



EAGLE NICE

2016



INTERIM
REPORT

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)

* 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 2016 together with the comparative unaudited figures for the corresponding period in 2015 and the relevant explanatory notes.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2016

		Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
	Notes		
REVENUE	2	1,083,535	947,047
Cost of sales		<u>(856,854)</u>	<u>(728,699)</u>
Gross profit		226,681	218,348
Other income and gains	3	7,492	6,271
Selling and distribution expenses		(13,390)	(10,532)
Administrative expenses		(64,715)	(63,869)
Fair value changes on derivative financial instruments, net		-	(2,742)
Finance costs	4	<u>(1,822)</u>	<u>(1,553)</u>
PROFIT BEFORE TAX	5	154,246	145,923
Income tax expense	6	<u>(33,322)</u>	<u>(29,898)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>120,924</u>	<u>116,025</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		<u>HK24.20 cents</u>	<u>HK23.22 cents</u>
Diluted		<u>HK24.20 cents</u>	<u>HK23.22 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>120,924</u>	<u>116,025</u>
Other comprehensive expense: Item that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	<u>(24,148)</u>	<u>(20,766)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>96,776</u>	<u>95,259</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		633,803	663,613
Prepaid land lease payments		61,656	65,587
Goodwill		26,112	26,112
Deposits		30,537	23,367
		752,108	778,679
CURRENT ASSETS			
Inventories		220,915	359,952
Accounts and bills receivables	9	355,835	111,523
Prepayments, deposits and other receivables		43,873	52,952
Cash and cash equivalents		258,682	255,413
		879,305	779,840
CURRENT LIABILITIES			
Accounts payables	10	101,845	133,423
Accrued liabilities and other payables		93,283	84,304
Interest-bearing bank borrowings	11	197,100	197,900
Tax payable		43,286	23,525
		435,514	439,152
NET CURRENT ASSETS			
		443,791	340,688
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,195,899	1,119,367
NON-CURRENT LIABILITIES			
Pension scheme obligation		7,859	6,239
Deferred tax liabilities		16,898	13,778
		24,757	20,017
TOTAL NON-CURRENT LIABILITIES			
		1,171,142	1,099,350
EQUITY			
Issued capital	12	4,997	4,997
Reserves		1,166,145	1,094,353
		1,171,142	1,099,350

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	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	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2016	4,997	472,586	(229)	58,648	90,550	472,798	1,099,350
Profit for the period	-	-	-	-	-	120,924	120,924
Exchange differences on translation of foreign operations	-	-	-	-	(24,148)	-	(24,148)
Total comprehensive Income/ (expense) for the period	-	-	-	-	(24,148)	120,924	96,776
Final 2016 dividend	-	-	-	-	-	(24,984)	(24,984)
At 30 September 2016	<u>4,997</u>	<u>472,586</u>	<u>(229)</u>	<u>58,648</u>	<u>66,402</u>	<u>568,738</u>	<u>1,171,142</u>

For the six months ended 30 September 2015

	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	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2015	4,997	472,586	(229)	45,886	112,085	452,206	1,087,531
Profit for the period	-	-	-	-	-	116,025	116,025
Exchange differences on translation of foreign operations	-	-	-	-	(20,766)	-	(20,766)
Total comprehensive Income/ (expense) for the period	-	-	-	-	(20,766)	116,025	95,259
Final 2015 dividend	-	-	-	-	-	(32,479)	(32,479)
At 30 September 2015	<u>4,997</u>	<u>472,586</u>	<u>(229)</u>	<u>45,886</u>	<u>91,319</u>	<u>535,752</u>	<u>1,150,311</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash flows from/(used in) operating activities	22,164	(18,309)
Net cash flows from/(used in) investing activities	(11,187)	60,281
Net cash flows used in financing activities	(800)	(38,608)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,177	3,364
Cash and cash equivalents at beginning of period	255,413	255,399
Effect of change in foreign exchange rate, net	(6,908)	(5,383)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	258,682	253,380
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	258,682	253,380

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 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 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 2016, 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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the new or 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.

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 reportable operating segments, based on location of customers (the destination of sales), including USA, Mainland China, 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 2016 are as follows:

	Revenue		Segment result	
	Six months ended 30 September (Unaudited)		Six months ended 30 September (Unaudited)	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USA	428,575	338,487	80,854	79,287
Mainland China	300,537	290,571	53,219	56,688
Europe	160,318	120,635	30,201	26,589
Japan	32,277	36,103	5,452	5,453
Others	161,828	161,251	32,731	33,225
	<u>1,083,535</u>	<u>947,047</u>	<u>202,457</u>	<u>201,242</u>
Other income and gains			7,492	6,271
Unallocated expenses			(55,703)	(61,590)
Profit before tax			154,246	145,923
Income tax expense			(33,322)	(29,898)
Profit for the period attributable to owners of the Company			<u>120,924</u>	<u>116,025</u>

3. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Bank interest income	912	1,101
Income derived from available-for-sale investments	31	884
Government grants*	3,010	3,539
Gain on disposal of items of property, plant and equipment	1,939	–
Gain on disposal of prepaid land lease payments	908	–
Others	692	747
	7,492	6,271

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

4. FINANCE COSTS

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on bank loans	1,822	1,553

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Depreciation	23,313	28,365
Amortisation of prepaid land lease payments	1,070	1,159
Gain on disposal of items of property, plant and equipment	(1,939)	–
Gain on disposal of prepaid land lease payments	(908)	–
Fair value losses/(gains), net, Derivative financial instruments – transactions not qualified as hedges:		
– matured during the period	–	(2,757)
– not yet matured	–	5,499
	–	5,499

6. INCOME TAX

Hong Kong profits tax for the six months ended 30 September 2016 has been provided at the rate of 16.5% (2015: 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax charge for the period:		
Hong Kong	14,126	7,481
Elsewhere	16,474	20,069
Underprovision of current tax in respect of prior year	–	1,078
Deferred	2,722	1,270
	<hr/>	<hr/>
Total tax charge for the period	33,322	29,898

7. INTERIM DIVIDEND

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend declared of HK\$0.15 per share (2015: HK\$0.12 per share)	74,952	59,962

The Board resolved that an interim dividend of HK\$0.15 per share for the six months ended 30 September 2016 to be paid to the shareholders whose names appear on the Company's register at the close of business on 5 December 2016. The interim dividend was declared after the period ended 30 September 2016, 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\$120,924,000 (2015: HK\$116,025,000) and 499,680,000 (2015: 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 2016 and 2015 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. ACCOUNTS AND BILLS RECEIVABLE

The Group's accounts and bills 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 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Within 30 days	286,530	89,233
31 to 60 days	60,331	13,614
61 to 90 days	2,524	6,132
Over 90 days	6,450	2,544
	355,835	111,523

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 PAYABLE

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

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Within 90 days	97,899	128,546
91 to 180 days	369	954
181 to 365 days	54	179
Over 365 days	3,523	3,744
	101,845	133,423

The accounts 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 2016 (Unaudited) HK\$'000	Effective Interest rate	Maturity	As at 31 March 2016 (Audited) HK\$'000
	%			%		
Current						
Bank loans – unsecured	1.04% to 1.63%	On demand	197,100	1.18% to 1.53%	On demand	197,900

As at 30 September 2016, all of the bank borrowings of HK\$197,100,000 (31 March 2016: HK\$197,900,000) were supported by corporate guarantees executed by the Company and certain subsidiaries of the Company.

As at 30 September 2016, HK\$96,100,000 (31 March 2016: HK\$105,400,000) 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 2016 and 31 March 2016 are repayable within one year.

12. ISSUED CAPITAL

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Issued and fully paid:		
499,680,000 (31 March 2016: 499,680,000) ordinary shares of HK\$0.01 each	<u>4,997</u>	<u>4,997</u>

13. CAPITAL COMMITMENTS

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

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Contracted, but not provided for:		
Renovation of factory and purchases of machinery and equipment for the investment in Jiangxi Province, the PRC (the "Jiangxi Project")	2,509	354
Construction of factory and purchases of machinery and equipment for the investment in Indonesia (the "Indonesia Project")	2,727	10,035
Renovation of factories and purchases of machinery and equipment	<u>1,522</u>	<u>863</u>
	<u>6,758</u>	<u>11,252</u>
Authorised, but not contracted for:		
Investment in the Jiangxi Project	24,244	29,091
Investment in the Indonesia Project	19,813	20,584
Renovation of factories and purchases of machinery and equipment	<u>6,459</u>	<u>12,595</u>
	<u>50,016</u>	<u>62,270</u>

14. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 18 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Global economic recovery was slow during the first half of financial year of 2016 (“the first half of the year” or “the period under review”). The retail industry remained under pressure due to lack of demand in the major markets and intensified international competition. Although growth of domestic demand has eased, the PRC’s macro-economy maintained steady growth. Public awareness of health and exercise has enhanced, supporting the development of sportswear industry. However, the rapid development of textile and garment industry of the PRC’s neighboring countries and the rising labor costs lead to greater competition faced by production-based manufacturers in the PRC.

BUSINESS REVIEW

During the first half of the year, the Group focused on manufacturing winter sportswear which commands higher selling unit price due to strict production requirement. With adjustments in product mix during recent years, satisfactory growth in sales has been achieved, with a year-on-year increase of nearly 14%. Despite the challenges of intense competition and increasing labor costs, through the efforts of the operation teams, the Group overcame the hurdles by achieving stable growth of approximately 4% in gross profit and net profit.

The major markets of the Group were USA, the PRC and Europe and they totally contributed 82% of total sales in the first half of the year. Compared with the corresponding period of last year, the average selling price per unit and the quantity of the products sold to the three territories improved. The sales to USA and Europe significantly increased by approximately HK\$90 million and HK\$40 million, representing growth of approximately 27% and 33% respectively. The PRC sportswear market rapidly expanded as a result of the sporting initiatives implemented by the PRC Government. A remarkable growth was also achieved as the Group captured such opportunity during the period under review. Due to the effect of depreciation in RMB, growth in sales in the PRC market was not as remarkable as the growth in USA and European markets.

Optimizing of Product Structure

During the period under review, the Group strictly followed its development strategies, strengthened the high-edge products under development, and continued to increase production of added-value products. The Group’s production bases have fully enhanced their technical training level, so as to cope with the automatic production equipment. With expanded production of down apparel, down-like apparel and mechanical thermal high added-value apparel, the Group optimized the product structure and enhanced the overall operating profits.

Streamlining Corporate Structure

Originating in Guangdong Province of the PRC, the Group has later expanded its production bases to Jiangxi Province, the PRC and Indonesia. The Board has spent years in restructuring and streamlining its corporate structure according to its business and operation, maintaining cost efficient production, continually optimizing management process, reducing operating costs, and enhancing labor productivity and profit.

Improving Overseas Production Capability

In an effort to provide its customers with more tailored and flexible sales services, the Group has boosted the production capacity of the Indonesian plant by expanding its production lines, adding production facilities, and recruiting and training skilled workers. The Group has also made use of the Group's different production bases to flexibly meet customer needs and future production demands.

Raising Efficiency through Automatic Production

Being people-oriented, the Group regards its staff as an important asset, deploying resources to staff training in order to improve their value. Through sound promotion and staff benefit system, staff's sense of belonging can be enhanced, enabling the Group to encounter the pressure of rising labor costs. Meanwhile, the Group has strived to optimize its production process by using automatic production machineries, in a bid to raise the production efficiency of the labor.

REVIEW OF FINANCIAL PERFORMANCE

For the period under review, the Group's total sales grew by 14.4% to HK\$1,083.5 million (2015: HK\$947.0 million). Gross profit presented a slight increase of HK\$8.3 million to HK\$226.7 million, while gross profit margin decreased by 2.2% from 23.1% to 20.9%. In recent years, the Group has been actively restructuring its business, optimizing marketing strategies, concentrating resources on research & development and production of high-end products, improving production process and strengthening cost control. As a result, the Group has succeeded in continuously improving its profit. Compared with the corresponding period of last year, a substantial increase in the contribution of sales of high-end products to the total sales, which raised the average selling price per unit, became a major driver for the growth of total sales of the Group. Nevertheless, most of the high-end products sold during the period under review required higher cost of materials. In view of stiff competition in the industry, the selling prices of the high-end products were unable to fully cover the increase in cost of materials, which served as a main reason for the decline of gross profit margin. Furthermore, in respect of production costs, the constant rises of minimum wage and improvement in staff benefits have unavoidably eroded the gross profit margin of the Group.

During the period under review, as a result of the increase in sales, the Group's selling and distribution expenses increased by HK\$2.9 million, its proportion to total sales for the period under review similar to that of the corresponding period of last year. Administrative expenses marginally increased by HK\$0.8 million. The Group's bank loan as of the closing date of the period was approximate to that as of the beginning of the period. However, during the period under review, demand for working capital increased and interest rate hiked causing finance costs to slightly increase by HK\$0.3 million. In respect of taxation, the Group's overall tax expenses increased by HK\$3.4 million during the period under review and the effective tax rate was 21.6% (2015: 20.5%).

In the first half of the year, the Group's other income and gains of HK\$7.5 million (2015: HK\$6.3 million) mainly comprised bank interest income of HK\$0.9 million (2015: HK\$1.1 million), and financial award of HK\$3.0 million (2015: HK\$3.5 million) granted by the PRC Government. Besides, gain on disposal of underutilized assets during the period under review amounted to HK\$2.8 million (2015: HK\$ nil).

For the six months ended 30 September 2016, the Group's profit before tax increased by 5.7% to HK\$154.2 million (2015: HK\$145.9 million). Compared with the corresponding period of last year, the Group's profit before tax margin dropped by 1.2% to 14.2% from 15.4% because of decrease in gross profit margin. Consequently, net profit margin also declined by 1.1% from 12.3% to 11.2%. During the period under review, profit attributable to equity owners of the Company was HK\$120.9 million, increased by 4.2% as compared to HK\$116.0 million for the corresponding period of last year. Earnings per share for the period was HK24.2 cents, while it was HK23.22 cents for the corresponding period of last year. The Board proposed payment of an interim dividend of HK15 cents per share, as compared to HK12 cents for the corresponding period of last year.

FUTURE PROSPECTS AND STRATEGY

In the first half of every year, the Group mainly manufactures windbreak, waterproof, warm and breathable winter sportswear with higher selling price that involves complex production process, high technical requirements and diversified design. In the second half of every year, the Group mainly manufactures light and simple summer products with lower selling price. Looking into the second half of the year, the Group has deployed more resources to strive for the orders of summer products with higher value to reduce the impacts from seasonal factors on its profit.

Despite the lower labor costs and more stable labor supply in Indonesia, the wages of workers in Indonesia have been rapidly rising in recent years, which will definitely exert pressure on the profitability of the Group in near future. The management will closely monitor the control of labor costs in each production base and take measures to minimize its impact on the Group's profitability.

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 2016, the Group had cash and cash equivalents amounting to HK\$258.7 million (31 March 2016: HK\$255.4 million) mainly denominated in Hong Kong dollars, Renminbi, US dollars and Indonesian Rupiah.

As at 30 September 2016, the Group's banking facilities were supported by the corporate guarantees executed by the Company and certain subsidiaries of the Company to the extent of HK\$659.4 million (31 March 2016: HK\$597.4 million), of which an aggregate amount of HK\$197.1 million (31 March 2016: HK\$197.9 million) was utilised. As at 30 September 2016 and 31 March 2016, based on the repayment schedule of the bank borrowings, all the Group's bank borrowings are repayable within one year.

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 net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity. The Group's gearing ratios as at 30 September 2016 is not applicable (31 March 2016: not applicable).

FOREIGN EXCHANGE RISK MANAGEMENT

The Group has transactional currency exposures as substantial portion of sales or purchases are transacted in US dollars and RMB. The Group is exposed to foreign exchange risk mainly arising from such exposure to US dollars and RMB. Although the Group tries to maintain the balance of its sales and purchases in the same currency, as the foreign currency risks generated from the sales and purchases can only be partly set off with each other, financial instrument may be employed when necessary to manage the Group's exposure to the potential exchange rate risk.

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

MATERIAL ACQUISITION OR DISPOSAL

There was no material acquisition or disposal of subsidiaries and associated companies for the six months ended 30 September 2016 (2015: Nil).

CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any significant contingent liabilities (31 March 2016: Nil).

As at 30 September 2016, the Group's banking facilities were supported by the corporate guarantees executed by the Company and certain subsidiaries of the Company to the extent of HK\$659.4 million (31 March 2016: HK\$597.4 million), of which an aggregate amount of HK\$197.1 million (31 March 2016: HK\$197.9 million) was utilised.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group employed a total of approximately 8,800 employees including the directors of the Company (the "Directors") (31 March 2016: approximately 8,800).

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 the PRC and Indonesia.

OTHER INFORMATION

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

As at 30 September 2016, the interests and short positions of the Directors and chief executive of the Company (the "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 the 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 issued share capital of the Company
		Long position	Short position	
Mr. Chung Yuk Sing ("Mr. Chung")	Interest in a controlled corporation	72,650,000 (Note)	–	14.54
	Beneficial owner	8,100,000	–	1.62
Mr. Chen Hsiao Ying	Beneficial owner	26,100,800	–	5.22

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.

Save as disclosed above, as at 30 September 2016, 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 2016, the interests and short positions of the following persons, other than the Directors and the Chief Executive, 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		Percentage of issued share capital of the Company
		Long position	Short position	
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

Notes:

- The entire issued share capital of Time Easy is held by Mr. Chung.
- 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 2016, no person, other than the Directors and the Chief Executive, 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 Directors 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	Appointment date
Mr. Kuo Tai Yu ("Mr. Kuo")	Yue Yuen (Note 1)	Garment manufacturing	As a director As a general manager	February 1996 December 2012
Ms. Chen Fang Mei, Christina ("Ms. Chen")	Din Tsun Holding Co., Ltd. ("Din Tsun") (Note 2)	Garment manufacturing	As a director	April 2011
Mr. Kuo			As a director	April 2013
Mr. Lee Cheng Chuan ("Mr. Lee")			As a director	August 2016
Ms. Chen	Faith Year Investments Limited	Garment manufacturing	As a director	August 2010
Mr. Kuo	("Faith Year") (Note 2)		As a director	April 2013
Mr. Lee			As a director	August 2016
Ms. Chen	Pro Kingtex Industrial Co.,	Garment manufacturing	As a director	August 2010
Mr. Kuo	(HK) Ltd. ("Pro Kingtex")		As a director	April 2013
Mr. Lee	(Note 2)		As a director	August 2016
Mr. Lee	Tien Pou International Ltd ("Tien Pou") (Note 3)	Garment manufacturing	As a director	October 2016

Notes:

- 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 (the "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 more than US\$3.0 billion for its footwear manufacturing business for the six months ended 30 June 2016. As the Group is principally engaged in the manufacturing and trading of sportswear and garments, the businesses of the Yue Yuen Group and the Group potentially compete with each other. Mr. Kuo resigned as director and general manager of Yue Yuen in March 2016 and June 2016 respectively. Mr. Kuo also resigned as an executive director of the Company in September 2016.

Given that the 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 the Yue Yuen Group. After considering the nature and extent of Mr. Kuo's participation in business of the Yue Yuen Group and the Group, the Directors believed that there was unlikely to be any significant competition caused to the business of the Group.

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. Din Tsun and the Yue Yuen Group hold 70% and 30% of the issued share capital of Faith Year respectively which in turn wholly-owns Pro Kingtex. Din Tsun and its subsidiaries (the "Din Tsun Group") are investee companies of the Yue Yuen Group. The principal business activities of the Din Tsun Group are apparel manufacturing of sportswear, casual and outdoor clothes. Based on information provided by the Din Tsun Group, it recorded over US\$240 million in revenue for the year ended 31 December 2015. Mr. Kuo resigned while Mr. Lee was appointed as director of Din Tsun, Faith Year and Pro Kingtex in Aug 2016. Currently, both Ms. Chen and Mr. Lee have been nominated to the board of directors of Din Tsun, Faith Year and Pro Kingtex to represent the interest of the Yue Yuen Group as an investor.

Mr. Kuo did participate in the operation of the Din Tsun Group and he confirmed no conflict of interest with business of the Din Tsun Group during the period he was the director of the Din Tsun Group. While Ms. Chen is not involved in the operation of the Din Tsun Group, Mr. Lee participates in the apparel manufacturing business of the Din Tsun Group. Mr. Lee has confirmed that he is mindful of his duty to avoid conflict of interest. In cases where conflict of interest situation arises, Mr. Lee 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 the Din Tsun Group has its own management personnel other than Mr. Lee and that Ms. Chen is not involved in its operations, the Directors believe that the Company is capable of carrying on its business independently of, and at arm's length from the Ding Tsun Group.

3. Tien Pou is a company incorporated in the Cayman Islands on 3 June 2016 and is held as to 40% by the Yue Yuen Group and 60% by an independent corporation. The principal business activities of Tien Pou are apparel manufacturing of sportswear, casual and outdoor clothes. As Tien Pou was just incorporated in June 2016, no financial information was available. Mr. Lee has been nominated to the board of directors of Tien Pou to represent the interest of the Yue Yuen Group as an investor.

Given that Mr. Lee is not involved in the operation of Tien Pou, the Directors believe that the Company is capable of carrying on its business independently of, and at arm's length from Tien Pou.

Save as disclosed above, none of the Directors or their respective close associates (as defined under the Listing Rules) 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.

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 2016.

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 2016, 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.

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. One independent non-executive Director did not attend the annual general meeting of the Company held on 18 August 2016 due to his other commitments.

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 2016.

AUDIT COMMITTEE

The audit Committee of the Company (the “Audit Committee”) consists of three independent non-executive Directors. The Audit Committee has reviewed with management the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016, including the accounting principles adopted by the Group, risk management and internal controls.

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. 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

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. Lu Chi Chant and one executive Director, namely, Mr. Chung Yuk Sing. Mr. Chung Yuk Sing is the chairman of the nomination committee.

DISCLOSURE OF INFORMATION ON DIRECTORS

Save for the changes in the directorships and composition of Board committees of the Company as disclosed in the announcements of the Company dated 1 September 2016 and 15 September 2016 respectively, since the last published annual report of the Company, there are no change in the Director’s information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK15 cents per share for the six months ended 30 September 2016 (2015: HK12 cents) to be payable to shareholders whose names appear on the register of members of the Company on 5 December 2016. The interim dividend will be payable on 16 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 December 2016 to 5 December 2016, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 1 December 2016.

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

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

On Behalf of the Board
Chung Yuk Sing
Executive Director

Hong Kong, 18 November 2016

As at the date of this report, the Board comprises four executive directors, namely, Mr. Chung Yuk Sing, Mr. Chen Hsiao Ying, Ms. Chen Fang Mei, Christina and Mr. Lee Cheng Chuan and three independent non-executive directors, namely, Mr. Chan Cheuk Ho, Mr. Lu Chi Chant and Ms. Tham Kit Wan.