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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)*



**Eagle Nice (International) Holdings Limited**  
**鷹美(國際)控股有限公司\***  
*(Incorporated in the Cayman Islands with limited liability)*

## **JOINT ANNOUNCEMENT**

### **PROPOSED SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE NOTE AND APPLICATION FOR WHITEWASH WAIVER BY THE SUBSCRIBER OF POSSIBLE OBLIGATIONS TO MAKE A GENERAL OFFER FOR THE ISSUED SHARES IN EAGLE NICE (INTERNATIONAL) HOLDINGS LIMITED Financial adviser to Eagle Nice (International) Holdings Limited**



**Barits Securities (Hong Kong) Limited**

#### **SUMMARY**

On 3 March 2004, Eagle Nice entered into the Subscription Agreement with, among other parties, the Subscriber, a wholly-owned subsidiary of Yue Yuen, in relation to the subscription by the Subscriber of 105,000,000 new Eagle Nice Shares at HK\$1.06 per Eagle Nice Share with a total subscription price of HK\$111.3 million and the 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 is HK\$318.36 million, which is payable in cash upon completion of the Subscription Agreement. Completion of the Subscription Agreement is conditional upon the fulfillment or waiver of the conditions set out under the paragraph headed “Conditions of the Subscription Agreement” below.

On 3 March 2004, Eagle Nice entered into the Placing Agreement with Barits, pursuant to which Barits agrees to procure placees, on a fully underwritten basis, and Eagle Nice agrees to issue, an aggregate of 35,000,000 new Eagle Nice Shares at HK\$1.06 per Eagle Nice Share. The total subscription price for the Placing Shares is HK\$37.1 million, which is payable in cash upon completion of the Placing Agreement. Completion of the Placing Agreement is conditional upon the fulfillment or waiver of the conditions set out under the paragraph headed “Conditions of the Placing Agreement” below.

Immediately upon completion of the Share Subscription and the Placing but before the exercise of any conversion rights under the Convertible Note, the Subscriber will own 105,000,000 Eagle Nice Shares, representing about 30.88% of the issued share capital of Eagle Nice as enlarged by the issue of the Subscription Shares and the Placing Shares. As a result, under the Takeovers Code, the Subscriber and parties acting in concert with it would be obliged to make a mandatory general offer to acquire all the Eagle Nice Shares other than those already owned by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver is obtained.

Assuming that there is no change in the issued share capital of Eagle Nice during the period from the date of completion of the Share Subscription and the Placing to the maturity date of the Convertible Note, immediately upon full exercise of the conversion rights under the Convertible Note, the Subscriber will own about 44.96% of the issued share capital of Eagle Nice as enlarged by the issue of the Subscription Shares, the Placing Shares and the Conversion Shares. In addition, upon the issue and allotment of Eagle Nice Shares pursuant to a partial or full exercise of the conversion rights under the Convertible Note, the shareholding of the Subscriber and parties acting in concert with it may increase 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. In such event, under the Takeovers Code, the Subscriber and parties acting in concert with it would be obliged to make a mandatory general offer to acquire all the Eagle Nice Shares other than those already owned by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver is obtained.

An application will be made by the Subscriber to the Executive for the Whitewash Waiver in respect of the issue of the Eagle Nice Shares both as a result of the Subscription and upon exercise of the conversion rights under the Convertible Note, subject to the approval of the Independent Eagle Nice Shareholders on a vote by way of poll. The Executive may or may not grant the Whitewash Waiver. Completion of the Subscription Agreement is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive. If the Whitewash Waiver is not granted by the Executive, the Subscription Agreement will lapse.

The net proceeds from the Subscription and the Placing are estimated to be about HK\$339.8 million. The Eagle Nice Group intends to apply the net proceeds from the Subscription and the Placing for the expansion of its capacity for its core business of design and manufacture of sportswear, including acquiring new machinery, fixtures and fittings, land and building as well as making leasehold improvements and expanding its marketing team, and for general working capital of the Eagle Nice Group.

The directors of Eagle Nice believe that the Subscription and the Placing are in the interest of Eagle Nice and the Eagle Nice Shareholders as a whole as they will introduce a reputable strategic partner to the Eagle Nice Group with expertise that complements that of the Eagle Nice Group and strengthen the capital base of Eagle Nice, thereby facilitating the future expansion plans of the Eagle Nice Group. The directors of Eagle Nice consider that the terms of the Subscription Agreement and the Placing Agreement were negotiated on an arm's length basis, agreed on normal commercial terms between the parties involved, and are fair and reasonable so far as the Eagle Nice Shareholders are concerned.

Under the Takeovers Code, the Whitewash Waiver is subject to, among other things, approval by the Independent Eagle Nice Shareholders at the EGM of Eagle Nice on a vote by way of poll. An independent board committee of Eagle Nice will be appointed to consider the Subscription Agreement and the Whitewash Waiver. An independent financial adviser will be appointed to advise the independent board committee of Eagle Nice in this respect. A circular containing, among other things, further details of the Subscription, the Whitewash Waiver, the Placing, a letter of recommendation from the independent board committee, a letter from the independent financial adviser to the independent board committee of Eagle Nice and a notice of the EGM of Eagle Nice will be sent to the Eagle Nice Shareholders as soon as practicable.

Barits has been appointed as the financial adviser to Eagle Nice in relation to the Subscription and the Placing and the placing agent and underwriter of the Placing.

Trading in the Eagle Nice Shares on the Stock Exchange was suspended at the request of Eagle Nice with effect from 2:30 p.m. on 23 February 2004 pending the release of this announcement. Eagle Nice has applied to the Stock Exchange for the resumption of trading in the Eagle Nice Shares on the Stock Exchange with effect from 9:30 a.m. on 4 March 2004.

## **1. THE SUBSCRIPTION AGREEMENT**

### **Date**

3 March 2004

### **Parties**

Eagle Nice

The Subscriber

The Warrantors

Yue Yuen (as guarantor of the Subscriber)

Neither Yue Yuen nor the Subscriber is connected (for the purposes of the Listing Rules) with any of the directors, chief executive or substantial shareholders of Eagle Nice and its subsidiaries or any of their respective associates.

### **The Share Subscription**

Pursuant to the Subscription Agreement, a total of 105,000,000 new Eagle Nice Shares will be issued and allotted to the Subscriber at HK\$1.06 per Eagle Nice Share. The subscription price for the Subscription Shares net of estimated related expenses is about HK\$1.01 per Eagle Nice Share. The total subscription price for the Subscription Shares is HK\$111.3 million which is payable in cash upon completion of the Subscription Agreement. The Subscription Shares represent about 52.50% of the existing issued share capital of Eagle Nice and about 34.43% of the existing issued share capital of Eagle Nice as enlarged by the issue of the Subscription Shares.

The subscription price of HK\$1.06 per Eagle Nice Share represents:

- (i) a discount of about 50.1% to the closing price of HK\$2.125 per Eagle Nice Share quoted on the Stock Exchange on 23 February 2004, being the last trading day immediately prior to the suspension of trading in the Eagle Nice Shares on the Stock Exchange;
- (ii) a discount of about 42.2% to the average closing price of about HK\$1.833 per Eagle Nice Share over the last 10 trading days up to and including 23 February 2004;

- (iii) a discount of about 19.9% to the average closing price of about HK\$1.323 per Eagle Nice Share over the last 30 trading days up to and including 23 February 2004;
- (iv) a discount of about 7.9% to the average closing price of about HK\$1.151 per Eagle Nice Share over the last 90 trading days up to and including 23 February 2004;
- (v) a discount of about 6.8% to the average closing price of about HK\$1.137 per Eagle Nice Share over the 125 trading days since the listing of the Eagle Nice Shares on the Stock Exchange and up to and including 23 February 2004; and
- (vi) a premium of about 211.8% over the unaudited consolidated net tangible asset value of about HK\$0.34 per Eagle Nice Share as at 30 September 2003.

The subscription price of HK\$1.06 per Eagle Nice Share was agreed with the Subscriber with reference to the market price of the Eagle Nice Shares for a longer-term period (discounts to the market prices of the Eagle Nice Shares are less than 20% if references are made to the market prices of the Eagle Nice Shares for a period of 30 trading days or longer).

The Subscription Shares will rank pari passu in all aspects with all other Eagle Nice Shares in issue and will be entitled to all dividends, bonuses and other distributions the record date for which falls on a date on or after the issue of the Subscription Shares.

### **The CN Subscription**

Pursuant to the Subscription Agreement, Eagle Nice will issue the Convertible Note to the Subscriber at a subscription price of HK\$207.06 million payable in cash upon completion of the Subscription Agreement.

The principal terms of the Convertible Note are set out below:

Issuer:	Eagle Nice
Principal amount:	HK\$207.06 million
Maturity date:	Three years from the date of issue of the Convertible Note
Coupon:	The Convertible Note will bear no interest
Security:	Unsecured
Conversion price:	HK\$2.38 per Eagle Nice Share, subject to adjustment for, among other things, subdivision or consolidation of the Eagle Nice Shares, bonus issues, rights issues and other dilution events
Conversion rights:	The principal amount of the Convertible Note may be converted, in whole or in part, into the Eagle Nice Shares to be issued to 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 of the Convertible Note at the conversion price
Ranking of the Conversion Shares:	The Conversion Shares will rank pari passu in all aspects with all other Eagle Nice Shares in issue on the conversion date and will be entitled to all dividends, bonuses and other distributions the record date for which falls on a date on or after the date of the relevant conversion notice

Redemption at maturity:	Any outstanding amount of the Convertible Note not converted at maturity will be redeemed by Eagle Nice at 100% of the outstanding principal amount of the Convertible Note plus a rate of return equal to 0.75% per annum
Voting:	The holder of the Convertible Note will not be entitled to receive notice, attend or vote at general meetings of Eagle Nice by reason only of its being a holder of the Convertible Note
Transfer:	The Convertible Note may not be assigned or transferred without the prior written consent of Eagle Nice except to a wholly-owned subsidiary of the holder of the Convertible Note or any holding company of the holder of the Convertible Note or a wholly-owned subsidiary of such holding company

Pursuant to the Subscription Agreement, each of Eagle Nice and the Warrantors jointly and severally undertakes to and covenants with the Subscriber to procure that, among other things, during the term of the Convertible Note and without the prior written consent of the Subscriber, Eagle Nice shall not issue or agree to issue any Eagle Nice Shares or grant or agree to grant any options, warrants or other rights carrying any right to subscribe for or otherwise acquire any Eagle Nice Shares other than the Subscription Shares, the Placing Shares and any Eagle Nice Shares which may fall to be issued upon the conversion of the Convertible Note or the exercise of the options from time to time granted under the share option scheme of Eagle Nice or otherwise than by way of scrip dividend scheme or similar arrangements in accordance with the articles of association of Eagle Nice.

Upon completion of the Subscription Agreement, each of the Subscriber and Yue Yuen will jointly and severally undertake to and covenant with the Warrantors that, during the term of the Convertible Note and save for the possible issue of the Conversion Shares and without the prior written consent of the Warrantors, the Subscriber and parties acting in concert with it will not (i) acquire or agree to acquire (whether subject to any conditions or not and whether directly or indirectly) any voting rights (as defined in the Takeovers Code) in Eagle Nice if such acquisition would trigger a mandatory general offer and/or result in the minimum percentage of the Eagle Nice Shares which must be in the hands of the public as stipulated under Rule 8.08 of the Listing Rules being less than that required by the Listing Rules; or (ii) make a voluntary general offer for the Eagle Nice Shares and/or other securities of Eagle Nice under the Takeovers Code.

The initial conversion price of HK\$2.38 per Eagle Nice Share represents:

- (i) a premium of about 12.0% over the closing price of HK\$2.125 per Eagle Nice Share quoted on the Stock Exchange on 23 February 2004, being the last trading day immediately prior to the suspension of trading in the Eagle Nice Shares on the Stock Exchange;
- (ii) a premium of about 29.8% over the average closing price of about HK\$1.833 per Eagle Nice Share over the last 10 trading days up to and including 23 February 2004;
- (iii) a premium of about 79.9% over the average closing price of about HK\$1.323 per Eagle Nice Share over the last 30 trading days up to and including 23 February 2004;
- (iv) a premium of about 106.8% over the average closing price of about HK\$1.151 per Eagle Nice Share over the last 90 trading days up to and including 23 February 2004;
- (v) a premium of about 109.3% over the average closing price of about HK\$1.137 per Eagle Nice Share over the 125 trading days since the listing of the Eagle Nice Shares on the Stock Exchange and up to and including 23 February 2004; and



(vi) a premium of about 600.0% over the unaudited consolidated net tangible asset value of about HK\$0.34 per Eagle Nice Share as at 30 September 2003.

The conversion price of HK\$2.38 per Eagle Nice Share was agreed with the Subscriber with reference to the market price of the Eagle Nice Shares, which represents a substantial premium over the market price of the Eagle Nice Shares for a longer-term period (premiums over the market prices of the Eagle Nice Shares are about 80% or more if references are made to the market prices of the Eagle Nice Shares for a period of 30 trading days or longer).

Upon full conversion of the Convertible Note at the initial conversion price of HK\$2.38 per Eagle Nice Share, a total of 87,000,000 Eagle Nice Shares will be issued, which represent about 25.59% of the existing issued share capital of Eagle Nice as enlarged by the issue of the Subscription Shares and the Placing Shares but before the exercise of any conversion rights under the Convertible Note, and about 20.37% of the existing issued share capital of Eagle Nice as enlarged by the issue of the Subscription Shares, the Placing Shares and the Conversion Shares.

### **Conditions of the Subscription Agreement**

Completion of the Subscription Agreement is conditional upon the following conditions being fulfilled:

- (i) the Subscription Agreement and the transactions contemplated thereunder including the issue and allotment of the Subscription Shares and the issue of the Convertible Note and the issue and allotment of the Conversion Shares and the Whitewash Waiver having been approved by the Eagle Nice Shareholders who are qualified under the Listing Rules and the Takeovers Code to vote on the relevant resolutions in general meeting of Eagle Nice;
- (ii) the Whitewash Waiver having been granted by the Executive;
- (iii) the Eagle Nice Shares remaining listed and traded on the Stock Exchange at all times prior to completion of the Subscription Agreement, save for any temporary suspension not exceeding 10 consecutive Business Days, or the suspension on account of clearance of any announcement in respect of any of the transactions contemplated under the Subscription Agreement, and no indication being received on or before completion of the Subscription Agreement from the SFC or the Stock Exchange to the effect that the continued listing of the Eagle Nice Shares on the Stock Exchange will or may be withdrawn or objected to;
- (iv) listing of and permission to deal in the Subscription Shares and the Conversion Shares having been granted by the Stock Exchange;
- (v) the consent and approval of the sponsor and the underwriters named as such in the prospectus dated 12 August 2003 issued by Eagle Nice in connection with the listing of the Eagle Nice Shares on the Stock Exchange, to the issue and allotment of the Subscription Shares and the issue of the Convertible Note, if necessary;
- (vi) 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 Subscription Agreement by Eagle Nice having been obtained; and
- (vii) the Subscriber having received a legal opinion from a firm of Cayman Islands lawyers covering such matters of Cayman Islands law relevant to the Subscription as the Subscriber may reasonably require.

The above conditions are not capable of being waived, except for items (iii), (vi) and (vii) above which may be waived by the Subscriber. If any of the conditions has not been fulfilled or waived on or before 30 June 2004 (or such later date as Eagle Nice and the Subscriber may agree in writing), then the Subscription Agreement shall lapse and the parties shall be released from all obligations under the Subscription Agreement, save for any liability arising out of any antecedent breaches.

If the Whitewash Waiver is not granted by the Executive, or if it is not approved by the Independent Eagle Nice Shareholders at the EGM, the Subscription Agreement will lapse.

Completion of the Subscription is not conditional upon completion of the Placing Agreement.

### **Completion**

Completion of the Subscription Agreement will take place on the third Business Day after fulfillment or waiver (as the case may be) of the last of the conditions of the Subscription Agreement. Completion of the Subscription is expected to take place on or before 30 April 2004.

### **Application for listing**

No application will be made for the listing of the Convertible Note. Eagle Nice will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares.

## **2. THE PLACING AGREEMENT**

### **Date**

3 March 2004

### **Parties**

Eagle Nice

Barits

### **The Placing**

Pursuant to the Placing Agreement, Barits agrees to procure placees, on a fully underwritten basis, and Eagle Nice agrees to issue, an aggregate of 35,000,000 new Eagle Nice Shares at HK\$1.06 per Eagle Nice Share. The subscription price for the Placing Shares is the same as the Subscription Shares. The subscription price for the Placing Shares net of estimated related expenses is about HK\$1.01 per Eagle Nice Share. The total subscription price for the Placing Shares is HK\$37.1 million, which is payable in cash upon completion of the Placing Agreement. The Placing Shares represent about 17.50% of the existing issued share capital of Eagle Nice and about 10.29% of the existing issued share capital of Eagle Nice as enlarged by the issue of the Subscription Shares and the Placing Shares.

The placing price of HK\$1.06 per Placing Share was agreed with Barits with reference to (i) the market price of the Eagle Nice Shares for a longer-term period (discounts to the market prices of the Eagle Nice Shares are less than 20% if references are made to the market prices of the Eagle Nice Shares for a period of 30 trading days or longer); and (ii) as set out below, there will be a lock-up arrangement such that the placees to be procured by Barits will undertake not to dispose of any Placing Shares for a six-month period from the date of issue of the Placing Shares.

### **Placees**

It is intended that the Placing Shares will be placed to not less than six independent professional, institutional and/or individual investors to be procured by Barits. The placees to be procured will be independent of, not acting in concert (for the purposes of the Takeovers Code) or connected (for the

purposes of the Listing Rules) with any of the directors, chief executive or substantial shareholders of Eagle Nice and its subsidiaries or any of their respective associates. The placees will also be independent of, not acting in concert (for the purposes of the Takeovers Code) or connected (for the purposes of the Listing Rules) with Yue Yuen and its subsidiaries or any of the directors, chief executive or substantial shareholders of the Yue Yuen and its subsidiaries or any of their respective associates. It is not intended that there will be any introduction of a substantial shareholder(s) (as defined in the Listing Rules) to Eagle Nice under the Placing.

### **Non-disposal undertaking**

Pursuant to the Placing Agreement, Barits has undertaken to Eagle Nice that the placees to be procured by it under the Placing will undertake not to dispose of any Placing Shares for a six-month period from the date of issue of the Placing Shares.

### **Ranking**

The Placing Shares will rank *pari passu* in all aspects with all other Eagle Nice Shares in issue and will be entitled to all dividends, bonuses and other distributions the record date for which falls on a date on or after the issue of the Placing Shares.

### **Conditions of the Placing Agreement**

Completion of the Placing Agreement is conditional upon the following conditions being fulfilled:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares;
- (ii) completion of the Subscription having occurred in accordance with the terms of the Subscription Agreement; and
- (iii) all government and regulatory approvals and consents necessary in Hong Kong and the Cayman Islands relating to the transactions contemplated under the Placing Agreement being obtained.

The above conditions, except for item (iii), are not capable of being waived by Barits. If all of the above conditions are not fulfilled or waived by Barits in its absolute discretion on or before 30 June 2004 (or such later date as may be agreed in writing between Barits and Eagle Nice), the Placing Agreement shall lapse and become null and void and the parties shall be released from all obligations under the Placing Agreement, save for any liability arising out of any antecedent breaches.

### **General mandate**

The Placing Shares will be issued pursuant to the general mandate to allot, issue and deal with the Eagle Nice Shares granted to the directors of Eagle Nice by written resolutions of the sole shareholder of Eagle Nice passed on 6 August 2003. Such general mandate has not been utilised prior to entering into the Placing Agreement.

### **Completion**

Completion of the Placing Agreement will take place on same day as completion of the Subscription Agreement, which is expected to be on or before 30 April 2004.

### **Application for listing**

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



### 3. SHAREHOLDING STRUCTURE OF EAGLE NICE

Set out below is a table showing the shareholding structure of Eagle Nice (i) as at the date of this announcement; (ii) immediately upon completion of the Subscription Agreement but before completion of the Placing Agreement and the disposal of 1,500,000 Eagle Nice Shares by Time Easy; (iii) immediately upon completion of the Subscription Agreement and the Placing Agreement but before the disposal of 1,500,000 Eagle Nice Shares by Time Easy; (iv) immediately upon completion of the Subscription Agreement and the Placing Agreement and the disposal of 1,500,000 Eagle Nice Shares by Time Easy; and (v) immediately upon full conversion of the Convertible Note:

	As at the date of this announcement		Immediately upon completion of the Subscription Agreement but before completion of the Placing Agreement and the disposal of 1,500,000 Eagle Nice Shares by Time Easy		Immediately upon completion of the Subscription Agreement and the Placing Agreement but before the disposal of 1,500,000 Eagle Nice Shares by Time Easy		Immediately upon completion of the Subscription Agreement and the Placing Agreement and the disposal of 1,500,000 Eagle Nice Shares by Time Easy		Immediately upon full conversion of the Convertible Note	
	<i>Number of Eagle Nice Shares</i>	<i>%</i>	<i>Number of Eagle Nice Shares</i>	<i>%</i>	<i>Number of Eagle Nice Shares</i>	<i>%</i>	<i>Number of Eagle Nice Shares</i>	<i>%</i>	<i>Number of Eagle Nice Shares</i>	<i>%</i>
Time Easy	150,000,000	75.00	150,000,000	49.18	150,000,000	44.12	148,500,000	43.68	148,500,000	34.78
Ms. Tsang	1,500,000	0.75	1,500,000	0.49	1,500,000	0.44	1,500,000	0.44	1,500,000	0.35
The Subscriber	—	—	105,000,000	34.43	105,000,000	30.88	105,000,000	30.88	192,000,000	44.96
Public	<u>48,500,000</u>	<u>24.25</u>	<u>48,500,000</u>	<u>15.90</u>	<u>83,500,000</u>	<u>24.56</u>	<u>85,000,000</u>	<u>25.00</u>	<u>85,000,000</u>	<u>19.91</u>
Total	<u>200,000,000</u>	<u>100.00</u>	<u>305,000,000</u>	<u>100.00</u>	<u>340,000,000</u>	<u>100.00</u>	<u>340,000,000</u>	<u>100.00</u>	<u>427,000,000</u>	<u>100.00</u>

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

### 4. 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 sportswear supplied by the Eagle Nice Group can broadly be divided into the following categories: sports pants, jackets, tracksuits, sweaters and t-shirts. The Eagle Nice Group manufactures products under international brandnames such as *Nike*. For the three years ended 31 March 2003, the Eagle Nice Group's products were mainly sold to Japan, the PRC, Hong Kong, Australia and South Korea. The production facilities of Eagle Nice are located in Shantou, the PRC.

The audited combined net profit before and after taxation of Eagle Nice were about HK\$34.3 million and about HK\$30.8 million, respectively, for the financial year ended 31 March 2003. The audited combined net profit before and after taxation of Eagle Nice were about HK\$31.6 million and HK\$28.1 million, respectively, for the financial year ended 31 March 2002.

Based on Eagle Nice's published interim results, for the six months ended 30 September 2003, the unaudited combined net profit before and after taxation of Eagle Nice were about HK\$17.1 million and about HK\$15.3 million, respectively. As at 30 September 2003, the unaudited consolidated net tangible asset value of Eagle Nice was about HK\$68.4 million or about HK\$0.34 per Eagle Nice Share.

Based on the unaudited consolidated net tangible asset value of about HK\$68.4 million as at 30 September 2003 and the estimated net proceeds of the Subscription and the Placing, the pro forma adjusted unaudited consolidated net tangible asset value of Eagle Nice, assuming no exercise of any conversion rights under the Convertible Note, is estimated to increase to about HK\$209.4 million solely as a result of completion of the Subscription and the Placing.

As at 30 September 2003, the Eagle Nice Group had an unaudited cash position of about HK\$29.0 million. It is expected to increase to about HK\$368.9 million solely as a result of completion of the Subscription and the Placing.

Other than its initial public offering, Eagle Nice has not conducted any fund raising exercise since its listing on the Stock Exchange on 22 August 2003.

## **5. 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.

## **6. REASONS FOR AND USE OF PROCEEDS FROM THE SUBSCRIPTION AND THE PLACING**

Eagle Nice raised net proceeds of about HK\$22 million from its initial public offering in August 2003. As stated in the prospectus of Eagle Nice dated 12 August 2003, the directors of Eagle Nice intended to apply such net proceeds as to (i) about HK\$6 million for the acquisition of new machinery and fixtures and fittings to support the expansion in capacity and vertical integration; (ii) about HK\$10 million for the acquisition of additional factory buildings in the PRC; (iii) about HK\$3 million for the expansion of the Eagle Nice Group's marketing team and sales network; and (iv) the balance of about HK\$3 million for general working capital of the Eagle Nice Group. As at 31 January 2004, the above net proceeds have been applied as to (i) about HK\$1.2 million for the acquisition of new machinery and fixtures and fittings; (ii) about HK\$0.5 million for the expansion of the Eagle Nice Group's marketing team and sales network; and (iii) about HK\$0.5 million for general working capital purpose. The directors of Eagle Nice do not anticipate that the future plans of Eagle Nice or the use of unused proceeds of about HK\$19.8 million will materially deviate from those stated in the prospectus of Eagle Nice.

The net proceeds from the Subscription and the Placing are estimated to be about HK\$339.8 million. The directors of Eagle Nice intend to apply the net proceeds from the Subscription and the Placing for its core business of design and manufacture of sportswear.

In addition to the expansion of its production capacity where Eagle Nice's current production facilities are situated as disclosed in its prospectus, Eagle Nice plans to set up new production facilities in other parts of the PRC and Asia following completion of the Subscription and the Placing. The new production facilities will be used for the manufacture of sportswear for men, women and children. The production facilities are expected to be set up in several stages over a period of three years following the completion of the Subscription and Placing. Eagle Nice expects the new production facilities will increase the existing production capacity of the Eagle Nice Group of about 245,000 dozens per year by about 500,000 dozens to about 745,000 dozens per year.

Eagle Nice also intends to expand its marketing force and to explore sales opportunities in new markets such as the United States and Europe following completion of the Subscription and the Placing, when the Eagle Nice Group obtains the financial resources and has built up a strategic relationship with Yue Yuen. Eagle Nice expects the expansion in marketing force and the introduction of business opportunities by Yue Yuen will result in an increase in demand for the Eagle Nice Group's products.

The directors of Eagle Nice expect a substantial increase in production capacity will be required as a result of the expected increase in sales following the expansion into new markets such as the United States and Europe. Yue Yuen currently has customers which are based in the United States and Europe and some of these customers may be introduced by Yue Yuen and become potential customers of the Eagle Nice Group. Based on such expected increase in sales, the directors of Eagle Nice believe that the Eagle Nice Group is not over expanding.

The above significant expansion plans were not disclosed in the prospectus of Eagle Nice because they were not then planned. Only after an approach by Yue Yuen seeking an opportunity to make a meaningful investment in Eagle Nice which, if proceeded with, will bring in substantial capital and funding to Eagle Nice, did the directors of Eagle Nice begin to formulate a more aggressive expansion plan for the future growth of the Eagle Nice Group. The potential involvement of Yue Yuen may assist the Eagle Nice Group to set up new production facilities outside the PRC and facilitate the expansion of overseas markets as Yue Yuen has long experience in establishing production facilities located outside the PRC and has a client base which may include potential clients of the Eagle Nice Group. Such plans were not formulated during its initial public offering stage as Eagle Nice did not then have the financial resources and relationships to execute such plans. Accordingly, such plans were not disclosed in the prospectus of Eagle Nice.

For the purpose of implementing the above expansion plans, the directors of Eagle Nice intend to apply the net proceeds from the Subscription and the Placing as to (i) about HK\$40.0 million for the acquisition of new machinery and fixtures and fittings to support the new production facilities; (ii) about HK\$50.0 million for the acquisition of land and building and for leasehold improvements to support the new facilities; (iii) about HK\$20.0 million for the expansion of marketing team including employing more marketing staff, participating in promotional activities such as exhibitions and setting up overseas marketing offices; and (iv) the balance of about HK\$229.8 million for general working capital of the Eagle Nice Group. As stated above, since the new production facilities are expected to be completed in several stages over a period of three years following the completion of the Subscription and Placing, the substantial working capital is required to finance inventories, receivables and general working capital needs from time to time during such period.

The directors of Eagle Nice believe that the Subscription and the Placing are in the interest of Eagle Nice and the Eagle Nice Shareholders as a whole as they will introduce a reputable strategic partner to the Eagle Nice Group with expertise that complements that of the Eagle Nice Group and strengthen the capital base of Eagle Nice, thereby facilitating the future expansion plans of the Eagle Nice Group.

The Yue Yuen Group and the Eagle Nice Group have a complementary customer base, both supplying international brands such as *Nike* but do not compete with each other as the Yue Yuen Group is focused largely on footwear whilst the Eagle Nice Group is focused largely on design and manufacture of sportswear. The directors of Yue Yuen and Eagle Nice believe that there are synergies to be realised from the close association between the two groups after completion of the Subscription Agreement, particularly in terms of cross selling to their existing customer bases. The Yue Yuen Group has many international customers and over 250,000 employees in several countries. It is well experienced in design technology, large-scale production and in handling logistics. Eagle Nice hopes to benefit strongly from the long expertise of the Yue Yuen Group in managing production and logistics in design technology and in working with many international customers. By investing into Eagle Nice, it enables Yue Yuen to continue develop its business relationship with existing international customers in various ways and at the same time enjoy the synergies created through the present investment.

The directors of Eagle Nice consider that the terms of the Subscription Agreement and the Placing Agreement were negotiated on an arm's length basis, agreed on normal commercial terms between the parties involved, and are fair and reasonable so far as the Eagle Nice Shareholders are concerned.

## **7. INTENTION OF THE SUBSCRIBER ON THE EAGLE NICE GROUP**

Following completion of the Subscription Agreement and the Placing Agreement, 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.

There is no plan for the Subscriber and Yue Yuen 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. The board of directors of Eagle Nice currently comprises four executive directors, one non-executive director and two independent non-executive directors. It was provided in the Subscription Agreement that for a period of three years after completion of the Subscription the maximum number of directors of the board of Eagle Nice will be nine, of whom the Warrantors will have the right to nominate and appoint seven directors and Yue Yuen has the right to nominate and appoint two. Each of Eagle Nice and the Subscriber has confirmed that none of the existing directors of Eagle Nice will be required or has any intention to resign from the board of directors of Eagle Nice by reason solely of completion of the Subscription Agreement.

The biography of each of the new directors of Eagle Nice to be appointed will be set out in the forthcoming circular of Eagle Nice as they have not yet been selected.

## **8. TAKEOVERS CODE IMPLICATIONS FOR THE SUBSCRIBER**

Immediately upon completion of the Share Subscription and the Placing but before the exercise of any conversion rights under the Convertible Note, the Subscriber will own 105,000,000 Eagle Nice Shares, representing about 30.88% of the issued share capital of Eagle Nice as enlarged by the issue of the Subscription Shares and the Placing Shares. As a result, under the Takeovers Code, the Subscriber and parties acting in concert with it would be obliged to make a mandatory general offer to acquire all the Eagle Nice Shares other than those already owned by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver is obtained.

Assuming that there is no change in the issued share capital of Eagle Nice during the period from the date of completion of the Share Subscription and the Placing to the maturity date of the Convertible Note, immediately upon full exercise of the conversion rights under the Convertible Note, the Subscriber will own about 44.96% of the issued share capital of Eagle Nice as enlarged by the issue of the Subscription Shares, the Placing Shares and the Conversion Shares. In addition, upon the issue of and allotment of Eagle Nice Shares pursuant to a partial or full exercise of the conversion rights under the Convertible Note, the shareholding of the Subscriber and parties acting in concert with it may increase 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. In such event, under the Takeovers Code, the Subscriber and parties acting in concert with it would be obliged to make a mandatory general offer to acquire all the Eagle Nice Shares other than those already owned by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver is obtained.

As at the date of this announcement, the Subscriber does not own any Eagle Nice Shares. The Subscriber is wholly-owned by Yue Yuen. None of the Subscriber, Yue Yuen or the parties acting in concert with any of them had dealt in any Eagle Nice Shares within the six-month period prior to the date of this announcement.

An application will be made by the Subscriber to the Executive for the Whitewash Waiver in respect of the issue of the Eagle Nice Shares both as a result of the Subscription and upon exercise of the conversion rights under the Convertible Note, subject to the approval of the Independent Eagle Nice Shareholders on a vote by way of poll. The Executive may or may not grant the Whitewash Waiver. Completion of the Subscription Agreement is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive. If the Whitewash Waiver is not granted by the Executive, the Subscription Agreement will lapse.

## **9. MAINTAINING THE LISTING STATUS OF EAGLE NICE**

The directors of Eagle Nice have been informed that Ms. Tsang, an executive director of Eagle Nice, bought 700,000 Eagle Nice Shares (the “1st Tranche Shares”) and 800,000 Eagle Nice Shares (the “2nd Tranche Shares”, and together with the 1st Tranche Shares, the “Relevant Shares”) in the market on 31 December 2003 and 16 January 2004, respectively. The highest price and average price per Eagle Nice Share paid by Ms. Tsang for the 1st Tranche Shares were HK\$1.13 and HK\$1.08, respectively. The highest price and average price per Eagle Nice Share paid by Ms. Tsang for the 2nd Tranche Shares were HK\$1.06 and HK\$1.06, respectively. The Relevant Shares represent 0.75% of the existing issued share capital of Eagle Nice. Ms. Tsang has confirmed that she was not aware of the possibility of the Subscription and the Placing at the time when the purchases of the Relevant Shares were made. Following the purchases of the Relevant Shares by Ms. Tsang and according to the latest records as shown in Eagle Nice’s register of members, the percentage of Eagle Nice Shares that remains in public hands has fallen from 25% to 24.25%. Accordingly, Eagle Nice does not comply with the minimum prescribed percentage of 25% as stipulated in Rule 8.08 of the Listing Rules. The directors of Eagle Nice were not aware of such non-compliance until the shareholding structure of Eagle Nice was under review during the negotiations of the terms of the Subscription Agreement and the Placing Agreement. The directors of Eagle Nice consider that such non-compliance was due to an inadvertent oversight on the part of Ms. Tsang. For the purpose of preventing the recurrence of a similar event or other possible breaches of the Listing Rules, the directors of Eagle Nice have recently been re-briefed of the relevant requirements on the Listing Rules by the legal advisers to Eagle Nice, and will their consult legal advisers or other advisers in the future when they are in doubt. The directors of Eagle Nice are of the view that, notwithstanding the inadvertent possible breach of the



Listing Rules that may have resulted from her purchases, Ms. Tsang remains fit to be a director of a listed company. Save as disclosed above, there were no dealings in Eagle Nice Shares by the directors of Eagle Nice and their respective associates within the six-month period prior to the date of this announcement.

**The Stock Exchange has indicated that it reserves the right to take appropriate actions against Eagle Nice and/or the directors of Eagle Nice in respect of the breach of Rule 8.08 of the Listing Rules.**

It is the intention of Eagle Nice and the Subscriber to maintain the listing of the Eagle Nice Shares on the Stock Exchange after completion of the Subscription and the Placing and after full exercise of the conversion rights under the Convertible Note. The directors of Eagle Nice have undertaken to the Stock Exchange to use their endeavours to take appropriate necessary steps to ensure that the public float of the Eagle Nice Shares will not be less than 25% immediately after completion of the Subscription and the Placing and after full exercise of the conversion rights under the Convertible Note.

**The Stock Exchange has stated that it will closely monitor trading in the Eagle Nice Shares as 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. In this connection, it should be noted that as at the date of this announcement the percentage of Eagle Nice Shares that remains in public hands is less than 25% and that upon full exercise of the conversion rights under the Convertible Note, there may be insufficient public float for the Eagle Nice Shares and therefore trading in the Eagle Nice Shares may be suspended until sufficient level of public float is attained.**

Immediately upon completion of the Subscription Agreement but before completion of the Placing Agreement, the public float of the Eagle Nice Shares will fall to about 15.90% of the issued share capital of Eagle Nice as enlarged by the issue of the Subscription Shares. Immediately upon completion of the Placing Agreement, the public float will increase to about 24.56% of the issued share capital of Eagle Nice as enlarged by the issue of the Subscription Shares and the Placing Shares. Time Easy has undertaken to the Stock Exchange that it will sell 1,500,000 Eagle Nice Shares in the market as soon as possible from the date of completion of the Subscription and the Placing to ensure that sufficient public float will exist for the Eagle Nice Shares. Following such disposal, the public float for the Eagle Nice Shares is expected to be restored to 25%.

**If the Placing fails to proceed upon completion of the Subscription Agreement or Eagle Nice fails to restore the public float for the Eagle Nice Shares as a result of the failure of Time Easy to sell 1,500,000 Eagle Nice Shares as soon as possible from the date of completion of the Subscription and the Placing, the Stock Exchange has stated that it will consider exercising its discretion to suspend trading in the Eagle Nice Shares until sufficient level of public float is attained. In such event, the directors of Eagle Nice will take appropriate steps as soon as possible to ensure that sufficient public float will exist for the Eagle Nice Shares and an announcement will be made.**

Upon completion of the Subscription Agreement, Time Easy will undertake to the Subscriber and Yue Yuen that, if the public float of the Eagle Nice Shares shall fall below the minimum percentage required under the Listing Rules upon a full or partial exercise of the conversion rights under the

Convertible Note, it will take appropriate steps (which may include a placing down of its interest in Eagle Nice) to ensure that the public float of the Eagle Nice Shares is restored within such period as required by the Stock Exchange.

**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.**

## **10. GENERAL**

Under the Takeovers Code, the Whitewash Waiver is subject to, among other things, approval by the Independent Eagle Nice Shareholders at the EGM of Eagle Nice on a vote by way of poll. An independent board committee of Eagle Nice will be appointed to consider the Subscription Agreement and the Whitewash Waiver. An independent financial adviser will be appointed to advise the independent board committee of Eagle Nice in this respect. A circular containing, among others, further details on the Subscription, the Whitewash Waiver, the Placing, a letter of recommendation from the independent board committee, a letter from the independent financial adviser to the independent board committee of Eagle Nice and a notice of the EGM of Eagle Nice will be sent to the Eagle Nice Shareholders as soon as practicable.

Barits has been appointed as the financial adviser to Eagle Nice in relation to the Subscription and the Placing and the placing agent and underwriter of the Placing.

Trading in the Eagle Nice Shares on the Stock Exchange was suspended at the request of Eagle Nice with effect from 2:30 p.m. on 23 February 2004 pending the release of this announcement. Eagle Nice has applied to the Stock Exchange for the resumption of trading in the Eagle Nice Shares on the Stock Exchange with effect from 9:30 a.m. on 4 March 2004.

## **11. DEFINITIONS**

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Barits”	Barits Securities (Hong Kong) Limited, a corporation deemed licensed under the SFO to carry out types 1 and 6 regulated activities, which is not connected (for the purposes of the Listing Rules) with any of the directors, chief executive or substantial shareholders of Eagle Nice and its subsidiaries or any of their respective associates
“Business Day(s)”	a day (other than a Saturday) on which banks are open for business in Hong Kong
“CN Subscription”	the subscription of the Convertible Note by the Subscriber under the Subscription Agreement

“Convertible Note”	a convertible note in principal amount of HK\$207.06 million to be 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
“Eagle Nice”	Eagle Nice (International) Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Eagle Nice Group”	Eagle Nice and its subsidiaries
“Eagle Nice Shareholders”	holders of the Eagle Nice Shares
“Eagle Nice Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of Eagle Nice
“EGM of Eagle Nice”	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 Subscription Agreement and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Eagle Nice Shareholders”	the Eagle Nice Shareholders other than the directors of Eagle Nice, their respective associates and parties acting in concert with any of them
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Tsang”	Ms. Tsang Sau Fan, an executive director of Eagle Nice
“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
“Placing”	the proposed placing of the Placing Shares by Barits to independent places on a fully underwritten basis under the Placing Agreement
“Placing Agreement”	the conditional placing agreement dated 3 March 2004 and entered into between Eagle Nice and Barits in relation to the Placing
“Placing Shares”	35,000,000 new Eagle Nice Shares
“PRC”	the People’s Republic of China (excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Subscription”	the subscription of the Subscription Shares by the Subscriber under the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	Great Pacific Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Yue Yuen
“Subscription”	the Share Subscription and the CN Subscription
“Subscription Agreement”	the conditional subscription agreement dated 3 March 2004 and entered into between Eagle Nice, the Subscriber, the Warrantors and Yue Yuen in relation to the Subscription
“Subscription Shares”	105,000,000 new Eagle Nice Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Time Easy”	Time Easy Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is beneficially owned as to 90% by Mr. Chung Yuk Sing, the chairman and an executive director of Eagle Nice, and as to 10% by Ms. Tsang Yuk Ni, an executive director of Eagle Nice
“Warrantor(s)”	Time Easy and Mr. Chung Yuk Sing, the chairman and an executive director of Eagle Nice
“Whitewash Waiver”	a waiver by the Executive from the obligation of the Subscriber and parties acting in concert with it to make a general offer under Rule 26 of the Takeovers Code for all the issued Eagle Nice Shares (other than those already owned by them) pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code as a result either of the subscription of the Subscription Shares or of the exercise in part or in full of the Convertible Note
“Yue Yuen”	Yue Yuen Industrial (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Yue Yuen Group”	Yue Yuen and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency in Hong Kong

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

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

Hong Kong, 3 March 2004

*\* For identification purpose only*

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

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

*Please also refer to the published version of this announcement in the **(The Standard)***