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: 02368)

Interim Report 2013

* For identification purposes only

The board of directors (the "Board") of Eagle Nice (International) Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2013 together with the comparative unaudited figures for the corresponding period in 2012 and the relevant explanatory notes.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

	Notes	Six months ended 30 September **2013** **(Unaudited)** **HK$'000**	2012 (Unaudited) HK$'000
REVENUE	2	**867,880**	827,528
Cost of sales		**(733,032)**	(654,942)
Gross profit		**134,848**	172,586
Other income	3	**1,881**	2,716
Selling and distribution expenses		**(12,153)**	(8,647)
Administrative expenses		**(66,210)**	(70,394)
Finance costs	4	**(2,591)**	(3,515)
PROFIT BEFORE TAX	5	**55,775**	92,746
Tax	6	**(15,760)**	(21,950)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**40,015**	70,796
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		**HK8.01 cents**	HK14.17 cents
Diluted		**HK8.01 cents**	HK14.17 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**40,015**	70,796
Other comprehensive income/(expense):		
Item that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**13,826**	(8,493)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**53,841**	62,303

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Notes	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		939,151	955,144
Prepaid land lease payments		75,912	76,129
Goodwill		26,112	26,112
		1,041,175	1,057,385
CURRENT ASSETS			
Inventories		195,547	229,730
Accounts and bills receivable	9	243,353	184,004
Prepayments, deposits and other receivables		27,802	22,317
Cash and cash equivalents		313,367	309,352
		780,069	745,403
CURRENT LIABILITIES			
Accounts and bills payable	10	95,176	108,820
Accrued liabilities and other payables		101,289	96,469
Interest-bearing bank borrowings	11	372,021	387,646
Tax payable		22,650	14,703
		591,136	607,638
NET CURRENT ASSETS		188,933	137,765
TOTAL ASSETS LESS CURRENT LIABILITIES		1,230,108	1,195,150
NON-CURRENT LIABILITIES			
Deferred tax liabilities		53,775	52,671
		1,176,333	1,142,479
EQUITY			
Issued capital	12	4,997	4,997
Reserves		1,171,336	1,137,482
		1,176,333	1,142,479

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Issued capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Statutory surplus reserve (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Asset revaluation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 1 April 2013	4,997	472,586	(229)	33,748	102,142	127,136	402,099	1,142,479
Profit for the period	–	–	–	–	–	–	40,015	40,015
Exchange differences on translation of foreign operations	–	–	–	–	13,826	–	–	13,826
Total comprehensive income for the period	–	–	–	–	13,826	–	40,015	53,841
Final 2013 dividend	–	–	–	–	–	–	(19,987)	(19,987)
At 30 September 2013	4,997	472,586	(229)	33,748	115,968	127,136	422,127	1,176,333

For the six months ended 30 September 2012

	Issued capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Statutory surplus reserve (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Asset revaluation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 1 April 2012	4,997	472,586	(229)	17,535	112,148	46,521	415,304	1,068,862
Profit for the period	–	–	–	–	–	–	70,796	70,796
Exchange differences on translation of foreign operations	–	–	–	–	(8,493)	–	–	(8,493)
Total comprehensive income for the period	–	–	–	–	(8,493)	–	70,796	62,303
Final 2012 dividend	–	–	–	–	–	–	(34,978)	(34,978)
At 30 September 2012	4,997	472,586	(229)	17,535	103,655	46,521	451,122	1,096,187

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash flows from/(used in) operating activities	**22,177**	(43,540)
Net cash flows used in investing activities	**(4,781)**	(4,033)
Net cash flows from/(used in) financing activities	**(15,625)**	7,692
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,771**	(39,881)
Cash and cash equivalents at beginning of period	**309,352**	341,824
Effect of change in foreign exchange rate, net	**2,244**	(2,476)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**313,367**	299,467
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**313,367**	299,467

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND IMPACT OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 31 March 2013, except in relation to the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements.

HKFRS 7 Amendments	Amendments to HKFRS 7 Fin*ancial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the new/revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognized.

2. SEGMENT INFORMATION

The Group is solely engaged in manufacture and trading of sportswear and garments. For management purposes, the Group determines that there are five operating segments, based on location of customers (the destination of sales), including USA, Mainland China, Europe, Japan and others. These segments are managed separately as each segment is subject to risks and returns that are different from each other.

The revenue and the result of each operating segment for the six month ended 30 September 2013 are as follows:

	Revenue Six months ended 30 September (Unaudited)		Segment result Six months ended 30 September (Unaudited)	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
USA	**286,935**	184,883	**34,158**	35,381
Mainland China	**186,843**	249,068	**22,688**	36,681
Europe	**136,863**	169,907	**10,501**	26,141
Japan	**85,175**	56,273	**6,034**	8,094
Others	**172,064**	167,397	**14,381**	26,693
	867,880	827,528	**87,762**	132,990
Other income			**1,881**	2,716
Unallocated expenses			**(33,868)**	(42,960)
Profit before tax			**55,775**	92,746
Tax			**(15,760)**	(21,950)
Profit for the period attributable to owners of the Company			**40,015**	70,796

3. OTHER INCOME

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income	**625**	2,116
Others	**1,256**	600
	1,881	2,716

4. FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**2,591**	3,515

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation	**33,765**	30,710
Amortisation of prepaid land lease payments	**1,169**	1,173

6. TAX

Hong Kong profits tax for the six months ended 30 September 2013 has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax charge for the period:		
Hong Kong	**8,620**	11,410
Elsewhere	**6,570**	10,540
Deferred	**570**	–
Total tax charge for the period	**15,760**	21,950

7. INTERIM DIVIDEND

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividend declared of HK$0.04 per share (2012: HK$0.07 per share)	**19,987**	34,978

The Board resolved that an interim dividend of HK$0.04 per share for the six months ended 30 September 2013 to be paid to the shareholders whose names appear on the Company's register at the close of business on 5 December 2013. The interim dividend was declared after the period ended 30 September 2013, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the period of HK$40,015,000 (2012: HK$70,796,000) and 499,680,000 (2012: 499,680,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2013 and 2012 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. ACCOUNTS AND BILLS RECEIVABLE

The Group's accounts receivable mainly relate to a few recognised and creditworthy customers. The credit period is generally for a period of 30 to 45 days. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are regularly reviewed by the management of the Group. The accounts and bills receivable are non-interest-bearing.

An aged analysis of the accounts and bills receivable as at the end of reporting period, based on the invoice date, is as follows:

	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
Within 30 days	**178,036**	114,266
31 to 60 days	**45,636**	45,639
61 to 90 days	**7,728**	5,999
Over 90 days	**11,953**	18,100
	243,353	184,004

The above balances are neither past due nor impaired. The financial assets included in the above balance relate to receivable for which there was no recent history of default.

10. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the end of reporting period, based on the invoice date, is as follows:

	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
Within 90 days	**87,114**	102,259
91 to 180 days	**2,972**	1,843
181 to 365 days	**482**	569
Over 365 days	**4,608**	4,149
	95,176	108,820

The accounts and bills payable are non-interest-bearing and are normally settled on 45-day terms.

11. INTEREST-BEARING BANK BORROWINGS

	Effective Interest rate	Maturity	As at 30 September 2013 (Unaudited)	Effective Interest rate	Maturity	As at 31 March 2013 (Audited)
	%		HK$'000	%		HK$'000
Current						
Bank loans – unsecured	1.08% to 1.50%	On demand	372,021	1.14% to 2.20%	On demand	387,646

At the end of reporting period, HK$138,021,000 of the bank borrowings of HK$372,021,000, were supported by corporate guarantees executed by the Company and a subsidiary of the Company.

Since the Group's and the Company's bank loans contain repayment on-demand clauses, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable on demand.

	As at 30 September 2013 (Unaudited)	As at 31 March 2013 (Audited)
	HK$'000	HK$'000
Analysis into:		
Within one year	145,250	145,250
In the second year	31,250	31,250
In the third to fourth years, inclusive	195,521	211,146
	372,021	387,646

12. ISSUED CAPITAL

	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
Authorised:		
10,000,000,000 (31 March 2013: 10,000,000,000) ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
499,680,000 (31 March 2013: 499,680,000) ordinary shares of HK$0.01 each	**4,997**	4,997

13. CAPITAL COMMITMENTS

The Group had the following capital commitment at the end of reporting period:

	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
Contracted, but not provided for:		
Construction of factories and purchases of machinery and equipment for the investment in Jiangxi Province, the PRC (the "Jiangxi Project")	**260**	2,091
Renovation of factories for the investment in Indonesia	**1,306**	1,529
Purchases of items of property, plant and equipment	**692**	1,206
Renovation of factories	**4,811**	1,724
	7,069	6,550
Authorised, but not contracted for:		
Investment in the Jiangxi Project	**38,610**	38,610

14. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 15 November 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO-ECONOMIC REVIEW

Global economic recovery remained slow in 2013 due to continuous slowdown in global economy. The International Monetary Fund (IMF) has lowered its 2013 global economic growth forecast from 3.3% to 3.1%, which is only slightly above the level of weak growth. IMF has also cut its projection on the PRC's economic growth from 8.1% to 7.8%, while its actual growth for the first six months of 2013 was 7.6%. The PRC government has continued to drive economic reforms and stimulate internal consumption demand in order to sustain the growth momentum.

INDUSTRY REVIEW

Market demand for sportswear inevitably slowed down amid sluggish global economic growth, as branded manufacturers were still trying to clear off slow-moving inventory piled up over the past few years. According to the National Statistics Bureau of the PRC, the growth rate of the nation's domestic consumption was also trending lower.

In terms of the business environment, labour costs in the PRC continued to rise during the past few years, as the PRC government repeatedly raised the level of minimum wages in a bid to stimulate domestic consumption. The problem of escalating business costs was especially severe in Guangdong Province, the PRC. Labour costs were driven up as the labour population of the PRC continued to decrease in tandem with the nation's economic growth. Production costs for export-oriented manufacturers of the PRC were soaring as the exchange rates of RMB against US Dollar, Euro and Japanese Yen continued to rise. The depreciation of Asian currencies against RMB during the past year, on the other hand, has reduced production costs for manufacturers setting up plants in developing countries in Southeast Asia. The manufacturing sector of the PRC was subject to pressure both at home and abroad. Demand from import nations such as Europe, the U.S. and Japan was sluggish, while tariff concessions offered by import nations to ASEAN garment manufacturing countries also posed an unfavourable factor on the PRC manufacturers. For this reason, it has become a trend since recent years for the PRC manufacturers to set up production bases in developing countries which attract lower costs.

BUSINESS REVIEW AND DEVELOPMENT

Leveraging advantages afforded by regional diversification to ensure stable business development

Since their official commissioning in 2012, the Group's manufacturing plants in Jiangxi Province, the PRC and Banten Province, Indonesia (the "New Plants") have reported steady improvements in production capacity, efficiency and quality. The additional capacities, relatively low production costs and tariff concessions of import nations enjoyed by the Indonesian plant by virtue of Indonesia's status as a garment manufacturing member nation of ASEAN have provided relief from the pressure of labour shortage and rising production costs faced by the Guangdong plants. This allows the Group to further optimise the deployment of its production bases for more effective consolidation of resources to address changes in the business environment and thus provides the necessary conditions for the Group's business development.

The PRC economy has entered into a phase of transformation and upgrade. The PRC manufacturers can no longer focus only on cost competition, but also compete on quality and creativity. The advantage of carrying out the manufacturing process in the PRC is the comprehensive industry chain in the PRC. While the labour costs incurred by the Group's existing plants and research and development centre in Guangdong are higher than those in the ASEAN garment manufacturing countries, there is still a significant advantage in terms of labour skills, efficiency and quality. In addition, the geographic proximity between the plants and the PRC customers, one of our major markets, is conducive to research, development and innovation in close tandem with market changes which in turn lead to better customer services. Rising labour costs in the PRC have undeniably brought pressure on the Group's operations. On the other hand, rising wages of the PRC workers has resulted in improved living standards, providing further opportunities for growth in the PRC market for consumer goods.

Optimising business operations with a view to sustainable development

With the popularisation of sporting activities and the introduction of the fashion element to sportswear design, sportswear has been transformed from a durable consumer product to fast fashion. The progress in the development of sportswear has resulted in an end user-oriented pattern of consumption characterised by customisation, small volumes, short delivery periods, premium quality and style variety, as opposed to large volumes and long delivery periods in the past. In production management, market demands requiring small volumes, multiple varieties and short delivery periods have imposed enormous challenges for manufacturers, who are compelled to enhance their operating efficiency in various aspects in order to be able to swiftly respond to the rapidly changing market for consumer goods.

To maintain a highly efficient marketing system, the Group has adopted and continuously improved its practice of lean manufacturing in production management, which has helped to alleviate the pressure of rising costs by improving production efficiency and curbing wastefulness. The Group has also adopted Certified Quality Management (CQM) and the PDCA (Plan, Do, Check, Act) Management System for ongoing improvement, which have been operated parallel to lean management to improve production management efficiency.

In terms of product development, we have enhanced the functions of our printing department to enable swift design of fashionable styles using silk-screen fabric printing technologies. We have also purchased additional production equipment for our sample workshop to deal with the substantial increase in the number of styles developed and shorten the lead-time for style development. In terms of research and development, the Group has purchased advanced machinery equipment to cater to the increasing demand for functional products. To maximise the efficiency of such advanced production equipment, training courses were organised by the research and development department so that employees can be familiarised with the technologies concerned. Moreover, in view of the increasingly extensive use of functional fabrics, the Group invited suppliers to host training and forum sessions to provide staff of the research and development department with a clearer understanding of the features of the fabrics so that products made would highlight the strengths of these fabrics. The strengths of the research and development department in design and development have been enhanced as a result.

Maintaining existing market strategy while developing new customers and products

Notwithstanding the slow-paced recovery of European and U.S. economies, the U.S. remained the largest export market of the Group, although the importance of the Asian market should not be understated. During the period under review, the U.S., the PRC and Europe remained the top three markets of the Group, accounting for 33.1%, 21.5% and 15.8%, respectively, of its sales for the period. During the period under review, the U.S. replaced the PRC to become the Group's largest market, where the Group reported a strong year-on-year increase in sales in the U.S. by HK$102.1 million (or 55.2%). Sales in the PRC and Europe, on the other hand, decreased by HK$62.2 million (or 25.0%) and HK$33.0 million (or 19.4%), respectively. The decline in the Group's sales in the PRC was attributable to: the slowdown in domestic economic growth, decreasing demand for sportswear as enthusiasm driven by the Beijing Olympics waned, restructuring of retail outlets by domestic sporting brands in recent years, inventory piled up over the past years which branded manufacturers were trying to clear off, and growing competition as a result of vigorous moves by the PRC brands to tap tier-three and tier-four cities as well as the online market, in addition to resorting to price cuts. Sales in Europe decreased as a result of customers' strategic reallocation of orders to decrease orders for Europe while increase orders for the U.S., resulting in strong growth in our U.S. sales.

The Group's ability to secure moderate growth in total sales despite unstable global economic conditions and decreasing demand for sportswear was attributable to its vigorous efforts in new customer development and its enhanced production technologies that allowed the production of different types of products to satisfy customers' needs. Meanwhile, the Group also expanded its customer base on the back of the timely expansion of its production capacity at the New Plants, resulting in broadened income sources which mitigated the impact of economic volatility on the Group's sales.

REVIEW OF FINANCIAL PERFORMANCE

The Group managed a moderate 4.9% growth in total sales thanks to efforts in new customer development which resulted in an expanded customer base, diversification to different genres of sportswear products and close partnerships with customers with whom the Group shared longstanding business relationships.

The Group reported a turnover of HK$867.9 million for the six months ended 30 September 2013 (2012: HK$827.5 million), representing a moderate growth of 4.9% compared to the previous corresponding period. Gross profit for the six months ended 30 September 2013 amounted to HK$134.8 million (2012: HK172.6 million), representing a substantial decrease of 21.9% compared to the same period of last year. Gross profit margin dropped 5.4% to 15.5%, as compared to 20.9% for the same period of last year. The decline in gross profit was mainly attributable to the significant hike in labour costs, as the Group's plants in Guangdong and Jiangxi Provinces in the PRC and in Indonesia raised their respective minimum wages by double-digit rates in 2013. The Group's profit was also affected by other factors such as rising material costs, continued RMB appreciation and the failure of the New Plants to make profit contributions to the Group.

The Group reported an increase in selling and distribution expenses by HK$3.5 million, which was mainly attributable to the increase in transportation costs. Administrative expenses decreased by HK$4.2 million as a result of redeployment of manpower and review of salary structure. Finance costs decreased by HK$0.9 million during the period as the overall loan interest rate and outstanding bank borrowings during the period were lower than that of the same period of last year.

In respect of taxation, profit before tax decreased by HK$37.0 million (or 39.9%), while the Group's overall tax expenses decreased by HK$6.2 million (or 28.2%). During the period, the effective tax rate increased by 4.6% from 23.7% to 28.3%, as the concessionary income tax rates for all PRC subsidiaries of the Group had expired in 2013 and a standard tax rate of 25% became applicable for the period under review. At the company's level, the tax losses of the New Plants could not be applied to offset the tax payable by the Guangdong plants, resulting in a higher overall effective tax rate for the Group. However, when the New Plants start to record profit, the New Plants will be able to offset their tax losses against the profit and thus lower the overall effective tax rate of the Group.

Profit attributable to owners of the Company for the six months ended 30 September 2013 amounted to HK$40.0 million, representing a decrease of 43.5% compared to HK$70.8 million for the same period of last year. Basic earnings per share for the period amounted to HK8.01 cents compared to HK14.17 cents for the same period of last year. The Board recommended an interim dividend of HK4 cents per share compared to HK7 cents for the same period of last year.

FUTURE PROSPECTS AND STRATEGY

Gone were the days when the PRC competed on low costs. As a result of the PRC's economic development and changing demographic structure, raw material, labour, land and energy costs in the country have doubled in a few years' time. Rising labour costs have piled pressure on the profitability of the PRC's manufacturing sector, while tax concessions granted to developing nations, such as Bangladesh, by import nations have compelled the PRC manufacturers to actively plan on all fronts for transformation and upgrade, in order to enhance their competitiveness.

Through the multi-national deployment of production bases, the Group is able to enjoy mutually complementary strengths of different regions. In view of the lower labour costs and land resources available to the New Plants in Jiangxi Province, the PRC and Indonesia, the Group is able to expand the production lines in these plants to develop them into large-scale, standardised production bases. Meanwhile, to leverage the comprehensive industry chain present in Guangdong Province, the PRC, the Guangdong plants will be developed into a production base for the manufacturing of high-end products and development of new products, focusing mainly on research, development and innovation and the manufacturing of products with high added value. In terms of product research and development, we acknowledge that research, development and innovation have become a fundamental requirement for survival as the sportswear market is evolving into a high-end fashion market where consumers are looking beyond the fulfillment of basic requirements. Market sub-segments will emerge and the demand for functional products is set to increase. As a result, we must upkeep our ability to innovate and constantly enhance the functions of our products to meet market demands. In this connection, the Group will continue to invest in product development and process optimisation, such as increasing the role of mechanised processes, with a view to enhancing its competitiveness. In respect of human resources, the Group has always regarded human resources as its most important assets and ensured the right match between positions and talents through a systematic and effective human resources management regime. The Group believes that production of products with high quality can only be achieved by establishment of an excellent and co-operative team. The Group regards product quality as key to success and personnel training can secure product quality.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group continued to maintain a healthy liquidity position. The Group generally finances its operations with internally generated resources and banking facilities. As at 30 September 2013, the Group had cash and cash equivalents amounting to HK$313.4 million mainly denominated in Hong Kong dollars, Renminbi and US dollars (31 March 2013: HK$309.4 million). As at 30 September 2013, the Group had aggregate banking facilities of HK$666.0 million (31 March 2013: HK$666.0 million), out of which HK$316.0 million (31 March 2013: HK$316.0 million) were supported by (i) corporate guarantees executed by the Company; and (ii) unlimited corporate guarantees executed by subsidiaries of the Company. The banking facilities amounting to HK$395.7 million were utilised by the Group as at 30 September 2013 (31 March 2013: HK$390.0 million). As at 30 September 2013, the Group's total banking borrowings was HK$372.0 million (31 March 2013: HK$387.6 million). As at 30 September 2013, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spread over four years with HK$145.3 million repayable within one year, HK$31.2 million in the second year, and HK$195.5 million in the third to fourth year.

The management believes that the existing financial resources will be sufficient to meet existing operations as well as existing and future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable terms. There is no material effect of seasonality on the Group's borrowing requirements.

As at 30 September 2013, gearing ratios of the Group is defined as the net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity is 5.0% (31 March 2013: 6.9%).

For the six months ended 30 September 2013, the Group was not subject to any significant exposures to foreign exchange rate risk and hence, no financial instrument for hedging was employed.

As at 30 September 2013, the Group did not have any significant contingent liabilities (31 March 2013: nil) and the Company had given corporate guarantees to banks to the extent of HK$316.0 million (31 March 2013: HK$316.0 million) for banking facilities granted to certain subsidiaries of the Company.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group has transactional currency exposures. Such exposures arise from substantial portion of sales or purchases by operating units in US dollars and RMB. The Group is exposed to foreign exchange risk arising from the exposure of US dollars and RMB. As the foreign currency risks generated from the sales and purchases can be set off with each other, the Group believes its exposure to exchange rate risk is minimal. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency.

The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange exposures and will consider hedging the significant foreign currency exposures should the need arise.

SIGNIFICANT INVESTMENTS

As at 30 September 2013, there was no significant investment held by the Group (31 March 2013: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2013, the Group employed a total of approximately 9,400 employees including the directors of the Company (the "Directors") (31 March 2013: approximately 10,000).

The employees including the Directors are remunerated based on their working performance, professional experiences and the prevailing industry practice. The Group also makes contributions to the statutory mandatory provident fund scheme for the employees of the Group in Hong Kong and to the central pension scheme for the employees of the Group in the PRC and Indonesia.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies for the six months ended 30 September 2013 (2012: Nil).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2013, the interests and short positions of the Directors and chief executive of the Company (the "Chief Executive") in the share capital, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors or chief executive were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

The Company

Name of Director	Capacity	Number of shares held Long position	Number of shares held Short position	Percentage of the Company's issued capital
Mr. Chung Yuk Sing ("Mr. Chung")	Interest in a controlled corporation	72,650,000 (Note)	–	14.54
	Beneficial owner	200,000	–	0.04
Mr. Chen Hsiao Ying	Beneficial owner	25,328,800	–	5.07
Mr. Kuo Tai Yu	Beneficial owner	1,450,000	–	0.29

Note: These shares are held by Time Easy Investment Holdings Limited ("Time Easy"). The entire issued share capital of Time Easy is held by Mr. Chung.

Save as disclosed above, as at 30 September 2013, none of the Directors or Chief Executive had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2013, the interests and short positions of the following persons, other than the Directors and the Chief Executive, in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which have been recorded in the register kept by the Company pursuant to Section 336 of the SFO:

		Number of shares held		Percentage of the Company's
Name	**Capacity**	**Long position**	**Short position**	**issued capital**
Time Easy	Beneficial owner	72,650,000 (Note 1)	–	14.54
Pou Chen Corporation ("PCC")	Interest in a controlled corporation	192,000,000 (Note 2)	–	38.42
Wealthplus Holdings Limited ("Wealthplus")	Interest in a controlled corporation	192,000,000 (Note 2)	–	38.42
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")	Interest in a controlled corporation	192,000,000 (Note 2)	–	38.42
Pou Hing Industrial Co. Ltd. ("Pou Hing")	Interest in a controlled corporation	192,000,000 (Note 2)	–	38.42
Great Pacific Investments Limited ("Great Pacific")	Beneficial owner	192,000,000 (Note 2)	–	38.42
Delta Lloyd Asset Management NV	Beneficial owner	35,028,000	–	7.01

Notes:

1. The entire issued share capital of Time Easy is held by Mr. Chung.

2. The 192,000,000 shares were held by Great Pacific which was wholly-owned by Pou Hing. The entire issued share capital of Pou Hing was held by Yue Yuen in which Wealthplus and Win Fortune Investments Ltd. ("Win Fortune") held an interest of 46.89% and 3.09% respectively. Wealthplus and Win Fortune are in turn wholly-owned by PCC. Accordingly, Pou Hing, Yue Yuen, Wealthplus, Win Fortune and PCC are all deemed to be interested in the 192,000,000 shares held by Great Pacific.

Save as disclosed above, as at 30 September 2013, no person, other than the Directors and Chief Executive, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Interest of the Directors in a competing business required to be disclosed pursuant to Rule 8.10 of the Listing Rules is as follows:

Name of Director	Name of company	Nature of competing business	Nature of interest	Appointment date
Mr. Kuo Tai Yu ("Mr. Kuo")	Yuen Yuen (Note 1)	Garment manufacturing	As a general manager	December 2012
Ms. Chen Fang Mei, Christina ("Ms. Chen")	Din Tsun Holding Co., Ltd. ("Din Tsun") (Note 2)	Garment manufacturing	As a director	April 2011
Mr. Kuo			As a director	April 2013
Ms. Chen Mr. Kuo	Faith Year Investments Limited ("Faith Year") (Note 2)	Garment manufacturing	As a director As a director	August 2010 April 2013
Ms. Chen Mr. Kuo	Pro Kingtex Industrial Co., (HK) Ltd. ("Pro Kingtex") (Note 2)	Garment manufacturing	As a director As a director	August 2010 April 2013

Notes:

1. Yue Yuen is a company listed on the Stock Exchange and is a substantial shareholder of the Company. The principal business activities of Yue Yuen Group are manufacturing and sales of footwear products, and retail and distribution of sportswear products. Based on the published interim report of Yue Yuen, Yue Yuen recorded total revenue of more than US$2 billion for its footwear manufacturing business for the six months ended 30 June 2013. As the Group is principally engaged in the manufacturing and trading of sportswear and garments, the businesses of Yue Yuen Group and the Group potentially compete with each other.

   Given that Yue Yuen Group and the Group are operated by different and separate management team, the Directors consider that the Company is capable of carrying on its business independently of, and at arms length with Yue Yuen Group. Having considered the nature and extent of Mr. Kuo's participation in business of Yue Yuen Group and the Group, the Directors believe that there is unlikely to be any significant competition caused to the business of the Group.

2. Din Tsun is a company incorporated in the British Virgin Islands on 4 January 2005 and is held as to 50% by Yue Yuen Group and 50% by two individuals. Din Tsun and Yue Yuen Group hold 70% and 30% of the issued share capital of Faith Year respectively which in turn wholly-owns Pro Kingtex. Din Tsun and its subsidiaries are investee companies of the Yue Yuen Group. The principal business activities of Din Tsun and its operating subsidiaries including Pro Kingtex are apparel manufacturing of sportswear, casual and outdoor clothes. Based on information provided by Din Tsun, it and its subsidiaries recorded over US$200 million in revenue for the 15 months ended 31 December 2012. Both Ms. Chen and Mr. Kuo have been nominated to the board of directors of Din Tsun, Faith Year and Pro Kingtex to represent the interest of the Yue Yuen Group as an investor.

   While Ms. Chen is not involved in the operation of Din Tsun and its subsidiaries including Pro Kingtex, Mr. Kuo participates in the apparel manufacturing business of Din Tsun and its subsidiaries. Mr. Kuo has confirmed that he is mindful of his duty to avoid conflict of interest. In cases where conflict of interest situation arises, Mr. Kuo will refrain from taking part in the decision making process and will abstain from voting on the relevant resolution in board meeting. On this basis and given that the subsidiaries of Din Tsun including Pro Kingtex have its own management personnel other than Mr. Kuo and that Ms. Chen is not involved in their operations, the Directors believe that the Company is capable of carrying on its business independently of, and at arms length from Ding Tsun and its subsidiaries including Pro Kingtex.

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

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 6 August 2003 has expired and no other share option scheme has been adopted by the Company during the six months ended 30 September 2013. As at 30 September 2013, no share options had been granted under the expired share option scheme of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2013.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2013, except for the deviations set out below:

Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chung Yuk Sing, who has been the Chairman of the Board since 2002, was appointed as the chief executive officer of the Company with effect from 30 June 2013. Notwithstanding the aforesaid deviation, the Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The principal divisions of the Group's businesses are managed by different Directors.

Code Provision A.6.7 of the Code stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. An independent non-executive Director did not attend the annual general meeting of the Company held on 21 August 2013 due to his other commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2013.

AUDIT COMMITTEE

The Audit Committee, comprising the three independent non-executive Directors, has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2013, including the accounting principles adopted by the Group.

REMUNERATION COMMITTEE

A remuneration committee of the Company was established pursuant to the requirements of the Listing Rules. The remuneration committee comprises two independent non-executive Directors, namely, Mr. Chan Cheuk Ho and Mr. Lu Chi Chant and one executive Director, namely, Mr. Chung Yuk Sing. Mr. Chan Cheuk Ho is the chairman of the remuneration committee.

NOMINATION COMMITTEE

A nomination committee of the Company was established pursuant to the requirements of the Listing Rules. The nomination committee comprises two independent non-executive Directors, namely, Mr. Chan Cheuk Ho and Mr. Lu Chi Chant and one executive Director, namely, Mr. Chung Yuk Sing. Mr. Chung Yuk Sing is the chairman of the nomination committee.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4 cents per share for the six months ended 30 September 2013 (2012: HK7 cents) to be payable to shareholders whose names appear on the register of members of the Company on 5 December 2013. The interim dividend will be payable on 19 December 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 December 2013 to 5 December 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the proposed interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 2 December 2013.

DISCLOSURE OF INFORMATION ON THE COMPANY'S AND THE STOCK EXCHANGE'S WEBSITE

This interim report is published on the websites of the Company (http://www.eaglenice.com.hk) and the Stock Exchange (http://www.hkex.com.hk).

On Behalf of the Board
Chung Yuk Sing
Executive Director

Hong Kong, 15 November 2013

As at the date of this report, the Board comprised four executive Directors, namely, Mr. Chung Yuk Sing, Mr. Chen Hsiao Ying, Mr. Kuo Tai Yu and Ms. Chen Fang Mei, Christina and three independent non-executive Directors, namely, Mr. Chan Cheuk Ho, Mr. Lu Chi Chant and Mr. Cheng Yung Hui, Tony.