



EAGLE NICE (INTERNATIONAL) HOLDINGS LIMITED

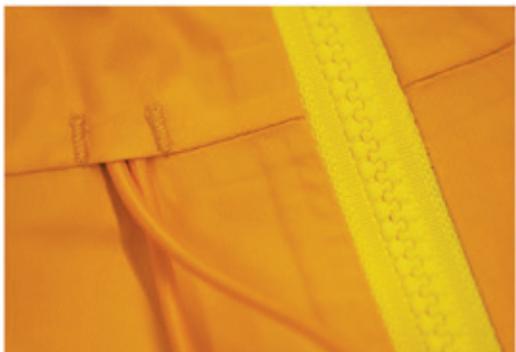
鷹美(國際)控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 02368)



**INTERIM
REPORT**



2020



* 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 2020 together with the comparative unaudited figures for the corresponding period in 2019 and the relevant explanatory notes.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		Six months ended 30 September	
	<i>Notes</i>	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	4	1,923,855	1,891,994
Cost of sales		(1,491,411)	(1,530,022)
Gross profit		432,444	361,972
Other income and gains, net	4	11,956	10,952
Selling and distribution expenses		(15,662)	(20,799)
Administrative expenses		(118,547)	(127,752)
Finance costs	5	(3,329)	(10,119)
PROFIT BEFORE TAX	6	306,862	214,254
Income tax expense	7	(69,467)	(52,407)
PROFIT FOR THE PERIOD		237,395	161,847
Attributable to:			
Owners of the Company		230,809	159,082
Non-controlling interests		6,586	2,765
		237,395	161,847
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		HK43.39 cents	HK29.90 cents
Diluted		HK43.39 cents	HK29.90 cents



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	237,395	161,847
OTHER COMPREHENSIVE INCOME/ (EXPENSE):		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	51,974	(85,816)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	(55)	—
OTHER COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD, NET OF TAX	51,919	(85,816)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	289,314	76,031
Attributable to:		
Owners of the Company	281,610	74,526
Non-controlling interests	7,704	1,505
	289,314	76,031

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	Notes	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		837,476	840,563
Right-of-use assets		168,214	170,519
Goodwill	10	100,334	100,334
Intangible assets		11,989	13,400
Deposits		11,894	13,768
Total non-current assets		1,129,907	1,138,584
CURRENT ASSETS			
Inventories		343,150	570,113
Accounts and bills receivables	11	641,402	243,944
Prepayments, deposits and other receivables		66,210	77,528
Tax recoverable		1,995	2,475
Restricted bank balance		571	547
Cash and bank balances		371,334	341,156
Total current assets		1,424,662	1,235,763
CURRENT LIABILITIES			
Accounts and bills payables	12	237,754	236,856
Accrued liabilities and other payables		207,538	167,011
Interest-bearing bank borrowings	13	372,853	530,800
Lease liabilities		5,594	7,605
Tax payable		99,411	46,999
Total current liabilities		923,150	989,271
NET CURRENT ASSETS		501,512	246,492
TOTAL ASSETS LESS CURRENT LIABILITIES		1,631,419	1,385,076



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2020

	<i>Notes</i>	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Pension scheme obligation		21,316	16,868
Lease liabilities		4,944	6,424
Deferred tax liabilities		40,952	39,180
Total non-current liabilities		67,212	62,472
Net assets		1,564,207	1,322,604
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	5,320	5,320
Reserves		1,528,248	1,294,518
Non-controlling interests		1,533,568	1,299,838
		30,639	22,766
Total equity		1,564,207	1,322,604

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Attributable to owners of the Company								
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2020	5,320	566,314	(229)	71,342	(67,108)	724,199	1,299,838	22,766	1,322,604
Profit for the period	—	—	—	—	—	230,809	230,809	6,586	237,395
Exchange differences on translation of foreign operations	—	—	—	—	50,856	—	50,856	1,118	51,974
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	—	—	—	—	(55)	—	(55)	—	(55)
Total comprehensive income for the period	—	—	—	—	50,801	230,809	281,610	7,704	289,314
Deregistration of a subsidiary	—	—	—	—	—	—	—	169	169
Final 2020 dividend	—	—	—	—	—	(47,880)	(47,880)	—	(47,880)
At 30 September 2020	5,320	566,314	(229)	71,342	(16,307)	907,128	1,533,568	30,639	1,564,207

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to owners of the Company								
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019	5,320	566,314	(229)	61,241	22,158	649,276	1,304,080	20,687	1,324,767
Profit for the period	—	—	—	—	—	159,082	159,082	2,765	161,847
Exchange differences on translation of foreign operations	—	—	—	—	(84,556)	—	(84,556)	(1,260)	(85,816)
Total comprehensive income/(expense) for the period	—	—	—	—	(84,556)	159,082	74,526	1,505	76,031
Final 2019 dividend	—	—	—	—	—	(31,920)	(31,920)	—	(31,920)
At 30 September 2019	5,320	566,314	(229)	61,241	(62,398)	776,438	1,346,686	22,192	1,368,878



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net cash flows from operating activities	228,345	204,807
Net cash flows used in investing activities	(8,644)	(38,471)
Net cash flows used in financing activities	(209,629)	(75,495)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,072	90,841
Cash and cash equivalents at beginning of period	341,156	193,834
Effect of change in foreign exchange rate, net	20,106	(34,038)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	371,334	250,637
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	214,201	228,595
Non-pledged time deposits with original maturity of less than three months when acquired	157,133	22,042
	371,334	250,637

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 2020.

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 2020, 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 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of these revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.



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, 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.

The revenue and the result of each operating segment for the six months ended 30 September 2020 are as follows:

	Revenue Six months ended 30 September (Unaudited)		Segment result Six months ended 30 September (Unaudited)	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Mainland China	906,994	806,253	201,933	140,825
USA	388,702	503,601	75,016	100,660
Europe	347,687	313,542	72,496	37,181
Japan	59,612	58,335	10,321	8,399
Others	220,860	210,263	53,506	34,028
	1,923,855	1,891,994	413,272	321,093
Interest income and other unallocated income and gains			11,956	10,952
Unallocated expenses			(118,366)	(117,791)
Profit before tax			306,862	214,254
Income tax expense			(69,467)	(52,407)
Profit for the period			237,395	161,847

4. Revenue and other income and gains, net

An analysis of revenue is as follows:

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers — sale of sportswear and garments	1,923,855	1,891,994

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

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Bank interest income	1,255	729
Income derived from financial assets at fair value through profit or loss	993	322
Government grants*	8,237	8,064
Gain on disposal and write-off of items of property, plant and equipment, net	157	—
Gain on deregistration of a subsidiary	731	—
Others	583	1,837
	11,956	10,952

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



5. Finance costs

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on bank loans	3,085	9,885
Interest on lease liabilities	244	234
	3,329	10,119

6. Profit before tax

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

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	42,788	43,019
Depreciation of right-of-use assets	8,064	5,860
Amortisation of intangible assets	1,410	2,007
(Gain)/loss on disposal and write-off of items of property, plant and equipment, net	(157)	1,245
Gain on deregistration of a subsidiary	(731)	—

7. Income tax

Hong Kong profits tax for the six months ended 30 September 2020 has been provided at the rate of 16.5% (2019: 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 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.

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current tax charge for the period:		
Hong Kong	21,397	10,816
Elsewhere	47,501	38,280
Deferred	569	3,311
Total tax charge for the period	69,467	52,407

8. Interim dividend

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interim dividend declared of HK\$0.30 per share (2019: HK\$0.20 per share)	159,600	106,400

The Board resolved that an interim dividend of HK\$0.30 per share for the six months ended 30 September 2020 to be paid to the shareholders whose names appear on the Company's register at the close of business on 4 December 2020. The interim dividend was declared after the period ended 30 September 2020, 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\$230,809,000 (2019: HK\$159,082,000) and 532,000,000 (2019: 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 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. Goodwill

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Cost and net carrying amount: At beginning and end of period/year	100,334	100,334

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

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

11. Accounts and bills receivables

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Accounts receivable	641,174	240,068
Bills receivable	228	3,876
	641,402	243,944

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. 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 receivable balances. The accounts and bills receivables are non-interest-bearing.

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

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Within 30 days	549,346	173,291
31 to 60 days	76,736	22,111
61 to 90 days	4,165	30,857
Over 90 days	10,927	13,809
	641,174	240,068

The accounts receivable balances are neither past due nor impaired. They relate to customers for which there was no recent history of default.



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

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Within 3 months	228	1,777
3 to 6 months	—	2,099
	228	3,876

The bills receivable balances are not yet past due nor impaired and there was no recent history of default.

12. Accounts and bills payables

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

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Within 90 days	223,969	198,075
91 to 180 days	5,016	31,051
181 to 365 days	3,357	1,839
Over 365 days	5,412	5,891
	237,754	236,856

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

13. Interest-bearing bank borrowings

	Effective interest rate %	Maturity	As at 30 September 2020 (Unaudited) HK\$'000	Effective interest rate %	Maturity	As at 31 March 2020 (Audited) HK\$'000
Current						
Bank loans	0.87% to 1.05%	On demand	372,853	1.48% to 2.60%	On demand	530,800

As at 30 September 2020, bank borrowings of HK\$140,353,000 (31 March 2020: HK\$412,000,000) were supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

As at 30 September 2020, HK\$372,853,000 (31 March 2020: HK\$93,000,000) 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 2020 and 31 March 2020 are repayable within one year.

14. Issued capital

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Issued and fully paid: 532,000,000 (31 March 2020: 532,000,000) ordinary shares of HK\$0.01 each	5,320	5,320

15. Related party transactions

- (a) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

		Six months ended 30 September	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Notes			
	A related company indirectly controlled by a substantial shareholder of the Company:		
	Rental expense*	3,401	3,341
	Service fee	4,180	4,253
	Related companies directly controlled by a person who is a director and shareholder of the company:		
	Subcontracting income	—	767
	Substantial shareholder of the Company:		
	Service fee	230	310

- (i) The rental expense at a monthly rate of US\$71,184 (2019: US\$71,184) was charged by reference to a lease agreement entered into between Pouyuen Vietnam Company Limited ("Pouyuen Vietnam"), a related company indirectly controlled by Yue Yuen, a substantial shareholder of the Company, and the Group for a term of three years commencing on 1 June 2018.

The rental expense at a monthly rate of US\$3,204 (2019: Nil) was charged by reference to a supplemental lease agreement entered into between Pouyuen Vietnam and the Group for a term of one year commencing on 1 June 2020.

* Right-of-use assets of HK\$4,268,000 (31 March 2020: HK\$7,469,000) and lease liabilities of HK\$4,372,000 (31 March 2020: HK\$7,590,000) in accordance with HKFRS 16 related to the lease at a monthly rate of US\$71,184 with a related party were recognised in the condensed consolidated statement of financial position as at 30 September 2020. During the six months ended 30 September 2020, depreciation of right-of-use assets of HK\$3,201,000 (2019: HK\$3,234,000) and finance costs on lease liabilities of HK\$92,000 (2019: HK\$197,000) were recognised in the condensed consolidated income statement.

- (ii) The service fee to Pouyuen Vietnam was made on a basis mutually agreed by both parties.
- (iii) The subcontracting income from Guangdong Dalian Garment Co., Limited ("Dalian Garment"), and Foshan City Honglian Garment Co., Limited ("Honglian Garment"), related companies controlled by Mr. Huang Yongbiao, a director and shareholder of the Company, were made on a basis mutually agreed by both parties.
- (iv) The service fee to Pou Chen Corporation, a substantial shareholder of the Company, was charged on actual cost incurred.

The related party transactions in respect of items (i) and (ii) above also constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties

Included in accrued liabilities and other payables is an amount due to Pouyuen Vietnam of HK\$3,053,000 (31 March 2020: HK\$2,706,000), which is unsecured, interest-free and repayable on demand.



16. Commitments

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

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Contracted, but not provided for:		
Renovation of factories and purchases of items of machinery and equipment for the factories in Hubei, the PRC	689	154
Renovation of factories and purchases of items of machinery and equipment for the factory in Vietnam	882	468
Renovation of factories and purchases of items of machinery and equipment	5,363	3,864
	6,934	4,486

17. 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 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic review

The continual spread of the COVID-19 pandemic over the globe in 2020 posed unprecedented and enormous challenges to the global economy, the development of which was dampened by lockdown measures adopted by governments to contain the spread of the virus. Subsequently, plans and measures for rejuvenating the economy were launched by various countries to safeguard employment, stimulate spending and restore business confidence.

Business review

Sports as Fashion

While many enterprises were adopting a work from home policy in response to COVID-19 relief measures implemented by governments, people increasingly resorted to indoor sports and fitness activities to enhance health and strengthen immunity when they were being confined to their homes. Sportswear sales were boosted as the market demand for leisure sportswear increased.

As a manufacturer of fashionable and functional sportswear for renowned international brands, the Group has been committed to enhancing its production quality and technology, as well as actively involving in its customers' development of co-branded items with various fashion labels. With the aid of the advanced production technologies, the Group has worked together with its customers to create avant-garde and unique styles for sportswear to cater for the trend of fashionable sportswear.

China Sales

In China, economic recovery was well on track after the country had successfully contained the spread of COVID-19 at an earlier stage. The release of pent-up spending powers repressed during the lockdowns, stronger health consciousness and more regular workout routines developed by the people as a result of the pandemic and the announcement of national sporting policies together contribute to stable and sound growth in China's sportswear market. The Group capitalised on the opportunity by making a vigorous effort to secure domestic orders for mid- to high-end sportswear and further increased the percentage share of its China orders to a record-high of close to 47.1% for the reporting period, providing impetus for its growth against the backdrop of global economic uncertainty.



Cost Control

The Group reported lower production costs for its domestic production bases which is mainly attributable to the anti-epidemic relief measures of the Chinese government granting reductions in certain social insurance fees. The Group's finance cost also decreased in tandem with lower bank lending interest rates and the reduced amount of loans utilised by the Group during the period. Effort of the management and staff to optimise lean manufacturing and reduce business trips across regions by utilising advanced network equipment in business management and communication during the pandemic has not only safeguarded staff health, but also reduced the Group's operating costs and thereby increased its overall profit.

Review of financial performance

Manufacturers of consumer goods were inevitably subject to negative impact to various degree during the period, as retail spending was affected by rising unemployment amid ongoing global economic austerity in the wake of successive lockdowns in various countries to deal with the COVID-19 pandemic which had not yet been under control during the period. While Chinese manufacturers were affected by further increase in production costs during the period given the levying of additional tariffs on Chinese exports amidst ongoing China-U.S. trade conflicts, the Group has delivered outstanding business results owing to its consistent effort to increase its production capacity while diversifying political and economic risks by operating production bases in different countries and business risks by broadening its customer base, which has enhanced its ability to deal with adverse conditions.

The Group's business has inevitably been hit as a result of the COVID-19 pandemic which had dealt a severe blow to the global consumer market during the period under review. Despite the austere global economic conditions, the Group reported a slight 1.7% growth in total sales to HK\$1,923.9 million, representing an increase of HK\$31.9 million as compared to HK\$1,892.0 million for the corresponding period of last year. Gross profit increased by 19.5% to HK\$432.4 million (2019: HK\$362.0 million), while gross profit margin increased by 3.4% from 19.1% to 22.5%. The Group's profit before tax increased by 43.2% to HK\$306.9 million (2019: HK\$214.3 million), while profit margin before tax increased by 4.7% from 11.3% to 16.0%. The China-U.S. trade conflicts have prompted the Group to speed up the upgrading of the productivity and production efficiency of its overseas production bases to enable the Group to allocate production orders with flexibility and to leverage on the unique advantages of each of the production bases in Mainland China (Guangdong, Jiangxi and Hubei Provinces), Indonesia and Vietnam in terms of geographic location, government policy and production technology. The resulting synergy has not only enabled the Group to successfully reduce the impact of the punitive U.S. tariffs on goods made in Mainland China, but has also effectively contributed to higher production efficiency and lower production costs. In addition, the relief measures offered by the Chinese government in light of COVID-19 have also resulted in lower operating costs for the Group.

The Group's selling and distribution expenses for the period under review decreased by HK\$5.1 million despite an increase in sales of HK\$31.9 million. This reflected primarily the additional tariff levied by the United States on goods made in China included in sales and distribution expenses for the corresponding period of last year, versus the absence of such costs for the current period. Moreover, airfreight arising from the delay in the supply of raw materials by suppliers for the period also decreased. Administrative expenses decreased by HK\$9.2 million, owing mainly to the substantial decrease in travel expenses given the prevalence of COVID-19 during the period. Meanwhile, administrative expenses for the corresponding period of last year included certification fees incurred after acquisition of the Hubei production base and loss on disposal and write-off of equipment, while there were no such costs for the current period. Finance cost for the period decreased by HK\$6.8 million or 67.1% which was in line with the reduction in bank loan utilisation during the period as a result of the repayment of increased bank loans incurred during the previous year in connection with the acquisition of the Hubei and Vietnam production bases by using stable cash flow generated from the Group's profit growth during the period under review, 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 increased by HK\$17.1 million or 32.6% on an effective tax rate of 22.6%, which was 1.9% lower versus 24.5% for the corresponding period of last year. Deferred taxation for the period decreased by HK\$2.7 million. Excluding the said deferred tax, the effective tax rate for the period would have been similar to that for the corresponding period of last year.

Other income and gains amounted to HK\$12.0 million (2019: HK\$11.0 million), comprising mainly incentive or subsidies granted by the PRC and Hong Kong governments amounting to HK\$8.2 million (2019: HK\$8.1 million) and bank interest income of HK\$1.3 million (2019: HK\$0.7 million).

Profit attributable to owners of the Company amounted to HK\$230.8 million for the six months ended 30 September 2020, representing a significant increase of 45.1% compared to HK\$159.1 million for the corresponding period of last year. Net profit margin attributable to owners of the Company increased by 3.6% from 8.4% to 12.0%. Basic earnings per share attributable to owners of the Company for the period amounted to HK43.39 cents compared to HK29.90 cents for the same period of last year. The Board proposed to recommend payment of an interim dividend of HK30 cents (2019: HK20 cents) per share.



Outlook

The Group has accomplished encouraging business results for the reporting period by maintaining stable business growth and implementing effective cost control. Looking ahead, given ongoing uncertainty in the global economy, increasing challenges in the business environment and the seasonal factor of the apparel industry, the Group is expecting lower profitability for the second half of the current financial year. Nevertheless, the Group is cautiously optimistic about its future prospects, as the Group maintains steady development on the back of close cooperation with high-end customers, close coordination and complementary effort among overseas and domestic production bases and solid financial conditions with the support of a professional and sophisticated management team that adjusts and adapts in close tandem with the trends and developments in the domestic and international markets.

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 2020, the Group had cash and bank balances amounting to HK\$371.3 million (31 March 2020: HK\$341.2 million) mainly denominated in Hong Kong dollars, Renminbi ("RMB"), US dollars, Indonesian Rupiah and Vietnamese Dong.

As at 30 September 2020, the Group's banking facilities of HK\$974.0 million (31 March 2020: HK\$873.3 million) were supported by the corporate guarantees of HK\$780.3 million (31 March 2020: HK\$741.5 million) executed by the Company and certain subsidiaries of the Company. As at 30 September 2020, an aggregate amount of the Group's banking facilities of HK\$372.9 million (31 March 2020: HK\$530.8 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 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 2020 is 0.1% (31 March 2020: 14.3%).

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 mainly 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 partly 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 acquisition or disposal

During the six months ended 30 September 2020 and 2019, there was no material acquisition or disposal of subsidiaries.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 September 2020 and 31 March 2020.

Employees and remuneration policies

As at 30 September 2020, the Group employed a total of approximately 13,000 employees including the directors of the Company (the "Directors") (31 March 2020: 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.



OTHER INFORMATION

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

As at 30 September 2020, the interests and short positions of the Directors and chief executive (the "Chief Executive") in the share capital and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors or Chief Executive were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

The Company

Name of Director	Capacity	Number of shares held		Percentage of the Company's issued capital
		Long position	Short position	
Mr. Chung Yuk Sing ("Mr. Chung")	Interest in a controlled corporation	72,650,000 (Note 1)	—	13.66
	Beneficial owner	18,104,000	—	3.40
Mr. Chen Hsiao Ying	Beneficial owner	35,724,800	—	6.72
Mr. Huang Yongbiao ("Mr. Huang")	Interest in a controlled corporation	32,320,000 (Note 2)	—	6.08

Notes:

- These shares are held by Time Easy Investment Holdings Limited ("Time Easy"), the entire issued share capital of which is held by Mr. Chung, Executive Director.
- These shares are held by Excel Skill International Limited ("Excel Skill"), the entire issued share capital of which is held by Mr. Huang, Executive Director.

Save as disclosed above, as at 30 September 2020, none of the Directors or Chief Executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' and other person's interests and short positions in shares and underlying shares

As at 30 September 2020, the interests and short positions of the following persons, other than the Directors and the Chief Executive of the Company, in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which have been recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of shares held Long position	Short position	Percentage of the Company's issued capital
Time Easy	Beneficial owner	72,650,000 (Note 1)	—	13.66
Excel Skill	Beneficial owner	32,320,000 (Note 2)	—	6.08
Pou Chen Corporation ("PCC")	Interest in a controlled corporation	192,000,000 (Note 3)	—	36.09
Wealthplus Holdings Limited ("Wealthplus")	Interest in a controlled corporation	192,000,000 (Note 3)	—	36.09
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")	Interest in a controlled corporation	192,000,000 (Note 3)	—	36.09
Pou Hing Industrial Co. Ltd. ("Pou Hing")	Interest in a controlled corporation	192,000,000 (Note 3)	—	36.09
Great Pacific Investments Limited ("Great Pacific")	Beneficial owner	192,000,000 (Note 3)	—	36.09



Notes:

1. The entire issued share capital of Time Easy is held by Mr. Chung.
2. The entire issued share capital of Excel Skill is held by Mr. Huang.
3. The 192,000,000 shares were held by Great Pacific which was wholly-owned by Pou Hing. The entire issued share capital of Pou Hing was held by Yue Yuen in which Wealthplus and Win Fortune Investments Ltd. ("Win Fortune") held an interest of 47.95% and 3.16% respectively. Wealthplus and Win Fortune are in turn wholly-owned by PCC. Accordingly, Pou Hing, Yue Yuen, Wealthplus, Win Fortune and PCC are all deemed to be interested in the 192,000,000 shares held by Great Pacific.

Save as disclosed above, as at 30 September 2020, no person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Directors' interest in a competing business

During the six months ended 30 September 2020, interest of the Directors in a competing business required to be disclosed pursuant to Rule 8.10 of the Rules Governing the listing of Securities on the Stock Exchange (the "Listing Rules") is as follows:

Name of Director	Name of company	Nature of competing business	Nature of interest	Appointment date
Mr. Huang	Guangdong Dalian Garment Co., Limited ("Dalian Garment") (Note 1)	Garment manufacturing	As a shareholder and a director	November 2013
	Foshan City Honglian Garment Co., Limited ("Honglian Garment") (Note 1)	Garment manufacturing	As a shareholder and a director	January 2019
Mr. Hu Dien Chien ("Mr. Hu")	Yue Yuen (Note 2)	Garment manufacturing	As a director	March 2017
Mr. Shih Chih-Hung ("Mr. Shih")	Yue Yuen (Note 2)	Garment manufacturing	As a vice president	March 2019

Notes:

1. Dalian Garment is a company incorporated in the PRC on 27 November 2013 and is indirectly held as to 70% by Mr. Huang. Honglian Garment is a company incorporated in the PRC on 22 March 2010 and is indirectly held as to 85% by Mr. Huang. The principal business activities of both Dalian Garment and Honglian Garment are manufacturing of sportswear and garments. Based on information provided by Dalian Garment and Honglian Garment, they recorded over RMB78 million and RMB43 million respectively in total revenue for the year ended 31 December 2019. As the Group is principally engaged in the manufacturing and trading of sportswear and garments, the business of Dalian Garment and Honglian Garment potentially compete with the Group.

Mr. Huang participates in the apparel manufacturing business of Dalian Garment and Honglian Garment. Mr. Huang has confirmed that he is mindful of his duty to avoid conflict of interest. In cases where conflict of interest situation arises, Mr. Huang will refrain from taking part in the decision making process and will abstain from voting on the relevant resolution in board meeting. On this basis and given that Dalian Garment and Honglian Garment have their own management personnel other than Mr. Huang, the Directors believe that the Company is capable of carrying on its business independently of, and at arm's length from Dalian Garment and Honglian Garment.

2. Yue Yuen is a company listed on the Stock Exchange and is a substantial shareholder of the Company. The principal business activities of Yue Yuen and its subsidiaries ("Yue Yuen Group") are manufacturing and sales of footwear products, and retail and distribution of sportswear products. Based on the published interim report of Yue Yuen, Yue Yuen recorded total revenue of around US\$2.4 billion for its footwear manufacturing business for the six months ended 30 June 2020. As the Group is principally engaged in the manufacturing and trading of sportswear and garments, the businesses of Yue Yuen Group and the Group potentially compete with each other.

Given that Yue Yuen Group and the Group are operated by different and separate management team, the Directors consider that the Company is capable of carrying on its business independently of, and at arm's length with Yue Yuen Group. Having considered the nature and extent of Mr. Hu's and Mr. Shih's participation in business of Yue Yuen Group and the Group, the Directors believe that there is unlikely to be any significant competition caused to the business of the Group.

Save as disclosed above, none of the Directors or their respective associates was interested in, apart from the Group's business, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.



EQUITY FUNDRAISING ACTIVITIES

During the six months ended 30 September 2020, the Company had not conducted any equity fundraising activities.

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 2020.

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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code as the Company's code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2020.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

During the six months ended 30 September 2020, there is no change in any of the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

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 2020, including the accounting principles adopted by the Group, risk management and internal controls.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established pursuant to the requirements of the Listing Rules which comprises two independent non-executive Directors, namely, Mr. Chan Cheuk Ho and Mr. Lu Chi Chant and one executive Director, namely, Mr. Chung Yuk Sing. Mr. Chan Cheuk Ho is the chairman of the remuneration committee.

NOMINATION COMMITTEE

The nomination committee of the Company was established pursuant to the requirements of the Listing Rules which comprises two independent non-executive Directors, namely, Mr. Chan Cheuk Ho and Mr. Lu Chi Chant and one executive Director, namely, Mr. Chung Yuk Sing. Mr. Chung Yuk Sing is the chairman of the nomination committee.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK30 cents per share for the six months ended 30 September 2020 (2019: HK20 cents) to be payable to shareholders whose names appear on the register of members of the Company on Friday, 4 December 2020. The interim dividend will be payable on Thursday, 17 December 2020.



CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 2 December 2020 to Friday, 4 December 2020, 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 Tuesday, 1 December 2020.

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

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

On Behalf of the Board

Chung Yuk Sing

Chairman

Hong Kong, 12 November 2020

As at the date of this report, 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.