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## **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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 September 2021 increased by 4.9% to HK\$2,018.8 million compared with HK\$1,923.9 million for the corresponding period in 2020.
- Gross profit margin decreased from 22.5% to 18.3% for the six months ended 30 September 2021 when compared with corresponding period in 2020.
- Profit attributable to owners of the Company was HK\$167.7 million for the six months ended 30 September 2021, representing a decrease of 27.4% compared to HK\$230.8 million for the corresponding period in 2020.
- The Board resolves to declare an interim dividend of HK22 cents per share for the six months ended 30 September 2021 (2020: HK30 cents per share).

\* *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 interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2021 together with the comparative unaudited figures for the corresponding period in 2020 and the relevant explanatory notes.

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	2020
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>REVENUE</b>	4	<b>2,018,830</b>	1,923,855
Cost of sales		<u><b>(1,649,158)</b></u>	<u>(1,491,411)</u>
Gross profit		<b>369,672</b>	432,444
Other income and gains, net	4	<b>9,098</b>	11,956
Selling and distribution expenses		<b>(17,367)</b>	(15,662)
Administrative expenses		<b>(128,644)</b>	(118,547)
Finance costs	5	<u><b>(2,517)</b></u>	<u>(3,329)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>230,242</b>	306,862
Income tax expense	7	<u><b>(56,367)</b></u>	<u>(69,467)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>173,875</b></u>	<u>237,395</u>
Attributable to:			
Owners of the Company		<b>167,676</b>	230,809
Non-controlling interests		<u><b>6,199</b></u>	<u>6,586</u>
		<u><b>173,875</b></u>	<u>237,395</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE</b>			
<b>TO OWNERS OF THE COMPANY</b>	9		
Basic		<u><b>HK31.52 cents</b></u>	<u>HK43.39 cents</u>
Diluted		<u><b>HK31.52 cents</b></u>	<u>HK43.39 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>PROFIT FOR THE PERIOD</b>	<u><b>173,875</b></u>	<u>237,395</u>
<b>OTHER COMPREHENSIVE INCOME:</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u><b>22,695</b></u>	<u>52,088</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><b>196,570</b></u>	<u>289,483</u>
Attributable to:		
Owners of the Company	<u><b>189,665</b></u>	281,610
Non-controlling interests	<u><b>6,905</b></u>	<u>7,873</u>
	<u><b>196,570</b></u>	<u>289,483</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2021**

		As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		818,142	828,991
Right-of-use assets		183,646	169,448
Goodwill		100,334	100,334
Intangible assets		9,168	10,579
Deposits		62,338	14,779
		<hr/>	<hr/>
<i>Total non-current assets</i>		<b>1,173,628</b>	<b>1,124,131</b>
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		551,568	572,713
Accounts receivable	10	489,982	348,046
Prepayments, deposits and other receivables		65,078	83,028
Tax recoverable		1,404	1,731
Restricted bank balance		604	593
Cash and bank balances		464,213	442,395
		<hr/>	<hr/>
<i>Total current assets</i>		<b>1,572,849</b>	<b>1,448,506</b>
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Accounts payable	11	292,847	273,654
Accrued liabilities and other payables		203,797	170,123
Interest-bearing bank borrowings	12	371,806	428,438
Lease liabilities		8,743	3,406
Tax payable		106,658	80,754
		<hr/>	<hr/>
<i>Total current liabilities</i>		<b>983,851</b>	<b>956,375</b>
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>588,998</b>	<b>492,131</b>
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,762,626</b>	<b>1,616,262</b>
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
**AS AT 30 SEPTEMBER 2021**

	<i>Notes</i>	<b>As at 30 September 2021 (Unaudited) HK\$'000</b>	<b>As at 31 March 2021 (Audited) HK\$'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Pension scheme obligation		<b>24,368</b>	20,947
Lease liabilities		<b>15,454</b>	5,686
Deferred tax liabilities		<b>39,001</b>	38,556
		<hr/>	<hr/>
<i>Total non-current liabilities</i>		<b>78,823</b>	65,189
		<hr/>	<hr/>
Net assets		<b>1,683,803</b>	1,551,073
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		<b>5,320</b>	5,320
Reserves		<b>1,633,172</b>	1,507,347
		<hr/>	<hr/>
		<b>1,638,492</b>	1,512,667
<b>Non-controlling interests</b>		<b>45,311</b>	38,406
		<hr/>	<hr/>
Total equity		<b>1,683,803</b>	1,551,073
		<hr/>	<hr/>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated interim 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 condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2021.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 March 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16

*Interest Rate Benchmark Reform – Phase 2*

Amendment to HKFRS 16

*COVID-19-Related Rent Concessions  
beyond 30 June 2021*

Other than as explained below regarding the impact of amendment to HKFRS 16, the adoption of the revised standards had no material impact on the results and financial position for the current or prior accounting periods which have been prepared and presented.

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has adopted the amendment on 1 April 2021 and applied the practical expedient during the period ended 30 September 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$513,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to condensed consolidated income statement for the period ended 30 September 2021.

### 3. OPERATING 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, Europe, the United States of America (the “USA”), Japan and others. These segments are managed separately as each segment is subject to risks and returns that are different from one another.

The revenue and the result of each operating segment for the six months ended 30 September 2021 are as follows:

	Revenue		Segment result	
	Six months ended		Six months ended	
	30 September		30 September	
	(Unaudited)		(Unaudited)	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China	1,084,721	906,994	204,860	201,933
Europe	352,033	347,687	56,917	72,496
USA	323,055	388,702	43,410	75,016
Japan	43,661	59,612	5,348	10,321
Others	215,360	220,860	37,380	53,506
	<u>2,018,830</u>	<u>1,923,855</u>	<u>347,915</u>	<u>413,272</u>
Interest income and other unallocated income and gains			9,098	11,956
Unallocated expenses			<u>(126,771)</u>	<u>(118,366)</u>
Profit before tax			230,242	306,862
Income tax expense			<u>(56,367)</u>	<u>(69,467)</u>
Profit for the period			<u>173,875</u>	<u>237,395</u>

#### 4. REVENUE AND OTHER INCOME AND GAINS, NET

(a) An analysis of revenue is as follows:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
- sale of sportswear and garments	<u>2,018,830</u>	<u>1,923,855</u>

(b) An analysis of other income and gains, net is as follows:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1,268	1,255
Income derived from financial assets at fair value through profit or loss	1,957	993
Government grants*	5,322	8,237
Gain/(loss) on disposal and write-off of items of property, plant and equipment, net	(186)	157
Others	<u>737</u>	<u>1,314</u>
	<u>9,098</u>	<u>11,956</u>

\* The amount represents various government grants received by certain subsidiaries of the Group established in Mainland China for promoting the manufacturing industry and maintaining the employment rate. For the six months ended 30 September 2020, the amount also included government subsidies under the COVID-19 relief scheme received by certain subsidiaries of the Group incorporated in Hong Kong. There are no unfulfilled conditions or contingencies relating to these grants.

## 5. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	2,234	3,085
Interest on lease liabilities	<u>283</u>	<u>244</u>
	<u>2,517</u>	<u>3,329</u>

## 6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	46,372	42,788
Depreciation of right-of-use assets	7,626	8,064
Amortisation of intangible assets	1,410	1,410
(Gain)/loss on disposal and write-off of items of property, plant and equipment, net	<u>186</u>	<u>(157)</u>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$ '000</b>	<b>HK\$ '000</b>
Current tax charge for the period:		
Hong Kong	<b>12,281</b>	21,397
Elsewhere	<b>44,148</b>	47,501
Deferred	<b>(62)</b>	569
	<hr/>	<hr/>
Total tax charge for the period	<b>56,367</b>	69,467
	<hr/>	<hr/>

## 8. INTERIM DIVIDEND

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$ '000</b>	<b>HK\$ '000</b>
Interim dividend declared of HK\$0.22 per share (2020: HK\$0.30 per share)	<b>117,040</b>	159,600
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The Board resolved that an interim dividend of HK\$0.22 per share for the six months ended 30 September 2021 to be paid to the shareholders whose names appear on the Company's register at the close of business on 1 December 2021. The interim dividend was declared after the period ended 30 September 2021, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$167,676,000 (2020: HK\$230,809,000) and 532,000,000 (2020: 532,000,000) 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 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during those periods.

## 10. ACCOUNTS RECEIVABLE

	<b>As at 30 September 2021 (Unaudited) HK\$'000</b>	<b>As at 31 March 2021 (Audited) HK\$'000</b>
Accounts receivable	<b><u>489,982</u></b>	<b><u>348,046</u></b>

The Group's accounts receivable mainly relates to a few recognised and creditworthy customers. The credit period is generally for a period of 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivable 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 receivable balance. The accounts receivable is non-interest-bearing.

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

	<b>As at 30 September 2021 (Unaudited) HK\$'000</b>	<b>As at 31 March 2021 (Audited) HK\$'000</b>
Within 30 days	<b>421,716</b>	252,399
31 to 60 days	<b>49,229</b>	61,832
61 to 90 days	<b>8,899</b>	28,514
Over 90 days	<b><u>10,138</u></b>	<u>5,301</u>
	<b><u>489,982</u></b>	<b><u>348,046</u></b>

The accounts receivable balance is neither past due nor impaired. It relates to customers for which there was no recent history of default.

## 11. ACCOUNTS PAYABLE

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

	<b>As at 30 September 2021 (Unaudited) HK\$'000</b>	<b>As at 31 March 2021 (Audited) HK\$'000</b>
Within 90 days	<b>267,116</b>	255,261
91 to 180 days	<b>15,356</b>	10,615
181 to 365 days	<b>4,613</b>	1,493
Over 365 days	<b>5,762</b>	6,285
	<b><u>292,847</u></b>	<b><u>273,654</u></b>

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

## 12. INTEREST-BEARING BANK BORROWINGS

	<b>Effective interest rate %</b>	<b>Maturity</b>	<b>As at 30 September 2021 (Unaudited) HK\$'000</b>	<b>Effective interest rate %</b>	<b>Maturity</b>	<b>As at 31 March 2021 (Audited) HK\$'000</b>
<b>Current</b>						
Bank loans	<b>0.78% to 0.98%</b>	<b>On demand</b>	<b><u>371,806</u></b>	<b>0.85% to 1.01%</b>	<b>On demand</b>	<b><u>428,438</u></b>

As at 30 September 2021, bank borrowings of HK\$371,806,000 (31 March 2021: HK\$428,438,000) were supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

As at 30 September 2021, HK\$371,806,000 (31 March 2021: HK\$428,438,000) 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 2021 and 31 March 2021 are repayable within one year.

## 13. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 12 November 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

During the year 2021, the world continued the united effort to fight against the pandemic amidst the unprecedented challenges in global economy. As a result of the active drive and implementation of vaccination programmes in various regions, economic activities were transformed and rebooted. The Tokyo Olympic Games held during the reporting period and other international sporting tournaments continued to drive a global favour for sports and demand for sportswear. With online buying becoming the new normal, the premium sportswear market had entered into a new era of fast turnover.

### **BUSINESS REVIEW**

#### ***Overseas production capacity***

The Group's management is profoundly aware of the advantages as well as the difficulties of operating businesses in various countries and has been closely monitoring regional market developments to instantly address the present challenges and plan ahead for targeted future business growth. During the reporting period, a number of Southeast Asian countries were plagued by COVID variants and implemented partial or full-scale lockdowns. Among them, the government of Ho Chi Minh City, Vietnam announced tightened anti-pandemic measures in mid-July, causing production suspension at the Group's production base in Vietnam for over two months and postponement of its acquisition project in Vietnam. The Group adopted flexible response by reallocating the productivities of various production bases in various locations and succeeded in maintaining mild growth in sales. However, the rising labour costs and global freight costs inevitably caused an adverse impact on the Group's profit for the period.

#### ***Manufacturing in China***

The Chinese economy remained robust and underpinned by the palpable advantages of its overall economy and its production and supply chain in the international market. The national policy of "World Sports Power" promoted by the Chinese government fostered an ambience for workouts and exercises provided strong support for the development of the sporting economy and stimulated the demand for high-quality sportswear. To cope with the surging domestic sales, famous brand owners and customers were in need of an efficient and seamless supply chain. Given the Group's advantage of ample production capacity in China, it was able to seize the business opportunities and met the fast-changing demands in the market with the aid of digitalised supply-chain technologies. The Group will make vigorous plans for the rapid expansion of its domestic production capacity and react timely to the opportunities presented by the forthcoming rapid development of China's sports industry by expanding its manufacturing capacities and optimising its production processes.

### ***Digitalisation of factories***

The Group is committed to the application of various capabilities in digitalisation and innovation to build a solid foundation for Big Data operational model. Ongoing optimisation of processes and product quality was facilitated through the cloud system based on marketing and production data in order to achieve maximum utilisation of resources. The Group employed 3D simulation sample manufacturing skill to bring the Group to enter into the new era of digitalised manufacturing from systematic design to production, fostering close connection with its customers and suppliers on the back of its enterprise resource planning system developed over the years. The Group will make diversified and strategic investments in new operational models and innovative technologies to further enhance its response efficiency and align with the rapidly-changing sales models of its customers.

### ***United anti-pandemic efforts***

Employees are the most important assets of the Group. The Group is grateful to all staff who have been charging forward against all difficulties in a united and incessant effort and demonstrating the resolute perseverance underlining team spirit. To ensure staff safety at work under the pandemic and to enhance awareness for hygiene, health and safety, the Group has engaged in active implementation of anti-pandemic measures. In addition to daily sanitisation and anti-pandemic health promotion, the Group's workshops have also been redesigned to allow staff to maintain a safe distance at work and to ensure that all staff could work with ease of mind and fight the pandemic together.

## **REVIEW OF FINANCIAL PERFORMANCE**

During the period, the impact of COVID-19 on different countries was varied. The pandemic was alleviated in advanced countries through the popularisation of vaccines, while developing countries were suffering from worsened conditions and pandemic spread further because of insufficient vaccine supply. Global economic activities were also restrained under different anti-pandemic policies adopted by various nations. China adhered to "zero-COVID" policy underpinned by rigorous quarantine and lockdown measures. Vietnam also adopted stringent anti-pandemic measures in the third quarter of 2021, resulting in the suspension of major economic activities and negative impact to various degrees on Asia-based garment manufacturers. Meanwhile, advanced countries generally pursued a policy of coexistence with the virus so that economic activities gradually resumed with rising demand for consumer products, resulting in a substantial increase in the demand for cargo freight. However, the undersupply of containers and freight workers led to a substantial increase in transportation cost and production costs for manufacturers rose significantly consequently.

The Group reported a mild growth of 4.9% in total sales to HK\$2,018.8 million for the period under review, representing an increase of HK\$94.9 million as compared to HK\$1,923.9 million for the corresponding period of last year, despite austere global economic conditions. Nevertheless, gross profit decreased by 14.5% to HK\$369.7 million (2020: HK\$432.4 million), while gross profit margin decreased by 4.2% from 22.5% to 18.3%. The Group's profit before tax decreased by 25.0% to HK\$230.2 million (2020: HK\$306.9 million), while pre-tax profit margin decreased by 4.6% from 16.0% to 11.4%.

In previous years, the Group was able to deliver stellar results and record-high profits despite ongoing austerity in the global economy subject to the impacts of COVID-19 and China-U.S. trade conflict. Nevertheless, operations at the Group's production base in Vietnam were temporarily suspended during the period from mid-July 2021 to early October 2021 in compliance with anti-pandemic measures adopted by the Vietnamese government against COVID-19. Moreover, as a result of the substantial increase in transportation cost for the period mentioned above, coupling with the termination of COVID-19 relief measures granted to the Group by the China government during the last year of 2020, the production costs for the period had further increased. Owing to the occurrence of the above uncontrollable and unpreventable factors, it was inevitable to bring about a slowdown in the Group's sales growth and a significant erosion of the Group's profit for the period.

The Group's selling and distribution expenses for the period under review increased by HK\$1.7 million or 10.9%, which was in tandem with increased sales of HK\$94.9 million or 4.9% and was also caused by the great rise in transportation cost described above. Administrative expenses increased by HK\$10.1 million or 8.5%, owing mainly to the increase in staff salaries after annual adjustments and the hiring of additional staff to cope with business growth and enhance the Group's product design and development function. Finance cost for the period decreased by HK\$0.8 million or 24.4%, which was in line with the reduction in bank loan utilisation during the period as a result of the ongoing repayment of additional bank loans incurred during the previous years in connection with the acquisition of the Hubei and Vietnam production bases, as well as lower bank loan interest rates for the period compared to the corresponding period of last year. As for taxation, the Group's overall tax expenses for the period decreased by HK\$13.1 million or 18.9% on an effective tax rate of 24.5%, an increase of 1.9% over 22.6% for the corresponding period of last year reflecting an increased percentage share of profit from regions subject to higher tax rates as compared to the corresponding period of last year.

Other income and gains amounted to HK\$9.1 million (2020: HK\$12.0 million), comprising mainly incentive or subsidies granted by governments amounting to HK\$5.3 million (2020: HK\$8.2 million) and bank interest income of HK\$1.3 million (2020: HK\$1.3 million).

Profit attributable to owners of the Company amounted to HK\$167.7 million for the six months ended 30 September 2021, representing a substantial decrease of 27.4% compared to HK\$230.8 million for the corresponding period of last year. Net profit margin attributable to owners of the Company decreased by 3.7% from 12.0% to 8.3%. Basic earnings per share attributable to owners of the Company for the period amounted to HK31.52 cents compared to HK43.39 cents for the corresponding period of last year. The Board proposed to recommend payment of an interim dividend of HK22 cents (2020: HK30 cents) per share.

## **SUBSEQUENT EVENTS**

### ***Subscription of New Shares under the General Mandate***

On 3 November 2021, the Company and Mr. Ade Tjakralaksana (the “Subscriber”), an independent third party, entered into a subscription agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, up to 1,800,000 new shares in the share capital of the Company (the “Subscription Shares”) for an aggregate consideration of HK\$7,614,000. The Subscription Shares will be allotted and issued pursuant to the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 18 August 2021 (the “Subscription”).

### ***Acquisition of the Target Company***

On 3 November 2021, the Group, through two indirect wholly-owned subsidiaries of the Company, entered into a conditional sale and purchase of shares agreement with the Subscriber and Ms. Elna Raymon (collectively, the “Vendors”), pursuant to which the Group conditionally agreed to purchase and take the ownership of, and the Vendors conditionally agreed to sell and transfer, the entire issued and paid-up share capital of PT Gelindo Garmentama, a limited liability company duly established and validly existing under the laws of Indonesia (the “Target Company”) at an initial consideration of US\$1,500,000 (equivalent to approximately HK\$11,700,000), subject to adjustments based on the equity value of the Target Company as shown in the completion account (the Acquisition”). In addition, the Group shall inject an aggregate amount of US\$5,000,000 (equivalent to approximately HK\$39,000,000) to the bank account of the Target Company for the subscription of new shares in the Target Company on completion of the Acquisition, which shall be used by the Target Company solely for the repayment of bank facilities and related party loans.

Further details of the Subscription and the Acquisition have been disclosed in the announcement of the Company dated 3 November 2021.

## **OUTLOOK**

The Group has full confidence in the sportswear market and will continue to enhance its overall operational flexibility, optimise its production capacity, expand production lines and expedite plans for the acquisition of premium factories in the future. In the meantime, digitalised production will be progressively enhanced and operational plans for efficiency maximisation, which will comprehend information with the aid of Big Data analysis in order to provide flexible response to the demand for quality sportswear in the context of global integration, will be launched when ready. Further, new technologies for the optimisation of corporate operation will be introduced, with a view to building and advancing a new era in global sporting culture in association with the best international brands.

Last but not least, the Group will implement the best practice programmes in line with global standards under the main principle of sustainability, in a bid to deliver long-term value to shareholders through putting efforts on environmental protection and carbon reduction.

## **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 2021, the Group had cash and bank balances amounting to HK\$464.2 million (31 March 2021: HK\$442.4 million) mainly denominated in Hong Kong dollars, Renminbi (“RMB”), US dollars, Indonesian Rupiah and Vietnamese Dong.

As at 30 September 2021, the Group’s banking facilities of HK\$977.8 million (31 March 2021: HK\$975.9 million) were supported by the corporate guarantees of HK\$977.8 million (31 March 2021: HK\$975.9 million) executed by the Company and certain subsidiaries of the Company. As at 30 September 2021, an aggregate amount of the Group’s banking facilities of HK\$371.8 million (31 March 2021: HK\$428.4 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 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 bank balances) divided by the total equity. The Group’s gearing ratio as at 30 September 2021 and 31 March 2021 was not applicable as the Group had a net cash position.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

The Group has transactional currency exposures as substantial portion of sales or purchases are denominated in US dollars and RMB. As such, the Group is exposed to foreign exchange risk arising from such exposure to US dollars and RMB. Although the Group has strived 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 instruments may be employed when necessary to manage the Group’s exposure to the potential foreign exchange risk.

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

## **MATERIAL ACQUISITION OR DISPOSAL**

During the six months ended 30 September 2021 and 2020, there was no material acquisition or disposal of subsidiaries.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2021, the Group employed a total of approximately 13,000 employees including the directors of the Company (the "Directors") (31 March 2021: approximately 13,000).

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, Vietnam and Indonesia.

## **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 2021.

## **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 2021, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the Company's code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2021.

## **AUDIT COMMITTEE**

The audit Committee of the Company (the “Audit Committee”) consists of three independent non-executive Directors, 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. The Audit Committee has reviewed with management the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 September 2021, including the accounting principles adopted by the Group, risk management and internal controls.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK22 cents per share for the six months ended 30 September 2021 (2020: HK30 cents) to be payable to shareholders whose names appear on the register of members of the Company on Wednesday, 1 December 2021. The interim dividend will be payable on Thursday, 16 December 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 29 November 2021 to Wednesday, 1 December 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 26 November 2021.

## **PUBLICATION OF INTERIM REPORT**

This results announcement is published on the designated issuer website of Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>) and the website of the Company (<http://www.eaglenice.com.hk>). The interim report containing the Group’s financial statements and notes to the financial statements for the six months ended 30 September 2021 will be despatched to the shareholders of the Company and will be available on the aforesaid websites in due course.

On Behalf of the Board  
**Chung Yuk Sing**  
*Chairman*

Hong Kong, 12 November 2021

*As at the date of this announcement, the Board comprises seven executive directors, namely, Mr. Chung Yuk Sing, Mr. Chen Hsiao Ying, Mr. Huang Yongbiao, Ms. Chen Fang Mei, Christina, Mr. Shih Chih-Hung, Mr. Chung Chi Kit and Mr. Hu Chia-Ho and four independent non-executive directors, namely, Mr. Chan Cheuk Ho, Mr. Lu Chi Chant, Ms. Tham Kit Wan and Mr. Leung Spencer Yu Cheong.*