

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, 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 circular 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 the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares in the Company.

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**Eagle Nice (International) Holdings Limited**

**鷹美（國際）控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2368)**

**DISCLOSEABLE TRANSACTION**

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Acquisition”	the acquisition of the Sale Shares and the Sale Debt by the Purchaser from the Vendors pursuant to the Sale and Purchase Agreement
“Announcement”	the announcement of the Company dated 17th April 2007 in relation to the Sale and Purchase Agreement
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday or Sunday) on which banks are generally open for banking business in Hong Kong
“Company”	Eagle Nice (International) Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the seventh Business Day after the satisfaction or (as the case may be) waiver of all the conditions precedent under the Sale and Purchase Agreement or such other date as the parties may agree
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration Shares”	an aggregate of 72,680,000 new Shares to be issued to the Vendors as consideration for the purchase of the Sale Shares and the Sale Debt by the Purchaser under the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“GAAP”	generally accepted accounting principles
“Group”	the Company and its subsidiaries
“Guaranteed Net Profit”	an amount of not less than approximately HK\$16,420,000

## DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Company”	a company to be incorporated in Hong Kong with limited liability and, upon completion of the Reorganisation, will become a direct wholly-owned subsidiary of the Target Company and the holding company of the PRC Company and the Taiwan Company
“Last Trading Day”	13th April 2007, being the last trading day of the Shares immediately prior to the suspension of trading in the Shares pending release of the Announcement
“Latest Practicable Date”	3rd May 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Madam Chen”	Chen Li-Ying, a sister of Mr. Chen and Mr. Chen HY
“Memorandum of Understanding”	a non-binding memorandum of understanding dated 14th March 2007 and entered into between the Company and the Taiwan Company regarding the proposed acquisition of all the issued shares in the Target Company which will hold the entire equity interest in the Taiwan Company and the PRC Company
“Mr. Chen”	Chen Hsiao-Ying, a brother of Madam Chen and Mr. Chen HY
“Mr. Chen HY”	Chen Hsin-Yin, a brother of Madam Chen and Mr. Chen
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan
“Operating Subsidiaries”	the Taiwan Company and the PRC Company
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

## DEFINITIONS

“PRC Company”	惠來縣源瀚製衣有限公司, a wholly foreign owned enterprise established under the laws of the PRC and, as at the Latest Practicable Date, a wholly-owned subsidiary of the Taiwan Company
“Profit Guarantee”	the guarantee provided by the Vendors under the Sale and Purchase Agreement that the combined net profit after tax but before extraordinary items and excluding exceptional items of the Target Group for the year ended 31st December 2006 will not be less than approximately HK\$16,420,000
“Purchaser”	Jespar Age Limited, a wholly-owned subsidiary of the Company
“Reorganisation”	the reorganisation to be undertaken by the Vendors before Completion whereby (i) the Target Company will incorporate the Hong Kong Company as its wholly-owned subsidiary, (ii) the Hong Kong Company will acquire the entire equity interests in the registered capital of the PRC Company from the Taiwan Company and (iii) the Hong Kong Company will acquire the entire equity interests in the registered capital of the Taiwan Company from Madam Chen and Mr. Chen so that upon completion thereof, the Target Company will become the ultimate holding company of the Hong Kong Company and the Operating Subsidiaries
“Sale and Purchase Agreement”	a sale and purchase agreement dated 16th April 2007 entered into between the Vendors and the Purchaser in relation to the Acquisition
“Sale Debt”	the amount representing all the outstanding loans due from the Target Company to the Vendors as at the Completion Date irrespective of whether or not the same is due and payable on the Completion Date
“Sale Shares”	an aggregate of 100 shares of US\$1.00 each in the share capital of the Target Company, representing its entire issued share capital
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company

## DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Taiwan”	Taiwan, Republic of China
“Taiwan Company”	源瀚有限公司 (Maitex Co., Ltd.), a limited company incorporated under the laws of Taiwan and, as at the Latest Practicable Date, the holding company of the PRC Company
“Target Company”	Wayable International Inc., a company incorporated in the British Virgin Islands with limited liability
“Target Group”	upon completion of the Reorganisation, the Target Company, the Hong Kong Company and the Operating Subsidiaries
“Time Easy”	Time Easy Investment Holdings Limited, a substantial shareholder of the Company
“Vendors”	Madam Chen, Mr. Chen and Mr. Chen HY
“%”	per cent.



**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:*

Mr. Chung Yuk Sing (*Chairman*)  
Mr. Tsai Nai Kun (*Chief Executive Officer*)  
Mr. Chung Tung Sau  
Mr. Kuo Tai Yu  
Mr. Lin Pin Huang, Otto  
Ms. Tsang Sau Fan  
Mr. Ku Yu Sun, Edward  
Mr. Chen Zhen Hao

*Independent Non-executive Directors:*

Mr. Chan Cheuk Ho  
Mr. Li Chi Chung  
Mr. Cheng Yung Hui, Tony

*Registered Office:*

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9/F, Tower B, Regent Centre  
70 Ta Chuen Ping Street  
Kwai Chung  
New Territories  
Hong Kong

7th May 2007

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION**

**INTRODUCTION**

On 17th April 2007, the Board announced that on 16th April 2007, the Company entered into the Sale and Purchase Agreement pursuant to the Memorandum of Understanding whereby, subject to the satisfaction of the conditions set out below, the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares and the Sale Debt for a consideration of HK\$113,380,800, which shall be completely satisfied by the issue and allotment by the Company of the Consideration Shares. The Consideration Shares represent approximately 17.02% of the issued share capital of the Company as at the Latest Practicable Date and approximately 14.55% of the enlarged share capital of the Company immediately following the issue and allotment of the Consideration Shares. Completion shall take place on the seventh Business Day after the satisfaction or (as the case may be) waiver of all the conditions precedent under the Sale and Purchase Agreement or such other date as the parties may agree.

The purpose of this circular is to provide you with further details of the Acquisition.

\* For identification purposes only

## LETTER FROM THE BOARD

### THE SALE AND PURCHASE AGREEMENT

#### Date

16th April 2007

#### Parties

Vendors : Madam Chen, Mr. Chen and Mr. Chen HY.

Save that Mr. Chen and Mr. Chen HY are brothers of Madam Chen and that they are parties to the Sale and Purchase Agreement, to the best of the Directors' knowledge, information and belief having made reasonable enquiry, each of Madam Chen, Mr. Chen and Mr. Chen HY and their respective associates are third parties independent of, and not connected to, the Company and its connected persons and they are not connected persons of the Company. As at the Latest Practicable Date, the Company has no present intention to appoint any of the Vendors to be a Director. The Company believes that this is not an opportune time to decide whether any or all of the Vendors will be invited to join the Board. Subject to Completion and depending on various factors, including the business expansion plans of the Group and the performance of Madam Chen and Mr. Chen at the Target Group, the Company does not rule out the possibility of inviting any or all of them to join the Board in the future.

Purchaser : Jespar Age Limited, a wholly-owned subsidiary of the Company.

#### Assets being transferred

An aggregate of 100 shares in the Target Company, representing its entire issued share capital and the amount representing all the outstanding loans due from the Target Company to the Vendors as at the Completion Date irrespective of whether or not the same is due and payable on the Completion Date.

#### Consideration

HK\$113,380,800, which shall be completely satisfied by the issue and allotment of the Consideration Shares by the Company. Out of the Consideration Shares, 23,257,600 of which will be issued and allotted to Madam Chen, 26,164,800 of which will be issued and allotted to Mr. Chen and the remaining 23,257,600 will be issued and allotted to Mr. Chen HY. The consideration was determined after arm's length negotiations between the parties with reference to various factors including the earnings potential and growth prospects of the Target Group and the Profit Guarantee. The consideration would represent a price earnings multiple of 6.9 times the combined net profit after tax, but before extraordinary items and excluding exceptional items of the Target Group for the year ended 31st December 2006 of approximately HK\$16,420,000.



## LETTER FROM THE BOARD

Under the Sale and Purchase Agreement, the Consideration Shares shall be issued and allotted at an issue price of HK\$1.56 per Consideration Share, representing:

- (i) a discount of approximately 39.77% to the closing price of the Shares of HK\$2.59 per Share as quoted on the Stock Exchange as at the Last Trading Day;
- (ii) a discount of approximately 16.13% to the average closing price of the Shares of approximately HK\$1.86 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 5.45% to the average closing price of the Shares of approximately HK\$1.65 per Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 22.83% over the unaudited net tangible assets of HK\$1.27 per Share as at 30th September 2006.

The Consideration Shares represent approximately 17.02% of the issued share capital of the Company as at the Latest Practicable Date and approximately 14.55% of the enlarged share capital of the Company immediately following the issue and allotment of the Consideration Shares. The issue price of the Consideration Shares was determined after arm's length negotiations between the parties with reference to the closing price of the Shares of HK\$1.56 per Share as quoted on the Stock Exchange on the date of the signing of the Memorandum of Understanding. Given that the basic structure of the Acquisition has been essentially agreed by the Vendors and the Company on the date of the signing of the Memorandum of Understanding, the Board believes that the issue price of the Consideration Shares should be fixed by reference to the closing price of the Shares on that day and any subsequent increase in the price of the Shares, which is not within the contemplation of the parties, should be disregarded. As such, the Board believes that the discount of the issue price of the Consideration Shares is justifiable in the circumstances and considers the same to be fair and reasonable.

Based on the closing price of the Shares of HK\$2.59 per Share as quoted on the Stock Exchange as at the Last Trading Day, the Consideration Shares would have a total market value of approximately HK\$188,241,200.

As at the Latest Practicable Date, the authorised share capital of the Company comprised 10,000,000,000 ordinary shares of HK\$0.01 each, of which 427,000,000 had been issued and fully paid.

The Consideration Shares will, upon issue and fully paid, rank pari passu in all respects with all the existing Shares then in issue. An application has been made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

## LETTER FROM THE BOARD

### Conditions Precedent

Completion is conditional upon, among other things, the following conditions precedent:

- (i) the Reorganisation becoming effective in accordance with the applicable laws and regulations;
- (ii) the receipt of the legal opinions issued by lawyers practising laws in the PRC and Taiwan by the Purchaser to its satisfaction;
- (iii) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Sale and Purchase Agreement and any of the transactions contemplated thereunder;
- (iv) the Vendors having complied fully with their warranties under the Sale and Purchase Agreement;
- (v) the Purchaser having notified the Vendors that it is satisfied with the due diligence review on the Taiwan Company and the PRC Company;
- (vi) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;
- (vii) Time Easy having delivered an undertaking to dispose of such number of its Shares on or before the Completion Date so as to maintain the minimum public float requirement of the Company in compliance with the Listing Rules upon Completion;
- (viii) the net asset value (being the total assets less the total liabilities) of the Operating Subsidiaries as ascertained from the combined balance sheet of the Operating Subsidiaries as at the Completion Date (prepared in accordance with Hong Kong GAAP) being not less than that as shown in the combined management accounts of the Operating Subsidiaries for the year ended 31st December 2006 (after adjusting for the payment of the Dividend (as defined below)) by more than 10%; and
- (ix) each of Mr. Chen and Madam Chen agreeing to serve or continue to serve as an executive director of the Target Group and entering into a service agreement with the Target Company for such duration (not exceeding 3 years from Completion initially) and upon such other terms and conditions as may be agreed between Mr. Chen and Madam Chen and the Purchaser.

As at the Latest Practicable Date, none of the above conditions has been fulfilled or waived.

## LETTER FROM THE BOARD

The Purchaser may waive the conditions set out in paragraphs (ii), (iv), (v) and (viii) above. If any of the conditions under the Sale and Purchase Agreement have not been fulfilled or (as the case may be) waived on 31st July 2007 or such other date as the parties may agree, all rights and obligations of the parties under the Sale and Purchase Agreement shall cease and none of the parties shall have any claim against the other party save for claim (if any) in respect of such continuing provisions or any antecedent breach of the Sale and Purchase Agreement.

### **Completion**

Completion shall take place on the seventh Business Day after the satisfaction or (as the case may be) waiver of all the conditions precedent (except paragraph (iv) under the paragraph headed "Conditions Precedent" of this circular) under the Sale and Purchase Agreement or such other date as the parties may agree.

### **Profit Guarantee by the Vendors**

Within 60 days after Completion, the Purchaser will prepare (in accordance with Hong Kong GAAP) the financial statements of the Target Group for the year ended 31st December 2006. Once the financial statements of the Target Group have been agreed by the parties to the Sale and Purchase Agreement (or by an independent firm of certified public accountants in Hong Kong if agreement is not reached within the specified time period) (the "Special Accounts"), any necessary adjustment to the consideration shall be paid within fourteen days after the delivery of the Special Accounts.

The Vendors represent, warrant and undertake to the Purchaser that the combined net profit after tax, but before extraordinary items and excluding exceptional items of the Target Group for the year ended 31st December 2006 as ascertained from the Special Accounts (the "Actual Net Profit") will not be less than the Guaranteed Net Profit.

If there shall be any discrepancy between the Actual Net Profit and the Guaranteed Net Profit and such discrepancy (be it an excess or a shortfall) is not more than 5% of the Guaranteed Net Profit (the "De Minimis Threshold I"), no adjustment payment shall be made by the Vendors or (as the case may be) the Purchaser. If the Actual Net Profit falls short of or (as the case may be) exceeds the Guaranteed Net Profit by an amount that is more than the De Minimis Threshold I, the Vendors shall pay to the Purchaser or conversely, the Purchaser shall pay to the Vendors an amount in cash equals to such portion of the shortfall or (as the case may be) excess (being the whole amount of the shortfall or (as the case may be) the excess minus the De Minimis Threshold I) multiplied by 6.9.

The Company will make an announcement setting out the details of (i) the shortfall of the Profit Guarantee, if any; (ii) whether the Vendors have fulfilled their obligations under the Profit Guarantee; and (iii) the opinion of the independent non-executive Directors whether the Vendors have fulfilled their obligations.

## LETTER FROM THE BOARD

### **Payment of dividend by the Target Group prior to Completion**

The parties to the Sale and Purchase Agreement agreed to procure that as soon as practicable after the date thereof and in any event before Completion, the Target Company or any of its subsidiaries to declare a dividend (the "Dividend") in favour of the Vendors so that the Vendors may receive an amount equivalent to the accumulated and undistributed net profit after tax of the Operating Subsidiaries as at 31st December 2006 as ascertained from the unaudited combined management accounts of the Operating Subsidiaries for the financial year ended 31st December 2006.

If there shall be any discrepancy between the Dividend actually received by the Vendors and the accumulated and undistributed net profit after tax of the Target Group as at 31st December 2006 as ascertained from the Special Accounts (the "Retained Profits") and such discrepancy (be it an excess or a shortfall) is not more than 5% of the Retained Profits (the "De Minimis Threshold II"), no adjustment payment shall be made by the Vendors or (as the case may be) the Purchaser. If the Dividend actually received by the Vendors exceeds or (as the case may be) falls short of the Retained Profits by an amount that is more than the De Minimis Threshold II, the Vendors shall repay to the Purchaser or conversely, the Purchaser shall pay to the Vendors an amount in cash equals to the whole amount of the excess or (as the case may be) the shortfall minus the De Minimis Threshold II on a dollar for dollar basis.

### **Restriction on disposal of the Consideration Shares**

The Vendors have undertaken to the Purchaser under the Sale and Purchase Agreement that he/she will not and will procure his/her associates will not, within the period commencing from Completion and ending on the date falling 12 months thereafter, sell, transfer or otherwise dispose of or create any encumbrance or other rights in respect of any of the Consideration Shares or any interest therein or grant any options or rights in respect of the Consideration Shares. The Vendors have also undertaken to the Purchaser that he/she will not and will procure his/her associates will not sell, transfer or otherwise dispose of or create any encumbrance or other rights in respect of any of the Consideration Shares for so long as there are any outstanding claims against the Vendors under the Sale and Purchase Agreement until all such claims have been satisfied, settled or withdrawn.

In order to guarantee the performance of their obligations under the Sale and Purchase Agreement and upon Completion, the Vendors will also deposit the share certificates of the Consideration Shares with an independent escrow agent who will hold onto the same until such time as the Purchaser has confirmed to the escrow agent that there are no outstanding claims against and/or obligations of the Vendors under the Sale and Purchase Agreement.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY IMMEDIATELY BEFORE AND AFTER THE COMPLETION

As at the Latest Practicable Date, there were no outstanding convertible securities issued or options granted which carry rights to acquire Shares. To the best of the Directors' knowledge, information and belief, the following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon Completion and after restoration of the public float:

	Shareholding structure as at the Latest Practicable Date	Shareholding structure immediately upon Completion and after restoration of the public float
	Number of Shares held	Approximate % of issued Shares held
	Number of Shares held	Approximate % of issued Shares held
Pou Chen Corporation ("PCC") (Note 1)	192,000,000	44.96%
Time Easy (Note 2)	113,150,000	26.50%
the Directors (Note 3)	13,850,000	3.25%
the Vendors (Note 4)	–	–
Public Shareholders	<u>108,000,000</u>	<u>25.29%</u>
<b>Total</b>	<b><u>427,000,000</u></b>	<b><u>100.00%</u></b>

*Notes:*

- PCC is deemed to be interested in 192,000,000 Shares directly held by Great Pacific Investments Limited ("Great Pacific") through its control over Wealthplus Holdings Limited, which in turn owns an interest of approximately 47.4% in Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"). Yue Yuen owns the entire interest in Pou Hing Industrial Co. Ltd., which in turn owns the entire interest in Great Pacific.
- The entire issued share capital of Time Easy is held by Mr. Chung Yuk Sing, the Chairman of the Company and his spouse, Madam Tsang Yuk Ni in the proportion of 90% and 10% respectively.
- As at the Latest Practicable Date, these Shares were held by Mr. Tsai Nai Kun as to 0.18%, Mr. Chung Tung Sau as to 1.06%, Mr. Kuo Tai Yu as to 0.39%, Mr. Lin Pin Huang, Otto as to 0.24%, Ms. Tsang Sau Fan as to 1.06% and Mr. Chen Zhen Hao as to 0.32%, who are all executive Directors.
- Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and since Mr. Chen and Madam Chen will serve or continue to serve as executive directors of the Target Company after Completion, they will be regarded as connected persons of the Company. Given that Mr. Chen HY is the brother of Madam Chen and Mr. Chen, Mr. Chen HY will also be regarded as a connected person of the Company. Accordingly, the Shares held by the Vendors will not be counted as part of the public float under the Listing Rules.

## LETTER FROM THE BOARD

Immediately after Completion, the connected persons of the Company (including the Vendors) will hold in aggregate 391,680,000 Shares, representing approximately 78.39% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares to the Vendors and accordingly, the public float of the Shares will fall below 25% of the issued share capital of the Company. In order to ensure that the Company maintains a sufficient public float and as a condition precedent to the Sale and Purchase Agreement, Time Easy has undertaken to the Company and the Stock Exchange to dispose of such number of Shares to third parties independent of and not connected with the Company on or before Completion such that no less than 25% of the issued share capital of the Company will be held by the public immediately after Completion. The Company will only proceed with the Completion if the public float requirement under Rule 8.08 of the Listing Rules can be fulfilled upon Completion.

### INFORMATION ON THE TARGET GROUP

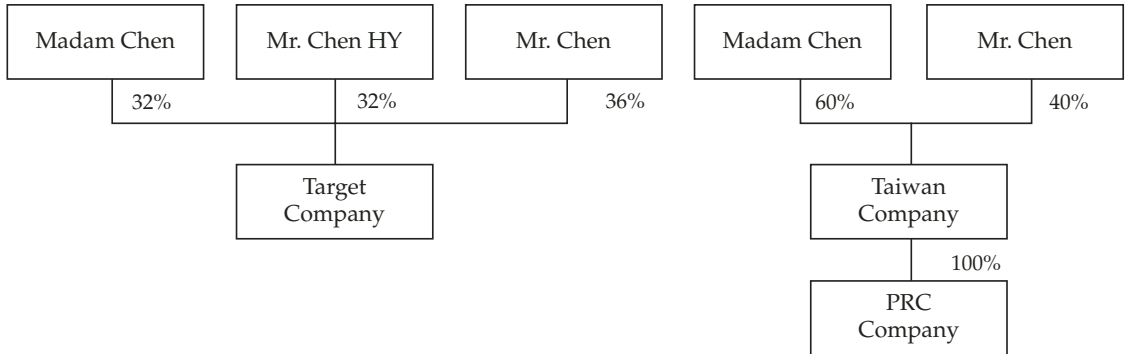
The Target Company is a limited company incorporated in the British Virgin Islands on 1st November 2006. The Target Company has not carried on any business since its date of incorporation.

The Taiwan Company is a limited company incorporated in Taiwan and is principally engaged in the manufacture and processing of knitwear, suitcases, leather cases, nylon clothes, sportswear, snow gears and trading activities. The PRC Company is a wholly foreign owned enterprise established under the laws of the PRC and is principally engaged in the manufacture of sportswear, backpacks, bags and hats. The Target Group's products are primarily sold to customers in Europe and the United States.

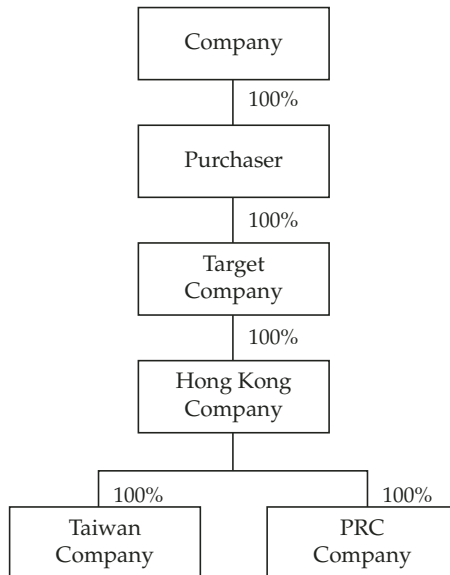
# LETTER FROM THE BOARD

## SHAREHOLDING STRUCTURE OF THE TARGET GROUP

As at the date of the Sale and Purchase Agreement and before the Reorganisation



After the Reorganisation and the Completion



## LETTER FROM THE BOARD

### SUMMARY OF FINANCIAL RESULTS OF THE OPERATING SUBSIDIARIES

As at the Latest Practicable Date and prior to the completion of the Reorganisation, the PRC Company is a wholly-owned subsidiary of the Taiwan Company. A summary of the unaudited combined results of the Operating Subsidiaries for the two years ended 31st December 2006 (prepared in accordance with Taiwan GAAP) are as follows:

	Year ended	
	31st December	
	2006	2005
	HK\$'000	HK\$'000
Turnover	98,903	56,250
Profit/(loss) before tax and minority interests	16,426	(4,771)
Profit/(loss) after tax and minority interests	16,426	(4,771)

As at 31st December 2006, the unaudited combined net book value of the Operating Subsidiaries as at 31st December 2006 amounted to approximately HK\$40.22 million, out of which the outstanding loan due to the Vendors from the Operating Subsidiaries amounted to approximately HK\$46 million.

To the best of the Directors' knowledge, information and belief having made reasonable enquiry with Taiwan lawyers, there is no requirement under the laws of Taiwan that audited financial statements for the Taiwan Company be prepared by reason of it having a registered capital of not more than NT\$30 million.

### INFORMATION ON THE GROUP AND REASONS FOR THE ACQUISITION

The Group is principally engaged in the manufacture of sportswear for men, women and children on an OEM (an acronym for "original equipment manufacturer" which produces or customizes products according to the design supplied by the customers) basis. The sportswear manufactured and sold by the Group can broadly be divided into tracksuits, sport pants, jackets, sweaters and T-shirts.

It has been the Company's long-term strategy to expand its sales to new geographical markets such as the United States and Europe. The Board believes that the Acquisition will not only allow the Company to diversify its customer base and increase sales of its products by leveraging the Target Group's network in those territories (such as the United States and Europe) where the Company did not historically have a strong footprint but also strengthen its presence in the international sportswear market which will position the Company to compete more effectively with other major global sportswear manufacturers. The Board also expects the Company to benefit from many operational synergies and efficiencies through the combination of the Target Group's business with its existing business. The Acquisition will not result in a change of control of the Company.

The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.



## LETTER FROM THE BOARD

### FINANCIAL EFFECTS OF THE ACQUISITION

After the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and the results of the Target Group would be consolidated into the consolidated financial statements of the Group.

#### (a) Assets and liabilities

Based on the unaudited financial information of the Target Group provided to the Company by the Vendors, the Group would acquire total assets of approximately HK\$77.76 million (comprising mainly land and buildings of HK\$39.08 million, cash and bank balances of approximately HK\$3.94 million, accounts receivable of approximately HK\$22.14 million and inventory of approximately HK\$1.60 million) and assume total liabilities of approximately HK\$7.84 million (comprising mainly bills and accounts payable of approximately HK\$6.19 million and other accrued liabilities of approximately HK\$1.65 million). After consolidating the total assets and the total liabilities of the Target Group into the consolidated financial statements of the Group following Completion, the net tangible assets of the enlarged Group would increase by approximately HK\$69.80 million to approximately HK\$610.48 million and a goodwill of approximately HK\$43.58 million would arise as a result of the Acquisition. Such goodwill will not be amortised but will be subject to the annual impairment review as stipulated under the Hong Kong GAAP. The goodwill will not have any impact on the Group's earnings unless impairment needs to be recognised.

#### (b) Earnings

Based on the unaudited financial information of the Target Group provided to the Company by the Vendors, both the profit before and after taxation of the Target Group for the year ended 31st December 2006 amounted to approximately HK\$16,426,000. As the business of the Target Group is complementary to the existing business of the Group and is expected to bring strong synergies and additional depth and strength to the present management team of the Company, the Directors expect that the Acquisition should have a positive effect on the earnings of the enlarged Group.

#### (c) Gearing

The Acquisition will not have any material impact on the gearing of the Group as the consideration for the Acquisition will be wholly financed by the issue of the Consideration Shares.

### GENERAL

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

## LETTER FROM THE BOARD

The Consideration Shares will be issued pursuant to a general mandate to issue up to 85,400,000 new Shares granted to the Directors by the Shareholders at the annual general meeting of the Company held on 22nd August 2006. As at the Latest Practicable Date, no part of such general mandate had been utilised by the Company.

Your attention is also drawn to the additional information set out in the appendix to this circular.

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

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES****(i) Interests in Shares**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executive of the Company are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules ("Model Code") were as follows:

Name of Director	Number of Shares held (Note 1)		Approximate percentage of shareholding
	Personal Interests	Corporate Interests	
Mr. Chung Yuk Sing	–	113,150,000 (Note 2)	26.50%
Mr. Chung Tung Sau	4,500,000	–	1.06%
Ms. Tsang Sau Fan	4,500,000	–	1.06%
Mr. Kuo Tai Yu	1,680,000	–	0.39%
Mr. Chen Zhen Hao	1,350,000	–	0.32%
Mr. Lin Pin Huang, Otto	1,043,000	–	0.24%
Mr. Tsai Nai Kun	777,000	–	0.18%

*Notes:*

1. All interests in Shares stated above represent long positions.
2. These Shares are held by Time Easy. The entire issued share capital of Time Easy is held by Mr. Chung Yuk Sing, the Chairman of the Company and his spouse, Madam Tsang Yuk Ni in the proportion of 90% and 10% respectively.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which the Directors or chief executive of the Company are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed 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 the Company are as follows:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Time Easy	Beneficial owner/Personal	113,150,000 <i>(Note 1)</i>	26.50%
Pou Chen Corporation ("PCC")	Interest in a controlled corporation/Corporate	192,000,000 <i>(Note 2)</i>	44.96%
Wealthplus Holdings Limited ("Wealthplus")	Interest in a controlled corporation/Corporate	192,000,000 <i>(Note 2)</i>	44.96%
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")	Interest in a controlled corporation/Corporate	192,000,000 <i>(Note 2)</i>	44.96%

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding
Pou Hing Industrial Co. Ltd. ("Pou Hing")	Interest in a controlled corporation/Corporate	192,000,000 (Note 2)	44.96%
Great Pacific Investments Limited ("Great Pacific")	Beneficial owner/ Personal	192,000,000 (Note 2)	44.96%

*Notes:*

1. The entire issued share capital of Time Easy is held by Mr. Chung Yuk Sing, the Chairman of the Company and his spouse, Madam Tsang Yuk Ni in the proportion of 90% and 10% respectively.
2. PCC owns the entire interest in Wealthplus, which in turn owns an interest of approximately 47.4% in Yue Yuen. Yue Yuen owns the entire interest in Pou Hing, which in turn owns the entire interest in Great Pacific.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the persons or companies (not being a Director or chief executive of the Company) had or was deemed to have any interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed 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 the Company or any member of the Group.

#### SERVICE CONTRACT

None of the Directors has any service contract with any member of the Group (excluding contract expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

#### DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Director had interest in the following business (apart from the Company's business) conducted through the entity named below, which is considered to compete or be likely to compete, either directly or indirectly, with the principal business of the Company required to be disclosed pursuant to Rule 8.10 of the Listing Rules:

Name of Director	Name of entity	Nature of competing business	Nature of interest
Mr. Ku Yu Sun, Edward ("Mr. Ku")	Yuen Thai Industrial Company Limited ("Yuen Thai") (Note)	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 Yue Yuen and its subsidiaries (the “Yue Yuen Group”) and 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates had any interests in any business which competes or may compete, either directly or indirectly, with the business of the Group.

## LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against the Company or any of its subsidiaries.

## MISCELLANEOUS

- (a) The branch share registrars and transfer office of the Company in Hong Kong is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The head office and principal place of business of the Company in Hong Kong are at Units 0902-0903 and 0905-0906, 9/F, Tower B, Regent Centre, 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong.
- (d) The company secretary and the qualified accountant of the Company are Ms. Woo Man Chi, CPA (Practising) and ACCA.
- (e) The English texts of this circular shall prevail over their Chinese texts.