



EAGLE NICE (INTERNATIONAL) HOLDINGS LIMITED
鷹美(國際)控股有限公司*

INTERIM REPORT 2021

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

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

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



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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2021

	<i>Notes</i>	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Pension scheme obligation		24,368	20,947
Lease liabilities		15,454	5,686
Deferred tax liabilities		39,001	38,556
Total non-current liabilities		78,823	65,189
Net assets		1,683,803	1,551,073
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	5,320	5,320
Reserves		1,633,172	1,507,347
Non-controlling interests		1,638,492	1,512,667
		45,311	38,406
Total equity		1,683,803	1,551,073

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	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 2021	5,320	566,314	(229)	89,860	40,826	810,576	1,512,667	38,406	1,551,073
Profit for the period	—	—	—	—	—	167,676	167,676	6,199	173,875
Exchange differences on translation of foreign operations	—	—	—	—	21,989	—	21,989	706	22,695
Total comprehensive income for the period	—	—	—	—	21,989	167,676	189,665	6,905	196,570
Final 2021 dividend	—	—	—	—	—	(63,840)	(63,840)	—	(63,840)
At 30 September 2021	5,320	566,314	(229)	89,860	62,815	914,412	1,638,492	45,311	1,683,803

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	—	—	—	—	50,801	—	50,801	1,287	52,088
Total comprehensive income for the period	—	—	—	—	50,801	230,809	281,610	7,873	289,483
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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Net cash flows from operating activities	205,471	228,345
Net cash flows used in investing activities	(67,878)	(8,644)
Net cash flows used in financing activities	(124,824)	(209,629)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,769	10,072
Cash and cash equivalents at beginning of period	442,395	341,156
Effect of change in foreign exchange rate, net	9,049	20,106
CASH AND CASH EQUIVALENTS AT END OF PERIOD	464,213	371,334
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	294,507	214,201
Non-pledged time deposits with original maturity of less than three months when acquired	169,706	157,133
	464,213	371,334

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 Hong Kong Accounting Standards (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

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

2. Changes in accounting policies and disclosures

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

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

*Interest Rate Benchmark Reform
— Phase 2
COVID-19-Related Rent Concessions
beyond 30 June 2021*



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

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

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



3. Operating segment information

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

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

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

4. Revenue and other income and gains, net

(a) An analysis of revenue is as follows:

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

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

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

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

5. Finance costs

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

6. Profit before tax

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

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



7. Income tax

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

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

8. Interim dividend

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interim dividend declared of HK\$0.22 per share (2020: HK\$0.30 per share)	117,040	159,600

The Board resolved that an interim dividend of HK\$0.22 per share for the six months ended 30 September 2021 to be paid to the shareholders whose names appear on the Company's register at the close of business on 1 December 2021. The interim dividend was declared after the period ended 30 September 2021, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

9. Earnings per share attributable to owners of the Company

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$167,676,000 (2020: HK\$230,809,000) and 532,000,000 (2020: 532,000,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. Goodwill

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (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 carry value of goodwill 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 receivable

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

The Group's accounts receivable mainly relates to a few recognised and creditworthy customers. The credit period is generally for a period of 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivable to minimise the credit risk. Overdue balances are regularly reviewed by the management of the Group. The Group does not hold any collateral or other credit enhancements over its accounts receivable balance. The accounts receivable is non-interest-bearing.

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

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

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

12. Accounts payable

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

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

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

13. Interest-bearing bank borrowings

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

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

As at 30 September 2021, HK\$371,806,000 (31 March 2021: HK\$428,438,000) of the bank borrowings were denominated in US\$.

Based on the maturity terms of the bank borrowings, all the Group's bank borrowings as at 30 September 2021 and 31 March 2021 are repayable within one year.



14. Issued capital

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Issued and fully paid: 532,000,000 (31 March 2021: 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 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
	<i>Notes</i>		
A related company indirectly controlled by a substantial shareholder of the Company:			
Rental expense*	<i>(i)</i>	3,854	3,401
Service fee	<i>(ii)</i>	2,792	4,180
A substantial shareholder of the Company:			
Service fee	<i>(iii)</i>	265	230

Notes:

- (i) The Group entered into lease agreements with Pouyuen Vietnam Company Limited (“Pouyuen Vietnam”), a related company indirectly controlled by Yue Yuen Industrial (Holdings) Limited (“Yue Yuen”), a substantial shareholder of the Company, for the rental of (i) a plant at a monthly rate of US\$71,184 for a term of three years from 1 June 2018 to 31 May 2021, which was renewed at a monthly rate of US\$71,184 for a term of three years commencing on 1 June 2021; (ii) a plant at a monthly rate of US\$3,204 for a term of one year commencing on 1 June 2020 and early terminated with effect from 30 November 2020; and (iii) a plant at a monthly rate of US\$11,094 for a term of two years and six months commencing on 1 December 2020.

* Right-of-use assets of HK\$18,888,000 (31 March 2021: HK\$3,252,000) and lease liabilities of HK\$18,964,000 (31 March 2021: HK\$3,295,000) related to leases with related parties were recognised in the condensed consolidated statement of financial position as at 30 September 2021. During the six months ended 30 September 2021, depreciation of right-of-use assets of HK\$3,718,000 (2020: HK\$3,201,000) and finance costs on lease liabilities of HK\$150,000 (2020: HK\$92,000) 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 service fee to Pou Chen Corporation (“Pou Chen”), a substantial shareholder of the Company, was based on actual cost incurred.

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

(b) Outstanding balances with related parties

- (i) Included in accrued liabilities and other payables as at 30 September 2021 is an amount due to Pouyuen Vietnam of HK\$8,614,000 (31 March 2021: HK\$4,144,000), which is unsecured, interest-free and repayable on demand.
- (ii) Included in accrued liabilities and other payables as at 30 September 2021 is an amount due to Pou Chen of HK\$123,000 (31 March 2021: HK\$123,000), 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 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Contracted, but not provided for:		
Renovation of factories and purchases of items of machinery and equipment for the production base in Hubei	26,591	1,790
Renovation of factories and purchases of items of machinery and equipment for the production base in Vietnam	4,682	1,295
Renovation of factories and purchases of items of machinery and equipment	30,665	10,280
	61,938	13,365

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 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business review

Overseas production capacity

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



Manufacturing in China

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

Digitalisation of factories

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

United anti-pandemic efforts

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

Review of financial performance

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

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

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



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

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

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

Subsequent events

Subscription of New Shares under the General Mandate

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

Acquisition of the Target Company

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

Further details of the Subscription and the Acquisition have been disclosed in the announcement of the Company dated 3 November 2021 and the supplemental announcement of the Company dated 18 November 2021.



Outlook

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

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

Liquidity and financial resources

During the period under review, the Group continued to maintain a healthy liquidity position. The Group generally finances its operations with internally generated resources and banking facilities. As at 30 September 2021, the Group had cash and bank balances amounting to HK\$464.2 million (31 March 2021: HK\$442.4 million) mainly denominated in Hong Kong dollars, Renminbi (“RMB”), US dollars, Indonesian Rupiah and Vietnamese Dong.

As at 30 September 2021, the Group’s banking facilities of HK\$977.8 million (31 March 2021: HK\$975.9 million) were supported by the corporate guarantees of HK\$977.8 million (31 March 2021: HK\$975.9 million) executed by the Company and certain subsidiaries of the Company. As at 30 September 2021, an aggregate amount of the Group’s banking facilities of HK\$371.8 million (31 March 2021: HK\$428.4 million) was utilised.

The management believes that the Group’s existing financial resources will be sufficient to meet its existing operations as well as existing and future expansion plans and, if necessary, the Group will be able to obtain additional financing on favourable terms. There is no material effect of seasonality on the Group’s borrowing requirements.

Gearing ratio of the Group is defined as net debt (represented by bank borrowings net of cash and bank balances) divided by the total equity. The Group’s gearing ratio as at 30 September 2021 and 31 March 2021 was not applicable as the Group had a net cash position.

Foreign exchange risk management

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

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

Material acquisition or disposal

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

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 September 2021 and 31 March 2021.

Employees and remuneration policies

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

The employees including the Directors are remunerated based on their working performance, professional experiences and the prevailing industry practice. The Group also makes contributions to the statutory mandatory provident fund scheme and defined contribution retirement benefits scheme for the employees of the Group in Hong Kong and to the pension scheme for the employees of the Group in China, Vietnam and Indonesia.



OTHER INFORMATION

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

As at 30 September 2021, the interests and short positions of the Directors and chief executive of the Company (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 (Long position)	Percentage of the Company's issued capital
Mr. Chung Yuk Sing ("Mr. Chung")	Interest in a controlled corporation	72,650,000 (Note 1)	13.66
	Beneficial owner	18,522,000	3.48
Mr. Chen Hsiao Ying	Beneficial owner	36,100,800	6.79
Mr. Huang Yongbiao ("Mr. Huang")	Interest in a controlled corporation	32,320,000 (Note 2)	6.08
	Beneficial owner	8,500,000	1.60

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 2021, 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 2021, 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 (Long 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	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	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 Pou Chen. Accordingly, Pou Hing, Yue Yuen, Wealthplus, Win Fortune and Pou Chen are all deemed to be interested in the 192,000,000 shares held by Great Pacific.

Save as disclosed above, as at 30 September 2021, no person, other than the Directors and Chief Executive, 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 2021, 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. 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. Shih Chih-Hung (“Mr. Shih”)	Yue Yuen (Note 2)	Garment manufacturing	As a vice president	March 2019
	Pou Chen (Note 2)	Garment manufacturing	As a vice president	November 2020
Mr. Hu Chai-Ho (“Mr. Hu”)	Yue Yuen (Note 2)	Garment manufacturing	As a director	March 2015
	Pou Chen (Note 2)	Garment manufacturing	As a vice president	March 2019

Notes:

1. Dalian Garment is a company incorporated in the PRC in November 2013 and is indirectly held as to 100% by Mr. Huang. Honglian Garment is a company incorporated in the PRC in 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, both companies had no garment manufacturing business for the six months ended 30 September 2021. 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\$2.8 billion for its footwear manufacturing business for the six months ended 30 June 2021. 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.

Pou Chen is a company listed on the Taiwan Stock Exchange Corporation and is a substantial shareholder of Yue Yuen. The principal business activities of Pou Chen and its subsidiaries ("Pou Chen Group") are manufacturing of shoes and retailing of sporting goods and brand licensing business. Based on the published interim report of Pou Chen, Pou Chen recorded total revenue of around NT\$78 billion for its footwear manufacturing business for the six months ended 30 June 2021. As the Group is principally engaged in the manufacturing and trading of sportswear and garments, the businesses of Pou Chen Group and the Group potentially compete with each other.

Given that Yue Yuen Group, Pou Chen Group and the Group are operated by different and separate management teams, the Directors consider that the Group is capable of carrying on its business independently of, and at arm's length with Yue Yuen Group and Pou Chen Group.



Having considered the nature and extent of (i) the participation of Mr. Shih and Mr. Hu in the business of Yue Yuen Group and the Group; and (ii) the participation of Mr. Shih and Mr. Hu in business of Pou Chen 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 2021, 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 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2021, except for the deviations set out below:

Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chung Yuk Sing, who has been the Chairman of the Board since 2002, was appointed as the chief executive officer of the Company with effect from 30 June 2013. Notwithstanding the aforesaid deviation, the Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The principal divisions of the Group's businesses are managed by different Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code as the Company's code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2021.

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 29 November 2021 to Wednesday, 1 December 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 26 November 2021.

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 2021

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