

## CHAIRMAN'S STATEMENT

### DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of Eagle Nice (International) Holdings Limited (the "Company"), I am pleased to present the annual audited results of the Company and its subsidiaries (together the "Group") for the financial year ended 31st March, 2004.

The year ended 31st March, 2004 is a milestone for our Group as we successfully listed the Company's shares on the Main Board of the Stock Exchange on 22nd August, 2003.

### BUSINESS REVIEW

I am pleased to report a strong performance of our Group for the year ended 31st March, 2004 compared to the previous corresponding year in 2003 as the turnover and net profit from ordinary activities attributable to shareholders increased by approximately 34.3% and approximately 4.2% respectively despite difficult global economic conditions as a result of the outbreak of Severe Acute Respiratory Syndrome ("SARS") and the weak global economic conditions.

The growth in turnover came principally from the increasing orders placed by our existing customers such as **Nike** and other international brandname customers. Meanwhile, our Group's marketing team continued to approach new customers and trial orders are constantly taking place by new or potential customers.

On the production side, our Group continued to expand our production capacity during the year ended 31st March, 2004 compared to the previous corresponding year in 2003 by acquiring further plant and machinery, employing more labour and leasing more factory premises.

### RESULTS HIGHLIGHTS

The results highlights for the year ended 31st March, 2004 are as follows:

- Turnover increased by 34.3% to approximately HK\$325.4 million (31st March, 2003: approximately HK\$242.3 million);
- Net profit for the year increased by 4.2% to approximately HK\$32.1 million (31st March, 2003: approximately HK\$30.8 million); and
- As at 31st March, 2004, our Group's net current asset position increased 77 times from approximately HK\$0.5 million in previous corresponding year to approximately HK\$41 million, representing a current ratio of 1.53 (31st March, 2003: 1.01).

*Chairman's Statement***SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE NOTE BY GREAT PACIFIC INVESTMENTS LIMITED ("SUBSCRIBER"), A WHOLLY-OWNED SUBSIDIARY OF YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED ("YUE YUEN")**

On 3rd March, 2004, our Company, Time Easy Investment Holdings Limited and myself entered into the conditional subscription agreement with the Subscriber and Yue Yuen ("Subscription Agreement") in relation to the subscription by the Subscriber of 105,000,000 new shares in our Company at HK\$1.06 per share ("Subscription Shares"), making a total subscription price of HK\$111.3 million, and the convertible note issued by our Company to the Subscriber ("Convertible Note") at a subscription price of HK\$207.06 million. The total consideration payable by the Subscriber for the Subscription Shares and the Convertible Note (collectively, the "Subscription") is HK\$318.36 million, which is payable in cash upon completion of the Subscription Agreement.

On the same day, our Group also entered into the conditional placing agreement ("Placing Agreement") with Barits Securities (Hong Kong) Limited ("Barits") pursuant to which Barits agrees to procure placees, on a fully underwritten basis, and our Company agrees to issue, an aggregate of 35,000,000 new shares in our Company at HK\$1.06 per share ("Placing Shares"). The total subscription price for the Placing Shares (the "Placing") is approximately HK\$37.1 million, which is payable in cash upon completion of the Placing Agreement.

The completion of the Subscription Agreement and the Placing Agreement took place on 16th April, 2004.

For further details of the Subscription Agreement and Placing Agreement, please refer to our circular to shareholders dated 24th March, 2004.

Our Group intends to apply the net proceeds as described above for (a) setting up new production facilities (which includes acquisition of new machinery, fixtures and fittings, land and buildings and leasehold improvements in the PRC and Asia); (b) expanding marketing force and exploring sales opportunities in new markets such as the United States and Europe; and (c) working capital to support our expansion.

Our Group believes that the Subscription and Placing are in the interests of our Group as they will introduce a reputable strategic partner to our Group with expertise that complements that of our Group and strengthens the capital base of our Group, thereby facilitating the future expansion plans of our Group.

## *Chairman's Statement*

### **ACQUISITION OF NEW PRODUCTION PLANT**

As part of our expansion plans, on 19th June, 2004, we entered into an agreement (“Agreement”) with 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.) (“C.D. Real Estate”), an independent corporation established in the PRC, whereby C.D. Real Estate will construct and sell, and we agree to purchase, a new production plant (“New Production Plant”) for a consideration of RMB102,175,000 (approximately HK\$96,391,509). The New Production Plant will be erected on the piece of land 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) with a site area of approximately 23,334 sq.m.. When completed, the New Production Plant will comprise a 7-storey industrial building with a planned gross floor area of approximately 67,000 sq.m. together with ancillary facilities including a basketball court and a car port. The New Production Plant is expected to have a production capacity of approximately 750,000 dozens of sportswear per annum and will increase our Group’s existing production capacity of approximately 245,000 dozens of sportswear per annum by approximately 200 per cent.. C.D. Real Estate will complete and deliver the New Production Plant to our Group on or before 15th April, 2005. The Agreement is conditional upon certain conditions as disclosed in our circular to shareholders dated 14th July, 2004.

For further details of the acquisition, please refer to our circular to shareholders dated 14th July, 2004.

Currently, most of our Group’s existing production facilities are leased from independent third parties on short term tenancies, a majority of which are due to expire before the end of 2006. It would, therefore, be in our Group’s interest to have a contingency plan in place in case of any possible non-renewal of such short term tenancies or any significant increase in rental expenses in the future. Moreover, as stated in our prospectus dated 12th August, 2003 (“Prospectus”) in relation to the placing, public offer and offer for sale of 50,000,000 shares of the Company (“Share Offer”) and our circular to shareholders dated 24th March, 2004 in relation to, among other things, the Subscription and the Placing, our Group has plans to set up new production facilities for the manufacture of sportswear for men, women and children in the PRC and Asia. With such expanded production capacity, our Group will be able to capture an anticipated increase in sales orders resulting from the possible referral of the existing customers of Yue Yuen and its subsidiaries (the “Yue Yuen Group”) to our Group and the geographical expansion of our market to the United States and Europe. As such, we consider that the acquisition of the New Production Plant is in the interest of our Group and in line with our expansion plans.

## *Chairman's Statement*

### **LOOKING FORWARD**

We believe our Group's prospects are promising as the markets which our Group sells to continue to grow in particular the PRC. At the same time, our Group will continue to expand to new markets such as Europe and United States. The expansion will come from our Group's marketing team efforts as well as our strategic relationship with Yue Yuen following the subscription of shares in our Company by a wholly owned subsidiary of Yue Yuen. We believe our strategic relationship with Yue Yuen will (a) facilitate our expansion to overseas markets as Yue Yuen has a client base which may include potential clients of our Group (b) assist our Group to set up new production facilities outside the PRC as Yue Yuen has long experience in establishing production facilities outside the PRC and (c) strengthen our capital base further.

To grasp the opportunities and to cope with our expansion, our Group will continue to expand our production capacity by acquiring new plants and buildings and expand our labour force. Our recent agreement to acquire a New Production Plant as described above is a reflection of our commitment and confidence in our future. Also, to strengthen our competitiveness in the industry, our Group will, from time to time, control its costs, improve its design capabilities and management efficiency so as to assure and enhance our Group's profitability in the long run.

Finally, on behalf of the Board, I would like to take this opportunity to express our gratitude to all members of the Board and staff for their dedication and contribution to our Group and to those who have supported us.

**Chung Yuk Sing**

*Chairman*

Hong Kong, 23rd July, 2004