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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011

FINANCIAL HIGHLIGHTS

- Revenue in 2011 increased by 9.8% to HK$1,164.8 million compared with HK$1,061.2 million in 2010.

- Gross profit margin in 2011 decreased from 26.3% to 23.7% and net profit margin decreased from 14.1% to 11.3% when compared with last year.

- Profit for the year attributable to owners of the Company was HK$131.3 million, representing 12.4% decrease compared to HK$149.9 million (restated) in previous year.

- The Board proposes to declare a final dividend of HK3 cents per share for the year ended 31 March 2011 so that total dividend per share for the whole year is HK15 cents (2010: HK20 cents).

* *For identification purposes only*

The board of directors (the "Board") of Eagle Nice (International) Holdings Limited (the "Company") is pleased to announce the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011 together with the comparative figures for the corresponding year in 2010 and the relevant explanatory notes as set out below.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2011

	Notes	**2011**	2010
		HK$'000	HK$'000
			(restated)
REVENUE	*3*	**1,164,762**	1,061,179
Cost of sales		**(889,006)**	(782,118)
Gross profit		**275,756**	279,061
Other income and gains	*4*	**21,390**	4,460
Selling and distribution costs		**(15,980)**	(12,079)
Administrative expenses		**(122,201)**	(92,137)
PROFIT BEFORE TAX	*5*	**158,965**	179,305
Income tax expense	*6*	**(27,633)**	(29,396)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**131,332**	149,909
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*		
Basic		**26.3**	30.0
Diluted		**26.3**	30.0

Details of the dividends are disclosed in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	2011 HK$'000	2010 HK$'000 (restated)
PROFIT FOR THE YEAR	**131,332**	149,909
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Revaluation surplus on leasehold land and buildings	**9,224**	6,355
Income tax effect	**(3,048)**	(1,569)
	6,176	4,786
Exchange differences on translation of foreign operations	**24,314**	(6,387)
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries	**(11,739)**	-
	12,575	(6,387)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**18,751**	(1,601)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**150,083**	148,308

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	**31 March 2011 HK$'000**	31 March 2010 HK$'000 (restated)	1 April 2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**577,372**	301,749	304,468
Prepaid land lease payments		**77,108**	60,817	63,347
Deposits		**12,884**	43,939	2,177
Goodwill		**26,112**	26,112	26,112
Total non-current assets		**693,476**	432,617	396,104
CURRENT ASSETS				
Inventories		**192,249**	136,254	133,916
Accounts and bills receivables	*9*	**81,354**	156,567	190,978
Prepayments, deposits and other receivables		**16,162**	16,972	10,061
Cash and cash equivalents		**183,037**	328,135	297,423
Total current assets		**472,802**	637,928	632,378
CURRENT LIABILITIES				
Accounts and bills payables	*10*	**73,828**	66,272	55,071
Accrued liabilities and other payables		**94,164**	58,435	59,667
Tax payable		**17,772**	26,548	25,168
Total current liabilities		**185,764**	151,255	139,906
NET CURRENT ASSETS		**287,038**	486,673	492,472
TOTAL ASSETS LESS CURRENT LIABILITIES		**980,514**	919,290	888,576
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**30,205**	24,124	16,798
Net assets		**950,309**	895,166	871,778
EQUITY				
Equity attributable to owners of the Company				
Issued capital		**4,997**	4,997	4,997
Reserves		**945,312**	890,169	866,781
Total equity		**950,309**	895,166	871,778

NOTES

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand, except when otherwise indicated.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(I) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, HK Interpretation 4 (Revised in December 2009), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 April 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 7 Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- *HKAS 17 Leases:* Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009.* Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Hong Kong, previously classified as operating leases, upon the adoption of the amendments. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong have been reclassified from operating leases under "prepaid land lease payments" to finance leases under "property, plant and equipment". The corresponding amortisation has also been reclassified to depreciation. The effects of the above changes are summarised below:

	2011	2010
	HK$'000	HK'000
Consolidated income statement for the year ended 31 March		
Decrease in amortisation of prepaid land lease payments	**309**	309
Increase in depreciation of property, plant and equipment	**(296)**	(288)
Reversal of revaluation deficit on leasehold land and buildings	**501**	288
Income tax effect	**(83)**	(47)
	431	262

	2011	2010
	HK$'000	HK'000
Consolidated statement of comprehensive income for the year ended 31 March		
Increase in revaluation surplus on leasehold land and buildings	**5,295**	-
Income tax effect	**(874)**	-
	4,421	-

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Consolidated statement of financial position			
Increase in property, plant and equipment	**16,700**	11,200	11,200
Decrease in non-current portion of prepaid land lease payments	**(11,115)**	(11,424)	(11,733)
Decrease in current portion of prepaid land lease payments included in prepayments, deposits and other receivables	**(309)**	(309)	(309)
Decrease/(increase) in deferred tax liabilities	**(874)**	83	130
	4,402	(450)	(712)
Increase in asset revaluation reserve	**4,421**	-	-
Decrease in retained profits	**(19)**	(450)	(712)
	4,402	(450)	(712)

Due to the retrospective application of the amendments which has resulted in the restatement of items in the consolidated statement of financial position, a consolidated statement of financial position as at 1 April 2009, and the related notes affected by the amendments have been presented in these financial statements.

(II) ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these 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*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adpoters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKFRS 9	*Financial Instruments*
HKFRS 12 Amendments	Amendments to HKAS12 *Income taxes – Deferred Tax: Recovery of Underlying Assets*
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*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

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 each other.

The management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest and other unallocated income, and unallocated expenses are excluded from such measurement.

An analysis of the Group's revenue and results by reportable segment is as follows:

	Segment revenue		Segment results	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
				(restated)
Mainland China	**391,304**	429,056	**59,114**	82,025
Europe	**312,857**	190,793	**70,473**	50,085
USA	**167,195**	139,743	**29,216**	27,757
Japan	**94,133**	122,537	**16,288**	25,386
Others	**199,273**	179,050	**36,668**	44,362
	1,164,762	1,061,179	**211,759**	229,615
Interest and other unallocated income			**21,390**	4,460
Unallocated expenses			**(74,184)**	(54,770)
Profit before tax			**158,965**	179,305
Income tax expense			**(27,633)**	(29,396)
Profit for the year attributable to owners of the Company			**131,332**	149,909

Geographical information – non current assets

	2011	2010
	HK$'000	HK$'000
		(restated)
Hong Kong	**40,371**	28,099
Mainland China	**582,738**	376,869
Indonesia	**70,367**	27,649
	693,476	432,617

Information about major customers

Revenue of HK$559,874,000 (2010: HK$533,946,000) and HK$203,329,000 (2010: HK$263,270,000) were derived from sales to the largest customer and the second largest customer of the Group respectively. The above amounts include sales to group of entities which are known to be under common control with these customers.

4. OTHER INCOME AND GAINS

	2011	2010
	HK$'000	HK$'000
		(restated)
<u>Other income</u>		
Bank interest income	**1,243**	1,653
Others	**905**	2,519
	2,148	4,172
<u>Gains</u>		
Gain on deregistration of subsidiaries	**18,663**	-
Reversal of revaluation deficit on leasehold land and buildings	**501**	288
Gain on disposal of items of property, plant and equipment	**78**	-
	19,242	288
	21,390	4,460

5. PROFIT BEFORE TAX

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

	2011	2010
	HK$'000	HK$'000
		(restated)
Cost of inventories sold	**889,006**	782,118
Depreciation*	**37,271**	35,725
Amortisation of prepaid land lease payments*	**2,042**	1,809
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**231,366**	185,709
Pension scheme contributions (defined contribution schemes)	**16,217**	11,474
Less: Forfeited contributions	**(105)**	(102)
Net pension scheme contributions	**16,112**	11,372
Total employee benefits expenses*	**247,478**	197,081
Minimum lease payments under operating leases in respect of land and buildings*	**2,959**	2,636
Revaluation deficit on leasehold land and buildings	**3,900**	-
Foreign exchange differences, net	**5,027**	1,722

* Included in the respective balances are the following amounts which are also included in the cost of inventories sold disclosed above:

	2011	2010
	HK$'000	HK$'000
Depreciation	**24,709**	24,320
Amortisation of prepaid land lease payments	**1,608**	1,384
Employee benefits expenses	**186,325**	143,615
Minimum lease payments under operating leases in respect of land and buildings	**2,911**	2,544

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2011	2010
	HK$'000	HK$'000
		(restated)
Current tax charge for the year:		
Hong Kong	**17,711**	14,545
Elsewhere	**7,926**	8,556
Under / (Over) provision of current tax in respect of prior years	**(3,596)**	391
Deferred	**5,592**	5,904
Total tax charge for the year	**27,633**	29,396

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company for the year of HK$131,332,000 (2010: HK$149,909,000), and 499,680,000 (2010: 499,680,000) ordinary shares in issue during the year.

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 as at the end of the reporting period.

8. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Dividends paid during the year		
Final in respect of the financial year ended 31 March 2010 – HK7 cents per ordinary share (2010: final dividend of HK12 cents per ordinary share, in respect of the financial year ended 31 March 2009)	**34,978**	59,962
Interim – HK12 cents (2010: HK13 cents) per ordinary share	**59,962**	64,958
	94,940	124,920
Proposed final – HK3 cents (2010: HK7 cents) per ordinary share	**14,990**	34,978

The proposed final dividend for the year is based on the number of shares in issue as at the reporting date, and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the dividend payable.

9. ACCOUNTS AND BILLS RECEIVABLES

The Group's accounts and bills receivables mainly relate to a few recognised and creditworthy customers. The credit period is generally for a period of 30 to 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 receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2011	2010
	HK$'000	HK$'000
Within 30 days	**67,091**	109,414
31 to 60 days	**12,877**	40,101
61 to 90 days	**659**	6,480
Over 90 days	**727**	572
	81,354	156,567

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

10. ACCOUNTS AND BILLS PAYABLES

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

	2011	2010
	HK$'000	HK$'000
Within 90 days	**70,921**	62,400
91 to 180 days	**1,054**	1,396
181 to 365 days	**73**	189
Over 365 days	**1,780**	2,287
	73,828	66,272

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

11. COMPARATIVE AMOUNTS

As further explained in note 2 to this announcement, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 April 2009 has been presented.

MANAGEMENT DISCUSSION AND ANALYSIS

Review on Financial Performance and Dividend Policy

With the recovery of the economy since 2009, there has been a steady growth in the sportswear market. In addition to the success in expanding the market in the US and Europe, the Group was able to capture the business opportunity to expand its market share. As a result, the revenue of the Group grew by 9.8% to HK$1,164.8 million (2010: HK$1,061.2 million).

However, during the year, tough business environment inevitably eroded the profit of the Group. Drastic rise in raw material costs, continuous appreciation in RMB and labour shortage coupled with the mandatory rise in minimum wages with effect from 1 May 2010 in the PRC gave rise to a substantial increase in the production costs. Besides, additional costs were incurred during the year following the commencement of trial operation in the two new production bases in the Jiangxi Province, the PRC (the "Jiangxi Project") and the Banten Province, Indonesia (the "Indonesia Project"). As a result, the gross profit decreased by 1.2% to HK$275.8 million (2010: HK$279.1 million) and the gross profit margin dropped by 2.6% from 26.3% to 23.7% during the year.

Among other income, an amount of HK$18.7 million was derived from deregistration of two subsidiaries. The Group's selling and distribution costs increased by HK$3.9 million (or 32.3%), which was mainly attributable to the rise in export freight costs in line with the growth in export sales. Increases in staff costs resulting from recruitment of additional staff and other related costs for the Group's new investment plans of the Jiangxi Project and the Indonesia Project explained the increase of HK$30.1 million (or 32.6%) in administrative expenses during the year.

In respect of taxation, profit before tax declined by HK$20.3 million (or 11.3%) and the Group's overall tax expenses decreased by HK$1.8 million (or 6.0%). Under the PRC tax law which became effective in 2008, there was an annual increment of the preferential income tax rates for certain PRC subsidiaries up to the standard tax rate of 25% while the deregistration of a subsidiary resulted in a write-back of tax charges of HK$3.6 million during the year. Excluding the effect of write-back of tax charges, effective tax rate rose by 3.2% from 16.4% to 19.6% during the year.

Profit attributable to owners of the Company was HK$131.3 million for the year ended 31 March 2011, representing a decrease of 12.4% compared to HK$149.9 million for the last year. The net profit margin decreased by 2.8% from 14.1% to 11.3% when compared with last year. Basic earnings per share amounted to HK26.3 cents for the year compared to HK30.0 cents for the last year. In view of the substantial funding requirements of the Group's investment plans of the Jiangxi Project and the Indonesia Project in the coming years and in order to facilitate a more effective application of resources, the Board recommended a final dividend of HK3 cents per share compared to HK7 cents for last year so that the dividend payout ratio for the whole year was 57% (2010: 67%).

The Board expects the business environment to remain challenging in future, while depreciation and other production costs would increase at a double-digit annual rate in the coming years as a result of the commissioning of the new production plants. As such, the Board considers lowering the dividend payout ratio or even suspending dividend payment for the coming years in order to optimise the use of financial resources for the benefit of business growth, which is in the interest of the Group's development in the long term and will result in more lucrative return when the additional capacity of the two new plants is put into operation.

Industry Review and Challenges

The year under review saw challenging business environments all around the world, where PRC manufacturers were confronted with economic pressures at both ends. Internationally, Europe and the US were repeatedly calling for appreciation in RMB, while the PRC government increased the social security rate and minimum wage level for workers. In Guangdong Province, the PRC, the minimum wage level had been raised by over 20% since May 2010. The above factors, coupled with the substantial increase in raw materials and transportation costs, labour shortage and general inflation, resulted in significantly higher production costs for the Group during the year. As a longstanding business partner, the Group was able to share some of the rising costs with its customers with long business relationship, such that the additional costs were largely alleviated and the Group's operating costs were lowered as a result.

It is expected that the business environment in the PRC will remain challenging in the coming years. The Social Insurance Law of the PRC, coming into effect on 1 July 2011, will further rescind local relief measures relating to the collection of social insurance fees. In addition, the Outline of the 12th Five-Year Plan for the National Economic and Social Development of the PRC ("12th Five-Year Plan") announced in March 2011 has called for the reform of the income distribution system, aiming to double the wage level of PRC nationals in 5 years' time, which implies an annual growth rate of approximately 15%. The future increase in wages is expected to pose an unduly heavy burden on labour-intensive enterprises.

Nevertheless, the strengths demonstrated by the "Made in China" tag in the worldwide supply chain cannot possibly be replicated by any other countries any time soon. Moreover, the rapid infrastructure development in the PRC in recent years has allowed the PRC market players to respond more quickly to customers especially in terms of logistics interface, thus bringing them closer in line with the requirements of international customers in respect of order management. The Jiangxi Project commenced in 2010 is capitalising on this advantage to fulfill customers' requirements.

Market Review and Development

Sportswear as fashion

Sportswear can be distinguished into professional outfit, fashion sportswear and leisure sportswear. The booming development of the sportswear market has attracted fashion brands to diversify into this segment. The fashion element has brought boundless opportunities for development of the sportswear market. In response, the Group's R&D centre in the PRC has been equipped with advanced production technology and machineries in order to provide more sophisticated fashion elements and new ideas to enable ODM development for the Group on the basis of its existing OEM operations.

Eco-friendly products underlining major trends in sportswear
In recent years, the eco-label system has become a mechanism of growing importance in global markets, especially in developed regions such as Europe and the US. Consumers are increasingly concerned about the environment-friendliness and safety of clothes and garments, while the "low-carbon manufacturing" programme launched by World Wide Fund in early 2008 has received strong support from numerous international sportswear brands. The Group has also been actively identifying suppliers for sportswear materials that are eco-friendly and not hazardous to the environment.

Tapping European and US markets while exploring emerging markets
The Group had focused on the Asian market in the early years until 2007 when it started to develop the European and US markets by capturing the business opportunities of the scheduled cancellation of textile quotas by Europe and the US in 2008 and 2009, respectively, in a bid to neutralise the risks of market concentration through market diversification. Owing to its success in developing the European and US markets, the weighting of European and US sales as a percentage of the Group's total sales increased to 41% for the year under review, as compared to 31% for the previous year. Given the heated competition in the PRC sportswear market, the Group adjusted the weighting of sales to the PRC customers from 40% for the previous year to 34% for the year under review. To address the new situation, the Group adjusted its market strategy in the right time by focusing on the PRC, Europe and the US as its three major markets, instead of concentration on the markets of the PRC and Southeast Asia as in the early years. The Group was also eyeing suitable opportunities for developments in emerging Southeast Asian countries as a means to lower the risk of market concentration.

The Japanese economy suffered a heavy blow at the beginning of 2011 when a 9 earthquake struck the northeastern coast of Honshu, triggering a devastating tsunami that claimed heavy casualties and causing radiation leak at the Fukushima Nuclear Plant. Domestic consumption is set to decline in an economic slump under the lingering threat of nuclear radiation, while disruptions in transportation and logistics are posing further difficulties. As orders for the Group's products from Japan are likely to be affected in the coming year, the management has taken corresponding measures in order to minimise any resulting adverse impact to the Group.

Social Responsibility

The Group is convinced that human resources represent an invaluable asset of the Group and the community. It is an important task of the Group to provide a healthy and harmonious work environment for its staff. To enrich the work life of our employees and to facilitate mutual communications between the management and other staff, an internal newsletter is published on a quarterly basis to provide a platform for explaining company policies, sharing values of our corporate culture and commending staff who deliver outstanding performance. The publication enables our staff to gain a better understanding of the Company's objectives and values and enhances their sense of belonging, while enhancing two-way communication by extensively soliciting the views of our employees.

The Group also concerns itself with people in need. Last year, we donated RMB1 million to the Shantou Longhu Social Order and Welfare Association (汕頭龍湖社會治安福利會) for charitable purposes, RMB100,000 as student subsidies and HK$230,000 for disaster relief in the Jiangxi Province, the PRC. We are committed to sharing in the spirit of charity and giving back to the society.

Eagle Nice was honoured with the Annual Outstanding Enterprise Award by Economic Digest, a well-known financial magazine in Hong Kong, for three years in a row in recognition of its efforts and achievements in corporate governance.

Outlook

Looking ahead, the sportswear market should continue to offer enormous potential with rising demand for sportswear products driven by worldwide enthusiasm for sports and fitness activities, the PRC Government's initiatives to improve per capita income and living standards of the nation as a means to increase domestic consumption and to promote healthy lifestyle, as well as booming economic growth of the ASEAN as emerging markets. Furthermore, the increasing popularity of fashionable and eco-friendly sportswear has also created boundless opportunities for the development of the sportswear market.

Alongside such exciting opportunities, however, PRC manufacturers are also facing unprecedented challenges. Costs are expected to grow at a double-digit annual rate in the foreseeable future giving aggravating inflation, rising minimum wages under the mandate of the 12th Five-Year Plan and ongoing appreciation in RMB. Moreover, there is increasing competition from garment manufacturers in Southeast Asian countries such as Vietnam, Malaysia and Thailand. To address the upcoming challenges, the Group will commit dedicated efforts to R&D and seek to manufacture high-end functional products that command a higher profit margin. To increase our competitiveness, we will keep abreast of fashion trends and shorten our production cycle to complement our customers' market strategies of offering fashion sportswear items that are typically marketed in short turnover cycles.

Regarding our business, the Group's existing production facilities are nearly operating at full capacity following years of rapid growth, and capacity expansion is necessary as we prepare for the future development. Leveraging opportunities presented by global economic recovery, the Group confirmed two new investment projects of the Jiangxi Project and the Indonesia Project in early 2010. Land sites were acquired in these two regions to build plants for new production capacity. The costs for phase-one of the Jiangxi Project and the Indonesia Project are estimated at HK$400 million and HK$200 million, respectively. The management believes that the Group's production capacity will be doubled upon completion of these two projects. By then, the Group will not only benefit from the abundant supply of relatively low-cost labour in these two regions, but will also be able to explore their potentially enormous local markets for apparel products in tandem with its customers' business development.

With thriving economic development in the inland regions of the PRC, international sportswear brands are seeking to tap the market of third- to fourth-tier PRC cities. In this connection, the Jiangxi Project is well-positioned to complement our customers' strategies for future development in the PRC and our competitiveness will be enhanced as a result. Meanwhile, the China-ASEAN Free Trade Area (CAFTA) has quickly grown into one of the three largest economies in the world. As a CAFTA member whose economy is just starting to grow, Indonesia is an ideal location for building production bases in terms of cost control and labour supply, while its domestic market and the larger ASEAN market hold out enormous potential. As such, it is optimistic that the Indonesia Project will add further strengths to our competitiveness by complementing our customers' strategies for future development in the ASEAN.

With regard to finances, the two investment projects of the Jiangxi Project and the Indonesia Project have resulted in significantly increased capital outlay for the Group. As at 31 March 2011, total investment costs paid for the Jiangxi Project and the Indonesia Project amounted to HK$204 million and HK$84 million respectively. Subsequent to the reporting date, the Group raised new bank loans to finance these two investment projects and existing operations amounting to HK$210 million, which will result in additional finance costs being incurred in the coming year. In addition, the Group will report a substantial increase in annual depreciation after production commences by the end of 2011 at the two projects, which are not expected to contribute any profit in initial stage of operation. As a consequence, the Group's cash flow and profit for the coming years will inevitably come under pressure. With a view to effectively using cash resources, in the coming years, the Group will determine its dividend policy in a reasonable manner. The Board considers lowering the dividend payout ratio or even suspending dividend payment to ensure solid cashflow for meeting business requirements. Nevertheless, the Board believes that these two new projects will position the Group for scaling new heights after they go into full operation, upon which dividend payout ratio will be increased to provide better return for shareholders.

Liquidity and Financial Resources

During the year under review, the Group continued to maintain a healthy liquidity position. The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers. As at 31 March 2011, the Group had cash and cash equivalents amounted to HK$183.0 million (31 March 2010: HK$328.1 million) mainly denominated in Hong Kong dollars, Renminbi ("RMB"), US dollars and Indonesian Rupiah. As at 31 March 2011, the Group had aggregate banking facilities of HK$396 million (31 March 2010: HK$46.0 million), out of which HK$46 million were secured by (i) corporate guarantees executed by the Company; and (ii) unlimited corporate guarantees executed by certain subsidiaries of the Company. The banking facilities amounting to HK$2.4 million were utilised by the Group as at 31 March 2011.

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

As at 31 March 2011, the Group's gearing ratios represented by total liabilities as a percentage of the Group's total assets amounted to 18.5% (31 March 2010: 16.4%).

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 RMB and US dollars. 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 any need arises.

Significant Investments

As at 31 March 2011, there was no significant investment held by the Group (31 March 2010: Nil).

Material Acquisitions and Disposals

There was no material acquisition or disposal of subsidiaries and associated companies except deregistration of two subsidiaries during the year ended 31 March 2011 (year ended 31 March 2010: Nil).

Contingent Liabilities

As at 31 March 2011, the Group did not have any significant contingent liabilities (31 March 2010: Nil).

Employees and Remuneration Policies

As at 31 March 2011, the Group employed a total of approximately 9,000 employees including directors (31 March 2010: approximately 6,700). Total employee benefits expenses including directors' emoluments were HK$247.5 million for the year under review (year ended 31 March 2010: HK$197.1 million).

The employees including directors are remunerated based on their work 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 central pension scheme for the employees of the Group in the PRC.

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 year.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK3 cents per share (2010: HK7 cents) payable on Monday, 5 September 2011 to persons who are registered shareholders of the Company on Tuesday, 23 August 2011 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK12 cents per share (2010: HK13 cents), the total dividend for the financial year is HK15 cents per share (2010: HK20 cents).

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled to be held on Tuesday, 16 August 2011. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 10 August 2011 to Tuesday, 16 August 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 9 August 2011.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is Tuesday, 23 August 2011. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 22 August 2011 to Tuesday, 23 August 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Friday, 19 August 2011. The payment of final dividend is expected to made on Monday, 5 September 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2011, the Company had complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for A.4.1 of the CG Code which stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All the independent non-executive directors of the Company 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made 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 year.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2011, including the accounting principles adopted by the Group.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the Company (http://www.eaglenice.com.hk). The annual report for the year ended 31 March 2011 will be despatched to the shareholders and will be available on the aforesaid websites in due course.

On Behalf of the Board
Chung Yuk Sing
Chairman

Hong Kong, 23 June 2011

As at the date of this announcement, the Board comprises 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.