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)

2012 INTERIM REPORT

* For identification purposes only

The board of directors (the "Board") of Eagle Nice (International) Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012 together with the comparative unaudited figures for the corresponding period in 2011 and the relevant explanatory notes.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

	Notes	Six months ended 30 September 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
REVENUE	2	827,528	810,973
Cost of sales		(654,942)	(644,720)
Gross profit		172,586	166,253
Other income	3	2,716	3,580
Selling and distribution expenses		(8,647)	(11,324)
Administrative expenses		(70,394)	(67,464)
Finance costs	4	(3,515)	(1,362)
PROFIT BEFORE TAX	5	92,746	89,683
Tax	6	(21,950)	(18,946)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		70,796	70,737
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		HK14.17 cents	HK14.16 cents
Diluted		HK14.17 cents	HK14.16 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**70,796**	70,737
Other comprehensive (expense)/income:		
Exchange differences on translation of foreign operations	**(8,493)**	25,508
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**62,303**	96,245

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2012

	Notes	**As at 30 September 2012 (Unaudited) HK$'000**	As at 31 March 2012 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		868,082	828,418
Prepaid land lease payments		77,297	78,470
Deposits		–	10,679
Goodwill		26,112	26,112
		971,491	943,679
CURRENT ASSETS			
Inventories		194,824	244,961
Accounts and bills receivable	9	291,302	141,955
Prepayments, deposits and other receivables		34,054	34,131
Cash and cash equivalents		299,467	371,986
		819,647	793,033
CURRENT LIABILITIES			
Accounts and bills payable	10	97,219	103,364
Accrued liabilities and other payables		96,006	80,845
Interest-bearing bank borrowings	11	426,588	418,896
Tax payable		44,939	29,626
		664,752	632,731
NET CURRENT ASSETS		154,895	160,302
TOTAL ASSETS LESS CURRENT LIABILITIES		1,126,386	1,103,981
NON-CURRENT LIABILITIES			
Deferred tax liabilities		30,199	35,119
		1,096,187	1,068,862
EQUITY			
Issued capital	12	4,997	4,997
Reserves		1,091,190	1,063,865
		1,096,187	1,068,862

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Issued capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Statutory surplus reserve (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Asset revaluation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 1 April 2012	4,997	472,586	(229)	17,535	112,148	46,521	415,304	1,068,862
Profit for the period	–	–	–	–	–	–	70,796	70,796
Exchange differences on translation of foreign operations	–	–	–	–	(8,493)	–	–	(8,493)
Total comprehensive income for the period	–	–	–	–	(8,493)	–	70,796	62,303
Final 2012 dividend	–	–	–	–	–	–	(34,978)	(34,978)
At 30 September 2012	4,997	472,586	(229)	17,535	103,655	46,521	451,122	1,096,187

For the six months ended 30 September 2011

	Issued capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Statutory surplus reserve (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Asset revaluation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 1 April 2011	4,997	472,586	(229)	15,103	79,407	31,069	347,376	950,309
Profit for the period	–	–	–	–	–	–	70,737	70,737
Exchange differences on translation of foreign operations	–	–	–	–	25,508	–	–	25,508
Total comprehensive income for the period	–	–	–	–	25,508	–	70,737	96,245
Final 2011 dividend	–	–	–	–	–	–	(14,990)	(14,990)
At 30 September 2011	4,997	472,586	(229)	15,103	104,915	31,069	403,123	1,031,564

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended 30 September 2012 (Unaudited) HK$'000	Six months ended 30 September 2011 (Unaudited) HK$'000
Net cash outflow from operating activities	(43,540)	(51,443)
Net cash outflow from investing activities	(4,033)	(157,243)
Net cash inflow from financing activities	7,692	275,158
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(39,881)	66,472
Cash and cash equivalents at beginning of period	341,824	183,037
Effect of change in foreign exchange rate, net	(2,476)	6,887
CASH AND CASH EQUIVALENTS AT END OF PERIOD	299,467	256,396
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	299,467	208,835
Non-pledged time deposits	–	47,561
CASH AND CASH EQUIVALENTS AS STATED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	299,467	256,396

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND IMPACT OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 31 March 2012, except in relation to the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the new/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. Accordingly, no prior period adjustment has been recognized.

2. SEGMENT INFORMATION

The Group is solely engaged in manufacture and trading of sportswear and garments. For management purposes, the Group determines that there are five operating segments, based on location of customers (the destination of sales), including Mainland China, USA, Europe, Japan and others. These segments are managed separately as each segment is subject to risks and returns that are different from each other.

The revenue and the result of each operating segment for the six month ended 30 September 2012 are as follows:

	Revenue Six months ended 30 September (Unaudited)		Segment result Six months ended 30 September (Unaudited)	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China	**249,068**	243,488	**36,681**	37,587
USA	**184,883**	98,362	**35,381**	15,942
Europe	**169,907**	285,526	**26,141**	44,612
Japan	**56,273**	56,470	**8,094**	10,797
Others	**167,397**	127,127	**26,693**	20,431
	827,528	810,973	**132,990**	129,369
Other income			**2,716**	3,580
Unallocated expenses			**(42,960)**	(43,266)
Profit before tax			**92,746**	89,683
Tax			**(21,950)**	(18,946)
Profit for the period attributable to owners of the Company			**70,796**	70,737

3. OTHER INCOME

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income	**2,116**	877
Others	**600**	2,703
	2,716	3,580

4. FINANCE COSTS

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**3,515**	1,362

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation	**30,710**	20,729
Amortisation of prepaid land lease payments	**1,173**	1,133

6. TAX

Hong Kong profits tax for the six months ended 30 September 2012 has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax charge for the period:		
Hong Kong	**11,410**	10,748
Elsewhere	**10,540**	8,198
Total tax charge for the period	**21,950**	18,946

7. INTERIM DIVIDEND

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividend declared of HK$0.07 per share (2011: HK$0.07 per share)	**34,978**	34,978

The Board resolved that an interim dividend of HK$0.07 per share for the six months ended 30 September 2012 to be paid to the shareholders whose names appear on the Company's register at the close of business on 11 December 2012. The interim dividend was declared after the period ended 30 September 2012, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the period of HK$70,796,000 (2011: HK$70,737,000) and 499,680,000 (2011: 499,680,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2012 and 2011 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. ACCOUNTS AND BILLS RECEIVABLE

The Group's accounts receivable mainly relate to a few recognised and creditworthy customers. The credit period is generally for a period of 30 to 45 days. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are regularly reviewed by the management of the Group. The accounts and bills receivable are non-interest-bearing.

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

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Within 30 days	**241,848**	117,122
31 to 60 days	**35,589**	22,766
61 to 90 days	**4,657**	4
Over 90 days	**9,208**	2,063
	291,302	141,955

The above balances are neither past due nor impaired. The financial assets included in the above balance relate to receivable for which there was no recent history of default.

10. ACCOUNTS AND BILLS PAYABLE

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

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Within 90 days	**87,778**	99,548
91 to 180 days	**2,276**	556
181 to 365 days	**1,710**	749
Over 365 days	**5,455**	2,511
	97,219	103,364

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

11. INTEREST-BEARING BANK BORROWINGS

	Effective Interest rate	Maturity	As at 30 September 2012 (Unaudited)	Effective Interest rate	Maturity	As at 31 March 2012 (Audited)
	%		HK$'000	%		HK$'000
Current						
Bank loans – unsecured	1.20% to 2.20%	On demand	426,588	1.05% to 2.21%	On demand	418,896

At the end of reporting period, HK$192,588,000 of the bank borrowings of HK$426,588,000, were supported by (i) corporate guarantees executed by the Company and (ii) corporate guarantees executed by certain subsidiaries of the Company.

Since the Group's and the Company's bank loans contain repayment to on-demand clauses, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable on demand.

	As at 30 September 2012 (Unaudited)	As at 31 March 2012 (Audited)
	HK$'000	HK$'000
Analysis into:		
Within one year	168,567	145,250
In the second year	31,250	31,250
In the third to fourth years, inclusive	226,771	242,396
	426,588	418,896

12. ISSUED CAPITAL

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Authorised:		
10,000,000,000 (31 March 2012: 10,000,000,000) ordinary shares of HK$0.01 each	100,000	100,000
Issued and fully paid:		
499,680,000 (31 March 2012: 499,680,000) ordinary shares of HK$0.01 each	4,997	4,997

13. CAPITAL COMMITMENTS

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

	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
Contracted, but not provided for:		
Construction of factories and purchases of machinery and equipment for the investment in Jiangxi Province, the PRC (the "Jiangxi Project")	1,379	35,225
Renovation of factories for the investment in Indonesia	1,619	18,507
Purchases of items of property, plant and equipment	1,551	1,113
Renovation of factories	1,962	233
	6,511	55,078
Authorised, but not contracted for:		
Investment in the Jiangxi Project	103,427	51,747

14. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 15 November 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO-ECONOMIC REVIEW

Amid uncertain global economy, there was a general slowdown in the pace of economic growth. Various nations resorted to longer-term quantitative easing in their monetary policies in a bid to curb interest rates. Consequently, the RMB exchange rate was back in a rising trend amid unyielding exchange rates and inflation across Asia. European sovereignty debt crisis was deteriorating with no short-term solutions. Unemployment in the Eurozone saw no signs of easing while consumers' demand turned weaker. The U.S. economy remained sluggish, and the slowdown in the economic growth of the PRC also appeared to be a continuous trend. As such, the Asian economy could hardly be immune from global economic instability.

INDUSTRY REVIEW

The London Olympics held in 2012 hardly prevented overall demand for sporting goods, as consumer products, from slowing down under the impact of global economic conditions. International sporting brands have adjusted their projections for future growth rates in global orders and moved for stock clearance, bringing greater pressure upon the business of sportswear manufacturers and the prices of their products, driving more intensive competition in the industry.

In terms of the business environment, labour costs in the PRC continued to rise. It has been expressly stated in the report of the 18th CCP Congress that China should aim to turn herself into a reasonably affluent society by 2020, with the doubling of per capita income being one of the new benchmarks underpinning the achievement of this aim. This has reflected the PRC Government's continued commitment to the "12th Five-Year-Plan Outline for the Development of the Human Resource and Social Security Sectors" promulgated last year. With an express calling for an average annual growth rate of over 13% for minimum wages in future years, labour costs in the PRC will be increasing in the coming years. Coupled with rising operating costs as a result of RMB appreciation, the PRC manufacturers are expecting a grimmer business environment ahead.

As economic recovery had yet to come, the PRC manufacturers found it difficult to raise prices in order to offset rising wages and exchange costs. Some manufacturers have relocated their operations to Southeast Asia and other nations where the wage level is lower. While wages in these nations have also been increasing, such increase has been taking place at comparatively mild rates upon lower base levels. Labour costs in these nations are competitive, although transportation costs tend to be higher given the absence of comprehensive supporting facilities and highway networks as available in the PRC.

BUSINESS REVIEW AND DEVELOPMENT

Enhancing quality and efficiency to reinforce production capacity

As a strategic business partner of international sportswear brands with sales all over the world, the Group has been well aware of increasing operating costs in Guangdong Province, the PRC driven by labour shortage and rising wage levels. In recent years, Southeast Asia and inland cities in the PRC with lower wage levels have begun industrial development. In 2010, the Group commenced the construction of manufacturing plants in Jiangxi Province, the PRC (the "Jiangxi Project") and Banten Province, Indonesia (the "Indonesia Project"). Such move has not only reinforced the Group's production capacity by capitalising on abundant and relatively low-cost labour supply in these two regions, but has also neutralised the political and production risks associated with various regions and strengthened the flexibility of production to complement our customers' marketing strategies of developing emerging regions.

Following official commissioning in the second quarter of 2012, the two new plants of the Group in Jiangxi Province and Indonesia (the "New Plants") are currently focusing on the training of workers and management personnel, improvements in production efficiency and product quality assurance, with a view to increasing the efficiency of the New Plants shortly to alleviate the impact on production costs. The management has also set a target that the operations of the New Plants could achieve breakeven in two years. The New Plants are mainly engaged in the manufacturing of products with simpler styles and lower requirements in production technologies, while the existing plants in Shantou and Huilai, Guangdong Province, the PRC are responsible for functional products which require more sophisticated production technologies and for new product development.

Research and development of innovative products in close tracking of fashion trends

As sporting activities blended with fashion have become an integral part of daily life, the demand for leisure sportswear and fashionable sportswear has been increasing. The largest driving force for the growth of the apparel industry in recent years has come mainly from the leisure wear market. Although global economic growth is currently undergoing a period of slowdown, there are sustained market demands for branded leisure wear and more brands are joining the market of leisure wear.

As consumers are always craving for changing styles, it is imperative for leisure sportswear and fashionable sportswear to track fashion trends closely. Products are characterised by short turnover cycles, swift launches, variety and trendiness. The speed with which a new product is launched is the key to success for an enterprise in an intensely competitive industry. To ensure close tracking of developments in the fashion market, the Group has been investing in its research and development centre and product design in recent years to develop novel styles and products; and to shorten the production cycle to meet customers' requirements. The Group's strategy to address the rapidly changing consumer market has been based upon ongoing improvements in lean production driven by a spirit of innovative research and development.

Continued execution of existing market strategies complemented by efforts in new customer development

Although the European and U.S. markets had been significantly affected by the debt crisis, they remained major markets for the global apparel industry as leading economies in the world. In Asia, the PRC enjoyed relatively sound economic fundamentals. During the period, the PRC, the U.S. and Europe remained the top three markets of the Group, accounting for 30%, 22% and 21%, respectively, of its sales for the period. During the period under review, as a result of customers' moves to reallocate orders for taxation reason, sales in Europe decreased significantly by approximately 40% while sales in the U.S., on the contrary, increased strongly by approximately 90%. PRC sales were steady with a mild increase of approximately 2%. At a time of global economic instability and intense competition, the Group was able to sustain growth in overall sales due to its strategies of market diversification and timely capacity expansion. This has enabled the Group to avoid the impact of market volatility or changes in customers' business strategies.

Currently, the Group's single largest customer accounts for more than half of the Group's total sales. With the official commissioning of the New Plants, the Group's production capacity is expected to grow significantly in future, enabling the Group to further enlarge its customer base and broaden its source of revenue.

REVIEW OF FINANCIAL PERFORMANCE

Overall demand from Europe and the U.S. decreased as economic recovery had yet to materialise, resulting in surplus production capacity in emerging markets. However, domestic demand from emerging markets was not strong enough to offset the impact of reduced demand from Europe and the U.S.. Coupled with stock clearance initiatives of sportswear brands carried out in 2012, sportswear manufacturers were generally affected in various degrees, and industrial consolidation became more intense. As a leading partner of international sportswear brands, the Group has established close business relationships with these customers over the years. In addition to the Group's successful strategies of market diversification, capacity expansion, adjustment of customer portfolio and new customer development, the Group was able to report a mild growth of 2.0% in total sales during the period under review, despite weaker demand for sportswear in the global market.

The Group reported a turnover of HK$827.5 million for the six months ended 30 September 2012 (2011: HK$811.0 million), representing a mild increase of 2.0% compared to the previous corresponding period. Gross profit for the six months ended 30 September 2012 increased to HK$172.6 million (2011: HK$166.3 million), representing an increase of 3.8% compared to the same period of last year. Production costs for the period increased as workers of the New Plants were still under training at the early stage of operations and production efficiency had yet to be improved. Moreover, depreciation charges of fixed assets were incurred for the New Plants. Nonetheless, additional costs incurred by the New Plants were offset by the management's initiative to adjust the portfolio of customers and to manufacture and develop more high-end products, contributing to a mild increase of 0.4% in gross profit margin for the period from 20.5% to 20.9%.

The Group's selling and distribution costs decreased by HK$2.7 million (or 23.6%), which is mainly attributable to the decrease in promotion and advertising expenses compared to the same period of last year. The increase in administrative expenses by HK$2.9 million (or 4.3%) was mainly attributable to the recruitment of additional management personnel in connection with the Jiangxi Project and the Indonesia Project. Finance costs in the amount of HK$3.5 million, an increase of HK$2.2 million over the same period of last year, were incurred after the drawdown of bank loans to fund the purchase of fixed assets for the Jiangxi Project and the Indonesia Project during the period.

In respect of taxation, profit before tax increased by HK$3.1 million (or 3.4%) while the Group's overall tax expenses increased by HK$3.0 million (or 15.9%). The effective tax rate for the period increased by 2.6% from 21.1% to 23.7%, as most subsidiaries in the PRC were subject to the standard tax rate of 25% following the expiry of their concessionary income tax rates.

Profit attributable to owners of the Company was HK$70.8 million for the six months ended 30 September 2012, representing an increase of 0.1% compared to HK$70.7 million for the same period of last year. Basic earnings per share for the period amounted to HK14.17 cents compared to HK14.16 cents for the same period of last year. The Board recommended an interim dividend of HK7 cents per share compared to HK7 cents for the same period of last year.

OUTLOOK

The PRC manufacturers have been under the pressure of rising costs in recent years and operating their businesses in an extremely challenging environment. The aftermath impact of the financial crisis is still being felt, coupled with the worsening of the European sovereignty debt crisis, challenging prospects for U.S. economic recovery and slowdown in the PRC economy. Such factors of uncertainty have given rise to an ever more difficult business environment. While global economic instability has brought about challenges, it has also offered opportunities. The Group has captured such opportunities to strengthen itself amid industrial consolidation. We pursue capacity expansion, enhancement of research and development, improvement of lean production, and strengthening personnel training at times of economic uncertainty, so that the Group will be well-positioned to enlarge its market share when economic sentiments improve.

To address future challenges, the Group has devised plans in the areas of product development, research and development, human resources and business development. In terms of products, we will continue to enhance the functionality of our products, improve product designs and drive product innovations, with a view to increasing the bargaining power of our products and improving our profit margin. In terms of research and development, automated production and simplified production processes will be introduced to resolve issues caused by insufficient labour force. Cost reductions will be sought through wider applications of innovative technologies. We strive for ongoing improvements in the standard of our lean production, underpinned by optimisation of the entire production process for better efficiency and less wasteful consumption. In terms of human resources, training will be provided both internally and through external resources with an emphasis on life-long learning. Ongoing improvements will also be made to our promotion and remuneration regimes with the aim of enhancing staff commitment to the Group and their duties. In terms of business development, dedicated efforts will be made to enhance the quality and efficiency of the New Plants, ensuring the availability of stable production capacity to provide the necessary condition for the business teams' effort in new customer development.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group continued to maintain a healthy liquidity position. The Group generally finances its operations with internally generated resources and banking facilities. As at 30 September 2012, the Group had cash and cash equivalents amounting to HK$299.5 million mainly denominated in Hong Kong dollars, Renminbi and US dollars (31 March 2012: HK$372.0 million). As at 30 September 2012, the Group had aggregate banking facilities of HK$706.0 million (31 March 2012: HK$706.0 million), out of which HK$356.0 million (31 March 2012: HK$356.0 million) were supported by (i) corporate guarantees executed by the Company; and (ii) unlimited corporate guarantees executed by subsidiaries of the Company. The banking facilities amounting to HK$439.1 million were utilised by the Group as at 30 September 2012 (31 March 2012: HK$427.6 million). As at 30 September 2012, the Group's total banking borrowings was HK$426.6 million (31 March 2012: HK$418.9 million). As at 30 September 2012, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spread over four years with HK$168.6 million repayable within one year, HK$31.2 million in the second year, HK$226.8 million in the third to fourth year.

The management believes that the existing financial resources will be sufficient to meet 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.

As at 30 September 2012, gearing ratios of the Group is defined as the net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity is 11.6% (31 March 2012: 4.4%).

For the six months ended 30 September 2012, the Group was not subject to any significant exposures to foreign exchange rate risk and hence, no financial instrument for hedging was employed.

As at 30 September 2012, the Group did not have any significant contingent liabilities (31 March 2012: nil) and the Company had given corporate guarantee to banks to the extent of HK$356.0 million (31 March 2012: HK$356.0 million) for banking facilities granted to certain subsidiaries of the Company.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group has transactional currency exposures. Such exposures arise from substantial portion of sales or purchases by operating units in US dollars and RMB. The Group is exposed to foreign exchange risk arising from the exposure of US dollars and RMB. As the foreign currency risks generated from the sales and purchases can be set off with each other, the Group believes its exposure to exchange rate risk is minimal. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency.

The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange exposures and will consider hedging the significant foreign currency exposures should the need arise.

SIGNIFICANT INVESTMENTS

As at 30 September 2012, there was no significant investment held by the Group (31 March 2012: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2012, the Group employed a total of approximately 9,300 employees including the directors of the Company (the "Directors") (31 March 2012: approximately 10,000).

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 for the employees of the Group in Hong Kong and to the central pension scheme for the employees of the Group in the PRC and Indonesia.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies for the six months ended 30 September 2012 (2011: Nil).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2012, the interests and short positions of the Directors and chief executive in the share capital, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors or chief executive were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange 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 Long position	Number of shares held Short position	Percentage of issued share capital of the Company
Mr. Chung Yuk Sing ("Mr. Chung")	Interest in a controlled corporation	72,650,000 (Note)	–	14.54
	Beneficial owner	200,000	–	0.04
Mr. Chen Hsiao Ying	Beneficial owner	25,328,800	–	5.07
Mr. Kuo Tai Yu	Beneficial owner	1,450,000	–	0.29

Note: These shares are held by Time Easy Investment Holdings Limited ("Time Easy"). The entire issued share capital of Time Easy is held by Mr. Chung, the Chairman and an executive Director.

Save as disclosed above, as at 30 September 2012, none of the Directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2012, 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	Number of shares held Short position	Percentage of issued share capital of the Company
Time Easy	Beneficial owner	72,650,000 (Note 1)	–	14.54
Pou Chen Corporation ("PCC")	Interest in a controlled corporation	192,000,000 (Note 2)	–	38.42
Wealthplus Holdings Limited ("Wealthplus")	Interest in a controlled corporation	192,000,000 (Note 2)	–	38.42
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")	Interest in a controlled corporation	192,000,000 (Note 2)	–	38.42
Pou Hing Industrial Co. Ltd. ("Pou Hing")	Interest in a controlled corporation	192,000,000 (Note 2)	–	38.42
Great Pacific Investments Limited ("Great Pacific")	Beneficial owner	192,000,000 (Note 2)	–	38.42
Delta Lloyd Asset Management NV	Beneficial owner	29,096,000	–	5.82

Notes:

1. The entire issued share capital of Time Easy is held by Mr. Chung, the Chairman and an executive Director.

2. The 192,000,000 shares were held by Great Pacific which was wholly-owned by Pou Hing. The entire issued share capital of Pou Hing was held by Yue Yuen in which Wealthplus and Win Fortune Investments Ltd. ("Win Fortune") held an interest of 46.89% and 3.09% respectively. Wealthplus and Win Fortune are in turn wholly-owned by PCC. Accordingly, Pou Hing, Yue Yuen, Wealthplus, Win Fortune and PCC are all deemed to be interested in the 192,000,000 shares held by Great Pacific.

Save as disclosed above, as at 30 September 2012, 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, underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Interest of the Director in a competing business required to be disclosed pursuant to Rule 8.10 of the Listing Rules is as follows:

Name of Director	Name of company	Nature of competing business	Nature of interest
Ms. Chen Fang Mei, Christina ("Ms. Chen")	Yuen Thai Industrial Company Limited ("Yuen Thai") (Note 1)	Garment manufacturing	As a director
	Din Tsun Holding Co., Ltd. ("Din Tsun") (Note 2)	Garment manufacturing	As a director
	Pro Kingtex Industrial Co., (HK) Ltd. ("Pro Kingtex") (Note 3)	Garment manufacturing	As a director

Notes:

1. Yuen Thai is a company incorporated in Hong Kong on 24 September 2003 and is held as to 50% by Yue Yuen and its subsidiaries (the "Yue Yuen Group") and 50% by a subsidiary of Luen Thai Holdings Limited, a company listed on the Stock Exchange since 2004. Ms. Chen was nominated to the board of directors of Yuen Thai to represent the interest of the Yue Yuen Group in July 2009. On 28 May 2012, Ms. Chen resigned as director of Yuen Thai.

2. Din Tsun is a company incorporated in the British Virgin Islands on 4 January 2005 and is held as to 50% by the Yue Yuen Group and 50% by two individuals. Ms. Chen has been nominated to the board of directors of Din Tsun to represent the interest of the Yue Yuen Group since April 2011.

3. Pro Kingtex is a company incorporated in Hong Kong on 3 December 2009 and is held as to 30% by the Yue Yuen Group and 70% by Din Tsun. Ms.Chen has been nominated to the board of directors of Pro Kingtex to represent the interest of the Yue Yuen Group since August 2010.

Having considered (i) the nature, geographical market, scope and size of Yuen Thai, Din Tsun and Pro Kingtex as compared to those of the Group; and (ii) the nature and extent of Ms. Chen's interest in Yuen Thai, Din Tsun and Pro Kingtex, 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.

SHARE OPTION SCHEME

Since 6 August 2003, the Company has conditionally adopted a share option scheme whereby eligible participants of the share option scheme, including any employee (whether full-time or part-time) and any director of the Company and/or any of its subsidiaries whom the Board may think fit with reference to their respective contributions to the Group, may be granted options which entitle them to subscribe for the shares of the Company. Details of the share option scheme are set out in note 28 to the financial statements of the Company for the year ended 31 March 2012.

As at 30 September 2012, no share options had been granted under the share option scheme.

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 2012.

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 2012, except for the deviation in respect of the attendance of the independent non-executive Directors at the general meetings of the Company set out in Code Provision A.6.7 of the Code.

Code Provision A.6.7 of the Code stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. An independent non-executive Director did not attend the annual general meeting of the Company held on 27 August 2012 due to his other commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2012.

AUDIT COMMITTEE

The Audit Committee, comprising the three independent non-executive Directors, has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2012, including the accounting principles adopted by the Group.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

A nomination committee of the Company was established pursuant to the requirements of the Listing Rules. The nomination committee comprises two independent non-executive Directors, namely, Mr. Chan Cheuk Ho and Mr. Li Chi Chung 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 HK7 cents per share for the six months ended 30 September 2012 (2011: HK7 cents) to be payable to shareholders whose names appear on the register of members of the Company on 11 December 2012. The interim dividend will be payable on 19 December 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 December 2012 to 11 December 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the proposed 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 6 December 2012.

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 Stock Exchange (http://www.hkex.com.hk).

On Behalf of the Board
Chen Hsiao Ying
Executive Director and Chief Executive Officer

Hong Kong, 15 November 2012

As at the date of this report, the Board comprised four executive Directors, namely, Mr. Chung Yuk Sing (Chairman), Mr. Chen Hsiao Ying (Chief Executive Officer), Mr. Kuo Tai Yu and Ms. Chen Fang Mei, Christina and three independent non-executive Directors, namely, Mr. Chan Cheuk Ho, Mr. Li Chi Chung and Mr. Cheng Yung Hui, Tony.