



Eagle Nice

(International) Holdings Limited

鷹美(國際)控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 02368)

INTERIM REPORT 2011

*For identification purpose 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 2011 together with the comparative unaudited figures for the corresponding period in 2010 and the relevant explanatory notes.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

		Six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
	Notes		
REVENUE	2	810,973	661,200
Cost of sales		<u>(644,720)</u>	<u>(490,907)</u>
Gross profit		166,253	170,293
Other income	3	3,580	19,731
Selling and distribution expenses		(11,324)	(9,230)
Administrative expenses		(67,464)	(53,350)
Finance costs	4	<u>(1,362)</u>	<u>—</u>
PROFIT BEFORE TAX	5	89,683	127,444
Tax	6	<u>(18,946)</u>	<u>(17,403)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>70,737</u>	<u>110,041</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		<u>HK14.16 cents</u>	<u>HK22.02 cents</u>
Diluted		<u>HK14.16 cents</u>	<u>HK22.02 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>70,737</u>	<u>110,041</u>
Other comprehensive income :		
Exchange differences on translation of foreign operations	25,508	122
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries	<u>-</u>	<u>(11,739)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>96,245</u>	<u>98,424</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		664,182	577,372
Prepaid land lease payments		78,646	77,108
Deposits		–	12,884
Goodwill		26,112	26,112
		<u>768,940</u>	<u>693,476</u>
CURRENT ASSETS			
Inventories		197,900	192,249
Accounts and bills receivable	9	229,339	81,354
Prepayments, deposits and other receivables		85,685	16,162
Cash and cash equivalents		256,396	183,037
		<u>769,320</u>	<u>472,802</u>
CURRENT LIABILITIES			
Accounts and bills payable	10	83,763	73,828
Interest-bearing bank borrowings	11	90,500	–
Accrued liabilities and other payables		84,930	94,164
Tax payable		31,713	17,772
		<u>290,906</u>	<u>185,764</u>
NET CURRENT ASSETS			
		<u>478,414</u>	<u>287,038</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,247,354</u>	<u>980,514</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	11	184,658	–
Deferred tax liabilities		31,132	30,205
		<u>215,790</u>	<u>30,205</u>
		<u>1,031,564</u>	<u>950,309</u>
EQUITY			
Issued capital	12	4,997	4,997
Reserves		1,026,567	945,312
		<u>1,031,564</u>	<u>950,309</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

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

For the six months ended 30 September 2010

	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Statutory surplus reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2010 (restated)	4,997	472,586	(229)	15,884	66,832	24,893	310,203	895,166
Profit for the period	-	-	-	-	-	-	110,041	110,041
Exchange differences on translation of foreign operations	-	-	-	-	122	-	-	122
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries	-	-	-	-	(11,739)	-	-	(11,739)
Total comprehensive income for the period	-	-	-	-	(11,617)	-	110,041	98,424
Release upon deregistration of subsidiaries	-	-	-	(4,757)	-	-	4,757	-
Final 2010 dividend	-	-	-	-	-	-	(34,978)	(34,978)
At 30 September 2010 (restated)	<u>4,997</u>	<u>472,586</u>	<u>(229)</u>	<u>11,127</u>	<u>55,215</u>	<u>24,893</u>	<u>390,023</u>	<u>958,612</u>



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Six months ended	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(51,443)	102,516
Net cash outflow from investing activities	(157,243)	(104,154)
Net cash inflow from financing activities	275,158	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	66,472	(1,638)
Cash and cash equivalents at beginning of period	183,037	324,692
Effect of change in foreign exchange rate, net	6,887	200
CASH AND CASH EQUIVALENTS AT END OF PERIOD	256,396	323,254
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	208,835	323,254
Non-pledged time deposits	47,561	3,443
CASH AND CASH EQUIVALENTS AS STATED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	256,396	326,697
Excluding :		
Non-pledged time deposits with original maturity of over three months	—	(3,443)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	256,396	323,254

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 31 March 2011, except in relation to the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs

The adoption of the new/revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognized.



2. SEGMENT INFORMATION

The Group is solely engaged in manufacture and trading of sportswear and garments. For management purposes, the Group determines that there are five operating segments, based on location of customers (the destination of sales), including Europe, Mainland China, USA, 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 2011 are as follows:

	Revenue Six months ended 30 September (Unaudited)		Segment result Six months ended 30 September (Unaudited)	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Europe	285,526	183,419	44,612	42,451
Mainland China	243,488	198,197	37,587	39,791
USA	98,362	120,409	15,942	26,387
Japan	56,470	56,346	10,797	13,292
Others	127,127	102,829	20,431	21,182
	<u>810,973</u>	<u>661,200</u>	<u>129,369</u>	143,103
Other income			3,580	19,731
Unallocated expenses			<u>(43,266)</u>	<u>(35,390)</u>
Profit before tax			89,683	127,444
Tax			<u>(18,946)</u>	<u>(17,403)</u>
Profit for the period attributable to owners of the Company			<u>70,737</u>	<u>110,041</u>

3. OTHER INCOME

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest income	877	809
Rental income	93	187
Gain on deregistration of subsidiaries, net	—	18,405
Others	2,610	330
	<u>3,580</u>	<u>19,731</u>

4. FINANCE COSTS

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	<u>1,362</u>	<u>—</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation	20,729	18,347
Amortisation of prepaid land lease payments	<u>1,133</u>	<u>904</u>



6. TAX

Hong Kong profits tax for the six months ended 30 September 2011 has been provided at the rate of 16.5% (2010: 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	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current tax charge for the period:		
Hong Kong	10,748	11,141
Elsewhere	8,198	7,822
Over-provision in prior years	—	(3,596)
Effect of withholding tax at 5% and 10% on the distributable profits of the Group's PRC subsidiaries	—	1,712
Deferred	—	324
	<hr/>	<hr/>
Total tax charge for the period	18,946	17,403

7. INTERIM DIVIDEND

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interim dividend declared of HK\$0.07 per share (2010: HK\$0.12 per share)	34,978	59,962

The Board resolved that an interim dividend of HK\$0.07 per share for the six months ended 30 September 2011 to be paid to the shareholders whose names appear on the Company's register at the close of business on 9 December 2011. The interim dividend was declared after the period ended 30 September 2011, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the period of HK\$70,737,000 (2010: HK\$110,041,000) and the weighted average of 499,680,000 (2010: 499,680,000) ordinary shares in issue during the period.

In both 2011 and 2010, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the two 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 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Within 30 days	167,204	67,091
31 to 60 days	48,723	12,877
61 to 90 days	4,809	659
Over 90 days	8,603	727
	229,339	81,354

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



10. ACCOUNTS AND BILLS PAYABLE

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

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Within 90 days	77,355	70,921
91 to 180 days	2,813	1,054
181 to 365 days	1,809	73
Over 365 days	1,786	1,780
	<hr/> 83,763	<hr/> 73,828

The accounts and bills payable are non-interest-bearing and are normally settled on 45-day terms. The carrying amount of accounts and bills payable approximate to their fair values.

11. INTEREST-BEARING BANK BORROWINGS

	Effective Interest Rate	Maturity	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
	%			
Current				
Bank loan	HIBOR/LIBOR+0.85%	2011-2012	90,500	–
– unsecured	and HIBOR+0.9%			
Non-current				
Bank loan	HIBOR/LIBOR+1.2%	2012-2016	184,658	–
– unsecured	and HIBOR+0.9%			
			275,158	–
The Group's bank borrowing were repayable as follows:				
Within one year			90,500	–
In the second year			12,500	–
In the third to fifth years, inclusive			172,158	–
			275,158	–
Less: Amount repayable within one year and classified as current portion				
			(90,500)	–
Amount classified as non-current portion				
			184,658	–
The above bank borrowings are denominated in the following currencies:				
US\$			226,200	–
HK\$			48,958	–
			275,158	–

At the end of reporting period, the bank borrowings of HK\$48,958,000 were secured by (i) corporate guarantees executed by the Company and (ii) corporate guarantees executed by certain subsidiaries of the Company.



12. ISSUED CAPITAL

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 March 2011: 10,000,000,000) ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
499,680,000 (31 March 2011: 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 at the end of reporting period:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Contracted, but not provided for:		
Construction of factories and purchases of machinery and equipment for the Jiangxi Project	75,757	83,966
Construction of factories and purchases of machinery and equipment for the Indonesia Project	62,500	33,757
Purchases of items of property, plant and equipment	7,518	563
Renovation of factories	<u>807</u>	<u>1,354</u>
	<u>146,582</u>	<u>119,640</u>
Authorised, but not contracted for:		
Investment in the Jiangxi Project	64,107	103,797
Investment in the Indonesia Project	<u>35,620</u>	<u>–</u>
	<u>99,727</u>	<u>103,797</u>

14. RELATED PARTY TRANSACTIONS

- (a) Transactions and balances with related parties

	Transactions		Balances	
	Six months ended		As at	As at
	30 September		30 September	31 March
	2011	2010	2011	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Notes	HK\$'000	HK\$'000	Notes	HK\$'000
Subcontracting fee payable to related companies	(i)	-	(ii)	-
		6,148		-

Notes:

- (i) All the transactions were made on similar terms with other non-related parties of the Group.
- (ii) The balances due with related parties are repayable on similar terms with other non-related parties of the Group. All amounts are unsecured, interest-free and payable under normal trade credit terms.
- (b) Key management compensation

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and allowances	3,117	3,015
Others	282	141
	<u>3,399</u>	<u>3,156</u>

15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 11 November 2011.



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

After two years of bullish runs since 2009, the global economy started to feel the side effects of quantitative easing adopted by various nations in their monetary policies. In emerging markets, inflationary prices resulted from unyielding exchange rates while asset bubbles were formed as the influx of hot money provided these markets with excessive funds. Unemployment rates remained high in Europe and the United States and retail demand turned weaker.

In the PRC, the manufacturing sector has been coping with a changing business environment since recent years. The Social Insurance Law of the PRC that came into effect on 1 July 2011, cutting down the social insurance premium exemptions and reductions, coupled with an average increase of over 20% in minimum wages in all provinces effective since last year, inevitably drive up operating costs in the PRC. Moreover, manufacturers have been obliged to raise the level of wages repeatedly in order to retain skilled workers amid tight labour supply. The combined effect of ongoing appreciation of RMB, tightened money supply and significant volatility in raw material prices bring increasing challenges to the PRC manufacturers.

BUSINESS REVIEW AND DEVELOPMENT

Product design, research and development

In order to stay ahead of our competitors, it is necessary to study and understand consumer mentality in a timely manner and address market changes with innovative thinking and strategies. The Group appreciates that effective combination of functionality with advanced technologies holds the key to ongoing success in a highly competitive sportswear market. As such, the Group has continuously invested in research and development to enhance its incumbent research and development centres in terms of technology, scale and functionality. The Group also focuses on new product development and the optimisation of traditional manufacturing processes with the employment of advanced technologies, with a view to improving production efficiency and product quality as well as minimising wasteful consumption.

The Group keeps close tracking of market trends, as its Design Department and Research and Development Centre work in close in tandem with customers to satisfy market demand for fashionable sportswear, providing innovative and stylish designs with dedicated efforts while finding ways to shorten production cycles in order to fulfill the needs of the ever-changing market.

Capacity expansion in tandem with new market development

The Group intends to build multinational production bases to hedge against political and economic risks associated with different countries in order to further strengthen the business relationship with international sportswear brands. In view of rising operating costs as a result of labour shortage in the PRC in recent years, manufacturers have been relocating their production bases to Southeast Asian countries such as Bangladesh, Cambodia, Indonesia and Vietnam where labour costs are lower.

In line with the Group's development strategy and to meet customers' demand, it acquired land sites in Jiangxi Province, the PRC (the "Jiangxi Project") and Banten Province, Indonesia (the "Indonesia Project") early last year for the construction of manufacturing plants, so as to expand our production capacity utilising the relatively ample labour supply in these two regions. The Jiangxi and Indonesian plants are currently recruiting and training workers as core members in order to facilitate the formal operation of the new plants in near future.

The new plants will not only provide our Group with ample production capacity, but also enable us to make flexible use of our capacities in different regions to meet the demand of international customers, which will enhance our competitiveness.

Focusing on the markets of Europe, the PRC and the United States

As the top three geographic markets of the Group, Europe, the PRC and the United States accounted for 35%, 30% and 12% of the Group's sales for the period respectively. The Group has successfully diversified its sales to Western countries from its traditional focus on Asian markets. While different countries have been variously affected by global economic instability since the outbreak of the financial tsunami in 2008, the Group effectively mitigated the impact of market volatility on its sales with the adoption of a strategy of market diversification, as evidenced by an overall sales growth of over 20% as compared to the same period of last year. Such strategy has provided assurance for the Group's stable business development.

The Japanese economy and retail market suffered a heavy blow in 311 earthquake this year. Although the Group's sales to Japan were also affected, thanks to the Group's strategy of market diversification, the Group's overall sales was not subject to significant fluctuations. During the period, total sales of the Group increased by HK\$149.8 million (or 22.7%). Sales to Europe and the PRC (especially Europe) reported substantial increase as compared to the same period of last year, indicating the effect of market diversification in mitigating the impact of varying economic performance of different nations. In view of this, the Group will adhere to the strategy of focusing on the markets of Europe, the PRC and the United States in a move to hedge market risks.



REVIEW OF FINANCIAL PERFORMANCE

Like many other industries, the sportswear manufacturing sector has been undergoing restructuring since the 2008 financial crisis. Amid ongoing mergers and acquisitions, some manufacturers have been eliminated from the market, while competitive players sought to snatch up market shares in times of crisis. The Group also capitalised on this opportunity to expand its capacity during the period under review, so that sales increased by 22.7% to HK\$811.0 million (2010: HK\$661.2 million).

Nevertheless, our Group's gross profit margin, profit before tax margin and net profit margin decreased by 5.3%, 8.2% and 7.9%, respectively, as compared to the corresponding period of last year. The decline was attributable to labour shortage in Guangdong Province, surging workers' wages, rising raw material prices and a higher tax rate applicable to the Group following the consolidation of two taxes in the PRC, coupled with increased administrative expenses in connection with the launch of the Jiangxi Project and the Indonesia Project.

The problem of surging labour costs was particularly challenging. The Group recorded a further increase in labour costs for the period under review, as its production costs had increased substantially following several upward adjustments of the minimum wage level by the Department of Human Resources and Social Security of Guangdong Province and the slashing of social insurance premium exemptions/reductions in the PRC with effect from 1 July 2011. The Group expanded its production facilities last year by building two plants respectively in Jiangxi and Indonesia, where labour costs were lower. At the beginning of the current year, these two plants commenced trial runs which were designed largely to train up workers. As they had yet to attain any production efficiency, the training expenses involved had contributed to higher production costs.

The Group's selling and distribution costs increased by HK\$2.1 million (or 22.7%), reflecting mainly increase in freight costs in tandem with the increase in sales by HK\$149.8 million (or 22.7%). General and administrative expenses increased by HK\$14.1 million (or 26.5%), attributable mainly to inflationary adjustments to staff remuneration and benefits and employment of additional management personnel for the Jiangxi Project and the Indonesia Project during the period. The Group also incurred expenses in new PRC tax, equipment and consumables in connection with the start-up of the two new investment projects. The total investment for the first stage of the Jiangxi Project and the Indonesia Project amounted to approximately HK\$700 million.

During the period under review, the Group incurred interest expenses of HK\$1.4 million in connection with bank loans utilised to finance the Jiangxi Project and the Indonesia Project. In respect of taxation, the Group's profit before taxation decreased by HK\$37.8 million (or 29.6%) while its overall tax expenses increased by HK\$1.5 million (or 8.9%). Our effective tax rate increased from 13.7% by 7.4% to 21.1% during the period, as the preferential income tax rates for certain PRC subsidiaries were subject to annual increment until reaching the uniform tax rate of 25% under the new PRC tax law effective since 2008.

Profit attributable to owners of the Company was HK\$70.7 million for the six months ended 30 September 2011, representing a reduction of 35.7% compared to HK\$110.0 million for the corresponding period in 2010. Basic earnings per share amounted to HK14.16 cents for the current period compared to HK22.02 cents for the corresponding period of last year. The Board proposed to declare an interim dividend of HK7 cents per share for the six months ended 30 September 2011, compared to HK12 cents per share for the corresponding period of last year.

OUTLOOK

Following stable gains in the first six months of 2011, the PRC's economic growth is expected to slow down in the second half in tandem with a decline in export growth as compared to the start of the year, amid the global economy affected by retreating demand in the European and U.S. markets and the Eurobond crisis. Nevertheless, the PRC is expected to remain an important engine for current economic growth. The European and U.S. markets will remain the major export destinations for the PRC and other emerging markets. Although the emerging markets have sought to develop domestic consumption since the financial tsunami in 2008 to reduce dependence on exports market, their domestic markets have yet to mature. It is generally expected the global economic performance in the coming year is not optimistic.

The PRC sportswear manufacturing sector, which has traditionally been underpinned by intensive competition, has entered into a stage of elimination and consolidation, as the entire sector has been affected by surging costs amid global economic slowdown. To maintain our competitive edge, the Group plans to invest a total of approximately HK\$700 million in the first stage of the Jiangxi Project and the Indonesia Project. Since it takes time to optimize the operation of the new plants, in addition to the depreciation of the plants and machineries of the new plants upon commencement of formal operations, the management expects a difficult start-up period for expansion in the next two to three years, during which short-term results performance and financial benchmarks might be affected. Nevertheless, our professional management team will perform close tracking on implementation plan during this period and propose improvements on the basis of ongoing analysis and review. We will seize every opportunity to work with different customers as we seek to lead the Group to enter into a new cycle of growth and usher in an ever more glamorous future for the Group.



The Group had invested approximately HK\$340 million and approximately HK\$170 million in the Jiangxi Project and the Indonesia Project respectively as at 30 September 2011. Currently, the Group has been granted bank loans totally amounting to HK\$550 million to fund the development of the two projects. With a view to obtaining a balance between the Group's funding requirements and shareholders' benefit, the Board of Directors has resolved to declare an interim dividend of HK7 cents per share, dividend payout ratio being 49%. Nevertheless, the Board of Directors believes that the two projects will generate fruitful returns for the Group and its shareholders after they have been in full operation.

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 2011, the Group had cash and cash equivalents amounting to HK\$256.4 million mainly denominated in Hong Kong dollars, Renminbi and US dollars (31 March 2011: HK\$183.0 million). As at 30 September 2011, the Group had aggregate banking facilities of HK\$631.0 million (31 March 2011: HK\$396.0 million), out of which HK\$281.0 million were secured by (i) corporate guarantees executed by the Company; and (ii) unlimited corporate guarantees executed by subsidiaries of the Company. The banking facilities amounting to HK\$278.0 million were utilised by the Group as at 30 September 2011 (31 March 2011: HK\$2.4 million).

As at 30 September 2011, the Group's gearing ratios represented by total liabilities as a percentage of the Group's total assets amounted to 32.9% (31 March 2011: 18.5%).

For the six months ended 30 September 2011, the Group was not subject to any significant exposures to foreign exchange rate risk and hence, no financial instrument for hedging was employed.

As at 30 September 2011, the Group did not have any significant contingent liabilities (31 March 2011: nil) and the Company had given corporate guarantee to banks to the extent of HK\$281.0 million (31 March 2011: HK\$46.0 million) for banking facilities granted to certain subsidiaries of the Company.

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

SIGNIFICANT INVESTMENTS

As at 30 September 2011, there was no significant investment held by the Group (31 March 2011: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2011, the Group employed a total of approximately 8,700 employees including directors (31 March 2011: approximately 9,000).

The employees including directors are remunerated based on their working performance, professional experiences and the prevailing industry practice. The Group also makes contributions to the statutory mandatory provident fund scheme for the employees of the Group in Hong Kong and to the central pension scheme for the employees of the Group in the PRC.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies during the six months ended 30 September 2011. Two subsidiaries of the Group were deregistered during the corresponding period in 2010.



OTHER INFORMATION

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

As at 30 September 2011, the interests and short positions of the directors and chief executive in the share capital, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such directors or chief executive were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

The Company:

Name of director	Capacity	Number of shares held		Percentage of issued share capital of the Company
		Long position	Short position	
Mr. Chung Yuk Sing	Interest in a controlled corporation	72,650,000 (Note)	–	14.54
	Beneficial owner	200,000	–	0.04
Mr. Chen Hsiao Ying	Beneficial owner	25,328,800	–	5.07
Mr. Kuo Tai Yu	Beneficial owner	1,450,000	–	0.29

Note: These shares are held by Time Easy Investment Holdings Limited ("Time Easy"). The entire issued share capital of Time Easy is held by Mr. Chung Yuk Sing.

Save as disclosed above, as at 30 September 2011, 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 2011, the interests and short positions of the following persons, other than the directors and the chief executive of the Company, in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which have been recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of shares held		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 Yuk Sing, the Chairman and an executive director of the Company.
- 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 2011, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” above, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS’ INTEREST IN A COMPETING BUSINESS

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

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

Notes:

1. Yuen Thai is a company incorporated in Hong Kong on 24 September 2003 and is held as to 50% by Yue Yuen and its subsidiaries (the “Yue Yuen Group”) and 50% by a subsidiary of Luen Thai Holdings Limited, a company listed on the Stock Exchange since 2004. Ms. Chen has been nominated to the board of directors of Yuen Thai to represent the interest of the Yue Yuen Group since July 2009.
2. Din Tsun is a company incorporated in the British Virgin Islands on 4 January 2005 and is held as to 50% by the Yue Yuen Group and 50% by two individuals. Ms. Chen has been nominated to the board of directors of Din Tsun to represent the interest of the Yue Yuen Group since April 2011.
3. Pro Kingtex is a company incorporated in Hong Kong on 3 December 2009 and is held as to 30% by the Yue Yuen Group and 70% by Din Tsun. Ms.Chen has been nominated to the board of directors of Pro Kingtex to represent the interest of the Yue Yuen Group since August 2010.

Having considered (i) the nature, geographical market, scope and size of Yuen Thai, Din Tsun and Pro Kingtex as compared to those of the Group; and (ii) the nature and extent of Ms. Chen's interest in Yuen Thai, Din Tsun and Pro Kingtex, the directors of the Company 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 of the Company or their respective associates was interested in, apart from the Group's business, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

SHARE OPTION SCHEME

On 6 August 2003, the Company has conditionally adopted a share option scheme whereby eligible participants of the share option scheme, including any employee (whether full-time or part-time) and any director of the Company and/or any of its subsidiaries whom the Board may think fit with reference to their respective contributions to the Group, may be granted options which entitle them to subscribe for the shares of the Company. Details of the share option scheme are set out in note 26 to the financial statements of the Company for the year ended 31 March 2011.

As at 30 September 2011, no share options had been granted under the share option scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2011.



CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

None of the directors of the Company are aware of any information that would reasonably indicate that the Company was not for any part of the six months ended 30 September 2011 in compliance with the Code Provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the deviation in respect of the service term of the non-executive directors set out in Code Provision A.4.1 of the CG Code.

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealing in securities of the Company by the directors. Based on specific enquiry of the Company's 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 2011.

AUDIT COMMITTEE

The Company has an audit committee which was established on 6 August 2003 and in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2011 have been reviewed by the Company's audit committee.

REMUNERATION COMMITTEE

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

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK7 cents per share for the six months ended 30 September 2011 (2010: HK12 cents) to be payable to shareholders whose names appear on the register of members of the Company on 9 December 2011. The interim dividend will be payable on 16 December 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 December 2011 to 9 December 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the proposed interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 5 December 2011.

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

This interim report is published on the websites of the Company (<http://www.eaglenice.com.hk>) and the Stock Exchange (<http://www.hkex.com.hk>).

On Behalf of the Board
Chung Yuk Sing
Chairman

Hong Kong, 11 November 2011

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