



EAST ASIA SECURITIES COMPANY LIMITED

8/F, 10 Des Voeux Road Central, Hong Kong.

Dealing: 2842 3530 / 2842 3475 Research: 2842 3198 Facsimile: 2845 2937 / 2526 7992

HONG KONG RESEARCH

13th August 2003

Analyst: Louis Chan

Mainboard Listing - Research

鷹美(國際)控股有限公司

Eagle Nice (International) Holdings Limited [Stock Code: 2368]

Sponsor : Kingston Corporate Finance Limited
Lead Manager : Barits Securities (Hong Kong) Limited
Co-Lead Managers : Pacific Foundation Securities Limited
Barits Ho Chong Securities Company Limited Kingston Securities Limited

Sector: Industrials - apparels

Business: Design and manufacture of sportswear for men, women and children on an OEM basis

Total share offer: <u>50,000,000</u> shares (25% of the enlarged share capital) Placement: 45,000,000 shares (90%) - 25,000,000 new shares - 20,000,000 sale shares Public offer: 5,000,000 shares (10%)	<u>Business of Eagle Nice</u> The Group is principally engaged in the design and manufacture of sportswear for men, women and children on an OEM basis. The sportswear supplied by the Group include sports pants, jackets, tracksuits, sweaters and T-shirts. The Group's products sold under the OEM basis are generally manufactured according to the specifications prescribed by the customers. The Group manufactures products under international brandnames such as <i>Nike</i> . The Group's production facilities are located in Shantou, Guangdong province, the PRC while its headquarters in Hong Kong is responsible for the management, sales and marketing, administration and finance as well as purchasing and warehousing functions of the Group.
Price: HK\$1.00 per share Market cap.: HK\$200 million Historical P/E: 5.5x Adjusted net tangible asset per share: HK\$33.1 Staffing: 3,783	
Public offer opens: 12 th August 2003 Public offer closes: 15 th August 2003 Receiving bank: Standard Chartered Bank Share registrar: Tengis Limited Listing date: 22 nd August 2003	

Major Shareholders after Listing

Mr CHUNG Yuk-sing (a co-founder, the chairman and an executive director of the Group) – aged 42	67.5%
Madam TSANG Yuk-ni (an executive director and the wife of the Group's chairman) – aged 37	7.5%
	<u>75.0%</u>

This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein.

**Use of Proceeds**

Net proceeds from the offer are estimated to be HK\$22 million.

	HK\$ million
To acquire new machinery, fixtures and fittings to support the expansion in capacity and vertical integration	6
To acquire additional factory buildings in the PRC	10
To expand the Group's marketing team and sales network	3
To serve as the Group's general working capital	3

Financial Highlights

	Year ended 31 st March		
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover			
Sports pants	112,826	89,154	68,368
Jackets	93,500	85,387	83,933
Sweaters and T-shirts	15,722	30,760	11,244
Tracksuits	13,497	6,553	4,031
Others	<u>6,785</u>	<u>6,850</u>	<u>10,615</u>
	<u>242,330</u>	<u>218,704</u>	<u>178,191</u>
Operating profit	35,774	32,813	25,054
Net profit	<u>30,831</u>	<u>28,128</u>	<u>20,035</u>
Dividend	15,000	20,000	11,600
EPS	<u>HK¢18.1</u>	<u>HK¢16.5</u>	<u>HK¢11.8</u>

Strengths

- ✓ The Group's operating profit margin was seen consistently rising from 14.1% in the year ended 31st March 2001 to 15.0% and 14.8% in the 2 respective years ended 31st March 2003, with the net profit margin also up from 11.2% to 12.9% and 12.7% respectively in the same period.
- ✓ We can compare the valuation of Eagle Nice with those of other Hong Kong-listed garment makers. Chanco International (*stock code*: 0264) is now trading at 5.4x its FY2003 net profit while both Peking Apparel International (*stock code*: 0761) and China Elegance International Fashion (*stock code*: 0476) were loss-making for the year ended 31st March 2003. We hence consider Eagle Nice's valuation is not on the high side (historical P/E: 5.5x).

Weaknesses

- × The Group has an increasing level of credit exposure. Its trade receivables expressed as a percentage of current assets jumped to 39.2% for the year ended 31st March 2003 from 8.4% for the year ended 31st March 2002.
- × Total funds intended to be raised amount to HK\$22 million but the Group has paid total dividends of HK\$35 million for the 2 years ended 31st March 2003.
- × Meanwhile, existing shareholders are cashing in some 20 million shares, which represent 40.0% of the total offer.

Recommendation: Unattractive