



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

2018

* 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 2018 together with the comparative unaudited figures for the corresponding period in 2017 and the relevant explanatory notes.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Notes	Six months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
REVENUE	2	1,476,600	1,176,471
Cost of sales		(1,241,600)	(946,098)
Gross profit		235,000	230,373
Other income and gains	3	3,065	3,129
Gain on deregistration of a subsidiary		—	47,099
Selling and distribution expenses		(20,392)	(16,491)
Administrative expenses		(85,593)	(72,056)
Finance costs	4	(4,943)	(1,885)
PROFIT BEFORE TAX	5	127,137	190,169
Income tax expense	6	(26,015)	(32,576)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		101,122	157,593
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		HK20.24 cents	HK31.54 cents
Diluted		HK20.24 cents	HK31.54 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	101,122	157,593
Other comprehensive income/(expense): Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	(75,630)	17,440
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	—	(20,360)
	(75,630)	(2,920)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	25,492	154,673

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Notes	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		736,818	768,759
Prepaid land lease payments		54,490	60,877
Goodwill	9	65,262	26,112
Deposits		9,830	13,937
Deferred tax asset		—	1,695
		866,400	871,380
CURRENT ASSETS			
Inventories		410,152	381,985
Accounts and bills receivables	10	499,681	234,072
Prepayments, deposits and other receivables		92,814	56,100
Tax recoverable		—	1,777
Restricted bank balance		—	2,639
Cash and cash equivalents		198,696	222,870
		1,201,343	899,443
CURRENT LIABILITIES			
Accounts payables	11	164,553	145,767
Accrued liabilities and other payables		131,400	110,268
Interest-bearing bank borrowings	12	470,100	196,800
Tax payable		30,263	17,414
		796,316	470,249
NET CURRENT ASSETS		405,027	429,194
TOTAL ASSETS LESS CURRENT LIABILITIES		1,271,427	1,300,574

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2018

	<i>Notes</i>	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Pension scheme obligation		16,764	13,951
Deferred tax liabilities		17,826	15,316
TOTAL NON-CURRENT LIABILITIES		34,590	29,267
		1,236,837	1,271,307
EQUITY			
Issued capital	13	4,997	4,997
Reserves		1,231,840	1,266,310
		1,236,837	1,271,307

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Issued capital (Unaudited) HK\$'000	Share premium account (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 2018	4,997	472,586	(229)	56,547	98,004	639,402	1,271,307
Profit for the period	—	—	—	—	—	101,122	101,122
Exchange differences on translation of foreign operations	—	—	—	—	(75,630)	—	(75,630)
Total comprehensive income/ (expense) for the period	—	—	—	—	(75,630)	101,122	25,492
Final 2018 dividend	—	—	—	—	—	(59,962)	(59,962)
At 30 September 2018	4,997	472,586	(229)	56,547	22,374	680,562	1,236,837

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Issued capital (Unaudited) HK\$'000	Share premium account (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 2017	4,997	472,586	(229)	62,111	47,131	523,753	1,110,349
Profit for the period	—	—	—	—	—	157,593	157,593
Exchange differences on translation of foreign operations	—	—	—	—	17,440	—	17,440
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	—	—	—	—	(20,360)	—	(20,360)
Total comprehensive income/ (expense) for the period	—	—	—	—	(2,920)	157,593	154,673
Transfer of statutory reserve upon deregistration of a subsidiary	—	—	—	(7,757)	—	7,757	—
Final 2017 dividend	—	—	—	—	—	(29,981)	(29,981)
At 30 September 2017	4,997	472,586	(229)	54,354	44,211	659,122	1,235,041

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash flows used in operating activities	(127,417)	(132,383)
Net cash flows used in investing activities	(155,167)	(50,667)
Net cash flows from financing activities	273,900	97,900
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,684)	(85,150)
Cash and cash equivalents at beginning of period	225,509	290,934
Effect of change in foreign exchange rate, net	(18,129)	7,607
CASH AND CASH EQUIVALENTS AT END OF PERIOD	198,696	213,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	198,696	167,758
Non-pledged time deposits with original maturity of less than three months when acquired	—	45,633
Cash and cash equivalents	198,696	213,391

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 financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standards ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 2018, 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 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
<i>Annual Improvements 2014–2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

The impact of the adoption of HKFRS 15 has been summarized below. Other new or amended standards have no material impact on the condensed consolidated financial statements of the Group.



(a) *HKFRS 15 Revenue from Contracts with Customers — Impact of adoption*

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies. The adoption of HKFRS 15 does not have a material impact on the Groups' results and financial positions for the current or prior periods, and therefore no adjustment to the opening balance of equity at 1 April 2018 was recognized.

(b) *HKFRS 15 Revenue from Contracts with Customers — Accounting policies applied from 1 April 2018*

The Group is engaged in manufacturing and trading of sportswear and garments. Sales are recognized when the products are delivered and control of the products has transferred to the customers. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognized when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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 Mainland China, USA, 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 2018 are as follows:

	Revenue Six months ended 30 September (Unaudited)		Segment result Six months ended 30 September (Unaudited)	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Mainland China	447,571	429,448	62,256	74,238
USA	413,298	352,657	55,813	63,520
Europe	270,943	181,412	36,947	31,893
Japan	42,683	28,266	5,717	4,788
Others	302,105	184,688	40,130	29,653
	1,476,600	1,176,471	200,863	204,092
Other income and gains			3,065	3,129
Gain on deregistration of a subsidiary			—	47,099
Unallocated expenses			(76,791)	(64,151)
Profit before tax			127,137	190,169
Income tax expense			(26,015)	(32,576)
Profit for the period attributable to owners of the Company			101,122	157,593

3. Other income and gains

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Bank interest income	648	890
Income derived from available-for-sale investments	233	138
Government grants*	1,602	572
Gain on disposal of items of property, plant and equipment	—	251
Gain on disposal of prepaid land lease payments	—	756
Others	582	522
	3,065	3,129

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

4. Finance costs

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest on bank loans	4,943	1,885

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Depreciation	33,230	24,637
Amortisation of prepaid land lease payments	1,018	1,003
Gain on disposal of items of property, plant and equipment	—	(251)
Gain on disposal of prepaid land lease payments	—	(756)

6. Income tax

Hong Kong profits tax for the six months ended 30 September 2018 has been provided at the rate of 16.5% (2017: 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax charge for the period:		
Hong Kong	13,084	8,754
Elsewhere	9,031	12,732
Deferred	3,900	11,090
Total tax charge for the period	26,015	32,576

7. Interim dividend

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interim dividend declared of HK\$0.14 per share (2017: HK\$0.18 per share)	69,955	89,942

The Board resolved that an interim dividend of HK\$0.14 per share for the six months ended 30 September 2018 to be paid to the shareholders whose names appear on the Company's register at the close of business on 5 December 2018. The interim dividend was declared after the period ended 30 September 2018, 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\$101,122,000 (2017: HK\$157,593,000) and 499,680,000 (2017: 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 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. Goodwill

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Cost:		
At beginning of period/year	26,112	26,112
Acquisition of subsidiaries (note 15)	39,150	—
At the end of period/year	65,262	26,112

The Group's goodwill was wholly allocated to a cash-generating unit engaged in the manufacture and trading of sportswear and garments (the "Unit").

Goodwill is tested for impairment annual or more frequently if events or changes in circumstances indicate that the carry value may be impaired. The recoverable amount of the Unit has been determined from the value in use, which is calculated with reference to cash flow projections based on a five-year period financial budget approved by senior management of the Group.

10. Accounts and bills receivables

The Group's accounts and bills 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:

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Within 30 days	345,460	179,753
31 to 60 days	147,188	14,312
61 to 90 days	2,830	30,024
Over 90 days	4,203	9,983
	499,681	234,072

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.

11. Accounts payables

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

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Within 90 days	132,358	143,246
91 to 180 days	19,785	1,523
181 to 365 days	10,120	147
Over 365 days	2,290	851
	164,553	145,767

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

12. Interest-bearing bank borrowings

	Effective Interest rate %	Maturity	As at 30 September 2018 (Unaudited) HK\$'000	Effective Interest rate %	Maturity	As at 31 March 2018 (Audited) HK\$'000
Current						
Bank loans — unsecured	2.40% to 3.06%	On demand	470,100	1.42% to 2.50%	On demand	196,800

As at 30 September 2018, all of the bank borrowings of HK\$470,100,000 (31 March 2018: HK\$196,800,000) were supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

As at 30 September 2018, HK\$234,900,000 (31 March 2018: HK\$47,100,000) of the bank borrowings were denominated in US\$.

Based on the maturity terms of the bank borrowings, all the Group's bank borrowings as at 30 September 2018 and 31 March 2018 are repayable within one year.

13. Issued capital

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Issued and fully paid: 499,680,000 (31 March 2018: 499,680,000) ordinary shares of HK\$0.01 each	4,997	4,997

14. Related party transactions

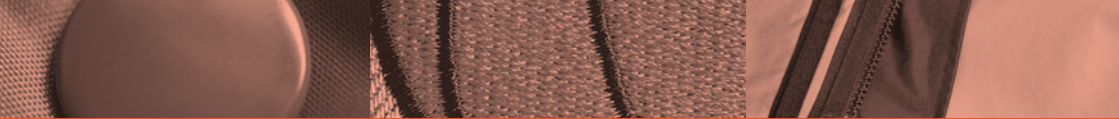
The Group entered into the following related party transactions during the reporting period:

	Transactions				Balances	
	Six months ended 30 September				As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
	Note	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	Note		
Rental charge paid to a related company	(i)	2,244	—	(ii)	561	—
Service fee paid to a related company	(i)	3,317	—	(ii)	766	—

Notes:

- (i) All the transactions were made on similar terms with other non-related parties of the Group.
- (ii) The balances with the related party are repayable on similar terms with other non-related parties of the Group.

All amounts are unsecured, interest-free and payable under normal trade credit terms.



15. Business combination

On 1 June 2018, the Group completed the acquisition from Pro Kingtex Industrial Company Limited (the "Vendor") for its subsidiaries for a consideration of US\$31,617,998 (equivalent to approximately HK\$246.6 million). Please refer to the section headed "Material Acquisition or Disposal" below for details. The acquired group is principally engaged in the trading and manufacturing of sportswear. The transaction had been accounted for using the acquisition method. Acquisition-related costs amounting to HK\$1,671,000 was included in the cost of acquisition. The amount of goodwill arising from the acquisition was HK\$39,150,000.

As of the date of approval of these condensed consolidated financial statements, the process of allocating the deemed purchase price for the acquisition was still on-going by the directors of the Company. The preliminary purchase price allocation as set out below is based on preliminary estimates by management and is subject to change.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date, which are determined on a provisional basis.

	Fair value <i>HK\$'000</i>
Plant and equipment	7,491
Inventories	78,116
Accounts and bills receivables	24,569
Prepayments, deposits and other receivables	5,563
Amount due from the Vendor (the "Consideration Debt")	82,782
Cash and bank balances	53,914
Accounts payable	(13,059)
Accrued liabilities and other payables	(25,229)
Tax payable	(3,425)
Net identifiable assets acquired	210,722
Goodwill on Acquisition	39,150
Total consideration	249,872
Satisfied by:	
Cash consideration	165,419
Amount set-off against the Consideration Debt	82,782
Direct costs relating to the Acquisition	1,671
	249,872
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	53,914
Cash paid	(165,419)
	(111,505)

The acquired business contributed revenues of HK\$119,602,000 and net profit of HK\$6,234,000 to the Group for the period from 1 June 2018 to 30 September 2018.

16. Capital commitments

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

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (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	991	2,236
Purchases of machinery and equipment for the investment in Indonesia	4,078	912
Purchases of items of machinery and equipment	25,659	13,636
	30,728	16,784

17. Post balance sheet event

On 18 October 2018, Jespar Age Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement pursuant to which Jespar Age Limited has conditionally agreed to acquire 100% interest in Prospect Converge Limited and its subsidiaries which are principally engaged in manufacturing and sales of clothing, sporting goods and accessories. The initial consideration payable by the Group for such acquisition amounts to RMB194,833,825 (equivalent to approximately HK\$220,892,849), subject to the adjustment at the completion. Details of such acquisition have been disclosed in the Company's announcement dated 18 October 2018.

18. Approval of the interim financial statements

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 12 November 2018.



MANAGEMENT DISCUSSION AND ANALYSIS

The demand for sporting goods increased during the first half of 2018 amidst a relatively stable global economic environment, boosted by a number of influential global sporting events which encouraged mass participation in sporting events. With rising disposable income and continuing improvements in living standard, China and the Asia Pacific Region are set to become high-growth markets for sporting goods. Looking into the second half of 2018, it is anticipated that more possibilities will emerge in the business environment as nations of the World seek different opportunities for development amidst an evolving economic environment. The management of the Group believes that these changes will not only bring challenges but will also present new development opportunities to the Group as an industry player.

Industry and business review

The Group is engaged in the manufacturing of sportswear that is both functional and fashionable for internationally renowned sportswear brands. As the health consciousness with an appreciation for the importance of physical and psychological well-being continued to grow among the general public, sporting activities are no longer a privilege for youngsters and people from different age groups are also actively participating in various types of sports.

Sports lovers prefer smart-looking and fashionable sportswear that offers comfort and protection when they are in action. The general public prefers wearing comfortable sportswear during leisure time. Meanwhile, commuters are looking for fashionable active wear with energy and style to complement their work wardrobe. The changing fashion trend has not only opened a new market niche for leisure sportswear, but has also called for higher quality in sportswear, driving stable expansion of the sporting product industry and contributing to stable growth in the Group's sales to three major markets, namely, China, United States and Europe. Turnover growth has also increased the pressure on the Group's production capacity but advancement in mechanised production and the additional capacity provided by the Group's newly acquired production facilities in Vietnam helped to alleviate such pressure during the period.



Mechanisation in production

In view of ongoing industry consolidation in the apparel manufacturing market in recent years, the Group made ongoing efforts to increase the ratio of mechanised production and improve production efficiency and product quality, and to reduce the impact of labour shortage and rising labour costs by closely monitoring the trends in the international apparel industry. Coupled with the application of technologies in mechanised production developed on the back of the incessant innovative efforts of the Group's new research and development team to facilitate large-scale production, the Group's products have been enhanced in terms of variety and versatility.

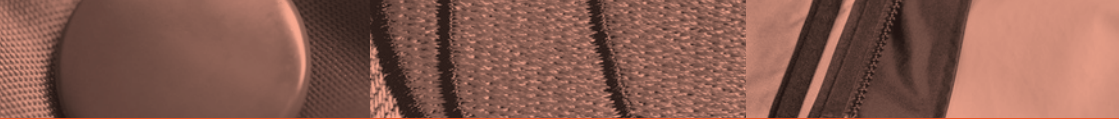
Overseas capacity expansion

To expand the Group's production capacity, the Group acquired new production facilities in Vietnam during the period under review and these facilities were officially incorporated into the Group in June 2018. The addition of the new production facilities in Vietnam has alleviated the pressure brought by labour shortage in China and the Group's bottleneck in capacity, while expanding the capacity of its overseas plants to address overseas markets growth and challenges in the new economic environment in the future.

To facilitate swift and faster integration of the production facilities in Vietnam into the Group's production model, the Group has committed input in equipment upgrades, system connection, departmental reorganization, staff training and other aspects. While production costs for the coming financial year will inevitably increase given the associated amortisation and labour costs, the management of the Group believes that the Group will welcome faster and better development after the reorganisation is completed.

Review of financial performance

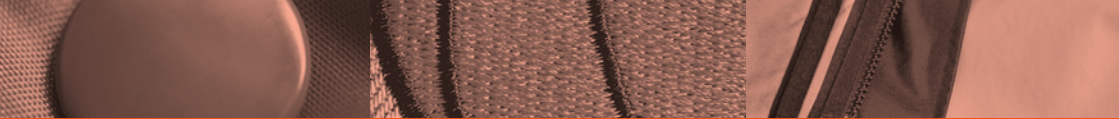
For the period under review, total sales of the Group increased substantially by 25.5% to HK\$1,476.6 million, increasing by HK\$300.1 million over HK\$1,176.5 million for the corresponding period of last year. Gross profit increased by 2.0% to HK\$235.0 million (2017: HK\$230.4 million), while gross profit margin dropped by 3.7% from 19.6% to 15.9%. The Group's profit before tax decreased by 33.1% to HK\$127.1 million (2017: HK\$190.2 million), and profit margin before tax decreased by 7.6% from 16.2% to 8.6%. The notable decline in the Group's profit before tax was mainly attributable to the booking of a substantial gain of HK\$47.1 million arising from the deregistration of a PRC subsidiary incurred in the corresponding period of last year. Excluding such exceptional gain, the Group's profit before tax would have decreased by 11.1% to HK\$127.1 million (2017: HK\$143.1 million) and the Group's operating profit margin before tax would have decreased by 3.6% from 12.2% to 8.6%.



In light of increasing demand from customers amidst growing demand for sportswear in the market, the Group's existing production facilities had been operating at close to full capacity. To facilitate capacity expansion, the Group successfully acquired production facilities in Vietnam during the period under review. The acquired production facilities commenced operations in 2005 and is principally engaged in the manufacturing of sportswear substantially the same as those of the Group with the employment of approximately 3,000 skilled workers. The acquisition was completed on 1 June 2018, allowing the Group to generate additional sales for the period under review as a result of increased production capacity immediately following the completion, while easing the challenge in terms of labour costs and labour shortage relating to the Group's production bases in China. In addition, owing to the occurrence of extreme weather conditions in recent years, the demand for functional thermal sportswear increased substantially and contributed to the substantial growth in the Group's total sales during the period.

The decline in gross profit margin by 3.7% despite growth in total sales reflected the substantial increase in the cost of the major materials for the production of functional thermal sportswear during the period under review, which is in line with the substantial growth in demand for materials required for the manufacturing of such sportswear amidst market expectations of extreme weather as mentioned above, resulting in negative impact of increase in cost on the Group's profit margin. The ongoing rise in workers' minimum wage and benefits, meanwhile, has further increased the Group's manufacturing costs and eroded its profit.

As a result of the increase in sales, the Group's selling and distribution expenses increased by HK\$3.9 million or 23.7%, comparable to that of last year as a percentage of total sales. Administrative expenses increased by HK\$13.5 million or 18.8%, mainly due to the increase in staff salaries on annual reviews and the recruitment of additional staff in order to cope with business growth and capacity expansion. Finance costs increased substantially by HK\$3.1 million or 162.2% compared to the corresponding period of last year, reflecting the increase in the Group's bank loans to cope with its business expansion and higher loan interest rates during the period after the United States had started a rate hike cycle. In respect of taxation, the Group's overall tax expenses for the period decreased by HK\$6.6 million (or 20.1%) in line with the decline in profit. The effective tax for the period was 20.5%, which was 2.3% less than the effective tax rate of 22.8% (excluding the exceptional gain of HK\$47.1 million on deregistration of a PRC subsidiary recorded in the corresponding period of last year) for the corresponding period of last year, reflecting the increase in profit from regions subject to lower tax rates as a percentage of total profit as compared to the corresponding period of last year.



Other income and gains of HK\$3.1 million (2017: HK\$3.1 million) mainly comprised financial award granted by the Government of China amounting to HK\$1.6 million (2017: HK\$0.6 million) and bank interest income of HK\$0.6 million (2017: HK\$0.9 million).

For the six months ended 30 September 2018, profit attributable to equity owners of the Company was HK\$101.1 million, decreasing by 35.8% as compared to HK\$157.6 million for the corresponding period of last year. Compared with the corresponding period of last year, net profit margin decreased by 6.6% from 13.4% to 6.8%. Excluding the exceptional gain of HK\$47.1 million on deregistration of a PRC subsidiary recorded in the corresponding period of last year, the Group's net profit for the corresponding period of last year would have been HK\$110.5 million and net profit for the period would decrease by 8.5% to HK\$101.1 million as well as net profit margin for the period decreasing by 2.6% from 9.4% to 6.8%. Basic earnings per share for the period was HK20.24 cents, versus HK31.54 cents for the corresponding period of last year. The Board has proposed payment of an interim dividend of HK14 cents (2017: HK18 cents) per share.

Outlook

The Board believes that the sports apparel market has potential for further growth, and it is important that the Group enhances its production capacity in order to seize development opportunities. As the Group is approaching operation at full capacity, the management has been seeking suitable partners for cooperation to ensure ongoing development.

Subsequent to the period under review in October 2018, the Group identified and entered into two memoranda of understanding in respect of possible acquisition and possible financing with the owner of a sportswear manufacturing group for a production base in Hubei, China (the "Partner Group"). Its major customers include famous Chinese sportswear brands and its principal operations are similar to those of the Group. The management believes that the Group's production capacity will be increased with the service of additional skilled workers following the aforesaid acquisition, while its customer base will also be expanded. On 18 October 2018, the Group and the owner of the Partner Group entered into a sale and purchase agreement in respect of the acquisition of the Partner Group and, subject to the fulfilment of certain precedent conditions, completion of the transaction is expected to take place on or before 28 February 2019 which is before the end of the forthcoming financial year ending 31 March 2019. The acquisition is set to enhance the Group's strengths in production and add pace to its development.



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 2018, the Group had cash and cash equivalents amounting to HK\$198.7 million (31 March 2018: HK\$222.9 million) mainly denominated in Hong Kong dollars, Renminbi, US dollars, Indonesian Rupiah and Vietnamese Dong.

As at 30 September 2018, the Group's banking facilities were supported by the corporate guarantees executed by the Company and certain subsidiaries of the Company to the extent of HK\$660.7 million (31 March 2018: HK\$627.1 million), of which an aggregate amount of HK\$470.1 million (31 March 2018: HK\$196.8 million) was utilised. Based on the maturity terms of the bank borrowings, as at 30 September 2018 and 31 March 2018, all bank borrowings of the Group are repayable within one year.

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

Gearing ratio of the Group is defined as net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity. The Group's gearing ratio as at 30 September 2018 is 21.9% (31 March 2018: not applicable).

Foreign exchange risk management

The Group has transactional currency exposures as substantial portion of sales or purchases are transacted in US dollars and RMB. The Group is exposed to foreign exchange risk mainly 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 may be employed when necessary 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

On 29 March 2018, Pro Kingtex Industrial Company Limited (the “Vendor”) (an indirectly non-wholly-owned subsidiary of Yue Yuen Industrial (Holdings) Limited (“Yue Yuen”) (stock code: 00551)), whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and Jespar Age Limited (the “Purchaser”) (a directly wholly-owned subsidiary of the Company) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”), pursuant to which and subject to the satisfaction of the conditions set out therein, the Vendor had agreed to sell, and the Purchaser had agreed to purchase, the entire shareholding interests in two companies incorporated in the British Virgin Islands for a consideration of US\$31,617,998 (equivalent to approximately HK\$246.6 million) (the “Acquisition”). As the Acquisition contemplated under the Sale and Purchase Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules, it was subject to the reporting, announcement and independent shareholders’ approval requirements. At the extraordinary general meeting of the Company held on 21 May 2018, the independent shareholders of the Company had passed an ordinary resolution to approve the Acquisition and completion of the Acquisition took place during the period under review on 1 June 2018.

Upon completion of the Acquisition, the Group owned (i) 100% shareholding interest of Year Fortune Group Limited (“Year Fortune”), which has a branch established in Taiwan, namely, Year Fortune Group Limited Taiwan Branch; and (ii) 100% shareholding interest of Faith Year Investments Limited (“Faith Year”), which has two subsidiaries, namely, Pro Kingtex Industrial Co., (HK) Limited (“Pro Kingtex HK”) and Pro Kingtex Vietnam Co., Limited.

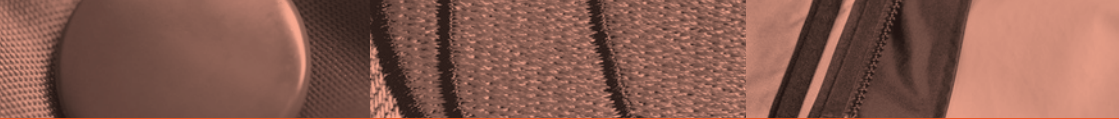
Details of the Sale and Purchase Agreement and the transactions contemplated thereunder have been disclosed in the announcements of the Company dated 29 March 2018, 3 April 2018, 27 April 2018 and 1 June 2018 respectively, and the circular of the Company dated 30 April 2018.

During the six months ended 30 September 2017, a PRC subsidiary was deregistered.

Contingent liabilities

As at 30 September 2018, the Group did not have any significant contingent liabilities (31 March 2018: Nil).

As at 30 September 2018, the Group’s banking facilities were supported by the corporate guarantees executed by the Company and certain subsidiaries of the Company to the extent of HK\$660.7 million (31 March 2018: HK\$627.1 million), of which an aggregate amount of HK\$470.1million (31 March 2018: HK\$196.8 million) was utilised.



Employees and remuneration policies

As at 30 September 2018, the Group employed a total of approximately 11,800 employees including the directors of the Company (the "Directors") (31 March 2018: approximately 9,000).

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 and defined contribution retirement benefits scheme for the employees of the Group in Hong Kong and to the pension scheme for the employees of the Group in China, Indonesia and Vietnam.

OTHER INFORMATION

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 September 2018, 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 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		Percentage of issued share capital of the Company
		Long position	Short position	
Mr. Chung Yuk Sing ("Mr. Chung")	Interest in a controlled corporation	72,650,000 (Note)	—	14.54
	Beneficial owner	17,104,000	—	3.42
Mr. Chen Hsiao Ying	Beneficial owner	31,880,800	—	6.38

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 2018, 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 2018, 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 issued share capital of the Company
		Long position	Short position	
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	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

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 2018, 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.

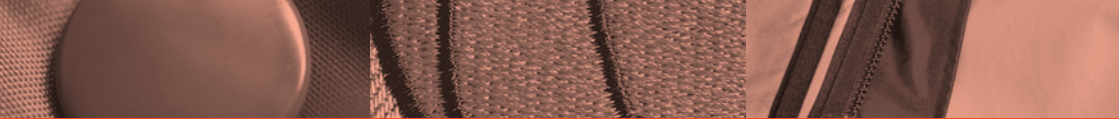
Directors’ interest in a competing business

During the six months ended 30 September 2018, 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. Lee Cheng Chuan (“Mr. Lee”)	Yue Yuen (Note 1)	Garment manufacturing	As a vice president	June 2014
Ms. Chen Fang Mei, Christina (“Ms. Chen”) Mr. Lee	Faith Year (Note 2)	Garment manufacturing	As a director	August 2010
			As a director	August 2016
Ms. Chen Mr. Lee	Pro Kingtex HK (Note 2)	Garment manufacturing	As a director	August 2010
			As a director	August 2016
Ms. Chen Mr. Lee	Year Fortune (Note 2)	Garment manufacturing	As a director	October 2016
			As a director	October 2016
Mr. Lee	Tien Pou International Ltd (“Tien Pou”) (Note 3)	Garment manufacturing	As a director	October 2016

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 and its subsidiaries (“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 around US\$2.8 billion for its footwear manufacturing business for the six months ended 30 June 2018. 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 arm's length with Yue Yuen Group. Having considered the nature and extent of Mr. Lee'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. During the period from 1 October 2017 to 31 May 2018, Yue Yuen Group held 95% of the shareholding interests of Faith Year and Year Fortune. Faith Year owns the entire shareholding interests of Pro Kingtex HK. Year Fortune, Faith Year and its subsidiaries (the "Relevant Companies") were investee companies of the Yue Yuen Group prior to 1 June 2018. The principal business activities of the Relevant Companies are apparel manufacturing of sportswear and casual and outdoor clothes. Based on information provided by the Relevant Companies, it recorded US\$56 million in revenue for the year ended 31 December 2017. Both Ms. Chen and Mr. Lee had been nominated to the board of directors of the Relevant Companies to represent the interests of Yue Yuen Group as an investor. With effect from 1 June 2018, Year Fortune, Faith Year and Pro Kingtex HK have become wholly-owned subsidiaries of the Company. Please refer to the section headed "Material Acquisition or Disposal" above for details.

During the period from 1 April 2018 to 31 May 2018, while Ms. Chen was not involved in the operation of the Relevant Companies, Mr. Lee participated in the apparel manufacturing business of the Relevant Companies. Mr. Lee confirmed that he had no conflict of interest during the aforesaid period.

3. Tien Pou is a company incorporated in the Cayman Islands on 3 June 2016 and is held as to 40% by Yue Yuen Group and 60% by an independent corporation. The principal business activities of Tien Pou are apparel manufacturing of sportswear, casual and outdoor clothes. Based on information provided by Tien Pou, it recorded US\$41 million in revenue for the year ended 31 December 2017. Mr. Lee has been nominated to the board of directors of Tien Pou to represent the interest of the Yue Yuen Group as an investor.

Given that Mr. Lee is not involved in the operation of Tien Pou, the Directors believe that the Company is capable of carrying on its business independently of, and at arm's length from Tien Pou.

Save as disclosed above, none of the Directors or their respective close associates (as defined under the Listing Rules) 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 2018.

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 2018, 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.

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 2018.

AUDIT COMMITTEE

The audit Committee of the Company (the "Audit Committee") consists of three independent non-executive Directors. The Audit Committee has reviewed with management the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018, including the accounting principles adopted by the Group, risk management and internal controls.



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 HK14 cents per share for the six months ended 30 September 2018 (2017: HK18 cents) to be payable to shareholders whose names appear on the register of members of the Company on Wednesday, 5 December 2018. The interim dividend will be payable on Monday, 17 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 December 2018 to Wednesday, 5 December 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the 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 Friday, 30 November 2018.



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 designated issuer website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>).

On Behalf of the Board
Chung Yuk Sing
Executive Director

Hong Kong, 12 November 2018

As at the date of this report, the Board comprises four executive directors, namely, Mr. Chung Yuk Sing, Mr. Chen Hsiao Ying, Ms. Chen Fang Mei, Christina and Mr. Lee Cheng Chuan and three independent non-executive directors, namely, Mr. Chan Cheuk Ho, Mr. Lu Chi Chant and Ms. Tham Kit Wan.