



# Eagle Nice

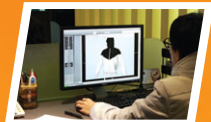
(International) Holdings Limited

鷹美(國際)控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02368)

## PROTO DEVELOPMENT



## PRODUCTION PLANNING



## NO SEW TECHNOLOGY



## SEWING



## READY TO SHIP



## QUALITY CONTROL



## DOWN FILLING

## MATERIAL PROCUREMENT



## CUTTING



## SCREEN PRINTING



## LEAN MANUFACTURING



## LASER CUTTING



2015  
Interim Report

\* 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 2015 together with the comparative unaudited figures for the corresponding period in 2014 and the relevant explanatory notes.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Notes		
REVENUE	2	947,047	885,297
Cost of sales		<u>(728,699)</u>	<u>(721,918)</u>
Gross profit		218,348	163,379
Other income and gain	3	6,271	2,425
Selling and distribution expenses		(10,532)	(9,395)
Administrative expenses		(63,869)	(61,509)
Fair value changes on derivative financial instruments, net		(2,742)	(6,435)
Finance costs	4	<u>(1,553)</u>	<u>(1,920)</u>
PROFIT BEFORE TAX	5	145,923	86,545
Income tax expense	6	<u>(29,898)</u>	<u>(22,835)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>116,025</u>	<u>63,710</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		<u>HK23.22 cents</u>	<u>HK12.75 cents</u>
Diluted		<u>HK23.22 cents</u>	<u>HK12.75 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>116,025</u>	<u>63,710</u>
Other comprehensive income/(expense): Item that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	<u>(20,766)</u>	<u>2,054</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>95,259</u>	<u>65,764</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Notes	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		680,376	714,335
Prepaid land lease payments		69,408	72,407
Goodwill		26,112	26,112
		<u>775,896</u>	<u>812,854</u>
<b>CURRENT ASSETS</b>			
Inventories		200,124	265,899
Accounts and bills receivables	9	351,310	124,192
Prepayments, deposits and other receivables		28,884	47,327
Available-for-sale investments		—	63,750
Cash and cash equivalents		253,380	255,399
		<u>833,698</u>	<u>756,567</u>
<b>CURRENT LIABILITIES</b>			
Accounts payables	10	83,978	105,090
Accrued liabilities and other payables		93,722	86,612
Derivative financial instruments	11	14,609	9,110
Interest-bearing bank borrowings	12	199,013	237,621
Tax payable		48,162	23,586
		<u>439,484</u>	<u>462,019</u>
<b>NET CURRENT ASSETS</b>		<u>394,214</u>	<u>294,548</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,170,110</u>	<u>1,107,402</u>
<b>NON-CURRENT LIABILITIES</b>			
Pension scheme obligation		5,346	4,446
Deferred tax liabilities		14,453	15,425
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>19,799</u>	<u>19,871</u>
		<u>1,150,311</u>	<u>1,087,531</u>
<b>EQUITY</b>			
Issued capital	13	4,997	4,997
Reserves		1,145,314	1,082,534
		<u>1,150,311</u>	<u>1,087,531</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	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	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2015	4,997	472,586	(229)	45,886	112,085	452,206	1,087,531
Profit for the period	-	-	-	-	-	116,025	116,025
Exchange differences on translation of foreign operations	-	-	-	-	(20,766)	-	(20,766)
Total comprehensive income/ (expense) for the period	-	-	-	-	(20,766)	116,025	95,259
Final 2015 dividend	-	-	-	-	-	(32,479)	(32,479)
At 30 September 2015	<u>4,997</u>	<u>472,586</u>	<u>(229)</u>	<u>45,886</u>	<u>91,319</u>	<u>535,752</u>	<u>1,150,311</u>

## For the six months ended 30 September 2014

	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	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2014	4,997	472,586	(229)	37,728	111,397	385,438	1,011,917
Profit for the period	-	-	-	-	-	63,710	63,710
Exchange differences on translation of foreign operations	-	-	-	-	2,054	-	2,054
Total comprehensive income for the period	-	-	-	-	2,054	63,710	65,764
At 30 September 2014	<u>4,997</u>	<u>472,586</u>	<u>(229)</u>	<u>37,728</u>	<u>113,451</u>	<u>449,148</u>	<u>1,077,681</u>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Six months ended	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	(18,309)	47,098
Net cash flows from/(used in) investing activities	60,281	(41,310)
Net cash flows used in financing activities	(38,608)	(54,376)
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,364	(48,588)
Cash and cash equivalents at beginning of period	255,399	276,565
Effect of change in foreign exchange rate, net	(5,383)	(5,773)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	253,380	222,204
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ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	253,380	222,204
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## 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 2015, except in relation to the following 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.

Amendment to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010–2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011–2013 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the 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 reportable 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 months ended 30 September 2015 are as follows:

	Revenue		Segment result	
	Six months ended		Six months ended	
	30 September		30 September	
	(Unaudited)		(Unaudited)	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USA	338,487	275,608	79,287	39,798
Mainland China	290,571	190,913	56,688	31,624
Europe	120,635	183,590	26,589	28,591
Japan	36,103	59,330	5,453	7,378
Others	161,251	175,856	33,225	23,682
	<u>947,047</u>	<u>885,297</u>	<u>201,242</u>	131,073
Other income and gain			6,271	2,425
Unallocated expenses			<u>(61,590)</u>	<u>(46,953)</u>
Profit before tax			145,923	86,545
Income tax expense			<u>(29,898)</u>	<u>(22,835)</u>
Profit for the period attributable to owners of the Company			<u>116,025</u>	<u>63,710</u>



### 3. OTHER INCOME AND GAIN

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Bank interest income	1,101	666
Income derived from available-for-sale investments	884	13
Government grants*	3,539	–
Others	747	1,746
	<u>6,271</u>	<u>2,425</u>

\* There are no unfulfilled conditions or contingencies relating to these grants.

### 4. FINANCE COSTS

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	<u>1,553</u>	<u>1,920</u>

### 5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Depreciation	28,365	31,945
Amortisation of prepaid land lease payments	1,159	1,171
Fair value losses/(gains), net,		
Derivative financial instruments – transactions not qualified as hedges:		
– matured during the period	(2,757)	(1,237)
– not yet matured	5,499	7,672
	<u>5,499</u>	<u>7,672</u>

## 6. INCOME TAX

Hong Kong profits tax for the six months ended 30 September 2015 has been provided at the rate of 16.5% (2014: 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax charge for the period:		
Hong Kong	7,481	7,586
Elsewhere	20,069	14,081
Underprovision of current tax in respect of prior year	1,078	–
Deferred	1,270	1,168
	<hr/>	<hr/>
Total tax charge for the period	29,898	22,835

## 7. INTERIM DIVIDEND

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interim dividend declared of HK\$0.12 per share (2014: HK\$0.06 per share)	59,962	29,980

The Board resolved that an interim dividend of HK\$0.12 per share for the six months ended 30 September 2015 to be paid to the shareholders whose names appear on the Company's register at the close of business on 4 December 2015. The interim dividend was declared after the period ended 30 September 2015, 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\$116,025,000 (2014: HK\$63,710,000) and 499,680,000 (2014: 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 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during those periods.

## 9. ACCOUNTS AND BILLS RECEIVABLES

The Group's accounts receivables 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 receivables are non-interest-bearing.

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

	<b>As at 30 September 2015 (Unaudited) HK\$'000</b>	<b>As at 31 March 2015 (Audited) HK\$'000</b>
Within 30 days	<b>275,071</b>	79,421
31 to 60 days	<b>66,450</b>	37,273
61 to 90 days	<b>3,470</b>	2,592
Over 90 days	<b>6,319</b>	4,906
	<b>351,310</b>	124,192

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 PAYABLES

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

	<b>As at 30 September 2015 (Unaudited) HK\$'000</b>	<b>As at 31 March 2015 (Audited) HK\$'000</b>
Within 90 days	72,468	97,785
91 to 180 days	4,616	623
181 to 365 days	360	307
Over 365 days	6,534	6,375
	<b>83,978</b>	<b>105,090</b>

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

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>As at 30 September 2015 (Unaudited) HK\$'000</b>	<b>As at 31 March 2015 (Audited) HK\$'000</b>
Foreign currency forward contracts	14,609	9,110

The Group has entered into various foreign currency forward contracts to manage its foreign currency risk. These foreign currency forward contracts are designated upon initial recognition as fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives, net, amounting to a loss of HK\$2,742,000 (2014: HK\$6,435,000), were charged to income statement during the period. The above transactions including derivative financial instruments were conducted with creditworthy financial institutions without recent history of default.

The aggregate monthly notional amount of the outstanding contracts as at 30 September 2015 is US\$3.5 million (31 March 2015: US\$5.0 million). The major terms of the contracts are as follows:

- (i) The Group shall sell US\$1 million or US\$0.5 million for RMB at the contracted rates ranging from US\$1 for RMB6.325 to RMB6.380 (31 March 2015: RMB6.300 to RMB6.380) or receive the gain where the spot rate on the fixing date is below the contracted rate.
- (ii) Where the spot rate on the fixing date is above the upper contract rates ranging from US\$1 for RMB6.400 to RMB6.430 (31 March 2015: RMB6.350 to RMB6.430), the Group shall sell double the amount of US\$ for RMB at the contracted rate or pay for the loss.
- (iii) Where the spot rate on the fixing date falls within the upper contract rates and contracted rates, no settlement will be required.

- (iv) The contracts are settled on a monthly interval from September 2014 to November 2016 (31 March 2015: September 2014 to November 2016).
- (v) The contracts will be terminated when either the cumulative positive gain reaches a specific amount at any fixing date set out in the relevant agreements or the spot rate on the fixing date is equal to or below the lower contract rates ranging from US\$1 for RMB6.170 to RMB6.186 (31 March 2015: RMB6.120 to RMB6.186) in the period specified in the relevant agreements.

## 12. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	As at 30 September 2015 (Unaudited) HK\$'000	Effective interest rate	Maturity	As at 31 March 2015 (Audited) HK\$'000
	%			%		
Current						
Bank loans – unsecured	1.09% to 1.29%	On demand	<u>199,013</u>	1.14% to 1.28%	On demand	<u>237,621</u>

As at 30 September 2015, HK\$199,013,000 (31 March 2015: HK\$144,621,000) of the bank borrowings of HK\$199,013,000 (31 March 2015: HK\$237,621,000) were supported by corporate guarantees executed by the Company and a subsidiary of the Company, and an undertaking of the Group not to charge one of the Group's buildings.

As at 30 September 2015, HK\$122,450,000 (31 March 2015: HK\$146,475,000) of the bank borrowings of HK\$199,013,000 (31 March 2015: HK\$237,621,000) were denominated in US\$.

Since the Group's bank borrowings at 30 September 2015 contained repayment on-demand clauses, they were included within current interest-bearing bank borrowings and analysed into bank borrowings repayable on demand.

Based on the maturity terms of the bank borrowings, all the Group's bank borrowings as at 30 September 2015 and 31 March 2015 are repayable within one year.

## 13. ISSUED CAPITAL

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 March 2015: 10,000,000,000) ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
499,680,000 (31 March 2015: 499,680,000) ordinary shares of HK\$0.01 each	<u>4,997</u>	<u>4,997</u>

## 14. CAPITAL COMMITMENTS

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

	<b>As at 30 September 2015 (Unaudited) HK\$'000</b>	<b>As at 31 March 2015 (Audited) HK\$'000</b>
Contracted, but not provided for:		
Purchases of machinery and equipment for the investment in Jiangxi Province, the PRC (the "Jiangxi Project")	284	155
Construction and renovation of factories, and purchases of machinery and equipment for the investment in Indonesia (the "Indonesia Project")	16,732	1,488
Purchases of items of property, plant and equipment	1,541	2,916
Renovation of factories	—	116
	<b>18,557</b>	<b>4,675</b>
Authorised, but not contracted for:		
Investment in the Jiangxi Project	2,932	1,550
Investment in the Indonesia Project	35,118	4,462
Purchases of items of property, plant and equipment	1,906	—
	<b>39,956</b>	<b>6,012</b>

## 15. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation.

## 16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 17 November 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

Global economic growth continued to slow down. The World Bank repeatedly lowered its estimates for the global economic growth rates of 2015 and 2016 in its “Global Economic Prospects” report. The slowdown in the economic growth of developing countries for 2015 is particularly evident. Nevertheless, in the PRC, the State Council announced in late 2014 its plan to include the fitness industry as part of the national strategy and projected a total market worth of over RMB5,000 billion for the nation’s sports industry by 2025. Such policy has provided a new driving force for the sportswear market, a blue ocean that has become a much coveted target for major sporting brands. The potential of the PRC’s consumer market has been clearly reflected in the sales growth of various international sporting brands in 2015. The Group has seized the opportunities arising from these developments and secured growth in tandem with its major customers.

### BUSINESS REVIEW

#### **Implementing our business strategies and objectives**

The Group continued to implement its new business strategy already adopted in recent years to focus on the manufacturing of high-value products. During the period under review, sales of down jackets and functional winter sports jackets increased significantly as a percentage of total sales because of seasonal factors. Such orders for high-end and high-value products have bolstered the Group’s results for the first half of the year.

Meanwhile, the Group also realigned its resources to focus on the development of the business relationships with key customers by offering better and more customised services and manufacturing sportswear with superior quality, striving to provide best-in-class services for all segments from design and development, and tracking of materials to every production detail. As a result, the Group won “the Best Supplier Award” from each of Nike and The North Face during the period, underpinning the excellent performance of the Group in terms of delivery schedules, quality and sustainable development in the past year.

The Group also adjusted the proportion of sales distribution among different markets in response to customers’ requirements. During the period under review, the United States continued to be the largest export market of the Group, accounting for HK\$338.5 million or 35.7% of the Group’s total sales which represented an increase of 22.8% as compared to the same period in last year, as the country saw modest improvements in consumer sentiments amid a relatively stable economy. Sales in the PRC during the period under review increased substantially by 52.2% on the back of growing popularity of sportswear in the PRC and market acceptance of sportswear as fashion. The PRC sales amounted to HK\$290.6 million, accounting for 30.7% of the Group’s total sales, an increment by 9.1% as compared to 21.6% for the same period in last year.



### **Enhancing our production efficiency for cost control**

The labour costs in tandem with economic growth in the PRC and Southeast Asia, as well as insufficient labour supply in the PRC, have posed a prime issue for manufacturers. The Group has been actively enhancing the functions of its machinery to aid production in recent years. It has also introduced a variety of machinery equipment, such as the multi-head sewing machine capable of sewing multiple parallel lines and the automated laser sewing machine for fast and automated cutting of fabric, in order to alleviate the impact of rising labour costs and insufficient labour supply. Besides, production schedules are optimized by application of lean production to shorten the training cycle of workers and increase their production efficiency.

### **Flexible production scheduling among four locations in two countries**


During the period under review, all four production bases have been equipped with specialised production technologies required for orders of high-value products like down jackets. Thus, the Group is able to make flexible production arrangements regarding orders and production processes depending on destination of export, shipment schedules and available capacities in respective production base to utilise its production capacity more fully and increase the Group's overall production efficiency.

## **REVIEW OF FINANCIAL PERFORMANCE**

The Group has been actively optimising its marketing strategies in recent years and has succeeded in substantially enhancing its profitability through ongoing business restructuring initiatives, including focus on the production of high-end and functional products with higher value, improved production efficiency and flexible production scheduling. For the period under review, the Group recorded a moderate 7.0% growth in total sales to HK\$947.0 million (2014: HK\$885.3 million), while net profit rose sharply by 82.1% to HK\$116.0 million (2014: HK\$63.7 million).

As the Group's plants in Jiangxi Province, the PRC (the "Jiangxi Plant") and Indonesia (the "Indonesian Plant"), which were officially commissioned in 2012, were in the investment stage during the early period of operation, they did not generate much profit and resulted in a lower net profit margin for the Group. Since last year, however, operations at the Jiangxi Plant and the Indonesian Plant have stabilised with improved efficiency, and have become profitable. During the period under review, these two plants reported increase in profit when compared with corresponding period in 2014, and contributed to the Group's stellar results for the period.






Given intense competition in and low entry barriers for the sportswear industry, the management of the Group is convinced that a business can only sustain or increase its profit margin and remain competitive in a rigorous environment by focusing on high-end and functional products with higher value. During the period under review, the Group focused on the manufacturing of high-end products, which commanded a double-digit increase in the average selling price and significantly boosted the Group's gross profit margin. Moreover, as the profit of manufacturers has been eroded by increasing production costs in recent years owing to the ongoing increase in minimum wages and statutory staff benefits, the management of the Group has been making strong efforts to enhance production efficiency by improving production processes and implementing cost control measures, resulting in substantial improvements in the Group's profit margin. For the period under review, the Group succeeded in increasing its gross profit by 33.6% to HK\$218.3 million, while its gross profit margin also increased from 18.5% to 23.1%, an improvement by 4.6%. Profit before taxation increased by 68.6% to HK\$145.9 million for the six months ended 30 September 2015 (2014: HK\$86.5 million). The Group's profit before tax margin increased by 5.6% from 9.8% to 15.4%.

The Group's selling and distribution expenses increased by HK\$1.1 million (or 12.1%) primarily in tandem with the growth in sales. Administrative expenses increased slightly by HK\$2.4 million (or 3.8%) and remained at a level similar to that of last year. The decrease in finance costs for the period by HK\$0.4 million (or 19.1%) reflected mainly a decrease in the balance of bank loans during the period. In respect of taxation, the Group's overall tax expenses increased by HK\$7.1 million (or 30.9%) on an effective tax rate of 20.5% (2014: 26.4%). The lower effective tax rate was attributable to the offsetting of losses in previous years against profit for the current period of the Jiangxi Plant and the Indonesian Plant, such that no provision for taxation is required for that profit.

Our results for the six months ended 30 September 2015 was encouraging, with profit attributable to owners of the Company amounting to HK\$116.0 million, a substantial increase of 82.1% compared to HK\$63.7 million for the same period of last year. The net profit margin increased significantly by 5.1% from 7.2% to 12.3% when compared with the same period of last year. Basic earnings per share for the period amounted to HK23.22 cents compared to HK12.75 cents for the same period of last year. The Board recommended an interim dividend of HK12 cents per share compared to HK6 cents for the same period of last year.

## **FUTURE PROSPECTS AND STRATEGY**

Looking to the second half of the year, the Group will continue to be affected by seasonal factors and engaged in the manufacturing and sales of summer sportswear with lower selling prices. With the coming 2016 Olympics and the national policy of the PRC in favor of the development of sport industry, the sportswear sector is set to embrace continuous growth. The Group will commit additional resources to the R&D and design of new products to provide customers with superior products and services with higher value.



The Board has granted approval for the expansion of the Indonesian Plant, and the new production lines are expected to commence operation in 2016 to further increase the Group's production capacity. Meanwhile, the Group will continue to increase the proportion of mechanised production and optimise the production technologies of the four production bases with an ongoing effort to boost the manufacturing capabilities of the Group and prepare itself for the development of products with higher-end functionality.

## 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 2015, the Group had cash and cash equivalents amounting to HK\$253.4 million (31 March 2015: HK\$255.4 million) mainly denominated in Hong Kong dollars, Renminbi, US dollars and Indonesian Rupiah.

As at 30 September 2015, the Group had aggregate bank loan facilities of HK\$595.1 million (31 March 2015: HK\$727.9 million), out of which HK\$595.1 million (31 March 2015: HK\$339.5 million) were secured by corporate guarantees executed by the Company and a subsidiary of the Company, and an undertaking of the Group not to charge one of the Group's buildings. As at 30 September 2015, the bank loan facilities of the Group amounting to HK\$199.0 million (31 March 2015: HK\$237.6 million) were utilised by the Group. As at 30 September 2015 and 31 March 2015, based on the scheduled repayments set out in the relevant loan agreements with banks, all the Group's bank borrowings are repayable within one year.

The management believes that the existing financial resources will be sufficient to meet the existing operations as well as the 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 2015, gearing ratio of the Group, which is defined as the net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity, is not applicable (31 March 2015: N/A).

## FOREIGN EXCHANGE RISK MANAGEMENT

The Group has transactional currency exposures as substantial portion of sales or purchases have operating units in US dollars and RMB. The Group is exposed to foreign exchange risk arising from such exposure to US dollars and RMB. Although the Group tries to maintain the balance of its sales and purchases in the same currency, as the foreign currency risks generated from the sales and purchases can only be partly set off with each other, financial instrument was employed during the period to manage the Group's exposure to the potential exchange rate risk.

The Group will continue to monitor its foreign exchange exposures and use appropriate tools to manage and minimize its foreign exchange risk.

## MATERIAL ACQUISITION OR DISPOSAL

There was no material acquisition or disposal of subsidiaries and associated companies for the six months ended 30 September 2015 (2014: Nil).

## CONTINGENT LIABILITIES

As at 30 September 2015, the Group did not have any significant contingent liabilities (31 March 2015: Nil).

As at 30 September 2015, the Company and a subsidiary of the Company have given corporate guarantees to banks to the extent of HK\$645.4 million (31 March 2015: HK\$339.5 million) for banking facilities granted to certain subsidiaries of the Company, which were utilised to the extent of HK\$226.1 million (31 March 2015: HK\$171.7 million) at the end of the reporting period.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2015, the Group employed a total of approximately 8,100 employees including the directors of the Company (the "Directors") (31 March 2015: approximately 8,000).

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.

## OTHER INFORMATION

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

As at 30 September 2015, 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") set out in Appendix 10 to the Listing Rules, were as follows:

#### The Company:

Name of Director	Capacity	Number of shares held		Percentage of the Company's issued capital
		Long position	Short position	
Mr. Chung Yuk Sing ("Mr. Chung")	Interest in a controlled corporation	72,650,000 (Note)	–	14.54
	Beneficial owner	4,690,000	–	0.93
Mr. Chen Hsiao Ying	Beneficial owner	26,100,800	–	5.22
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 2015, 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 2015, 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:

Name	Capacity	Number of shares held		Percentage of the Company's issued capital
		Long position	Short position	
Time Easy	Beneficial owner	72,650,000 (Note 1)	–	14.54
Pou Chen Corporation ("Pou Chen")	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	34,962,000	–	6.99

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 Pou Chen. Accordingly, Pou Hing, Yue Yuen, Wealthplus, Win Fortune and Pou Chen are all deemed to be interested in the 192,000,000 shares held by Great Pacific.

Save as disclosed above, as at 30 September 2015, 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")	Yue 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\$3.0 billion for its footwear manufacturing business for the six months ended 30 June 2015. 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 teams, 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\$220 million in revenue for the year ended 31 December 2014. 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 with Din 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.


## **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 2015.

## **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 2015, 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. One of the independent non-executive Directors did not attend the annual general meeting of the Company held on 18 August 2015 due to his other commitments.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS**

The Company has adopted the Model Code 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 2015.

## **AUDIT COMMITTEE**

The audit committee of the Company, 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 2015, 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 HK12 cents per share for the six months ended 30 September 2015 (2014: HK6 cents) to be payable to shareholders whose names appear on the register of members of the Company on 4 December 2015. The interim dividend will be payable on 17 December 2015.



## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 December 2015 to 4 December 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 1 December 2015.

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

This interim report is published on the websites of the Company ([www.eaglenice.com.hk](http://www.eaglenice.com.hk)) and the designated issuer website of Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)).

On Behalf of the Board

**Chung Yuk Sing**

*Executive Director*

Hong Kong, 17 November 2015

*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.*