated at valuation less accumulated depreciation and any impairment losses which, in the opinion of the directors, are more appropriate in reflecting the fair value of the assets. The financial effect arising from the remeasurement of certain of the Eagle Nice Group's fixed assets on a valuation basis amounted to a surplus on revaluation in the amount of HK\$5,386,000 which was recognised in the asset revaluation reserve. Further details of this change in accounting policy are set out in note 14 to the financial statements.

Changes in the values of fixed assets are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over the following estimated useful lives:

Leasehold land and buildings	Over the lease terms or the approved operating periods of the subsidiaries established in the People's Republic of China (the "PRC") to which the land use right is granted, whichever is shorter
Leasehold improvements	5 years or over the lease terms, whichever is shorter
Plant and machinery	5 years
Furniture, fixtures, equipment and motor vehicles	5 years

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Eagle Nice Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Eagle Nice Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments are non-trading investments in unlisted investment funds intended to be held on a long term basis, and are stated at their estimated fair values, on an individual basis. The fair values of such unlisted investment funds are determined by reference to the individual market prices of the underlying securities held by the funds.

The gains or losses arising from changes in the fair value of an investment are dealt with as movements in the asset revaluation reserve, until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired, when the cumulative gain or loss derived from the investment recognised in the asset revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account in the period in which the impairment arises.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised, in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Eagle Nice Group and when the revenue can be measured reliably, on the following bases:

- (i) from the sale of goods and samples, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Eagle Nice Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods (including samples) sold; and
- (ii) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Eagle Nice Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the Eagle Nice Shareholders in a general meeting. When these dividends have been approved by the Eagle Nice Shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because Eagle Nice's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Pension schemes and other retirement benefits

The Eagle Nice Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Eagle Nice Group in an independently administered fund. The Eagle Nice Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

In addition, the Eagle Nice Group also operates a defined contribution retirement benefits scheme (the "Retirement Scheme") for those employees who are eligible to participate in this Scheme. Contributions to the Retirement Scheme are charged to the profit and loss account as incurred. The Retirement Scheme operates in a similar way to the MPF Scheme, except that when an employee leaves the Retirement Scheme before his/her interest in the Eagle Nice Group's employer contributions vested fully, the ongoing contributions payable by the Eagle Nice Group are reduced by the relevant amount of the forfeited employer contributions.

The employees of the Eagle Nice Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to make contributions for its employees who are registered as permanent residents in Mainland China. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

4. SEGMENT INFORMATION

Segment information is presented by way of the Eagle Nice Group's primary segment reporting basis, by geographical segment. No further business segment information is presented as the Eagle Nice Group is solely engaged in the manufacture and sale of sportswear and garments.

The principal activity of the Eagle Nice Group is the manufacture and trading of sportswear and garments. Each of the Eagle Nice Group's geographical segments, based on the location of customers (the destination of sales), represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of the other geographical segments. The Eagle Nice Group's customer-based geographical segments are as follows:

- (a) Hong Kong
- (b) Mainland China
- (c) Japan
- (d) South Korea
- (e) Australia

In addition, segment assets and capital expenditure are further analysed by the geographical location of the assets (the origin of sales), where the Eagle Nice Group's assets are located in different geographical areas from its customers and segment revenue from external customers or segment assets are 10% or more of the Eagle Nice Group's total amount. There are two asset-based geographical segments, Hong Kong and Mainland China.

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

(i) Geographical segments based on the location of customers

Eagle Nice Group – 2004

	Hong Kong HK\$'000	Mainland China HK\$'000	Japan HK\$'000	South Korea HK\$'000	Australia HK\$'000	Others HK\$'000	Consolidated HK\$'000
Segment revenue:							
Sales to external customers	13,591	85,561	135,734	54,150	3,722	32,653	325,411
Other revenue	164	-	1,541	660	43	392	2,800
	<u>13,755</u>	<u>85,561</u>	<u>137,275</u>	<u>54,810</u>	<u>3,765</u>	<u>33,045</u>	<u>328,211</u>
Total							
Segment results	<u>3,918</u>	<u>22,458</u>	<u>19,764</u>	<u>10,775</u>	<u>938</u>	<u>5,782</u>	63,635
Interest and other unallocated income							806
Unallocated expenses							<u>(26,569)</u>
Profit from operating activities							37,872
Finance costs							<u>(2,275)</u>
Profit before tax							35,597
Tax							<u>(3,511)</u>
Net profit from ordinary activities attributable to shareholders							<u>32,086</u>
Segment assets	<u>9,008</u>	<u>27,142</u>	<u>44,335</u>	<u>16,714</u>	<u>2,912</u>	<u>12,574</u>	112,685
Unallocated assets							<u>61,663</u>
							<u>174,348</u>
Segment liabilities	<u>753</u>	<u>3,215</u>	<u>11,165</u>	<u>2,691</u>	<u>1,496</u>	<u>1,826</u>	21,146
Unallocated liabilities							<u>62,840</u>
							<u>83,986</u>
Other segment information:							
Depreciation	291	876	3,579	1,208	68	690	6,712
Unallocated amount							<u>2,024</u>
							<u>8,736</u>
Capital expenditure	548	1,034	7,465	1,739	1,059	1,386	13,231
Unallocated amount							<u>1,909</u>
							<u>15,140</u>

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

Eagle Nice Group – 2003

	Hong Kong HK\$'000	Mainland China HK\$'000	Japan HK\$'000	South Korea HK\$'000	Australia HK\$'000	Others HK\$'000	Consolidated HK\$'000
Segment revenue:							
Sales to external customers	39,830	54,144	83,972	33,650	9,827	20,907	242,330
Other revenue	1,068	-	739	-	240	479	2,526
Total	40,898	54,144	84,711	33,650	10,067	21,386	244,856
Segment results	11,966	13,192	17,298	7,545	2,707	5,177	57,885
Interest and other unallocated income							201
Unallocated expenses							(22,312)
Profit from operating activities							35,774
Finance costs							(1,499)
Profit before tax							34,275
Tax							(3,444)
Net profit from ordinary activities attributable to shareholders							30,831
Segment assets	24,333	11,319	9,441	4,559	1,151	3,874	54,677
Unallocated assets							38,422
							93,099
Segment liabilities	1,861	1,171	3,576	1,587	299	932	9,426
Unallocated liabilities							45,681
							55,107
Other segment information:							
Depreciation	713	944	1,477	592	176	365	4,267
Unallocated amount							1,339
							5,606
Capital expenditure	2,013	4,014	4,084	1,717	422	1,027	13,277
Unallocated amount							20,312
							33,589

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

(ii) Geographical segments based on the location of assets

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Eagle Nice Group – 2004			
Year ended 31 March 2004			
Segment assets	<u>48,152</u>	<u>64,533</u>	<u>112,685</u>
Capital expenditure	2,352	10,879	13,231
Unallocated amount			<u>1,909</u>
			<u>15,140</u>
Eagle Nice Group – 2003			
Year ended 31 March 2003			
Segment assets	<u>43,358</u>	<u>11,319</u>	<u>54,677</u>
Capital expenditure	9,263	4,014	13,277
Unallocated amount			<u>20,312</u>
			<u>33,589</u>

5. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Eagle Nice Group's turnover and other revenue is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover		
Sale of goods	<u>325,411</u>	<u>242,330</u>
Other revenue		
Sale of samples	2,800	2,526
Interest income	288	126
Others	<u>518</u>	<u>75</u>
	<u>3,606</u>	<u>2,727</u>
	<u>329,017</u>	<u>245,057</u>

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

6. PROFIT FROM OPERATING ACTIVITIES

The Eagle Nice Group's profit from operating activities is arrived at after charging:

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cost of inventories sold		264,576	186,746
Auditors' remuneration		780	600
Depreciation*	14	8,736	5,606
Write off of fixed assets		103	–
Staff costs* (excluding directors' remuneration – note 7):			
Wages and salaries		62,395	48,097
Pension scheme contributions (defined contribution scheme)		1,351	1,431
<i>Less: Forfeited contributions</i>		(18)	(27)
Net pension scheme contribution		1,333	1,404
Total staff costs		63,728	49,501
Minimum lease payments under operating leases in respect of land and buildings*		3,680	3,162
Exchange losses, net		225	–

* *Included in the respective balances are the following amounts which are also included in cost of inventories sold disclosed above:*

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Depreciation	6,712	4,270
Staff costs	54,803	41,951
Minimum lease payments under operating leases in respect of land and buildings	2,841	2,357

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance, is as follows:

	Eagle Nice Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees	210	–
Other emoluments:		
Salaries, allowances and benefits in kind	2,328	2,815
Performance related bonuses	500	–
Pension scheme contributions	141	129
	3,179	2,944

Fees include HK\$140,000 (2003: nil) payable to the independent non-executive Directors. There were no other emoluments payable to the independent non-executive Directors during the year (2003: nil).

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The number of Directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	6	6
HK\$1,000,001 to HK\$1,500,000	1	1
	<u>7</u>	<u>7</u>

The Directors' remuneration shown above does not include the estimated monetary value of the Eagle Nice Group's owned premises provided rent-free to two executive directors of Eagle Nice during the year ended 31 March 2004. The estimated rental value of such accommodation was approximately HK\$672,000 (2003: HK\$200,000) for the year ended 31 March 2004.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2003: three) Directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2003: two) non-director, highest paid employees for the year are set out below:

	Eagle Nice Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	742	824
Performance related bonuses	300	–
Pension scheme contributions	57	55
	<u>1,099</u>	<u>879</u>

The remuneration of both of the non-director, highest paid employees fell within the band of nil to HK\$1,000,000.

9. FINANCE COSTS

	Eagle Nice Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on overdrafts and bank loans wholly repayable within five years	2,193	1,499
Interest on finance leases	82	–
	<u>2,275</u>	<u>1,499</u>

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10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Eagle Nice Group operates, based on existing legislation, interpretations and practices in respect thereof.

During the year, Macau Complementary Tax has not been provided as the Eagle Nice Group did not derive any assessable profits. During the year ended 31 March 2003, Macau Complementary Tax has been calculated at the rate of 15.75% on the estimated assessable profits of certain wholly-owned subsidiaries of Eagle Nice.

汕頭市鷹美製衣有限公司 (“EN (Shantou)”) and Shantou SEZ Far East (International) Garments Factory Co., Ltd. (“FE (Shantou)”) are entitled to be exempted from enterprise income tax for the first two profit-making years and a 50% reduction in the enterprise income tax for the succeeding three years. Moreover, under the relevant tax laws and regulations in Mainland China, EN (Shantou) and FE (Shantou) may set off losses incurred by them in a financial year against profits made by them in the succeeding financial year or years, subject to a maximum of five financial years.

According to the confirmation obtained by the Eagle Nice Group from the PRC tax bureau, the first profit-making year of both EN (Shantou) and FE (Shantou) is year ended 31 December 2002.

	Eagle Nice Group	
	2004	2003
	HK\$'000	HK\$'000
Current tax charge for the year:		
Hong Kong	3,400	1,995
Elsewhere	600	1,549
Deferred tax credit – note 24	–	(100)
Overprovision of current tax in respect of prior years	(489)	–
	3,511	3,444
Total tax charge for the year	3,511	3,444

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which Eagle Nice and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Eagle Nice Group – 2004

	Hong Kong		Mainland China		Macau		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	28,061		7,423		113		35,597	
Tax at the statutory tax rate	4,911	17.5	1,113	15.0	18	15.75	6,042	17.0
Income not subject to tax	(1,386)	(4.9)	(313)	(4.2)	(18)	(15.75)	(1,717)	(4.8)
Expenses not deductible for tax	173	0.6	–	–	–	–	173	0.5
Adjustments in respect of current tax of previous years	(489)	(1.7)	–	–	–	–	(489)	(1.4)
Others	(298)	(1.1)	(200)	(2.7)	–	–	(498)	(1.4)
	2,911	10.4	600	8.1	–	–	3,511	9.9
Tax charge at the Eagle Nice Group's effective rate	2,911	10.4	600	8.1	–	–	3,511	9.9

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Eagle Nice Group – 2003

	Hong Kong		Mainland China		Macau		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>18,619</u>		<u>5,960</u>		<u>9,696</u>		<u>34,275</u>	
Tax at the statutory tax rate	2,979	16.0	894	15.0	1,527	15.75	5,400	15.8
Income not subject to tax	(2,368)	(12.7)	(894)	(15.0)	–	–	(3,262)	(9.5)
Expenses not deductible								
for tax	930	5.0	–	–	–	–	930	2.7
Others	<u>354</u>	<u>1.9</u>	<u>–</u>	<u>–</u>	<u>22</u>	<u>0.23</u>	<u>376</u>	<u>1.1</u>
Tax charge at the Eagle Nice Group's effective rate	<u>1,895</u>	<u>10.2</u>	<u>–</u>	<u>–</u>	<u>1,549</u>	<u>15.98</u>	<u>3,444</u>	<u>10.1</u>

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to Eagle Nice Shareholders for the year ended 31 March 2004 dealt with in the financial statements of Eagle Nice was HK\$18,391,000 (period from 9 October 2002 (date of incorporation) to 31 March 2003: nil) (note 27).

12. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim – HK3 cents per ordinary share based on 200,000,000 shares in issue	6,000	–
Proposed final – HK3.5 cents per ordinary share based on 340,000,000 shares in issue	11,900	–
Dividend declared and paid by a subsidiary to its then shareholder prior to the Group Reorganisation	–	15,000
	<u>17,900</u>	<u>15,000</u>

The proposed final dividend for the year is subject to the approval of Eagle Nice's Shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to Eagle Nice Shareholders for the year of HK\$32,086,000 (2003: HK\$30,831,000), and the weighed average of 188,328,767 (2003: 170,000,000) ordinary shares deemed to have been in issue during the year.

The weighted average number of shares used to calculate the earnings per share for the year ended 31 March 2003 includes the pro forma issued share capital of Eagle Nice, comprising 1,000,000 shares issued nil paid on incorporation of Eagle Nice, 27,000,000 shares issued as consideration for the acquisition of the entire issued share capital of Jespar and the capitalisation issue of 142,000,000 shares, as further detailed in note 25 to the financial statements.

Diluted earnings per share amounts for the years ended 31 March 2004 and 2003 have not been disclosed as no diluting events existed during these years.

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14. FIXED ASSETS

Eagle Nice Group

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures, equipment and motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost or valuation:					
At beginning of year	20,180	9,389	20,993	4,615	55,177
Additions	87	2,177	9,451	3,425	15,140
Write off	-	-	(123)	(16)	(139)
Surplus on revaluation	3,861	-	-	-	3,861
At 31 March 2004	<u>24,128</u>	<u>11,566</u>	<u>30,321</u>	<u>8,024</u>	<u>74,039</u>
Analysis of cost or valuation:					
At cost	-	11,566	30,321	8,024	49,911
At 31 March 2004 valuation	24,128	-	-	-	24,128
	<u>24,128</u>	<u>11,566</u>	<u>30,321</u>	<u>8,024</u>	<u>74,039</u>
Accumulated depreciation:					
At beginning of year	524	5,288	8,674	2,322	16,808
Provided during the year	1,001	2,050	4,650	1,035	8,736
Write off	-	-	(35)	(1)	(36)
Written back on revaluation	(1,525)	-	-	-	(1,525)
At 31 March 2004	<u>-</u>	<u>7,338</u>	<u>13,289</u>	<u>3,356</u>	<u>23,983</u>
Net book value:					
At 31 March 2004	<u>24,128</u>	<u>4,228</u>	<u>17,032</u>	<u>4,668</u>	<u>50,056</u>
At 31 March 2003	<u>19,656</u>	<u>4,101</u>	<u>12,319</u>	<u>2,293</u>	<u>38,369</u>

The Eagle Nice Group's leasehold land and buildings were revalued at 31 March 2004 by Greater China Appraisal Limited, independent professionally qualified valuers, at open market value, based on their existing use. A revaluation surplus of HK\$5,386,000 resulting therefrom has been credited to the asset revaluation reserve.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$18,743,000 (2003: HK\$19,656,000).

The net book value of the Eagle Nice Group's fixed assets held under finance leases included in the total amount of plant and machinery at 31 March 2004, amounted to HK\$2,164,000 (2003: nil).

APPENDIX I	FINANCIAL INFORMATION OF THE EAGLE NICE GROUP
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The Eagle Nice Group's leasehold land and buildings as at 31 March 2004 are held under the following lease terms:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long term leases outside Hong Kong	1,949	2,150
Medium term leases in Hong Kong	18,600	14,583
Medium term leases outside Hong Kong	3,579	2,923
	<u>24,128</u>	<u>19,656</u>
	<u>24,128</u>	<u>19,656</u>

At 31 March 2004, one of the Eagle Nice Group's leasehold land and buildings with net book value of approximately HK\$18,600,000 (2003: HK\$14,583,000) was pledged to secure mortgage loan facilities granted to the Eagle Nice Group (note 22).

Two of the Eagle Nice Group's properties with net book value of HK\$20,720,000 in aggregate have been provided as rent-free accommodation to two executive directors of Eagle Nice during the year (note 7).

15. LONG TERM INVESTMENTS

	Eagle Nice Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investment funds, at fair value	4,500	4,276
	<u>4,500</u>	<u>4,276</u>
	<u>4,500</u>	<u>4,276</u>

A revaluation surplus of HK\$224,000 (2003: HK\$62,000) has been credited to the asset revaluation reserve during the year.

As at 31 March 2004, the unlisted investment funds were pledged as security for the banking facilities granted to the Eagle Nice Group (note 22).

16. INVESTMENTS IN SUBSIDIARIES

	Eagle Nice	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	43,368	-
	<u>43,368</u>	<u>-</u>
	<u>43,368</u>	<u>-</u>

The balances with subsidiaries are unsecured, interest-free and repayable on demand.

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

Particulars of subsidiaries of Eagle Nice are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/paid-up registered capital	Percentage of equity attributable to Eagle Nice		Principal activities
			Direct	Indirect	
Jespar	BVI/Hong Kong	US\$1,000	100	–	Investment holding
Eagle Nice Development	Hong Kong	Ordinary HK\$2; Non-voting deferred HK\$10,000 (Note (a))	–	100	Manufacture and trading of sportswear and garments
Far East	Hong Kong	Ordinary HK\$2; Non-voting deferred HK\$10,000 (Note (a))	–	100	Manufacture and trading of sportswear and garments
Nittsukou Limited	BVI/Hong Kong	US\$1,000	–	100	Dormant
Goldfish Investments Limited	Samoa/Macau	US\$1,000	–	100	Dormant
Good Wish Enterprises Limited	Samoa/Macau	US\$1,000	–	100	Dormant
Metrogold Profits Limited	Samoa/Macau	US\$1,000	–	100	Dormant
汕頭市騰美製衣有限公司 (Note (b))	PRC/ Mainland China	HK\$7,000,000 (Note (c))	–	100	Manufacture and trading of sportswear and garments
Shantou SEZ Far East (International) Garments Factory Co., Ltd. 汕頭經濟特區遠東(國際)製衣廠有限公司 (Note (b))	PRC/ Mainland China	HK\$15,000,000	–	100	Manufacture and trading of sportswear and garments

Notes:

- (a) The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up (other than the nominal amount paid up or credited as paid up on such shares, after the sum of HK\$100,000,000,000,000 per ordinary share has been distributed to the holders of the ordinary shares of the company in such winding-up).
- (b) EN (Shantou) and FE (Shantou) are registered as wholly-foreign owned enterprises under the PRC law.
- (c) On 17 September 2003, the application for the increase of registered capital of EN (Shantou) from HK\$7 million to HK\$9.5 million was approved by the relevant authority in the PRC. Subsequent to the balance sheet date, the additional capital contribution of HK\$2.5 million has been fully paid up on 10 May 2004.

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

17. INVENTORIES

	Eagle Nice Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	15,986	4,310
Work in progress	27,307	7,692
Finished goods	1,227	5,495
	<u>44,520</u>	<u>17,497</u>

No inventories were carried at net realisable value at the balance sheet date (2003: nil).

18. ACCOUNTS AND BILLS RECEIVABLE

The Eagle Nice Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days. Overdue balances are regularly reviewed by senior management of the Eagle Nice Group.

An aged analysis of the accounts and bills receivable as at the balance sheet date, based on invoice date, is as follows:

	Eagle Nice Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	28,022	18,496
Between 31 to 60 days	3,928	19
Between 61 to 90 days	810	186
Over 90 days	709	60
	<u>33,469</u>	<u>18,761</u>

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<i>Note</i>	Eagle Nice Group		Eagle Nice	
		2004	2003	2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances		31,358	913	26,151	–
Time deposits		<u>5,518</u>	<u>6,479</u>	<u>–</u>	<u>–</u>
		36,876	7,392	26,151	–
<i>Less: Time deposits pledged for overdrafts and trade financing facilities</i>	22	<u>(5,518)</u>	<u>(6,479)</u>	<u>–</u>	<u>–</u>
Cash and cash equivalents		<u>31,358</u>	<u>913</u>	<u>26,151</u>	<u>–</u>

As at the balance sheet date, the cash and bank balances of the Eagle Nice Group denominated in Renminbi ("RMB") amounted to approximately HK\$3,139,000 (2003: HK\$780,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Eagle Nice Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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20. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the balance sheet date, based on invoice date, is as follows:

	Eagle Nice Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	19,704	5,814
Between 91 to 180 days	1,384	3,543
Between 181 to 365 days	58	59
Over 365 days	–	10
	<u>21,146</u>	<u>9,426</u>

21. INTEREST-BEARING BANK BORROWINGS, SECURED

	Eagle Nice Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank overdrafts repayable on demand	<u>7,391</u>	<u>3,932</u>
Secured mortgage loans repayable:		
Within one year	2,305	2,239
In the second year	2,371	2,304
In the third to fifth years, inclusive	<u>1,009</u>	<u>3,380</u>
	<u>5,685</u>	<u>7,923</u>
Secured trust receipt loans repayable within one year	<u>18,931</u>	<u>8,703</u>
Other secured bank loans repayable:		
Within one year	3,929	4,806
In the second year	<u>1,088</u>	<u>1,280</u>
	<u>5,017</u>	<u>6,086</u>
	<u>37,024</u>	<u>26,644</u>
Portion classified as current liabilities	<u>(32,556)</u>	<u>(19,680)</u>
Long term portion	<u>4,468</u>	<u>6,964</u>

22. BANKING FACILITIES

As at 31 March 2004, the Eagle Nice Group's banking facilities were secured by the following:

- (i) one of the leasehold land and buildings of the Eagle Nice Group (note 14);
- (ii) the unlisted investment funds of the Eagle Nice Group (note 15);
- (iii) pledged bank deposits of the Eagle Nice Group (note 19);
- (iv) corporate guarantees executed by Eagle Nice to the extent of HK\$105 million; and
- (v) unlimited corporate guarantees executed by two subsidiaries.

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

23. FINANCE LEASE PAYABLES

The Eagle Nice Group leases certain of its plant and machinery for its garment manufacturing business. These leases are classified as finance leases and have remaining lease terms ranging from two to three years.

At 31 March 2004, the total future minimum lease payments under finance leases and their present values were as follows:

Eagle Nice Group

	Minimum lease payments 2004 HK\$'000	Minimum lease payments 2003 HK\$'000	Present value of minimum lease payments 2004 HK\$'000	Present value of minimum lease payments 2003 HK\$'000
Amounts payable:				
Within one year	752	–	730	–
In the second year	620	–	572	–
In the third to fifth years, inclusive	700	–	600	–
	<u>2,072</u>	<u>–</u>	<u>1,902</u>	<u>–</u>
Total minimum finance lease payments	2,072	–	<u>1,902</u>	<u>–</u>
Future finance charges	<u>(170)</u>	<u>–</u>		
Total net finance lease payables	1,902	–		
Portion classified as current liabilities	<u>(730)</u>	<u>–</u>		
Long term portion	<u>1,172</u>	<u>–</u>		

24. DEFERRED TAX LIABILITIES

Eagle Nice Group

	Accelerated tax depreciation HK\$'000	Asset revaluation HK\$'000	Total HK\$'000
At 1 April 2002	910	–	910
Deferred tax credited to the profit and loss account during the year (<i>note 10</i>)	<u>(100)</u>	<u>–</u>	<u>(100)</u>
At 31 March 2003 and 1 April 2003	810	–	810
Deferred tax debited to equity during the year (<i>note 27</i>)	<u>–</u>	<u>400</u>	<u>400</u>
At 31 March 2004	<u>810</u>	<u>400</u>	<u>1,210</u>

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

At 31 March 2004, there is no significant unrecognised deferred tax liability (2003: nil) for taxes that would be payable on the unremitted earnings of certain of the Eagle Nice Group's subsidiaries as the Eagle Nice Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by Eagle Nice to its shareholders.

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Eagle Nice Group's deferred tax liability as at 31 March 2004 by HK\$400,000 (2003: nil).

25. SHARE CAPITAL

	Eagle Nice	
	2004 HK\$'000	2003 HK\$'000
<i>Authorised:</i>		
10,000,000,000 (2003: 38,000,000) ordinary shares of HK\$0.01 each	100,000	380
<i>Issued and fully paid:</i>		
200,000,000 ordinary shares of HK\$0.01 each (2003: nil)	2,000	–

The following changes in the authorised and issued share capital of Eagle Nice took place during the period from 9 October 2002 (date of incorporation) to 31 March 2004:

	Notes	Number of ordinary shares of HK\$0.01 each '000	Nominal value of ordinary shares HK\$'000
<i>Authorised:</i>			
Upon incorporation	(i)	38,000	380
Increase in an authorised share capital	(ii)	9,962,000	99,620
At 31 March 2004		10,000,000	100,000
<i>Issued:</i>			
Allotted and issued as nil paid	(iii)	1,000	–
On acquisition of Jespar			
– new issue of shares	(iv)	27,000	270
– nil paid shares credited as fully paid	(iv)	–	10
Capitalisation issue credited as fully paid conditional on the share premium account of Eagle Nice being credited as a result of the issue of new shares to the public	(v)	142,000	–
Pro forma issued share capital as at 31 March 2003		170,000	280
Capitalisation of share premium account as set out above	(v)	–	1,420
New issue of shares	(vi)	30,000	300
At 31 March 2004		200,000	2,000

Notes:

- (i) Upon incorporation of Eagle Nice, the authorised share capital of Eagle Nice was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (ii) Pursuant to a resolution passed on 6 August 2003, the authorised share capital of Eagle Nice was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 ordinary shares of HK\$0.01 each, ranking *pari passu* in all respects with the existing share capital of Eagle Nice.
- (iii) On 28 October 2002, an aggregate of 1,000,000 shares of HK\$0.01 each were allotted and issued nil paid.
- (iv) Pursuant to the same resolution in (ii) above, on 6 August 2003, 27,000,000 new shares of HK\$0.01 each in Eagle Nice were allotted and issued, credited as fully paid, and the existing 1,000,000 shares of HK\$0.01 each were credited as fully paid, at par, in consideration of and in exchange for the acquisition of the entire issued share capital of Jespar pursuant to the Eagle Nice Group Reorganisation.
- (v) Pursuant to the same resolution in (ii) above, a total of 142,000,000 shares of HK\$0.01 each were allotted and issued as fully paid, by way of capitalisation of an amount of HK\$1,420,000 standing to the credit of the share premium account of Eagle Nice, to the holders of shares in Eagle Nice whose names appear on the register of members of Eagle Nice at the close of business on 11 August 2003 in proportion to their then existing shareholdings in Eagle Nice, conditional upon the share premium account being credited as a result of the new issue and placing of shares as detailed in (vi) below.
- (vi) On 20 August 2003, a total of 30,000,000 new shares of HK\$0.01 each in Eagle Nice were issued at a price of HK\$1.00 each to the public by way of new issue and placing of shares pursuant to the listing of Eagle Nice's shares on the Main Board of the Stock Exchange, for a total cash consideration, before expenses, of HK\$30,000,000.

26. SHARE OPTION SCHEME

Eagle Nice operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Eagle Nice Group's operations. Eligible participants of the Scheme include Eagle Nice's directors, including independent non-executive directors, other employees of the Eagle Nice Group, suppliers of goods or services to the Eagle Nice Group and customers of the Eagle Nice Group. The Scheme became effective on 6 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of Eagle Nice in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of Eagle Nice in issue at any time. Any further grant of share options in excess of this limit is subject to Eagle Nice Shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of Eagle Nice, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a Eagle Nice Substantial shareholder or an independent non-executive director of Eagle Nice, or to any of their associates, in excess of 0.1% of the shares of Eagle Nice in issue at any time or with an aggregate value (based on the price of Eagle Nice's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to Eagle Nice Shareholders' approval in advance in a general meeting.

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The offer of a grant of share options may be accepted within 21 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of Eagle Nice's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of Eagle Nice's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of shares.

No share options had been granted under the Scheme as at 31 March 2004 or up to the date of approval of these financial statements. As at the date of approval of these financial statements, 20,000,000 shares are available for issue under the Scheme, representing 10% of the issued share capital of Eagle Nice at that date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

27. RESERVES

Eagle Nice Group

	Share premium	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total
Notes	HK\$'000	HK\$'000 (Note (a))	HK\$'000 (Note (b))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2002	-	43	-	(2,712)	(155)	24,915	22,091
Surplus on revaluation Arising on Group	-	-	-	-	62	-	62
Reorganisation	-	(272)	-	-	-	-	(272)
Net profit for the year	-	-	-	-	-	30,831	30,831
Transfer to reserve	-	-	842	-	-	(842)	-
Dividend paid by a subsidiary	12	-	-	-	-	(15,000)	(15,000)
At 31 March 2003 and 1 April 2003	-	(229)	842	(2,712)	(93)	39,904	37,712
Issue of shares	25	29,700	-	-	-	-	29,700
Share issue expenses	-	(8,926)	-	-	-	-	(8,926)
Capitalisation issue	25	(1,420)	-	-	-	-	(1,420)
Surplus on revaluation	-	-	-	-	5,610	-	5,610
Deferred tax charged	24	-	-	-	(400)	-	(400)
Net profit for the year	-	-	-	-	-	32,086	32,086
Transfer to reserve	-	-	874	-	-	(874)	-
Interim dividend	12	-	-	-	-	(6,000)	(6,000)
Proposed final dividend	12	-	-	-	-	(11,900)	(11,900)
At 31 March 2004	<u>19,354</u>	<u>(229)</u>	<u>1,716</u>	<u>(2,712)</u>	<u>5,117</u>	<u>53,216</u>	<u>76,462</u>

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

Eagle Nice

	<i>Notes</i>	Share premium <i>HK\$'000</i> <i>(Note (a))</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003		–	–	–	–
Arising on Group					
Reorganisation		–	43,088	–	43,088
Issue of shares	25	29,700	–	–	29,700
Capitalisation issue	25	(1,420)	–	–	(1,420)
Share issue expenses		(8,926)	–	–	(8,926)
Net profit for the year		–	–	18,391	18,391
Interim dividend	12	–	–	(6,000)	(6,000)
Proposed final dividend	12	–	–	(11,900)	(11,900)
		<u>19,354</u>	<u>43,088</u>	<u>491</u>	<u>62,933</u>
At 31 March 2004		<u>19,354</u>	<u>43,088</u>	<u>491</u>	<u>62,933</u>

Notes:

- (a) The capital reserve of the Eagle Nice Group represents the difference between the aggregate of the nominal value of the share capitals of the subsidiaries acquired by Eagle Nice pursuant to the Eagle Nice Group Reorganisation as set out in note 1 to the financial statements, over the nominal value of the share capital of Eagle Nice issued in exchange therefor and the existing 1,000,000 shares of HK\$0.01 credited at fully paid, at par.

The capital reserve of Eagle Nice represents the excess of the then consolidated net assets of the subsidiaries acquired by Eagle Nice pursuant to the same reorganisation over the nominal value of the share capital of Eagle Nice issued in exchange therefor. Under the Companies Law of the Cayman Islands, the capital reserve may be distributable to the Eagle Nice Shareholders of Eagle Nice, provided that immediately following the date on which the dividend is proposed to be distributed, Eagle Nice will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

- (b) In accordance with the relevant PRC regulations, the companies now comprising the Eagle Nice Group which are registered in the PRC are required to transfer 10% of their profits after tax, as determined under the PRC accounting regulations, to the statutory surplus reserve, until the balance of the fund reaches 50% of their respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus reserve may be used to offset against accumulated losses.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The Eagle Nice Group has the following major non-cash transactions during the year:

- (i) During the year, the Group Reorganisation involved the acquisition of Jespar by the issue of shares of Eagle Nice, further details of which are set out in notes 1 and 25 to the financial statements.
- (ii) During the year, the Eagle Nice Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of approximately HK\$2,303,000 (2003: nil).
- (iii) During the year ended 31 March 2003, a dividend of HK\$10,000,000 distributed by certain subsidiaries of Eagle Nice was settled through the current account with a director.

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29. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities of the Eagle Nice Group not provided for were as follows:

	Eagle Nice Group		Eagle Nice	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bills discounted with recourse	–	927	–	–
Guarantees given to in connection with credit facilities granted to subsidiaries	–	–	105,513	30,000
	<u>–</u>	<u>–</u>	<u>105,513</u>	<u>30,000</u>
	<u>–</u>	<u>927</u>	<u>105,513</u>	<u>30,000</u>

As at 31 March 2004, the banking and finance lease facilities granted to the subsidiaries subject to guarantees given to the banks by Eagle Nice were utilised to the extent of approximately HK\$35.9 million (2003: HK\$11.1 million).

30. OPERATING LEASE ARRANGEMENTS

The Eagle Nice Group leases certain of its office premises and factories under operating lease arrangements, with leases negotiated for terms ranging from two to three years.

At the balance sheet date, the Eagle Nice Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,623	3,274
In the second to fifth years, inclusive	5,774	3,430
	<u>10,397</u>	<u>6,704</u>

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Eagle Nice Group had the following commitments at the balance sheet date:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital commitments, contracted but not provided for:		
Purchases of fixed assets	<u>130</u>	<u>63</u>

Eagle Nice did not have any significant commitments at the balance sheet date (2003: nil)

32. POST BALANCE SHEET EVENTS

- (i) On 3 March 2004, Eagle Nice entered into a conditional subscription agreement (the "Subscription Agreement") with Great Pacific Investments Limited (the "Subscriber"), a wholly-owned subsidiary of Yue Yuen Industrial (Holdings) Limited, in relation to the subscription by the Subscriber of 105,000,000 new shares at HK\$1.06 per share (total subscription price amounted to HK\$111,300,000) and a convertible note at a subscription price of HK\$207,060,000, which would be convertible into 87,000,000 new shares at the

initial conversion price of HK\$2.38 per share (subject to adjustment). On the same day, Eagle Nice also entered into a conditional placing agreement (the "Placing Agreement") with Barits Securities (Hong Kong) Limited ("Barits"), pursuant to which Barits agreed to procure places, on a fully underwritten basis, and Eagle Nice agreed to issue an aggregate of 35,000,000 new shares at HK\$1.06 per share. The proceeds from the new shares under the Subscription Agreement and the Placing Agreement were satisfied by cash upon completion of these agreements.

The Subscription Agreement and the Placing Agreement have been approved by the Eagle Nice Shareholders in the extraordinary general meeting and the Listing Committee of the Stock Exchange and these agreements were completed on 16 April 2004.

Further details of the Subscription Agreement and this Placing Agreement are set out in the circular of Eagle Nice dated 24 March 2004.

- (ii) On 19 June 2004, Yue Mei (Shantou) Garment Manufacturing Co. Ltd., a wholly-owned subsidiary of Eagle Nice established subsequent to the balance sheet date (the "Purchaser"), entered into an agreement (the "Provisional Agreement") with Shantou Special Economic Zone Cheng Di Industrial Village Development Co. Ltd. (the "Seller"), an independent corporation established in the PRC, whereby the Seller will construct and sell, and the Purchaser will purchase a new production plant which will be located at the 15th Street District, Cheng Di Industrial Village, Shantou Special Economic Zone (the "Land"), free from encumbrances, with a cash consideration of approximately RMB102 million (approximately HK\$96.4 million).

The consideration for the above transaction will be payable in cash as follows:

- (i) as to RMB20 million (approximately HK\$18.9 million) to be placed in an escrow account, in the name of the Purchaser, within 30 days after the satisfactory completion of the Provisional Agreement;
- (ii) as to RMB25 million (approximately HK\$23.6 million) within 5 days after the signing of the formal sales and purchase agreement which is expected to take on or before 28 February 2005;
- (iii) as to RMB25 million (approximately HK\$23.6 million) within 5 days after the examination and acceptance of the new production plant by the relevant PRC authorities;
- (iv) as to RMB31 million (approximately HK\$29.3 million) after the issue of the Real Estate Title Certificate to the Purchaser; and
- (v) as to the balance of RMB1 million (approximately HK\$1.0 million) upon the expiry of 2 years after the examination and acceptance of the new production plant by the relevant PRC authorities.

Up to the date of this report, the Eagle Nice Group has placed the first RMB20 million in the escrow account.

Further details of the above transaction are set out in the announcement of Eagle Nice dated 19 June 2004.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 July 2004.

(C) UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

The following is the unaudited consolidated financial statements of Eagle Nice for the six months ended 30 September 2004 together with the comparative figures and accompanying notes, extracted from the interim report of Eagle Nice for the six months ended 30 September 2004:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended	
		30th September,	
		2004	2003
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	242,168	146,103
Cost of sales		<u>(176,458)</u>	<u>(113,333)</u>
Gross profit		65,710	32,770
Other revenue	2	2,407	1,671
Selling and distribution costs		(4,702)	(3,364)
Administrative expenses		<u>(13,267)</u>	<u>(12,711)</u>
Profit from operating activities	3	50,148	18,366
Finance costs	4	<u>(170)</u>	<u>(1,290)</u>
Profit before tax		49,978	17,076
Tax	5	<u>(6,650)</u>	<u>(1,766)</u>
Net profit from ordinary activities attributable to shareholders		<u>43,328</u>	<u>15,310</u>
Dividend	6	<u>15,300</u>	<u>6,000</u>
Earnings per share	7		
– Basic		<u>HK13.19 cents</u>	<u>HK8.68 cents</u>
– Diluted		<u>HK10.61 cents</u>	<u>N/A</u>

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		50,877	50,056
Prepayments and deposits for fixed assets		–	1,630
Long term investments		4,500	4,500
		55,377	56,186
CURRENT ASSETS			
Inventories		40,626	44,520
Accounts and bills receivable	8	60,082	33,469
Prepayments, deposits and other receivables		3,161	3,297
Pledged deposits		5,518	5,518
Cash and cash equivalents		364,126	31,358
		473,513	118,162
CURRENT LIABILITIES			
Accounts payable	9	18,497	21,146
Accrued liabilities and other payables		20,132	12,272
Tax payable		16,500	10,432
Interest-bearing bank borrowings, secured		–	32,556
Finance lease payables		461	730
		55,590	77,136
NET CURRENT ASSETS		417,923	41,026
TOTAL ASSETS LESS CURRENT LIABILITIES		473,300	97,212
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings, secured		–	4,468
Finance lease payables		916	1,172
Convertible note	10	207,060	–
Deferred tax liabilities		1,210	1,210
		209,186	6,850
		264,114	90,362
CAPITAL AND RESERVES			
Issued capital	11	3,400	2,000
Reserves		245,414	76,462
Proposed dividend		15,300	11,900
		264,114	90,362

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Statutory surplus reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2004	2,000	19,354	(229)	1,716	(2,712)	5,117	53,216	11,900	90,362
Final dividend declared	-	-	-	-	-	-	-	(11,900)	(11,900)
Issue of subscription shares	1,050	110,250	-	-	-	-	-	-	111,300
Issue of placing shares	350	36,750	-	-	-	-	-	-	37,100
Share issue expenses	-	(6,076)	-	-	-	-	-	-	(6,076)
Net profit attributable to shareholders	-	-	-	-	-	-	43,328	-	43,328
Dividend (Note 6)	-	-	-	-	-	-	(15,300)	15,300	-
At 30 September 2004	<u>3,400</u>	<u>160,278</u>	<u>(229)</u>	<u>1,716</u>	<u>(2,712)</u>	<u>5,117</u>	<u>81,244</u>	<u>15,300</u>	<u>264,114</u>

For the six months ended 30 September 2003

	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Statutory surplus reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2003	280	-	(229)	842	(2,712)	(93)	39,904	37,992
Capitalisation issue	1,420	(1,420)	-	-	-	-	-	-
New issue on public listing	300	29,700	-	-	-	-	-	30,000
Share issue expenses	-	(8,876)	-	-	-	-	-	(8,876)
Net profit attributable to shareholders	-	-	-	-	-	-	15,310	15,310
Exchange realignment	-	-	-	-	(1)	-	-	(1)
Dividends	-	-	-	-	-	-	(6,000)	(6,000)
At 30 September 2003	<u>2,000</u>	<u>19,404</u>	<u>(229)</u>	<u>842</u>	<u>(2,713)</u>	<u>(93)</u>	<u>49,214</u>	<u>68,425</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30th September,	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	25,405	(4,492)
Net cash outflow from investing activities	(4,472)	(5,128)
Net cash inflow from financing activities	319,226	35,233
NET INCREASE IN CASH AND CASH EQUIVALENTS	340,159	25,613
Cash and cash equivalents at beginning of periods	23,967	(3,019)
CASH AND CASH EQUIVALENTS AT END OF PERIODS	<u>364,126</u>	<u>22,594</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	364,126	29,024
Bank overdrafts	–	(6,430)
	<u>364,126</u>	<u>22,594</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS**1. Basis of presentation, principal accounting policies and corporate information**

These unaudited condensed consolidated interim financial statements (“Interim Accounts”) have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and is in compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation are consistent with those used in the annual accounts of Eagle Nice for the year ended 31 March 2004.

Eagle Nice was incorporated in the Cayman Islands as an exempted company with limited liability on 9 October 2002 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

On 6 August 2003, pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of shares of Eagle Nice on the Main Board of the Stock Exchange, Eagle Nice became the holding company of its subsidiaries.

The Reorganisation involved companies under common control. The Interim Accounts and the related notes thereto have been prepared using the merger basis of accounting in accordance with SSAP 27 “Accounting for group reconstructions”. On this basis, Eagle Nice has been treated as the holding company of its subsidiaries for the financial periods presented rather than from the subsequent date of acquisition of the subsidiaries. The unaudited condensed consolidated results of the Eagle Nice Group for each of the six months ended 30 September 2004 and 2003 include the results of the Eagle Nice Group with effect from 1 April 2003 or since their respective dates of incorporation, where this is a shorter period.

All significant transactions and balances among the companies comprising the Eagle Nice Group have been eliminated on consolidation.

In the opinion of the Board, the presentation of the Interim Accounts prepared on the above basis presents more fairly the results and state of affairs of the Eagle Nice Group as a whole.

Eagle Nice’s shares were listed on the Main Board of the Stock Exchange on 22 August 2003. Details of the Reorganisation are set out in the prospectus of Eagle Nice dated 12 August 2003 (the “Prospectus”).

2. Turnover and segment information

Turnover and revenue

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Eagle Nice Group's turnover and other revenue is as follows:

	Six months ended	
	30th September,	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sale of goods	242,168	146,103
Other revenue		
Sale of samples	2,093	1,424
Interest income	234	198
Others	80	49
	2,407	1,671
	244,575	147,774

Segment information

(a) Geographical segments

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

The principal activity of the Eagle Nice Group is the manufacture and trading of sportswear and garments. Each of the Eagle Nice Group's geographical segments, based on the location of customers (the destination of sales), represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of the other geographical segments. The Eagle Nice Group's customer-based geographical segments are as follows:

- (a) Hong Kong;
- (b) Mainland China;
- (c) Japan;
- (d) South Korea; and
- (e) Australia.

In addition, segment assets and capital expenditure are further analysed by the geographical location of the assets (the origin of sales), where the Eagle Nice Group's assets are located in different geographical areas from its customers and segment revenue from external customers or segment assets are 10% or more of the Eagle Nice Group's total amount. There are two asset-based geographical segments, Hong Kong and Mainland China.

(i) Geographical segments based on the location of customers

	Hong Kong (Unaudited) HK\$'000	Mainland China (Unaudited) HK\$'000	Japan (Unaudited) HK\$'000	South Korea (Unaudited) HK\$'000	Australia (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Six months ended 30 September 2004							
Segment revenue:							
Sales to external customers	9,095	71,184	108,046	28,171	6,296	19,376	242,168
Other revenue	336	81	539	-	347	790	2,093
Total	<u>9,431</u>	<u>71,265</u>	<u>108,585</u>	<u>28,171</u>	<u>6,643</u>	<u>20,166</u>	<u>244,261</u>
Segment results	<u>2,611</u>	<u>35,501</u>	<u>20,087</u>	<u>3,038</u>	<u>1,206</u>	<u>5,360</u>	67,803
Interest and other unallocated income							314
Unallocated expenses							(17,969)
Profit from operating activities							50,148
Finance costs							(170)
Profit before tax							49,978
Tax							(6,650)
Net profit from ordinary activities attributable to shareholders							<u>43,328</u>
As at 30th September, 2004							
Segment assets	<u>11,910</u>	<u>56,546</u>	<u>41,654</u>	<u>7,553</u>	<u>1,088</u>	<u>9,807</u>	128,558
Unallocated assets							400,332
							<u>528,890</u>
Segment liabilities	<u>668</u>	<u>5,830</u>	<u>8,086</u>	<u>2,069</u>	<u>456</u>	<u>1,388</u>	18,497
Unallocated liabilities							246,279
Six months ended 30 September 2004							<u>264,776</u>
Other segment information:							
Depreciation	184	1,391	2,120	550	130	394	4,769
Unallocated amount							746
							<u>5,515</u>
Capital expenditure	<u>245</u>	<u>1,848</u>	<u>2,816</u>	<u>731</u>	<u>172</u>	<u>523</u>	<u>6,335</u>

APPENDIX I

FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

	Hong Kong (Unaudited) HK\$'000	Mainland China (Unaudited) HK\$'000	Japan (Unaudited) HK\$'000	South Korea (Unaudited) HK\$'000	Australia (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Six months ended 30 September 2003							
Segment revenue:							
Sales to external customers	9,555	35,529	54,826	25,591	5,393	15,209	146,103
Other revenue	353	-	626	-	114	331	1,424
Total	<u>9,908</u>	<u>35,529</u>	<u>55,452</u>	<u>25,591</u>	<u>5,507</u>	<u>15,540</u>	<u>147,527</u>
Segment results	<u>1,682</u>	<u>7,750</u>	<u>13,755</u>	<u>6,114</u>	<u>1,102</u>	<u>3,792</u>	34,195
Interest and other unallocated income							247
Unallocated expenses							(16,076)
Profit from operating activities							18,366
Finance costs							(1,290)
Profit before tax							17,076
Tax							(1,766)
Net profit from ordinary activities attributable to shareholders							<u>15,310</u>
As at 30 September 2003							
Segment assets	<u>4,726</u>	<u>16,595</u>	<u>42,612</u>	<u>14,937</u>	<u>4,645</u>	<u>14,109</u>	97,624
Unallocated assets							62,531
							<u>160,155</u>
Segment liabilities	<u>4,888</u>	<u>2,369</u>	<u>11,535</u>	<u>4,126</u>	<u>1,063</u>	<u>2,357</u>	26,338
Unallocated liabilities							65,392
							<u>91,730</u>
Six months ended 30 September 2003							
Other segment information:							
Depreciation	159	571	891	411	88	250	2,370
Unallocated amounts							1,856
							<u>4,226</u>
Capital expenditure	<u>529</u>	<u>1,896</u>	<u>2,959</u>	<u>1,366</u>	<u>294</u>	<u>828</u>	<u>7,872</u>

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

(ii) Geographical segments based on the location of assets

	Hong Kong (Unaudited) <i>HK\$'000</i>	Mainland China (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Six months ended 30 September 2004			
Segment assets	97,624	30,934	128,558
Capital expenditure	<u>3,928</u>	<u>2,407</u>	<u>6,335</u>
Six months ended 30 September 2003			
Segment assets	79,008	18,616	97,624
Capital expenditure	<u>7,553</u>	<u>319</u>	<u>7,872</u>

(b) Business segment

No information has been disclosed in respect of the Eagle Nice Group's business segments as the Eagle Nice Group is solely engaged in the manufacture and sale of sportswear and garments.

3. Profit from operating activities

The Eagle Nice Group's profit from operating activities is arrived at after charging:

	Six months ended 30th September, 2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
Cost of inventories sold	176,458	113,333
Depreciation*	5,515	4,226
Staff costs (excluding directors' remuneration):		
Wages and salaries*	39,384	31,604
Pension scheme contributions (defined contribution scheme)	<u>436</u>	<u>246</u>
Total staff costs	<u>39,820</u>	<u>31,850</u>
Minimum lease payments under operating leases in respect of land and buildings*	<u>2,193</u>	<u>1,669</u>

* Included in the respective balances are the following amounts which are also included in cost of inventories sold disclosed above:

APPENDIX I	FINANCIAL INFORMATION OF THE EAGLE NICE GROUP
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	Six months ended 30th September,	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	3,019	2,370
Staff costs – wages and salaries	35,010	27,662
Minimum lease payments under operating leases in respect of land and buildings	1,759	1,294
4. Finance costs		
	Six months ended 30th September,	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on bank loans and overdrafts wholly repayable within five years	170	1,290
5. Tax		
	Six months ended 30th September,	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current period provision:		
Hong Kong	5,552	994
Elsewhere	1,098	672
Deferred tax charge	–	100
Tax charge for the Period	6,650	1,766

Hong Kong profits tax for the six months ended 30 September 2004 has been provided at the rate of 17.5% (six months ended 30 September 2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period.

During the Period, Macau Complementary Tax has not been provided as the Eagle Nice Group did not derive any assessable profits. During the six months ended 30 September 2003, Macau Complementary Tax has been calculated at the rate of 15.75% on the estimated assessable profits of certain wholly-owned subsidiaries of Eagle Nice.

Eagle Nice's subsidiaries in the People's Republic of China (the "PRC") were granted tax relief under which they are exempted from PRC enterprise income tax for the first two profit-making years and a 50% reduction in the PRC enterprise income tax for the succeeding three years. Moreover, under the relevant tax laws and regulations in the PRC, Eagle Nice's subsidiaries in the PRC may set off loss incurred by them in a financial year against profits made by them in the succeeding financial year or years, subject to a maximum of five financial years. The first profit-making year of Eagle Nice's subsidiaries in the PRC is year ended 31 December 2002.

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

6. Dividend

	Six months ended 30th September,	
	2004	2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interim dividend declared of HK\$0.045 per share (2003: HK\$0.03 per share)	<u>15,300</u>	<u>6,000</u>

At a meeting on 8 November 2004, the Board resolved that an interim dividend of HK\$0.045 per share for the six months ended 30th September, 2004 to be paid to the Eagle Nice shareholders whose names appear on Eagle Nice's register of members at the close of business on 22 November 2004. The dividend will be paid on or about 2 December 2004.

7. Earnings per share

A reconciliation of the earnings and the weighted average number of shares used in calculating the basic and diluted earnings per share is as follows:

	Six months ended 30th September,	
	2004	2003
	(Unaudited)	(Unaudited)
Earnings:		
Net profit for the period and earnings for the purpose of basic and diluted earnings per share (HK\$)	<u>43,328,000</u>	<u>15,310,000</u>
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share calculation	328,524,590	176,429,000
Weighted average number of ordinary shares assuming issued at no consideration on deemed exercise of all convertible bonds outstanding	<u>79,868,852</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>408,393,442</u>	<u>N/A</u>

8. Accounts and bills receivable

The Eagle Nice Group generally gives credit terms of up to 30 days to its customers.

An aged analysis of the Eagle Nice Group's accounts and bills receivable as at 30 September 2004, based on invoice date, is as follows:

	As at 30 September 2004	As at 31 March 2004
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 30 days	54,422	28,022
31 to 60 days	1,522	3,928
61 to 90 days	53	810
Over 90 days	<u>4,085</u>	<u>709</u>
	<u>60,082</u>	<u>33,469</u>

APPENDIX I FINANCIAL INFORMATION OF THE EAGLE NICE GROUP

9. Accounts payable

An aged analysis of the Eagle Nice Group's accounts payable for the six months ended 30 September 2004, based on invoice date, is as follows:

	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
Within 90 days	18,069	19,704
91 to 180 days	376	1,384
181 to 365 days	28	58
Over 365 days	24	–
	<u>18,497</u>	<u>21,146</u>

10. Convertible note

A zero coupon unsecured convertible note, due 2007 was issued by Eagle Nice to Great Pacific Investments Limited, a wholly-owned subsidiary of Yue Yuen Industrial (Holdings) Limited at a subscription price of HK\$207.06 million on 16 April 2004. Unless otherwise converted, the convertible note is redeemable on 16 April 2007 at 100% of its face value plus a rate of return equal to 0.75% per annum. This convertible note could be converted into 87,000,000 new shares at the initial conversion price of HK\$2.38 per share (subject to adjustment) at any time during the 30-day period before 16 April 2007.

11. Share capital

The following is a summary of movements in the authorised and issued share capital of Eagle Nice:

	Number of ordinary shares	Nominal value of shares HK\$'000
Authorised:		
At 31 March 2004 and 30 September 2004	<u>10,000,000,000</u>	<u>100,000</u>
	Number of issued shares	Nominal value of shares issued HK\$'000
Issued and fully paid:		
At 31 March 2004	200,000,000	2,000
Subscription of new shares	(a) 105,000,000	1,050
Placement of new shares	(b) 35,000,000	350
	<u>340,000,000</u>	<u>3,400</u>
At 30 September 2004	<u>340,000,000</u>	<u>3,400</u>

APPENDIX I	FINANCIAL INFORMATION OF THE EAGLE NICE GROUP
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Notes:

- (a) On 16 April 2004, 105,000,000 new shares were issued to Great Pacific Investments Limited, a wholly-owned subsidiary of Yue Yuen Industrial (Holdings) Limited, at HK\$1.06 per share.
- (b) On 16 April 2004, 35,000,000 new shares were issued at HK\$1.06 per share.

12. Operating lease and contracted commitments

The Eagle Nice Group leases certain of its office and factory premises under operating lease arrangement which is negotiated for terms of two to three years.

As at 30 September 2004, the Eagle Nice Group had total minimum lease payments under non-cancellable operating lease falling due as follows:

	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
Within one year	4,364	4,623
In the second to fifth years, inclusive	3,982	5,774
	8,346	10,397

As at 30 September 2004, the Eagle Nice Group had contracted commitments in respect of purchases of fixed assets of approximately HK\$96,480,000 (31 March 2004: approximately HK\$130,000).

13. Contingent liabilities

As at 30 September 2004, none of the banking facilities granted to the subsidiaries subject to guarantees given to the banks by Eagle Nice were utilised (31 March 2004: approximately HK\$35.9 million).

As at 30 September 2004, the Eagle Nice Group did not have any contingent liabilities (31 March 2004: nil).

(D) INDEBTEDNESS OF THE EAGLE NICE GROUP

Borrowings

At the close of business on 30 November 2004 (being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior to the printing of this document), other than the Convertible Note of HK\$207.06 million, the Eagle Nice Group had no bank and other borrowings.

Foreign currency amounts had been translated at the approximate exchange rates prevailing at the close of business on 30 November 2004.

Securities

As at 30 November 2004, the Eagle Nice Group's banking facilities of HK\$159.6 million in aggregate were secured by charges over (i) fixed deposits owned by the Eagle Nice Group; and (ii) unlisted investment funds owned by the Eagle Nice Group. Corporate guarantees have also been executed by Eagle Nice and its subsidiaries, Eagle Nice Development and Far East, in respect of the Eagle Nice Group's banking facilities.

Contingent liabilities

Eagle Nice had provided corporate guarantees for banking facilities granted to certain wholly-owned subsidiaries to the extent of approximately HK\$163.6 million and all of which were not utilised as at 30 November 2004.

As at 30 November 2004, the Eagle Nice Group had no material contingent liabilities.

Commitments

At the close of business on 30 November 2004, the Eagle Nice Group had operating lease commitments in respect of rented office and factory premises of approximately HK\$8.2 million.

At the close of business on 30 November 2004, the Eagle Nice Group had capital commitments contracted but not provided for in respect of purchases of a production plant in the PRC of approximately HK\$97.4 million.

Disclaimers

Save as aforesaid and apart from intra group liabilities, the Eagle Nice Group did not have outstanding indebtedness at the close of business on 30 November 2004 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments and guarantees or other contingent liabilities.

Save as disclosed herein, other than the capital commitment in respect of the acquisition of the Property of HK\$19.6 million as disclosed in the announcement dated 12 January 2005 issued by Eagle Nice, there has not been any material change in the indebtedness, contingent liabilities and commitments of the Eagle Nice Group since 30 November 2004.

(E) MATERIAL CHANGE

Save as disclosed in the interim report of Eagle Nice for the six months ended 30 September 2004, the section headed "Pro forma unaudited adjusted consolidated net tangible assets of the Eagle Nice Group" in Appendix II to this document and in the announcement dated 12 January 2005 issued by Eagle Nice in respect of the acquisition of the Property by Eagle Nice Development pursuant to the Provisional Agreement, the Directors were not, as at the Latest Practicable Date, aware of any circumstances or events that may give rise to a material change in the financial or trading position of the Eagle Nice Group since 31 March 2004, the date to which the latest published audited financial statements of the Eagle Nice Group were made up.

A. LETTER ON PRO FORMA UNAUDITED FINANCIAL INFORMATION

The following is the text of a letter from Ernst & Young, the auditors of Eagle Nice, in respect of the pro forma unaudited adjusted consolidated net tangible assets of the Eagle Nice Group.



15th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

19 January 2005

The Directors
Eagle Nice (International) Holdings Limited

Dear Sirs,

**Pro forma unaudited financial information
Eagle Nice (International) Holdings Limited (“Eagle Nice”) and
its subsidiaries (the “Eagle Nice Group”)**

We report on the pro forma unaudited financial information of the Eagle Nice Group set out in the section headed “Pro forma unaudited adjusted consolidated net tangible assets of the Eagle Nice Group” in the document dated 19 January 2005 (the “Circular”) in connection with the proposed amendments to the terms of the convertible note (the “Convertible Note”) issued to Great Pacific Investments Limited (the “Subscriber”), application for whitewash waiver by the Subscriber and connected transaction for Eagle Nice. The pro forma unaudited financial information has been prepared, for illustrative purposes only, to provide information about how the Early Conversion (as defined in the Circular) might have affected the financial information of the Eagle Nice Group presented.

RESPONSIBILITIES

It is solely the responsibility of the directors of Eagle Nice to prepare the pro forma unaudited financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion on the pro forma unaudited financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma unaudited financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted net tangible assets value with the source documents, considering the evidence supporting the adjustments and discussing the pro forma unaudited financial information with the directors of Eagle Nice.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and, accordingly, we do not give any such assurance on the pro forma unaudited financial information.

The pro forma unaudited financial information has been prepared in accordance with the bases set out in the section “Pro forma unaudited adjusted consolidated net tangible assets of the Eagle Nice Group” in the Circular for illustrative purposes only and, because of its nature, it may not be indicative of the financial position of the Eagle Nice Group as at 30 September 2004 or at any future dates.

OPINION

In our opinion:

- (a) the pro forma unaudited financial information has been properly compiled on the bases stated;
- (b) such bases are consistent with the accounting policies of the Eagle Nice Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma unaudited financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accounts
Hong Kong

B. PRO FORMA UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE EAGLE NICE GROUP

The following is the pro forma unaudited adjusted consolidated net tangible assets of the Eagle Nice Group based on the published unaudited consolidated net tangible assets of the Eagle Nice Group as at 30 September 2004 and adjusted for the effect of the exercise of the conversion rights under the Convertible Note in full. It has been compiled for illustrative purposes only to provide with information of such impact and because of its nature, may not give a true picture of the financial position of the Eagle Nice Group:

	Unaudited consolidated net tangible assets as at 30 September 2004 <i>HK\$'000</i>	Increase in shareholders' equity upon the exercise of the conversion rights under the Convertible Note in full <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma unaudited adjusted consolidated net tangible assets <i>HK\$'000</i>	Pro forma unaudited adjusted consolidated net tangible assets value per Eagle Nice Share <i>HK\$</i> <i>(Note 2)</i>
Based on the conversion price of HK\$2.38 per Eagle Nice Share	<u>264,114</u>	<u>198,860</u>	<u>462,974</u>	<u>1.08</u>

Notes:

1. A total of 87,000,000 Eagle Nice Shares will be issued upon full conversion of the Convertible Note of HK\$207,060,000, based on the conversion price of HK\$2.38 per Eagle Nice Share, with related expenses of HK\$8.2 million, which will be charged to Eagle Nice's share premium account and have no impact on the profit and loss account of the Eagle Nice Group.
2. The pro forma unaudited adjusted consolidated net tangible assets value per Eagle Nice Share is arrived at after the adjustment referred to in the preceding paragraph and on the basis that 427,000,000 Eagle Nice Shares in issue assuming full conversion of the Convertible Note.

RESPONSIBILITY STATEMENTS

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Eagle Nice Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (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 document (other than those relating to the Yue Yuen Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement contained herein misleading.

The information contained herein relating to the Subscriber and Yue Yuen has been supplied by the directors of the Subscriber, who jointly and severally accept full responsibility for the accuracy of the information contained in this document (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 document (other than those relating to the Eagle Nice Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement contained herein misleading.

DISCLOSURE OF INTERESTS**(a) Interest in shares of Eagle Nice and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of Eagle Nice in the shares, underlying shares and debentures of Eagle Nice or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to Eagle Nice pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to Eagle Nice and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(i) Eagle Nice

Name of director	Capacity/Nature of interest	Number of Eagle Nice Shares held		Approximate percentage of the existing issued share capital of Eagle Nice
		Long position	Short position	
Mr. Chung	Interest of controlled corporation/Corporate	148,500,000 (Note)	–	43.68%
Ms. Tsang	Beneficial owner/Personal	1,500,000	–	0.44%

Note: These Eagle Nice Shares are held by Time Easy. The entire issued share capital of Time Easy is held by Mr. Chung and Ms. Tsang Yuk Ni, the wife of Mr. Chung, in the proportion of 90% and 10% respectively.

(ii) *Associated corporations of Eagle Nice*

Name of director	Name of associated corporation	Capacity/ Nature of interest	Number and class of shares in associated corporation held		Percentage of the existing issued share capital of the same class of the associated corporation
			Long position	Short position	
Mr. Chung	Eagle Nice Development	Beneficial owner/ Personal	9,000 non-voting deferred	9,000 non-voting deferred (Note 1)	90%
	Far East	Beneficial owner/ Personal	9,000 non-voting deferred	9,000 non-voting deferred (Note 2)	90%
Tsang Yuk Ni	Eagle Nice Development	Beneficial owner/ Personal	1,000 non-voting deferred	1,000 non-voting deferred (Note 1)	10%
	Far East	Beneficial owner/ Personal	1,000 non-voting deferred	1,000 non-voting deferred (Note 2)	10%

Notes:

- Pursuant to an option agreement dated 28 March 2002, each of Mr. Chung and Ms. Tsang Yuk Ni granted an option to Jespar whereby Jespar has the right to purchase all of his/her non-voting deferred shares in Eagle Nice Development upon the terms therein provided. Accordingly, each of Mr. Chung and Ms. Tsang Yuk Ni is taken to have a short position in his/her non-voting deferred shares in Eagle Nice Development under the SFO.
- Pursuant to an option agreement dated 28 March 2002, each of Mr. Chung and Ms. Tsang Yuk Ni granted an option to Jespar whereby Jespar has the right to purchase all of his/her non-voting deferred shares in Far East upon the terms therein provided. Accordingly, each of Mr. Chung and Ms. Tsang Yuk Ni is taken to have a short position in his/her non-voting deferred shares in Far East under the SFO.

Save as disclosed above and other than certain nominee shares in subsidiaries held by the Directors in trust for Eagle Nice and its subsidiaries, as at the Latest Practicable Date, none of the Directors or the chief executive of Eagle Nice nor their respective associates had any interests or short positions in the shares, underlying shares or debentures and securities of Eagle Nice or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to Eagle Nice and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and

short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein or which were required pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers to be notified to Eagle Nice and the Stock Exchange.

As at the Latest Practicable Date, none of the subsidiaries of Eagle Nice, nor any pension funds of Eagle Nice or any of its subsidiaries, nor any adviser to Eagle Nice as specified in class (2) of the definition of associates in the Takeovers Code but excluding exempt principal traders had any interests in any Eagle Nice Shares. None of the subsidiaries of Eagle Nice, nor any pension funds of Eagle Nice or of any of its subsidiaries nor any adviser to Eagle Nice as specified in class (2) of the definition of associates in the Takeovers Code but excluding exempt principal traders had dealt for value in any Eagle Nice Shares during the Relevant Period.

No shareholding in Eagle Nice was managed on a discretionary basis by fund managers connected with Eagle Nice at the Latest Practicable Date.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code with Eagle Nice or with any person who is acting in concert with Eagle Nice or with any person who is an associate of Eagle Nice by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code.

(b) Interests in competing business

As at the Latest Practicable Date, the interests of the Directors in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

Name of director	Name of company	Nature of competing business	Nature of interest
Mr. Edward Ku Yu Sun ("Mr. Ku")	Yuen Thai Industrial Company Limited ("Yuen Thai") (<i>Note</i>)	Garment manufacturing	As a director

Note: Yuen Thai is a company incorporated in Hong Kong on 24th September, 2003 and is held as to 50% by the Yue Yuen Group and as to 50% by a subsidiary of Luen Thai Holdings Limited, a company listed on the Stock Exchange since 2004. Mr. Ku has been nominated by the Yue Yuen Group to represent its interest on the board of directors of Yuen Thai.

Having considered (i) the nature, geographical market, scope and size of Yuen Thai as compared to those of the Eagle Nice Group; and (ii) the nature and extent of Mr. Ku's interest in Yuen Thai, the Directors believe that there is unlikely to be any significant conflict with the business of the Eagle Nice Group.

Save as disclosed above, none of the Directors or their respective associates was interested in, apart from the Eagle Nice Group's business, any business which competes or is likely to compete, either directly or indirectly, with the business of the Eagle Nice Group.

(c) Interests in the Subscriber and Yue Yuen Group

As at the Latest Practicable Date, the Eagle Nice Group had no beneficial interest in the share capital of the Subscriber or other members of the Yue Yuen Group or had not dealt in any shares of the Subscriber and other members of the Yue Yuen Group during the Relevant Period.

As at the Latest Practicable Date, none of the Directors had any beneficial interest in the share capital of the Subscriber or other members of the Yue Yuen Group or had dealt in any shares of the Subscriber or other members of the Yue Yuen Group during the Relevant Period.

As at the Latest Practicable Date, none of Barits, Partners Capital and Ernst & Young had any beneficial interests in the share capital of the Subscriber and other members of the Yue Yuen Group or had dealt in any shares of the Subscriber or other members of the Yue Yuen Group during the Relevant Period.

As at the Latest Practicable Date, none of Barits, Partners Capital and Ernst & Young had any shareholding in the Subscriber and other members of the Yue Yuen Group or had the right to subscribe for or to nominate persons to subscribe for securities in the Subscriber and other members of the Yue Yuen Group during the Relevant Period.

(d) Interests in contracts or arrangements

As at the Latest Practicable Date, other than the Amendment Agreement, the Yue Yuen Undertaking and the Time Easy Undertaking (both as defined in the Circular), none of the Directors was materially interested in any subsisting contract or arrangement which had been entered into by the Subscriber or which was significant in relation to the business of the Eagle Nice Group taken as a whole.

As at the Latest Practicable Date, other than the Amendment Agreement, the Yue Yuen Undertaking and the Time Easy Undertaking (both as defined in the Circular), no material contracts had been entered into by the Subscriber in which any Director had a material personal interest.

As at the Latest Practicable Date, other than the Amendment Agreement, the Yue Yuen Undertaking and the Time Easy Undertaking (both as defined in the Circular), there was no agreement or arrangement between the Directors and any other person which was conditional on or dependent upon the outcome of the Amendment Agreement and the New Whitewash Waiver or otherwise connected with the Amendment Agreement and the New Whitewash Waiver.

As at the Latest Practicable Date, other than the Amendment Agreement, the Yue Yuen Undertaking and the Time Easy Undertaking (both as defined in the Circular), there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Subscriber, other members of the Yue Yuen Group or any person acting in concert with any of them and any of the Directors, recent Directors, Eagle Nice Shareholders or recent Eagle Nice Shareholders having any connection with or dependent upon the Amendment Agreement and the New Whitewash Waiver.

As at the Latest Practicable Date, no person had irrevocably committed himself/herself/itself to vote for or against the resolutions to be proposed at the EGM to approve the Amendment Agreement and the New Whitewash Waiver.

(e) Interests in service contracts

Each of Mr. Chung, Ms. Tsang Yuk Ni, Mr. Chung Tung Sau and Ms. Tsang (the "Relevant Directors") has entered into a service contract with Eagle Nice Development whereby he or she has agreed to serve as an executive director of Eagle Nice Development and he or she has also agreed to serve as an executive Director for an initial term of three years commencing from 22 August 2003 and shall thereafter automatically continue until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or thereafter at any time. Each of the Relevant Directors is entitled to the respective basic salary per month set out below (subject to an annual review and in the case of an increment at a rate to be determined by the Board provided that it shall not exceed 10% per annum of the annual salary paid during the previous twelve month period). Each of the Relevant Directors is entitled to an amount equivalent to one month's of his/her fixed salary which shall be payable annually prior to the first day of each Lunar New Year and shall be paid only on a pro rata basis in respect of any financial year during a portion of which the Relevant Director has served Eagle Nice Development. In addition, the Relevant Directors are also entitled to a discretionary bonus provided that the aggregate amount of the discretionary bonuses payable to the Relevant Directors for any financial year of Eagle Nice shall not exceed 10% of the audited consolidated net profits of the Eagle Nice Group (after taxation and minority interests but before payment of such discretionary bonus) in respect of that financial year of Eagle Nice. Each of the Relevant Directors shall abstain from voting and shall not be counted in the quorum on any resolution of the Directors regarding the increment or discretionary bonus payable to him or her. The current basic monthly salaries of the Relevant Directors are as follows:

Name	Amount of monthly salary HK\$
Mr. Chung	80,000
Ms. Tsang Yuk Ni	45,000
Mr. Chung Tung Sau	40,000
Ms. Tsang	52,500

In addition, each of Mr. Chung and Ms. Tsang Yuk Ni is entitled to rent-free accommodation at Flat B, 8th Floor, Tower 1, Harbourfront Landmark, Wan Hoi Street, Kowloon, Hong Kong as part of their remuneration package.

Save as disclosed above, as at the Latest Practicable Date, there were (i) no service contracts for the Directors which had more than 12 months to run or had been entered into or amended during the Relevant Period and (ii) no existing or proposed service contracts between any member of the Eagle Nice Group and any of the Directors or proposed Directors, excluding contracts expiring or determinable by the employer within one year without compensation (other than statutory compensation).

No benefit (other than statutory compensation) has been or will be given to any Director as compensation for loss of office in any member of the Eagle Nice Group or otherwise in connection with the Amendment Agreement and the New Whitewash Waiver.

(f) Interests in assets of the Eagle Nice Group

Since 31 March 2004, the date to which the latest published audited consolidated financial statements of the Eagle Nice Group were made up, and up to the Latest Practicable Date, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Eagle Nice Group.

SUBSTANTIAL EAGLE NICE SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of Eagle Nice, the following persons, not being a Director or chief executive of Eagle Nice, had an interest or short position in the shares and underlying shares of Eagle Nice which would fall to be disclosed to Eagle Nice under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Eagle Nice Group and the amount of each

of such person's interest in such securities, together with particulars of any options in respect of such capital:

Name	Capacity/Nature of interest	Number of Eagle Nice Shares		Approximate percentage of the existing issued share capital of Eagle Nice
		Long position	Short position	
Time Easy	Beneficial owner/ Personal	148,500,000 (Note 1)	–	43.68%
Pou Chen Corporation ("PCC")	Interest of controlled corporation/Corporate	192,000,000 (Notes 2 and 3)	–	56.47%
Wealthplus Holdings Limited ("Wealthplus")	Interest of controlled corporation/Corporate	192,000,000 (Notes 2 and 3)	–	56.47%
Yue Yuen	Interest of controlled corporation/Corporate	192,000,000 (Notes 2 and 3)	–	56.47%
Pou Hing Industrial Co. Ltd. ("Pou Hing")	Interest of controlled corporation/Corporate	192,000,000 (Notes 2 and 3)	–	56.47%
The Subscriber	Beneficial owner/ Personal	192,000,000 (Notes 2 and 3)	–	56.47%

Notes:

1. The entire issued share capital of Time Easy is held by Mr. Chung and Ms. Tsang Yuk Ni in the proportion of 90% and 10% respectively.
2. PCC owns the entire interest in Wealthplus which in turn own an approximately 47.40% interest in Yue Yuen. Yue Yuen owns the entire interest in Pou Hing which in turn owns the entire interest in the Subscriber.
3. These Eagle Nice Shares comprise (i) 105,000,000 issued Eagle Nice Shares held by the Subscriber (ii) 87,000,000 unissued Eagle Nice Shares which may fall to be issued to the Subscriber upon full conversion of the Convertible Note at the initial conversion price of HK\$2.38 per Eagle Nice Share (subject to adjustment).

Save as disclosed above, so far as is known to the Directors or the chief executive of the Eagle Nice, there were no other persons who had an interest or short position in the shares, underlying shares or debentures of Eagle Nice and any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to Eagle Nice under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of Eagle Nice or any other member of the Eagle Nice Group or had any options in respect of such capital.

DEALINGS

None of the Subscriber, Yue Yuen, Time Easy and their respective directors, Mr. Chung, Ms. Tsang, Ms. Tsang Yuk Ni or parties acting in concert with each of such persons had dealt in the Eagle Nice Shares during the Relevant Period.

MARKET PRICES

The table below shows the closing prices of the Eagle Nice Shares as recorded on the Stock Exchange on (i) the last day on which dealings took place in each of the six calendar months immediately preceding the date of the Announcement; and (ii) the Latest Practicable Date.

Date	Closing price HK\$
30 July 2004	2.475
31 August 2004	3.025
30 September 2004	3.325
29 October 2004	3.575
30 November 2004	3.975
31 December 2004	4.100
Latest Practicable Date	4.000

The highest and lowest closing prices of the Eagle Nice Shares as recorded on the Stock Exchange during the Relevant Period were respectively HK\$4.125 on 16 December 2004 and 3 January 2005 and HK\$2.400 on 13 July 2004 and 27 July 2004.

QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts, who have given opinions, reports or advice which are contained in this document:

Name	Qualification
Partners Capital	a licensed corporation registered under the SFO to carry out types 1 and 6 regulated activities
Ernst & Young	Certified Public Accountants

CONSENTS

Partners Capital has given and has not withdrawn its written consent to the issue of this document, with the inclusion herein of its letter and references to its name, in the form and context in which they appear.

Ernst & Young has given and has not withdrawn its written consent to the issue of this document, with the inclusion herein of its report and references to its name, in the form and context in which they appear.

Barits has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.

LITIGATION

As at the Latest Practicable Date, none of Eagle Nice or any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against either Eagle Nice or any of its subsidiaries.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Eagle Nice Group within the two years before the date of the Joint Announcement and between the date of the Joint Announcement and the Latest Practicable Date and are or may be material:

- (a) an assignment dated 7 July 2003 between Mr. Chung and Eagle Nice Development whereby Mr. Chung with title guarantee assigned to Eagle Nice Development the trademark registered with the Intellectual Property Department in Hong Kong bearing registration number 200308727 in consideration of the sum of HK\$1;

- (b) a sale and purchase agreement dated 6 August 2003 entered into between Time Easy, Mr. Chung, Ms. Tsang Yuk Ni and Eagle Nice whereby Time Easy transferred 1,000 ordinary shares of US\$1 each in the share capital of Jespar, representing its entire issued share capital, to Eagle Nice and in consideration thereof; Eagle Nice allotted and issued 27,000,000 Eagle Nice Shares, credited as fully paid, to Time Easy and credited as fully paid at par the 1,000,000 nil-paid Eagle Nice Shares;
- (c) a deed of indemnity dated 11 August 2003 and given by Time Easy, Mr. Chung and Ms. Tsang Yuk Ni in favour of the Eagle Nice Group in relation to taxation and estate duty, past overdue capital contributions of 汕頭市鷹美制衣有限公司 (Shantou Eagle Nice Garment Co., Ltd.) and 汕頭經濟特區遠東(國際)製衣廠有限公司 (Shantou SEZ Far East (International) Garments Factory Co. Ltd.) and breach of the user provisions of the Eagle Nice Group's leased properties in Hong Kong. There is no limit on the amount of compensation which the Eagle Nice Group may claim under the deed of indemnity;
- (d) an underwriting agreement dated 11 August 2003 and entered into between Eagle Nice, the executive Directors, Time Easy, Kingston Corporate Finance Limited, Barits, Pacific Foundation Securities Limited, Barits Ho Chong Securities Company Limited, Kingston Securities Limited, Guotai Junan Securities (Hong Kong) Limited, SBI E2-Capital Securities Limited, Quam Securities Company Limited and Vinco Capital Limited relating to a placing and a public offer of 50,000,000 Eagle Nice Shares at HK\$1.00 per Eagle Nice Share;
- (e) the Placing Agreement;
- (f) the Subscription Agreement;
- (g) an agreement in Chinese dated 19 June 2004 made between 汕頭經濟特區成德工業村開發有限公司 (Shantou Special Economic Zone Cheng De Industrial Village Development Co. Ltd.) (the "Vendor") and 裕美(汕頭)製衣有限公司 (Yue Mei (Shantou) Garment Manufacturing Co. Ltd.) (the "Purchaser"), a wholly-owned subsidiary of Eagle Nice, whereby the Vendor agreed to construct and sell and the Purchaser agreed to purchase a new production plant (the "New Production Plant") with an estimated total gross floor area of approximately 67,000 sq.m. which shall be built upon the piece of land (the "Land") with a site area of approximately 23,334 sq.m. located at 汕頭經濟特區成德工業村第十五街區 (15th Street District, Cheng Di Industrial Village, Shantou Special Economic Zone) at the consideration of RMB102,175,000 (approximately HK\$96,391,509) (subject to adjustment) and payable by five instalments as follows: as to RMB20,000,000 (approximately HK\$18,867,924.53) within 30 days after the obtaining of the land use right certificate of the Land and all relevant permits and approvals for the commencement of construction of the New Production Plant, as to RMB25,000,000 (approximately HK\$23,584,905.66) within 5 days after the signing of the formal contract for the sale and purchase of the New Production Plant, as to RMB25,000,000

(approximately HK\$23,584,905.66) within 5 days after the examination and acceptance of the New Production Plant by the relevant PRC authorities, as to RMB31,153,250 (approximately HK\$29,389,858.49) after the issue of the real estate title certificate of the New Production Plant to the Purchaser and as to the balance of RMB1,021,750 (approximately HK\$963,915.09) upon the expiry of 2 years after the examination and acceptance of the New Production Plant by the relevant PRC authorities. As at the Latest Practicable Date, the Purchaser had paid the first and second instalments in the aggregate amount of RMB45,000,000 (approximately HK\$42,452,830.19) to the Vendor;

- (h) the Provisional Agreement; and
- (i) the Amendment Agreement.

GENERAL

The head office and principal place of business of Eagle Nice in Hong Kong is at Units 0902-0903 and 0905-0906, 9th Floor, Tower B, Regent Centre, 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong. The registered office of Eagle Nice is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands, British West Indies. The principal share registrar and transfer office of Eagle Nice in Cayman Islands is Bank of Bermuda (Cayman) Limited at P.O. Box 513 G.T. 36C Bermuda House, British American Centre, George Town, Grand Cayman, Cayman Islands, British West Indies. The branch share registrar and transfer office of Eagle Nice in Hong Kong is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

Mr. Ong Chor Wei, *ACA, AHKICPA*, is the company secretary and qualified accountant of Eagle Nice.

The registered address of the Subscriber is at Nanny Cay, P.O. Box 362, Road Town, Tortola, British Virgin Islands. Tsai Chi Neng, Choi Kwok Keung, Edward Y. Ku, Wu Yaw Min, Chen Shih Chi are the directors of the Subscriber.

The registered address of Yue Yuen is at Clarendon House, Church Street, Hamilton HM 11, Bermuda. The directors of Yue Yuen are Tsai Chi Neng, David N. F. Tsai, Edward Y. Ku, Kuo Tai Yu, Lu Chin Chu, Kung Sung Yen, Chan Lu Min, Li I Nan, Steve, Choi Kwok Keung, John J. D. Sy, Shih Hung, Poon Yiu Kin, Samuel and So Kwan Lok.

The registered address of Barits is at Room 3406, 34th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

The registered office of Partners Capital is at Room 1305, 13th Floor, 9 Queen's Road Central, Hong Kong.

The English text of this document and the form of proxy shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of Vincent T.K. Cheung, Yap & Co. at 15th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong from the date of this document up to and including the date of the EGM:

- (a) the memorandum and articles of association of Eagle Nice;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 17 of this document;
- (c) the letter of advice from Partners Capital, the text of which is set out on pages 18 to 32 of this document;
- (d) the audited financial statements of the Eagle Nice Group for the financial year ended 31 March 2004 and the interim report of Eagle Nice for the six months ended 30 September 2004;
- (e) the written consents referred to in the section headed "Consents" in this appendix; and
- (f) the report from Ernst & Young on the unaudited pro forma financial information of the Eagle Nice Group as set out in appendix II to this document;
- (g) the service contracts referred to in the paragraph headed "Interests in service contracts" in the section headed "Disclosure of interests" in this appendix; and
- (h) the material contracts referred to in the section headed "Material contracts" in this appendix.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Eagle Nice (International) Holdings Limited (the “Company”) will be held at Units 0902-0903 and 0905-0906, 9th Floor, Tower B, Regent Centre, 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong on 28 February 2005 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Amendment Agreement (as defined in the circular of the Company dated 19 January 2005 (the “Circular”) despatched to shareholders of the Company), a copy of which is produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated in or incidental to the Amendment Agreement be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised to do all things and acts and sign all documents which they consider desirable or expedient in their opinion to implement and/or give effect to the terms of the Amendment Agreement including (without limitation) the issue of the Conversion Shares (as defined in the Circular).”

2. “**THAT** subject to the passing of the resolution numbered 1 set out in the notice convening the extraordinary general meeting of the Company at which this resolution is proposed, the New Whitewash Waiver (as defined in the circular of the Company dated 19 January 2005 (the “Circular”) despatched to the shareholders of the Company) be and is hereby approved and that the directors of the Company be and are hereby authorised to do all things and acts and sign all documents which they consider desirable or expedient to implement and/or give effect to any matters relating to or in connection with the New Whitewash Waiver.”

By Order of the Board
Chung Yuk Sing
Chairman

Hong Kong, 19 January 2005

* For identification only

NOTICE OF EGM

*Head office and principal place
of business in Hong Kong:*
Units 0902-0903 and 0905-0906
9th Floor, Tower B
Regent Centre
70 Ta Chuen Ping Street
Kwai Chung
New Territories
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed.
2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for the holding of the meeting or adjourned meeting or poll (as the case may be) at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned.
5. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy or by representative, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register. Several executors or administrators of a deceased member in whose name any share stands shall for such purpose be deemed joint holders thereof.
6. The voting on resolutions numbered 1 and 2 will be conducted by way of a poll.
7. The directors of the Company, Time Easy Investment Holdings Limited, Great Pacific Investments Limited, their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) and parties acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with any of them will abstain from voting on both of the above resolutions.