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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

- Revenue in 2019 increased by 28.0% to HK$2,700.8 million compared with HK$2,109.4 million in 2018.
- Gross profit margin in 2019 decreased from 19.2% to 15.5% and net profit margin attributable to owners of the Company decreased from 10.9% to 5.2% when compared with last year.
- Profit for the year attributable to owners of the Company was HK$140.4 million, representing 39.0% decrease compared to HK$230.0 million in the previous year.

* *For identification purposes only*

The board of directors (the "Board") of Eagle Nice (International) Holdings Limited (the "Company") is pleased to announce the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019 together with the comparative figures for the corresponding year in 2018 and the relevant explanatory notes as set out below.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
REVENUE	*3*	**2,700,780**	2,109,422
Cost of sales		**(2,283,010)**	(1,703,605)
Gross profit		**417,770**	405,817
Other income and gains, net	*4*	**7,556**	12,828
Selling and distribution expenses		**(33,345)**	(33,528)
Administrative expenses		**(197,186)**	(154,733)
Gain on deregistration of a subsidiary		**-**	47,099
Finance costs	*5*	**(12,120)**	(3,817)
PROFIT BEFORE TAX	*6*	**182,675**	273,666
Income tax expense	*7*	**(44,527)**	(43,654)
PROFIT FOR THE YEAR		**138,148**	230,012
ATTRIBUTABLE TO:			
Owners of the Company		**140,418**	230,012
Non-controlling interests		**(2,270)**	-
		138,148	230,012
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
Basic		**27.7**	46.0
Diluted		**27.7**	46.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR	**138,148**	230,012
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gain/(loss) on a defined benefit plan	**4,067**	(4)
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(75,642)**	83,001
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	**-**	(32,128)
	(75,642)	50,873
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**(71,575)**	50,869
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**66,573**	280,881
ATTRIBUTABLE TO:		
Owners of the Company	**68,639**	280,881
Non-controlling interests	**(2,066)**	-
	66,573	280,881

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**924,268**	768,759
Prepaid land lease payments		**130,270**	60,877
Goodwill		**100,334**	26,112
Intangible assets		**16,817**	-
Deposits		**35,271**	13,937
Deferred tax asset		**-**	1,695
Total non-current assets		**1,206,960**	871,380
CURRENT ASSETS			
Inventories		**501,901**	381,985
Accounts and bills receivables	*10*	**411,242**	234,072
Prepayments, deposits and other receivables		**96,515**	56,100
Tax recoverable		**7,503**	1,777
Pledged deposits		**15,204**	-
Restricted bank balance		**585**	2,639
Cash and bank balances		**193,834**	222,870
Total current assets		**1,226,784**	899,443
CURRENT LIABILITIES			
Accounts and bills payables	*11*	**258,169**	145,767
Accrued liabilities and other payables		**187,589**	110,268
Interest-bearing bank borrowings		**572,155**	196,800
Tax payable		**37,308**	17,414
Total current liabilities		**1,055,221**	470,249
NET CURRENT ASSETS		**171,563**	429,194
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,378,523**	1,300,574
NON-CURRENT LIABILITIES			
Pension scheme obligation		**14,321**	13,951
Deferred tax liabilities		**39,435**	15,316
Total non-current liabilities		**53,756**	29,267
Net assets		**1,324,767**	1,271,307

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2019

	Notes	**2019**	2018
		HK$'000	HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**5,320**	4,997
Reserves		**1,298,760**	1,266,310
		1,304,080	1,271,307
Non-controlling interests		**20,687**	-
Total equity		**1,324,767**	1,271,307

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards for the first time for the current year's financial statements.

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

Other than as explained below regarding the impact of HKFRS 9 *Financial Instruments*, HKFRS 15 *Revenue from Contracts with Customers* and Amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Classification and measurement

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group's financial liabilities. Upon adoption of HKFRS 9 on 1 April 2018, all of the Group's financial assets are reclassified from loans and receivables under HKAS 39 to financial assets at amortised cost under HKFRS 9.

Impairment

HKFRS 9 requires an impairment on debt instruments not held at fair value through profit or loss to be recorded based on an expected credit loss ("ECL") model either on a twelve-month basis or on a lifetime basis. The Group applied the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its accounts receivable. Furthermore, the Group applied the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other financial assets within the next twelve months. The adoption of the ECL model has had no significant impact on the impairment allowance for doubtful debts as at 1 April 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The Group's contracts with customers for the sale of goods include only one single performance obligation. Revenue from the sale of goods is recognised at the point in time when control of goods is transferred to the customer, generally on delivery of the goods. The Group has concluded that the adoption of HKFRS 15 has had no significant impact on these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group determines that there are five reportable operating segments, based on the location of customers (the destination of sales), including Mainland China, the United States of America (the "USA"), Europe, Japan and others. These segments are managed separately as each segment is subject to risks and returns that are different from one another.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income and other unallocated income and gains, gain on deregistration of a subsidiary and unallocated expenses are excluded from such measurement.

An analysis of revenue and results by reportable segments is as follows:

	Segment revenue		**Segment results**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China	**1,097,635**	753,101	**133,449**	125,291
USA	**725,423**	636,840	**88,169**	109,997
Europe	**419,467**	311,858	**55,297**	51,000
Japan	**80,337**	67,848	**9,170**	11,379
Others	**377,918**	339,775	**60,580**	54,516
	2,700,780	2,109,422	**346,665**	352,183
Interest income and other unallocated income and gains			**7,556**	12,828
Gain on deregistration of a subsidiary			**-**	47,099
Unallocated expenses			**(171,546)**	(138,444)
Profit before tax			**182,675**	273,666
Income tax expense			**(44,527)**	(43,654)
Profit for the year			**138,148**	230,012

<u>Geographical information - non-current assets</u>

	2019	2018
	HK$'000	HK$'000
Hong Kong	**19,701**	19,955
Mainland China	**871,884**	644,565
Indonesia	**170,931**	179,053
Vietnam	**44,110**	-
	1,106,626	843,573

The non-current assets information above is based on the locations of the assets and excludes goodwill and deferred tax asset.

3. OPERATING SEGMENT INFORMATION (continued)

	2019	2018
	HK$'000	HK$'000
Revenue from contracts with customers	**2,700,780**	-
Sale of goods	**-**	2,109,422
	2,700,780	2,109,422

<u>Revenue from contracts with customers</u>

(i) Disaggregated revenue information

For the year ended 31 March 2019

	HK$'000
Geographical markets	
Mainland China	1,097,635
USA	725,423
Europe	419,467
Japan	80,337
Others	377,918
	2,700,780

(ii) Performance obligation

Sale of goods

The performance obligation is satisfied upon delivery of the goods and the payment is generally due within one to three months from delivery.

Revenue from the sale of goods is recognised at a point in time when control of goods is transferred to customer, generally on delivery of the goods.

<u>Information about major customers</u>

Revenue of HK$1,819,380,000 (2018: HK$1,407,865,000) and HK$553,259,000 (2018: HK$529,600,000) was derived from sales to the largest customer and the second largest customer of the Group, respectively. The above amounts include sales to groups of entities which are known to be under common control with these customers.

4. OTHER INCOME AND GAINS, NET

	2019	2018
	HK$'000	HK$'000
Other income and gains, net		
Bank interest income	**1,695**	1,789
Income derived from financial assets at fair value through profit or loss/ available-for-sale investments	**1,184**	633
Government grants*	**4,031**	3,872
Gain/(loss) on disposal of items of property, plant and equipment, net	**(317)**	719
Gain on disposal of prepaid land lease payments	**-**	1,645
Foreign exchange differences, net	**-**	3,437
Others	**963**	733
	7,556	12,828

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

5. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest on bank loans	**12,120**	3,817

6. PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	HK$'000
Cost of inventories sold	**2,283,010**	1,703,605
Depreciation*	**72,621**	53,986
Amortisation of prepaid land lease payments*	**2,485**	2,037
Amortisation of intangible assets	**2,947**	-
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	**599,615**	472,845
Pension contributions, including a pension cost for a defined benefit plan of HK$5,044,000 (2018: HK$4,279,000)	**105,975**	73,189
Less: Forfeited contributions	**-**	(12)
Net pension contributions	**105,975**	73,177
Total employee benefit expenses*	**705,590**	546,022
Foreign exchange differences, net	**1,205**	(3,437)
Minimum lease payments under operating leases	**5,688**	-
Loss/(gain) on disposal of items of property, plant and equipment, net	**317**	(719)
Gain on disposal of prepaid land lease payments	**-**	(1,645)
Income derived from financial assets at fair value through profit or loss/ available-for-sale investments	**(1,184)**	(633)

6. PROFIT BEFORE TAX (continued)

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

	2019	2018
	HK$'000	HK$'000
Gain on deregistration of a subsidiary	**-**	(47,099)

* Included in the respective balances are the following amounts which are also included in the cost of inventories sold disclosed above:

	2019	2018
	HK$'000	HK$'000
Depreciation	**51,674**	39,678
Amortisation of prepaid land lease payments	**2,163**	1,693
Employee benefit expenses	**600,877**	452,916

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2019	2018
	HK$'000	HK$'000
Current tax charge for the year:		
Hong Kong	**17,138**	17,176
Elsewhere	**25,512**	14,380
Underprovision/(overprovision) for current tax in respect of prior years	**(200)**	2,358
Deferred	**2,077**	9,740
Total tax charge for the year	**44,527**	43,654

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company for the year of HK$140,418,000 (2018: HK$230,012,000) and the weighted average number of ordinary shares 505,790,000 (2018: 499,680,000) in issue during the year, as adjusted to reflect the new shares issued during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during those years.

9. DIVIDENDS

	2019	2018
	HK$'000	HK$'000
Dividends paid during the year:		
Final in respect of the financial year ended 31 March 2018 – HK12 cents (2018: HK6 cents) per ordinary share	**59,962**	29,981
Interim - HK14 cents (2018: HK18 cents) per ordinary share	**69,955**	89,942
	129,917	119,923
Proposed final dividend – HK6 cents (2018: HK12 cents) per ordinary share	**31,920**	59,962

The proposed final dividend for the year is based on the number of shares in issue as at the reporting date, and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

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 90 days (2018: 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 Group does not hold any collateral or other credit enhancements over its accounts and bills receivables balances. The accounts and bills receivables are non-interest-bearing. At the end of the reporting period, 55% (2018: 75%) and 15% (2018: 23%) of the total accounts and bills receivables were due from the Group's largest customer and the second largest customer, respectively.

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

	2019	2018
	HK$'000	HK$'000
Within 30 days	**284,442**	179,753
31 to 60 days	**46,630**	14,312
61 to 90 days	**68,711**	30,024
Over 90 days	**11,459**	9,983
	411,242	234,072

11. ACCOUNTS AND BILLS PAYABLES

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

	2019	2018
	HK$'000	HK$'000
Within 90 days	**237,916**	143,246
91 to 180 days	**519**	1,523
181 to 365 days	**19,084**	147
Over 365 days	**650**	851
	258,169	145,767

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

MANAGEMENT DISCUSSION AND ANALYSIS

Global Economy

The global economy experienced a turbulent year in 2018. The EU economy was troubled by developments such as the Brexit, the refugee crisis problem and the yellow vests movement in France. The recent rise of trade protectionism was underpinned by a total of 40 new trade-restrictive measures applied by Group of 20 (G20) countries during a short span of six months from May to October 2018, including tariff increases, import bans and export duties. According to the statistics of the World Trade Organization, the trade coverage of these new measures imposed by G20 economies is more than 6 times larger than that recorded in the previous six-month period. Coupled with escalating trade tussles between China and the United States in 2019, the increasing policy uncertainties and the continued volatility in the US Dollar - RMB exchange rate were posing a significantly higher level of risks and difficulties to export enterprises.

Industry and Market Review

In tandem with the people's increasing health awareness, sports and exercises have become an indispensable part of their life. Consumers' demand for sportswear has been growing in both quantity and quality. After years of market absorption and correction, the sportswear industry welcomed a new phase of development. The markets of the sporting industry and sportswear sector were expanding with a growing level of industry concentration.

Business Review

The Group has been focusing on the manufacturing of professional and leisure sportswear on behalf of avant-garde international sportswear brands for worldwide supply. Despite the impact of the global economic slowdown and the China-U.S. trade tussle, the Group reported annual revenue in excess of HK$2.7 billion on a 28% growth as it capitalised on opportunities arising amidst the growth trend of the sportswear market driven by the exponential growth of Internet-based channels and the crave for fashionable sportswear, thanks to the support of its customers. Nevertheless, profit was subject to pressure as the Group's production costs increased as a result of additional depreciation costs incurred on the new purchase of machineries and equipment following the completion of acquisitions of production bases (the "Acquisitions") in Vietnam and in the Hubei Province ("Hubei"), the PRC, retraining costs and interest expenses. Going forward, the management will endeavor to shorten the run-in period and increase our overall production efficiency, in order to foster sustainable core competitiveness and deliver added value to shareholders.

Financial Review

Financial Performance

For the year under review, the Group reported record-high total sales of HK2,700.8 million, representing a substantial increase of 28.0% or HK$591.4 million as compared to total sales of HK$2,109.4 million for last year, which was attributable to the significant expansion in production capacity following the Acquisitions and stronger sales of functional thermal sportswear products during the year. Gross profit for the year increased slightly by 2.9% to HK$417.8 million (2018: HK$405.8 million), while gross profit margin for the year dropped by 3.7% from 19.2% to 15.5%. The Group's profit before tax decreased by 33.2% to HK$182.7 million (2018: HK$273.7 million), while profit margin before tax also decreased by 6.2% from 13.0% to 6.8%. Included in the profit before tax for last year of HK$273.7 million was a substantial gain of HK$47.1 million arising from the deregistration of a subsidiary in the PRC during last year. Excluding such special gain, the Group's profit before tax for last year would have been HK$226.6 million with a profit margin before tax of 10.7%. The Group's operating profit before tax dropped by 19.4% to HK$182.7 million (2018: HK$226.6 million, excluding the above gain on deregistration of a subsidiary of HK$47.1 million), while operating profit margin before tax dropped by 3.9% from 10.7% to 6.8%.

Following a period of industry consolidation for the manufacturing sector over the years, the Group had become a major partner for its customers, and customer orders had been increasing. As the existing production facilities of the Group had been operating at close to full capacity, in order to step up with capacity expansion to meet increasing demands from customers, the Group acquired production bases in Vietnam and Hubei during the year. The Group's capacity has been substantially increased following the completion of the Acquisitions on 1 June 2018 and 22 January 2019, respectively. The production base in Vietnam had previously been engaged in the manufacturing of sportswear, and its products had been largely the same as those in the Group's business. It had approximately 3,000 workers. The Hubei production base had also been engaged in the manufacturing of sportswear. It had approximately 2,000 workers. The Acquisitions contributed to additional sales for the Group amounting to HK$360.6 million during the year, while alleviating the challenge of labour costs and labour shortage faced by the Group's production bases in the Guangdong Province, the PRC. In terms of products, the Group's sales of functional thermal sportswear increased during the year. The significant increase in the market demand for functional thermal sportswear driven by extreme weather conditions in recent years is another factor contributing to the substantial increase in the Group's total sales.

Notwithstanding significant growth in total sales for the year, the Group reported only a slight increase in gross profit by HK$12.0 million and a 3.7% decline in gross profit margin. While the Acquisitions provided extra capacity for the Group with immediate effect, production efficiency was affected as the existing manufacturing equipment at the two bases were not advanced enough, resulting in a lower gross profit margin. Substantial additional capital expenditures were incurred to purchase advanced machinery and equipment during the year to improve the production efficiency, but such a move also increased the Group's depreciation costs. During the early post-acquisition period when production efficiency at the two bases had yet to be improved, the Group's overall gross profit margin was inevitably compromised. Moreover, as discussed above, while the demand for functional thermal sportswear increased substantially amidst market anticipation of extreme weather conditions, the raw material costs for manufacturing of such sportswear also significantly increased with substantial demand for such raw material, which had a negative impact on the Group's profit margin. The ongoing rise in workers' minimum wage and benefits, meanwhile, further increased the Group's manufacturing costs and eroded its profit.

While the Group's sales increased by HK$591.4 million, there was a slight decrease in the Group's selling and distribution expenses by HK$0.2 million, which was attributable primarily to the write-back of aged provisions for sales expenses. Moreover, the delivery charges relating to new sales arising from the acquisition of the Hubei production base during the year were borne by the customers. Excluding the aforesaid factors, selling and distribution expenses as a percentage of sales would have been flat compared to the previous year. Administrative expenses increased by HK$42.5 million, reflecting mainly additional expenses in connection with the Acquisitions, coupled with the increase in staff salaries on annual reviews and the recruitment of additional staff to cope with business growth and capacity expansion. Additional legal and other professional costs were also incurred for the year in connection with the Acquisitions. The Group's overall average bank loan amount for the year increased substantially owing to the Acquisitions and expansion of business and capacity. The loan interest rate for the year also increased, as compared to the previous year, such that interest expenses increased substantially by HK$8.3 million or 217.5% as compared to the previous year. In respect of taxation, the Group's overall tax expenses for the year increased by HK$0.9 million (or 2.0%). As the production bases in Vietnam and Hubei acquired during the year did not generate profit for the Group in the early post-acquisition period, the effective tax rate for the year was 22.7% after the deduction of losses incurred by the production bases in Vietnam and Hubei, which was 3.4% higher than the effective tax rate of 19.3% of last year (excluding the exceptional gain of HK$47.1 million on deregistration of a PRC subsidiary recorded in last year), reflecting the increase in profit from regions subject to higher tax rates.

Other income and gains amounted to HK$7.6 million (2018: HK$12.8 million), comprising mainly financial award granted by the PRC Government amounting to HK$4.0 million (2018: HK$3.9 million), bank interest income of HK$1.7 million (2018: HK$1.8 million). Other income and gains in last year also comprised gains on disposal of property, plant and equipment and prepaid land lease payments amounting to HK$2.4 million.

Profit attributable to owners of the Company amounted to HK$140.4 million for the year ended 31 March 2019, representing a decrease of HK$89.6 million or 39.0% compared to HK$230.0 million for last year. Net profit margin attributable to owners of the Company decreased by 5.7% from 10.9% to 5.2%. Excluding the gain on deregistration of a PRC subsidiary amounting to HK$47.1 million incurred last year, net operating profit attributable to owners of the Company would have dropped by 23.2% to HK$140.4 million (2018: HK$182.9 million) and net operating profit margin attributable to owners of the Company would have dropped by 3.5% from 8.7% to 5.2%. Basic earnings per share attributable to owners of the Company for the year amounted to HK27.7 cents compared to HK46.0 cents for last year. The Board proposed to recommend payment of a final dividend of HK6 cents (2018: HK12 cents) per share. Together with the interim dividend of HK14 cents per share paid during the year, the dividend payout ratio for the year was 72.6% (2018: 65.2%).

Liquidity and Financial Resources

During the year 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 31 March 2019, the Group had cash and bank balances amounted to HK$193.8 million (31 March 2018: HK$222.9 million) mainly denominated in Hong Kong dollars, Renminbi ("RMB"), US dollars, Indonesian Rupiah and Vietnamese Dong.

As at 31 March 2019, the Group's banking facilities of HK$818.8 million (2018: HK$627.1 million) were supported by the corporate guarantees of HK$685.3 million (2018: HK$627.1 million) executed by the Company and certain subsidiaries of the Company. As at 31 March 2019, an aggregate amount of the Group's banking facilities of HK$572.2 million (31 March 2018: HK$196.8 million) was utilised.

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 with favourable terms. There is no material effect of seasonality on the Group's borrowing requirements.

Gearing ratio of the Group is defined as the net debt (represented by bank borrowings net of cash and bank balances) divided by the total equity. The Group's gearing ratio as at 31 March 2019 is 28.6% (31 March 2018: not applicable).

Foreign Exchange Risk Management
The Group has transactional currency exposures as substantial portion of sales or purchases are denominated 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 partially 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 minimise its foreign exchange risk.

Material Acquisitions and Disposals
Other than the Acquisitions as mentioned above, there was no acquisition or disposal of subsidiaries during the year ended 31 March 2019. During the year ended 31 March 2018, a PRC subsidiary was deregistered.

Contingent Liabilities
The Group did not have any significant contingent liabilities as at 31 March 2019 (31 March 2018: Nil).

Outlook

Following rapid development in previous years, the Group's plants in the PRC and Indonesia had been operating at close to full capacity. To capitalise on growth in the global sportswear market, the Group completed the Acquisitions during the year to increase its capacity in line with its future global development planning.

China and Vietnam: a two-pronged strategy
Vietnam production base is located within the Vietnam Industry Park which is owned and run by Yue Yuen Industrial (Holdings) Limited, a substantial shareholder of the company (stock code: 00551) and its subsidiary. Vietnam production base has been in operation since 2005, employing approximately 3,000 skilled workers. By expanding its overseas production capacity, the Group has enhanced its ability to allocate and reallocate its capacity, which enables it to operate with added flexibility to support its customers' global sales strategies in a fast-changing business environment.

The ratio of sales to Mainland China of the Group increased to 41% for the year. To further enhance the production efficiency and sales of sportswear to Mainland China, the Group acquired Hubei production base staffed with a sufficient number of skilled workers, so as to strengthen the Group's team of talents and swiftly boost the Group's production capacity. Meanwhile, a well-known Chinese sportswear brand has become the Group's customer following the acquisition of Hubei production base, hence enlarging its customer base and its sales to Mainland China.

Automated production
To keep up with the dominant trend of automation in industrial production, the Group has installed a range of intelligent automated machinery equipment at its plants (including recently acquired ones), and implemented the 4Ms of Manufacturing (Man, Machine, Materials, Method) management at these plants, seeking to improve its overall production efficiency through Big Data analysis and equipment upgrades. In recent years, the Group has been focused on the development of technical innovation capabilities, with

consistent efforts to improve R&D centres and install advanced equipment, such as 3D model design system, laser cutting and seamless adhesion, among others, at its major production facilities. Capitalising on mainstream fashion and major market trends, the Group continued to work diligently to improve the quality of its services and maintain close partnerships with customers.

Corporate Social Responsibility

In line with its consistent support for environmental protection and community care, the Group participated in the campaigns of Food Angel and hosted A Day with Food Angel to enhance staff understanding in food wastage and poverty in Hong Kong and encourage them to cherish food. The Group also teamed up with Food Angel to prepare more than 1,000 hot meals for the needy using surplus food collected, in an effort to reward the society.

The Group cares for each and every employee and supports employees' quest for work-life balance and endeavour to foster a pleasant workplace for them. During the year, the Group was once again awarded the title of "Happy Company" under a programme hosted by the Promoting Happiness Index Foundation of Hong Kong and implemented by the Hong Kong Productivity Council.

Employees and Remuneration Policies

As at 31 March 2019, the Group employed a total of approximately 14,000 employees including directors (31 March 2018: approximately 9,000). Total employee benefit expenses including directors' and chief executive's emoluments were HK$705.6 million for the year under review (2018: HK$546.0 million).

The employees including directors are remunerated based on their work 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 the PRC and Indonesia.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION 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 year.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK6 cents (2018: HK12 cents) per ordinary share payable on Thursday, 12 September 2019 to persons who are registered shareholders of the Company on Wednesday, 28 August 2019 subject to the approval of shareholders of the Company at the forthcoming annual general meeting (the "AGM"). Together with the interim dividend of HK14 cents per ordinary share (2018: HK18 cents), the total dividend for the financial year is HK20 cents (2018: HK30 cents) per ordinary share.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to Attend and Vote at the AGM

The AGM will be held on Tuesday, 20 August 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 15 August 2019 to Tuesday, 20 August 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, on Level 54 (on or before 10 July 2019, Level 22), Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 August 2019.

(b) Entitlement to the Proposed Final Dividend

For determining the entitlement to the proposed final dividend for the year ended 31 March 2019 (subject to approval by the shareholders of the Company at the AGM), the register of members of the Company will be closed from Monday, 26 August 2019 to Wednesday, 28 August 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at the above address for registration no later than 4:30 p.m. on Friday, 23 August 2019.

CORPORATE GOVERNANCE

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2019, 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of the directors, the directors confirmed that they had complied with the required standard set out in the Model Code during the year.

AUDIT COMMITTEE

Reviews of the audit committee of the Company ("Audit Committee") cover the accounting principles and practices adopted by the Group, findings of the independent internal audit service provider, and financial matters including the review of consolidated financial statements of the Group for the year ended 31 March 2019. Audit Committee comprises the three independent non-executive directors of the Company, namely Mr. Chan Cheuk Ho, Mr. Lu Chi Chant and Ms. Tham Kit Wan. The chairman of Audit Committee, Mr. Chan Cheuk Ho, has appropriate professional qualifications and experience in financial matters.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the Company (http://www.eaglenice.com.hk). The annual report for the year ended 31 March 2019 will be despatched to the shareholders and will be available on the aforesaid websites in due course.

By order of the Board
Chung Yuk Sing
Executive Director

Hong Kong, 26 June 2019

As at the date of this announcement, the Board comprises six executive directors, namely, Mr. Chung Yuk Sing, Mr. Chen Hsiao Ying, Mr. Huang Yongbiao, Ms. Chen Fang Mei, Christina, Mr. Hu Dien Chien 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.