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 2020

FINANCIAL HIGHLIGHTS

- Revenue in 2020 increased by 11.7% to HK$3,017.1 million compared with HK$2,700.8 million in 2019.
- Gross profit margin in 2020 increased from 15.5% to 17.8% and net profit margin attributable to owners of the Company increased from 5.2% to 7.4% when compared with last year.
- Profit for the year attributable to owners of the Company was HK$223.5 million, representing 59.2% increase compared to HK$140.4 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 2020 together with the comparative figures for the corresponding year in 2019 and the relevant explanatory notes as set out below.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
REVENUE	*3*	**3,017,120**	2,700,780
Cost of sales		**(2,479,261)**	(2,283,010)
Gross profit		**537,859**	417,770
Other income and gains, net	*4*	**52,283**	7,556
Selling and distribution expenses		**(30,810)**	(33,345)
Administrative expenses		**(246,057)**	(197,186)
Finance costs	*5*	**(18,126)**	(12,120)
PROFIT BEFORE TAX	*6*	**295,149**	182,675
Income tax expense	*7*	**(68,319)**	(44,527)
PROFIT FOR THE YEAR		**226,830**	138,148
ATTRIBUTABLE TO:			
Owners of the Company		**223,458**	140,418
Non-controlling interests		**3,372**	(2,270)
		226,830	138,148
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
Basic		**42.0**	27.7
Diluted		**42.0**	27.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020	2019
	HK$'000	HK$'000
PROFIT FOR THE YEAR	**226,830**	138,148
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	**(114)**	4,067
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(90,559)**	(75,642)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	**(90,673)**	(71,575)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**136,157**	66,573
ATTRIBUTABLE TO:		
Owners of the Company	**134,078**	68,639
Non-controlling interests	**2,079**	(2,066)
	136,157	66,573

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**840,563**	924,268
Right-of-use assets		**170,519**	-
Prepaid land lease payments		-	130,270
Goodwill		**100,334**	100,334
Intangible assets		**13,400**	16,817
Deposits		**13,768**	35,271
Total non-current assets		**1,138,584**	1,206,960
CURRENT ASSETS			
Inventories		**570,113**	501,901
Accounts and bills receivables	*10*	**243,944**	411,242
Prepayments, deposits and other receivables		**77,528**	96,515
Tax recoverable		**2,475**	7,503
Pledged deposits		-	15,204
Restricted bank balance		**547**	585
Cash and bank balances		**341,156**	193,834
Total current assets		**1,235,763**	1,226,784
CURRENT LIABILITIES			
Accounts and bills payables	*11*	**236,856**	258,169
Accrued liabilities and other payables		**167,011**	187,589
Interest-bearing bank borrowings		**530,800**	572,155
Lease liabilities		**7,605**	-
Tax payable		**46,999**	37,308
Total current liabilities		**989,271**	1,055,221
NET CURRENT ASSETS		**246,492**	171,563
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,385,076**	1,378,523

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2020

	Notes	**2020**	2019
		HK$'000	HK$'000
NON-CURRENT LIABILITIES			
Pension scheme obligation		**16,868**	14,321
Lease liabilities		**6,424**	-
Deferred tax liabilities		**39,180**	39,435
Total non-current liabilities		**62,472**	53,756
Net assets		**1,322,604**	1,324,767
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**5,320**	5,320
Reserves		**1,294,518**	1,298,760
		1,299,838	1,304,080
Non-controlling interests		**22,766**	20,687
Total equity		**1,322,604**	1,324,767

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, except for financial assets at fair value through profit or loss which have been measured at fair value. 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases* and Amendments to HKAS 19 *Plan Amendment, Curtailment or Settlement*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for various items of land and plant. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition
Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land previously included in property, plant and equipment and prepaid land lease payments, the Group has reclassified these lease payments as right-of-use assets.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Impact on transition (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease;
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 April 2019;
- Excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- Accounting for the lease component and the associated non-lease component (e.g., property management services for leases of properties) as a single lease component.

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	HK$'000
Assets	
Increase in right-of-use assets	194,079
Decrease in prepaid land lease payments	(130,270)
Decrease in property, plant and equipment	(37,797)
Decrease in prepayments, deposits and other receivables	(3,947)
Increase in total assets	22,065
Liabilities	
Increase in lease liabilities	22,065
Increase in total liabilities	22,065

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at 1 April 2019 (continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	23,750
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(297)
	23,453
Weighted average incremental borrowing rate as at 1 April 2019	3.96%
Lease liabilities as at 1 April 2019	22,065

(b) Amendments to HKAS 19 address the accounting for a defined benefit plan when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to (i) determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event, and (ii) determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability or asset, reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability or asset.

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognised in other comprehensive income. The amendments did not have any significant impact on the Group's 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 resource 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, and unallocated expenses are excluded from such measurement.

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

	Segment revenue		**Segment results**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China	**1,343,710**	1,097,635	**210,926**	133,449
USA	**772,607**	725,423	**129,534**	88,169
Europe	**447,396**	419,467	**74,643**	55,297
Japan	**93,510**	80,337	**16,715**	9,170
Others	**359,897**	377,918	**64,340**	60,580
	3,017,120	2,700,780	**496,158**	346,665
Interest income and other unallocated income and gains			**52,283**	7,556
Unallocated expenses			**(253,292)**	(171,546)
Profit before tax			**295,149**	182,675
Income tax expense			**(68,319)**	(44,527)
Profit for the year			**226,830**	138,148

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

	2020	2019
	HK$'000	HK$'000
Hong Kong	**23,683**	19,701
Mainland China	**804,703**	871,884
Indonesia	**156,806**	170,931
Vietnam	**53,058**	44,110
	1,038,250	1,106,626

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

3. OPERATING SEGMENT INFORMATION (continued)

	2020	2019
	HK$'000	HK$'000
Revenue from contracts with customers		
- sale of sportswear and garments	**3,017,120**	2,700,780

Revenue from contracts with customers

Disaggregated revenue information

	2020	2019
	HK$'000	HK$'000
Geographical markets		
Mainland China	**1,343,710**	1,097,635
USA	**772,607**	725,423
Europe	**447,396**	419,467
Japan	**93,510**	80,337
Others	**359,897**	377,918
	3,017,120	2,700,780

Information about major customers

Revenue derived from sales to customers which contributed to over 10% of the total revenue of the Group is as follows:

	2020	2019
	HK$'000	HK$'000
Customer A	**1,913,669**	1,819,380
Customer B	**559,557**	553,259
Customer C	**313,051**	N/A*
	2,786,277	2,372,639

* Revenue from sales to Customer C accounted for less than 10% of the total revenue of the Group for the year ended 31 March 2019.

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

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

	2020	2019
	HK$'000	HK$'000
Bank interest income	**1,930**	1,695
Income derived from financial assets at fair value through profit or loss	**1,528**	1,184
Government grants*	**44,532**	4,031
Loss on disposal and write-off of items of property, plant and equipment, net	**(2,072)**	(317)
Write-off of other payables	**2,371**	-
Compensation income	**1,932**	-
Others	**2,062**	963
	52,283	7,556

* Various government grants have been received for enterprises engaged business in Mainland China for promoting the local business development and employment. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

	2020	2019
	HK$'000	HK$'000
Interest on bank loans	**17,434**	12,120
Interest on lease liabilities	**692**	-
	18,126	12,120

6. PROFIT BEFORE TAX

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

	2020	2019
	HK$'000	HK$'000
Cost of inventories sold	**2,479,261**	2,283,010
Depreciation of property, plant and equipment*	**85,777**	72,621
Depreciation of right-of-use assets*	**14,073**	-
Amortisation of prepaid land lease payments*	**-**	2,485
Amortisation of intangible assets	**3,417**	2,947
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	**716,336**	599,615
Pension contributions, including a pension cost for a defined benefit plan of HK$5,258,000 (2019: HK$5,044,000)	**119,622**	105,975
Less: Forfeited contributions^	**-**	-
Net pension contributions	**119,622**	105,975
Total employee benefit expenses*	**835,958**	705,590
Foreign exchange differences, net	**(503)**	1,205
Minimum lease payments under operating leases*	**-**	5,688
Lease payments not included in the measurement of lease liabilities*	**297**	-
Loss on disposal and write-off of items of property, plant and equipment, net	**2,072**	317
Write-off of other payables	**(2,371)**	-
Income derived from financial assets at fair value through profit or loss	**(1,528)**	(1,184)

^ At 31 March 2020 and 2019, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

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

	2020	2019
	HK$'000	HK$'000
Depreciation of property, plant and equipment	**57,310**	51,674
Depreciation of right-of-use assets	**13,467**	-
Amortisation of prepaid land lease payments	**-**	2,163
Employee benefit expenses	**690,843**	600,877
Minimum lease payments under operating leases	**-**	5,688
Lease payments not included in the measurement of lease liabilities	**297**	-

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2020	2019
	HK$'000	HK$'000
Current tax charge for the year:		
Hong Kong	**15,609**	17,138
Elsewhere	**50,257**	25,512
Underprovision/(overprovision) of current tax in respect of prior years	**245**	(200)
Deferred	**2,208**	2,077
Total tax charge for the year	**68,319**	44,527

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$223,458,000 (2019: HK$140,418,000) and the weighted average number of ordinary shares of 532,000,000 (2019: 505,790,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during those years.

9. DIVIDENDS

	2020	2019
	HK$'000	HK$'000
Dividends paid during the year:		
Final in respect of the financial year ended 31 March 2019 – HK6 cents (2019: HK12 cents) per ordinary share	**31,920**	59,962
Interim – HK20 cents (2019: HK14 cents) per ordinary share	**106,400**	69,955
	138,320	129,917
Proposed final dividend – HK9 cents (2019: HK6 cents) per ordinary share	**47,880**	31,920

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

	2020	2019
	HK$'000	HK$'000
Accounts receivable	**240,068**	403,624
Bills receivable	**3,876**	7,618
	243,944	411,242

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 (2019: 30 to 90 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, 61% (2019: 55%), 12% (2019: 15%) and 20% (2019: 14%) of the total accounts and bills receivables were due from the Group's largest customer, the second largest customer and the third largest customer, respectively.

10. ACCOUNTS AND BILLS RECEIVABLES (continued)

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

	2020	2019
	HK$'000	HK$'000
Within 30 days	**173,291**	284,442
31 to 60 days	**22,111**	46,630
61 to 90 days	**30,857**	68,711
Over 90 days	**13,809**	3,841
	240,068	403,624

The maturity of bills receivable as at the end of the reporting period is as follows:

	2020	2019
	HK$'000	HK$'000
Within 3 months	**1,777**	-
3 to 6 months	**2,099**	7,618
	3,876	7,618

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:

	2020	2019
	HK$'000	HK$'000
Within 90 days	**198,075**	237,916
91 to 180 days	**31,051**	519
181 to 365 days	**1,839**	19,084
Over 365 days	**5,891**	650
	236,856	258,169

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

MANAGEMENT DISCUSSION AND ANALYSIS

Following the slowdown in global economic growth in 2019, the pace of global economic development was further slackened owing to the lockdown measures adopted by the nations in varying degrees to control the spread of COVID-19, after the virus had turned into a global pandemic since its outbreak in early 2020.

Over the past year, the management focused its effort on the systematisation of the Group's processes and mechanisation of its production operations, with a special emphasis on increasing the production efficiency of the recently acquired production bases in Vietnam and Hubei, the PRC. The Group also sought to further increase the proportion of its sales in Mainland China, as the Group adopted the policy of supplying domestically manufactured products to domestic markets to reduce cost while shortening production turnover periods, in an effort to achieve the Group's targets in profit growth in a highly competitive sportswear market.

In early 2020, the Chinese government implemented lockdown measures in a number of regions to contain the COVID-19 epidemic. As the Group's largest production base is in China, the Group's production bases in Shantou, Huilai, Jiangxi and Hubei were all duly affected. The resumption of production at the Group's plants was rescheduled to later dates in accordance with the national policy of stringent prevention and control, as a result, the Chinese New Year holidays for the Group's production bases in the PRC had been extended for half a month until mid-February to cope with the epidemic. Regarding the production bases in Hubei which is located in a key region subject to preventive and control measures, production was not resumed until mid-March after the epidemic situation had stabilised in China in order to lower the risk of staff infection. After resuming production, the Group has implemented the following measures to enhance staff awareness of virus prevention and ensure staff health and workplace safety: (i) all staff of all plants of the Group were required to have their temperature taken each day and only those having a normal temperature would be allowed to enter into the plant areas; (ii) disinfection was carried out several times a day at the plants; and (iii) announcements were made at regular intervals as reminders for staff on personal hygiene and virus prevention matters. As at the date of this announcement, the Group has reported no cases of COVID-19 infection among its employees.

As a swift response to the epidemic, the Group's management has coordinated actions and reallocated orders among its production bases to facilitate the continuity of its production operations and the orderliness of sales to assure timely deliveries and product quality. The management's ability to deal with contingencies and to work in a cooperative effort to tackle any challenges is shown by the prompt action and measures adopted by the Group to address the unexpected events brought about by the epidemic.

Financial Review

Financial Performance

During the year, the global economy experienced a difficult period with the ongoing China-U.S. trade war and the outbreak of COVID-19. The former has significantly affected manufacturers operating production bases in Mainland China; the latter has dealt a severe blow to the global economy with some serious impact on retail spending which has accelerated the consolidation of the sportswear manufacturing industry. In anticipation of fierce competition in the industry, the Group has planned ahead through acquisition of production facilities in order to expand its production scale and increase its productivity, while diversifying political and economic risks by branching out its production bases to different regions in Mainland China and different countries. The acquisition of production bases has also enabled the Group to secure new customers, hence broadening its customer base and further enhancing its ability to counter adverse conditions.

The Group's business has inevitably been hit as a result of the China-U.S. trade war and the COVID-19 pandemic. Nevertheless, despite the austere market conditions, the Group was able to report record-high sales and profit for the year attributable to the firm foundation laid by the management for the Group's business and production bases.

The Group's productivity has been significantly enhanced since the completion of the acquisition of the Vietnamese production facilities and the Hubei plant. During the year, the additional productivity generated sales of HK$923.8 million contributing to a record-breaking sales of the Group of HK$3,017.1 million and representing an increase by HK$316.3 million or 11.7% as compared with the total sales of HK$2,700.8 million for the previous year. The Group's production bases are located in China (Guangdong, Jiangxi and Hubei Provinces), Indonesia and Vietnam, each bringing unique advantages in terms of geographic location, government policy and protection technology. As the China-U.S. trade war waged on, the Group was able to reduce the impact of punitive U.S. tariff on goods made in Mainland China by capitalising on its overseas production bases. The Group reallocated its manufacturing orders with flexibility according to the respective strengths of the various production bases, which reported higher production efficiency and lower production costs as each played to its own strength in synergy. As a result, the Group's gross profit for the year increased by 28.7% to HK$537.9 million (2019: HK$417.8 million). Gross profit margin improved 2.3% from 15.5% to 17.8%. The Group's profit before taxation increased by 61.6% to HK$295.1 million (2019: HK$182.7 million), while pre-tax profit margin rose by 3.0% from 6.8% to 9.8%.

The Group reported an increase in sales by HK$316.3 million but a decrease in selling and distribution expenses by HK$2.5 million, primarily attributable to additional domestic sales during the year, of which certain freight costs were borne by the customers, generated by its production bases in Hubei which was acquired in January 2019. Moreover, air freight costs for the year incurred to meet customers' delivery schedule as a result of the delay in the supply of materials by the Group's suppliers were lower compared to the previous year. Administrative expenses increased by HK$48.9 million or 24.8%, reflecting mainly additional expenses relating to the Vietnam production facilities and the Hubei plant acquired during the previous year, coupled with the increase in staff salaries on annual reviews and the recruitment of additional staff to cope with business growth. In respect of finance cost, interest expenses for the year increased significantly by HK$6.0 million or 49.6% as compared to the previous year in line with the drawdown of additional interest-bearing bank borrowings during the year so that the average utilized amount of interest-bearing bank borrowings during the year was higher than that during the year ended 31 March 2019. Such additional interest-bearing bank borrowings were utilized during the year to meet the Group's increasing capital requirements necessitated by its production capacity and business expansion through acquisitions since the previous year, as well as the need to commit resources to factory renovation and purchase of additional machineries at the newly acquired facilities during the initial post-acquisition stage to enhance production efficiency and comply with customers' requirements. As for taxation, the Group's overall tax expenses for the year increased by HK$23.8 million or 53.4% in line with the increase in profit. The effective tax rate for the year decreased by 1.3% from 24.4% to 23.1%. During the year ended 31 March 2019, the newly acquired production bases in Vietnam and Hubei incurred losses for the Group. The adjusted effective tax rate excluding the aforesaid losses for previous year was 22.7%, which was similar to the effective tax rate of 23.1% for the year.

Other income and gains amounted to HK$52.3 million (2019: HK$7.6 million), comprising mainly government grants provided by the PRC Government in the amount of HK$44.5 million (2019: HK$4.0 million), of which (i) HK$32.3 million (2019: nil) represented refund of contribution to the unemployment insurance fund from the PRC Government, and (ii) HK$12.2 million (2019: HK$4.0 million) represented government grants from the local authority of the PRC to enterprises engaged in local business development. In addition, other income and gains included bank interest income of HK$1.9 million (2019: HK$1.7 million).

Profit attributable to owners of the Company amounted to HK$223.5 million for the year ended 31 March 2020, representing an increase of HK$83.1 million or 59.2% compared to HK$140.4 million for the previous year. Net profit margin attributable to owners of the Company increased by 2.2% from 5.2% to 7.4%. Excluding other income and gain of the year amounting to HK$52.3 million (2019: HK$7.6 million), net operating profit attributable to owners of the Company would increase by HK$38.4 million or 28.9% to HK$171.2 million (2019: HK$132.8 million) and net operating profit margin attributable to owners of the Company would increase by 0.8% from 4.9% to 5.7%. Basic earnings per share attributable to owners of the Company for the year amounted to HK42.0 cents compared to HK27.7 cents for the previous year. The Board proposed to recommend payment of a final dividend of HK9 cents (2019: HK6 cents) per share. Together with the interim dividend of HK20 cents per share paid during the year, the dividend payout ratio for the year was 69.0% (2019: 72.6%).

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 2020, the Group had cash and bank balances amounted to HK$341.2 million (31 March 2019: HK$193.8 million) mainly denominated in Hong Kong dollars, Renminbi ("RMB"), US dollars, Indonesian Rupiah and Vietnamese Dong.

As at 31 March 2020, the Group's banking facilities of HK$873.3 million (2019: HK$818.8 million) were supported by the corporate guarantees of HK$741.5 million (2019: HK$685.3 million) executed by the Company and certain subsidiaries of the Company. As at 31 March 2020, an aggregate amount of the Group's banking facilities of HK$530.8 million (31 March 2019: HK$572.2 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 2020 was 14.3% (31 March 2019: 28.6%).

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 instrument 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 Acquisitions and Disposals
There was no acquisition or disposal of subsidiaries during the year ended 31 March 2020. During the year ended 31 March 2019, the Group completed the acquisition of the production bases in Vietnam and in the Hubei Province, the PRC.

Contingent Liabilities
The Group did not have any significant contingent liabilities as at 31 March 2020 (31 March 2019: Nil).

Outlook

Looking ahead, the retail and manufacturing sectors will be expecting even more challenging times. The Group will closely monitor the general market conditions and industry developments in China and elsewhere by responding and adapting to market conditions with an anticipatory approach. The Group will also seek further improvements in management and process optimisation in operations to ensure better efficiency and increase its risk control efforts, while working in close tandem with customers' requirements to procure stable development.

Employees and Remuneration Policies

As at 31 March 2020, the Group employed a total of approximately 13,000 employees including directors (31 March 2019: approximately 14,000). Total employee benefit expenses including directors' and chief executive's emoluments were HK$836.0 million for the year under review (2019: HK$705.6 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, Vietnam 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 HK9 cents (2019: HK6 cents) per ordinary share payable on Tuesday, 22 September 2020 to persons who are registered shareholders of the Company on Friday, 4 September 2020 subject to the approval of shareholders of the Company at the forthcoming annual general meeting (the "AGM"). Together with the interim dividend of HK20 cents per ordinary share (2019: HK14 cents), the total dividend for the financial year is HK29 cents (2019: HK20 cents) per ordinary share.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to Attend and Vote at the AGM

The AGM will be held on Wednesday, 26 August 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 20 August 2020 to Wednesday, 26 August 2020, 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 transfer forms 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, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 19 August 2020.

(b) Entitlement to the Proposed Final Dividend

For determining the entitlement to the proposed final dividend for the year ended 31 March 2020 (subject to approval by the shareholders of the Company at the AGM), the register of members of the Company will be closed from Wednesday, 2 September 2020 to Friday, 4 September 2020, 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, the 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 Tuesday, 1 September 2020.

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 2020, 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 2020. The Audit Committee comprises 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 the 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 2020 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 2020 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, 30 June 2020

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. Shih Chih-Hung and three independent non-executive directors, namely, Mr. Chan Cheuk Ho, Mr. Lu Chi Chant and Ms. Tham Kit Wan.