南旋控股有限公司

Nameson Holdings Limited

(Incorporated in Cayman Islands with limited liability)

Stock Code: 1982

2019
ANNUAL REPORT

About Nameson

Established in 1990, Nameson Group is one of the leading knitwear manufacturers in the PRC. We offer one-stop services including raw material development and procurement, product design, sample manufacturing, high-quality production, quality control and timely delivery of products to our clients. Over the years, we have built an excellent business reputation and have been supplying quality knitwear products to internationally renowned apparel brands such as UNIQLO, Tommy Hilfiger and Lands' End.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Ting Chung, *BBS, JP* *(Chairman and Chief Executive Officer)*
Mr. Wong Wai Yue *(Vice Chairman)*
Mr. Wong Wai Wing, Raymond
Mr. Wong Ting Chun
Mr. Li Po Sing

Non-executive Directors

Mr. Tam Wai Hung, David
Mr. Wong Ting Kau

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny, *GBM, GBS, JP*
Mr. Kan Chung Nin, Tony, *SBS, JP*
Mr. Ong Chor Wei
Mr. Fan Chun Wah, Andrew, *JP*
Ms. Lee Bik Kee, Betty
Mr. Ip Shu Kwan, Stephen, *GBS, JP*

BOARD COMMITTEES

Audit Committee

Mr. Ong Chor Wei *(Chairman)*
Mr. Kan Chung Nin, Tony, *SBS, JP*
Mr. Tam Wai Hung, David
Mr. Fan Chun Wah, Andrew, *JP*
Mr. Ip Shu Kwan, Stephen, *GBS, JP*

Remuneration Committee

Mr. Kan Chung Nin, Tony, *SBS, JP* *(Chairman)*
Mr. Wong Ting Chung, *BBS, JP*
Mr. Ong Chor Wei

Nomination Committee

Mr. Wong Ting Chung, *BBS, JP* *(Chairman)*
Mr. Wong Wai Yue
Mr. Kan Chung Nin, Tony, *SBS, JP*
Mr. Ong Chor Wei
Ms. Lee Bik Kee, Betty

Executive Committee

Mr. Wong Ting Chung, *BBS, JP* *(Chairman)*
Mr. Wong Wai Yue
Mr. Wong Wai Wing, Raymond
Mr. Wong Ting Chun
Mr. Li Po Sing

COMPANY SECRETARY

Mr. Tao Chi Keung, *HKICPA, ACCA*

AUTHORISED REPRESENTATIVES

Mr. Wong Wai Wing, Raymond
Mr. Tao Chi Keung, *HKICPA, ACCA*

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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Cayman Islands

HONG KONG SHARE REGISTRAR

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AUDITOR

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Certified Public Accountants
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Hong Kong

LEGAL ADVISER

Reed Smith Richards Butler
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Central
Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Mizuho Bank, Ltd.
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank Limited

STOCK CODE

1982

WEBSITE OF THE COMPANY

http://www.namesonholdings.com

Chairman's Statement

In Financial Year 2019, the Group has accelerated its pace in increasing its utilisation rate in its Vietnam factory timely, making the Group a preferred business partner to service our customers with our production capabilities in China and Vietnam factories, enabling customers flexibility in production allocation as required.

To Our Respected Shareholders,

On behalf of the board of directors (the "Board") of Nameson Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group" or "Nameson") for the year ended 31 March 2019 ("Financial Year 2019").

MARKET REVIEW

The escalation in trade tension between China and the United States has hampered the global economic sentiment, and has generally negatively impacted the global consumption value chain. During the year, the Group not only increased its utilisation rate in our Vietnam plant timely, but also accelerated its pace in increasing its designed capacity in response to the changing customer procurement preferences, in order to better service our customers and make flexible arrangements when required. As such, the increase in utilisation of our Vietnam factory was quicker than originally expected and its operational efficiency has yet to be fully released. In addition, raw material prices have not seen evident paths of decline continued to pose challenges to the Group's overall production costs. Furthermore, during the year, the Group made an impairment provision on the intangible assets of V. Success Limited and its subsidiaries ("V. Success Group") in relation to its business in knitted uppers for footwear and knitted upper shoes. Though the impairment provision is non-cash in nature, it has contributed to the Group making a loss in Financial Year 2019.

With more market players setting up their production facilities in the garment export countries in the Southeast Asian regions other than China, the textile industry in China is undergoing increased pressure. According to China Customs statistics, the total export value of knitwear (including knitted products and crochet products, as well as knitted or crocheted clothing and accessories) from China decreased significantly by 16.5% to US$74.6 billion in Financial Year 2019 as compared with last year. On the contrary, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") officially took effect in Vietnam in January 2019, pursuant to which the import tariff for textile apparel between Vietnam and other member countries is waived, this effectively strengthens the competitiveness of the Vietnam textile apparel export industry. Based on the Vietnam Customs statistics, the total export value of textile and garment in Vietnam recorded a significant increase of 16.1% to US$31.2 billion in Financial Year 2019, as compared with last year. The export value of textiles and garments to Japan and the United States from Vietnam recorded a notable increase of 18.5% and 10.9% respectively. According to the rules of origin of CPTPP, member countries have to purchase their production materials from CPTPP member countries from spinning, and the relevant production process must be carried out within the CPTPP regions and export to CPTPP member countries to enjoy the zero tariff benefit. Such trading agreement will continue to attract peers in the industry to invest and set up their factories in Vietnam, resulting in a more mature value chain in the Vietnam apparel manufacturing industry. The Group was amongst the first manufacturers to set up a production base in Vietnam which has commenced full operation, providing customers with flexibility in their production deployment.

BUSINESS REVIEW

Leveraging on its exquisite knitting techniques, innovative designs and quality production, the Group's products are well perceived by its customers. For its knitwear business, the Group recorded satisfactory growth in orders in all its product segments in its wholegarment knitwear, cashmere knitwear as well as traditional knitwear in Financial Year 2019. The increase was mainly driven by the increase of orders by our major customers, as well as recording a notable increase in orders in the Chinese market. The revenue attributable to the Japanese and Chinese markets grew considerably by 23.3% and 54.8% respectively. Despite the uncertainties brought by the trade tension between China and the United States, the Group has accelerated its pace in increasing its utilisation rate in the Vietnam factory, this makes the Group a preferred business partner to service our customers with our production capabilities in China and Vietnam factories, enabling customers flexibility in production allocation as required. However, the quicker than expected raise in utilisation rate in Vietnam means the Vietnam factory will take relatively longer to release its operational efficiency, coupled with the stagnant raw material prices in Financial Year 2019, the Group's production cost continued to be under pressure.

For its knitted upper for footwear business, there is still an abundant number of suppliers in the market, resulting in fierce competition in knitted upper for footwear manufacturing industry. The overall average selling price and gross profit margin for the industry were under downward pressure. Under such fierce competition, the Group's knitted upper for footwear business recorded disappointing sales performance and was loss-making in the year. As such, the Group made an impairment provision for the intangible assets of V. Success Group in relation to its knitted upper for footwear and knitted upper shoes business.

The Group's revenue in Financial Year 2019 increased by 26.5% from last year to HK$4,359.1 million. The increase was mainly attributable to an increase in sales volume as well as higher average selling price resulting from the change of product mix in the Group's knitwear business. Despite the growth in revenue, the Group's gross profit dropped by 5.6% to HK$672.4 million and gross profit margin also contracted to 15.4%, which was mainly due to the stagnant raw material prices and higher proportion of raw materials driven by product mix change. Taking into account the HK$521.6 million non-cash impairment of intangible assets of the knitted upper for footwear business, the Group recorded a loss of HK$300.5 million. However, such impairment has no actual effect on the Group's tangible assets and cash flow.

FUTURE STRATEGIES AND PROSPECTS

Looking ahead, as the overall supply of cashmere material is relatively limited; its price therefore represents a premium in the value chain and the price of cashmere raw material tends to be more prone to fluctuation in response to the market demand each year. To secure the supply of cashmere material and more effective cost control, the Group expanded into the upstream business and jointly established a cashmere spinning factory with a quality cashmere manufacturer during the year. The designed annual capacity of the 10 production lines in operation of the factory is 700 tonnes of cashmere yarn and production is expected to gradually commence in Financial Year 2020. The Group aims for vertical integration via the business move and further drive business development.

The Group was amongst one of the first-movers in setting up a production base in Vietnam to enjoy the advantage of providing flexibility in production deployment for our customers under the uncertain trading relations between China and the United States. Riding on its successful expansion into the Vietnam factory, and seeing a trend for more customers seeking to shift their orders to other Southeast Asian regions, the Group has decided to establish a new factory in Myanmar. In the long term, the Group will continue to utilise its China factory to satisfy the growing orders from our Chinese customers, while seeking to further increase the production capacity ratio to overseas production in response to the changing market demand.

Following the implementation of CPTPP, we expect enhanced potential in the mid-stream apparel industry in Vietnam. Since the demand for the local fabric in the Vietnam apparel industry still exceeds its supply, the Group is devoted in developing the business projects of weaving, printing and dyeing of fabric for production, with designed annual capacity of 36 million pounds of fabric. It is expected that trial production will commence in the second half of Financial Year 2020. The Group believes that developing a diversified product portfolio will contribute to an expansion in our income source and customer base, as well as further strengthen the leading position of the Group in the industry.

As a pioneer in the industry, while expanding into more diversified business and establishing a foothold in the vertical industry chain, the Group would also continuously improve its product design and material development ability and enhance its production technique and production efficiency to boost the overall profitability to strive for enhanced returns to shareholders.

I would hereby like to express my heartfelt gratitude to our customers, suppliers, shareholders and staff for their support and trust in the Group, as well as for their contributions and efforts towards the Group's continuous development.

Wong Ting Chung
Chairman and Chief Executive Officer
21 June 2019

Management Discussion & Analysis

FINANCIAL REVIEW

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Revenue	**4,359,050**	3,446,415
Cost of sales	**(3,686,670)**	(2,734,273)
Gross profit	**672,380**	712,142
Other income	**16,332**	12,423
Other gains, net	**10,625**	35,243
Selling and distribution expenses	**(44,584)**	(50,385)
General and administrative expenses	**(363,065)**	(313,792)
Impairment loss on intangible assets	**(521,577)**	–
Operating (loss)/profit	**(229,889)**	395,631
Share of post-tax loss of a joint venture	**(496)**	(2)
Finance income	**4,205**	4,263
Finance expenses	**(48,863)**	(22,943)
Finance expenses, net	**(44,658)**	(18,680)
(Loss)/profit before income tax	**(275,043)**	376,949
Income tax expenses	**(25,425)**	(49,981)
(Loss)/profit for the year	**(300,468)**	326,968
(Loss)/profit for the year attributable to:		
— Owners of the Company	**(298,511)**	326,968
Add:		
Impairment loss on intangible assets	**521,577**	–
Net realised and unrealised losses/(gains) from derivative financial instruments	**4,346**	(6,577)
Adjusted net profit	**227,412**	320,391

Revenue

The Group's revenue for the year ended 31 March 2019 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves, to our customers. As a result of the acquisition of V. Success Group in December 2017, the Group's revenue for the year ended 31 March 2019 also included V. Success Group's full-year revenue of HK$194.7 million. The revenue of V. Success Group is related to the operating segment for manufacturing and sales of knitted upper for footwear and knitted upper shoes.

The Group's revenue significantly increased by 26.5% to HK$4,359.1 million for the year ended 31 March 2019 from HK$3,446.4 million for the year ended 31 March 2018. The increase was primarily due to an increase in both the average selling price of the Group's knitwear products and sales volume of womenswear, which was partially offset by the decrease in sales volume of menswear. Such increase was mainly attributable to the increase in demand from our customers, enhanced customer penetration due to supplier consolidation and changes in product mix (e.g. increase in the proportion of cashmere knitwear and wholegarment knitewear products).

The increase in the Group's revenue generated from sale of knitwear products was largely in line with the increase in both the average selling price and total sales volume. The average selling price of the Group's knitwear products increased by 13.1% from HK$98.1 per piece for the year ended 31 March 2018 to HK$111.0 per piece for the year ended 31 March 2019, while the Group's sales volume of knitwear products increased by 7.6% from 34.4 million pieces for the year ended 31 March 2018 to 37.0 million pieces for the year ended 31 March 2019.

Consistent with the Group's geographical market distribution for the year ended 31 March 2018, Japan, North America (mainly the United States of America) and Europe were still our top three markets for the year ended 31 March 2019. The revenue attributable to the Japanese, North American and European markets accounted for 38.1%, 16.5% and 16.4% of the Group's total revenue for the year ended 31 March 2019.

Cost of Sales

For the year ended 31 March 2019, the Group incurred cost of sales of HK$3,686.7 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation of property, plant and equipment, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the year ended 31 March 2019, the Group recorded a decrease in gross profit of HK$39.7 million to HK$672.4 million and a decrease in gross profit margin of 5.3 percentage points to 15.4% as compared to the gross profit of HK$712.1 million and gross profit margin of 20.7% for the year ended 31 March 2018.

The decrease in gross profit margin for the year ended 31 March 2019 was mainly due to (i) the substantial increase of raw material prices; and (ii) changes in product mix.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidy and miscellaneous other income. The other income of the Group increased by HK$3.9 million from HK$12.4 million for the year ended 31 March 2018 to HK$16.3 million for the year ended 31 March 2019. Such increase was mainly due to the increase in government subsidy.

Other Gains, Net

Other gains primarily consisted of net realised and unrealised gains or losses from derivative financial instruments, net foreign exchange gains or losses, net gains or losses on investments and net gains or losses on disposal of property, plant and equipment.

Other gains decreased by HK$24.6 million from HK$35.2 million for the year ended 31 March 2018 to HK$10.6 million for the year ended 31 March 2019. The decrease is primarily due to the Group disposed of some old machines during the year ended 31 March 2018 resulting in net gains on disposal of property, plant and equipment of HK$17.4 million, which was higher than current year's amount of HK$0.6 million by HK$16.8 million.

In summary, other gains for the year ended 31 March 2019 mainly represented net foreign exchange gains of HK$8.9 million and net gains on investments of HK$5.5 million, which was partially offset by the net realised and unrealised losses from derivative financial instruments of HK$4.3 million.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of transportation cost in relation to delivery of our products to customers, commission to the agents of our customers and advertising and promotion expenses.

The Group's selling and distribution expenses decreased by HK$5.8 million, from HK$50.4 million for the year ended 31 March 2018 to HK$44.6 million for the year ended 31 March 2019. Such decrease was mainly due to the decrease in transportation cost as we had better controls on the production and delivery schedule this year.

General and Administrative Expenses

General and administrative expenses primarily consisted of staff costs relating to management and administrative personnel, depreciation, insurance premium, donations and other incidental office expenses.

The Group's general and administrative expenses increased by HK$49.3 million from HK$313.8 million for the year ended 31 March 2018 to HK$363.1 million for the year ended 31 March 2019. Such increase was mainly due to (i) the first full-year effect on V. Success Group's general and administration expenses; and (ii) the increase in staff costs as a result of expansion of our administrative staff team and the annual salary increment of our administrative staff.

Impairment loss on intangible assets

The impairment loss on intangible assets consisted of impairment provisions of HK$493.9 million and HK$27.7 million for the goodwill and technical knowhow relating to V. Success Group respectively. The impairment provision took into account current global economic uncertainties on a macro level given trade tensions between the United States of America and China, fast-changing market environment and intense competition currently faced by V. Success Group in relation to its knitted uppers for footwear and knitted upper shoes business, as explained in more details below.

Events and circumstances leading to the recognition of the impairment loss

In accordance with the Group's accounting policies and Hong Kong Accounting Standard ("HKAS") 36 – Impairment of Assets, the Group should assess at the end of each reporting period whether there is any indication that the cash generating unit in relation to V. Success Group to which goodwill has been allocated may be impaired.

During the year ended 31 March 2019, it had come to the Board's attention that due to the fierce competition in knitted upper for footwear and knitted upper shoes industry, the average selling price and gross profit margin of such products were under continuous downward pressure, and the sales volume to certain major customers of the Group for knitted uppers for footwear and knitted upper shoes was on continuous decline. Sales to new customers could not offset the decline in overall revenue of the knitted uppers for footwear and knitted upper shoes. In response to the decline in selling price and order volume, in late November 2018, the Board revised the sales and profit forecast for knitted uppers for footwear and knitted upper shoes downwards for the full financial year ending 31 March 2019. The Group had intensified its outreach to new customers (including famous domestic sports brands in China and international clothing brands), aiming to boost the sales, revenue and profits for the business of knitted uppers for footwear and knitted upper shoes. As part of its efforts, the Group also explored opportunities to produce knitted upper shoes for one of the Group's major customers for knitted uppers for footwear. Despite its efforts to boost sales, the declining trends in average selling price and orders from major customers continued in the fourth quarter of the year ended 31 March 2019. Based on the discernible declining trends as described above, the Board came to a view by late March 2019 that the historically higher profitability in this industry had attracted so many entrants that it was not likely that there would be a recovery in average selling prices or sales volumes by the Group in the reasonably foreseeable future. Prospects were further compounded by macroeconomic events such as the intensification of trade war which the Board believed may also have dampened short term demand.

These and other related commercial factors were the principal bases for the Board's re-evaluation of the prospects of the knitted uppers for footwear and knitted upper shoes segment. The Board therefore decided that it would be prudent to make further reductions to the revenue and profits forecast for the knitted uppers for footwear and knitted upper shoes for the financial years after the year ended 31 March 2019.

In light of the above circumstances and as part of the audit, the Company engaged an independent professional valuer, Vincorn Consulting and Appraisal Limited (the "Valuer"), to assess the value in use of V. Success Group in relation to its business in knitted uppers for footwear and knitted upper shoes as at 31 March 2019. The Valuer is based in Hong Kong and has a track record of advising Hong Kong listed companies on valuations of business.

As the recoverable amount of the cash generating unit in relation to V. Success Group assessed with reference to the valuation performed by the Valuer was lower than the carrying amount of the cash generating unit by approximately HK$521.6 million, provisions for impairment were recognised in the consolidated income statement for the year ended 31 March 2019.

Valuation methodology, value of inputs and basis and assumptions

The valuation methodology, value of inputs in the current and previous year used in the valuations together with the basis and assumptions are as follows:

	Valuation as of 31 Mar 2019	Valuation as of 31 Mar 2018
Valuation Date	**31 March 2019**	31 March 2018
Valuation Methodology	**Income Approach**	Income Approach
Basis of Valuation	**Value in use calculation***	Value in use calculation*
Pre-tax Discount Rate	**15.40%**	15.50%
Risk-free Rate (10-yr)	**3.07%**	3.75%
Beta Coefficient	**0.54**	0.63
Market Risk Premium	**5.89%**	5.89%
Company Specific Risk Premium	**4.00%**	4.00%
Small Company Risk Premium	**3.67%**	3.67%
Net Present Value of Value in Use (HK$)	**339,028,294**	1,288,719,567
Adjustments:		
Net Non-operating Assets (HK$)	**(2,458,297)**	11,601,975
Debts (HK$)	**(286,223,405)**	(463,336,822)
Excess Cash (HK$)	**29,930,148**	96,572,023
Final Result of Value in Use (HK$)	**80,276,741**	933,556,743

* The calculation uses pre-tax cash flow projection based on financial budgets covering a five-year period and a long-term average growth rate.

Sale Revenue (HK$) & Growth Rate

Year 1	211,608,361 (6%)	460,576,841 (6%)
Year 2	234,885,281 (11%)	534,269,135 (16%)
Year 3	260,722,662 (11%)	619,752,197 (16%)
Year 4	289,402,155 (11%)	718,912,548 (16%)
Year 5	298,084,220 (3%)	754,858,176 (5%)

The valuation method referred to above was adopted to comply with the Group's accounting policies and is consistent with the common method adopted for valuation of a subject of similar nature. There is no change in valuation method used by the valuers for current year and previous year.

According to HKAS 36 — Impairment of Assets, the standard clarifies that the following elements should be reflected in the calculation of an asset's value in use:

(1) an estimate of the future cash flows the entity expects to derive from the asset;
(2) expectations about possible variations in the amount or timing of those future cash flows;
(3) the time value of money, represented by the current market risk-free rate of interest;
(4) the price for bearing the uncertainty inherent in the asset; and
(5) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

The standard also clarifies that the second, fourth and fifth elements above can be reflected either as adjustments to the future cash flows or adjustments to the discount rate.

Therefore, we consider income approach to be an appropriate valuation method in this valuation. The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realising those benefits.

Details of the valuation are also set out in note 18 to the consolidated financial statements.

Reasons for significant changes in the value of the inputs and assumptions adopted in current period from previous period

In view of the global economic uncertainties, fast-changing market environment and intense competition currently faced by V. Success Group in relation to its knitted uppers for footwear and knitted upper shoes business, as explained in more details under the subsection headed "Events and circumstances leading to the recognition of the impairment loss" above, the Group adopted more prudent forecasts for the Group's sales of knitted uppers for footwear and knitted upper shoes. The commercial considerations had developed after the Company's last assessment of this business in March 2018 when V. Success Group had actually met and exceeded the profit guarantee referred to the Company's announcement dated 28 September 2017.

Finance Expenses, Net

Net finance expenses mainly consisted of interest expenses on bank borrowings and finance lease obligations, which were partially offset by the Group's finance income which mainly consisted of interest income from bank deposits.

The Group's net finance expenses increased by HK$26.0 million from HK$18.7 million for the year ended 31 March 2018 to HK$44.7 million for the year ended 31 March 2019. The increase in net finance expenses was mainly due to (i) the hike in market interest rates; and (ii) our increased average bank borrowings to cope with the Group's business development and expansion during the year ended 31 March 2019.

Income Tax Expenses

Under the current laws of the Cayman Islands and the British Virgin Islands ("BVI"), neither the Company nor its BVI subsidiary is subject to tax on its income or capital gains. In addition, any payments of dividends are not subject to withholding tax in the Cayman Islands or the BVI.

Hong Kong profits tax as applicable to the Group is 16.5% for the years ended 31 March 2019 and 2018 on the estimated assessable profits arising in or derived from Hong Kong during the relevant years.

The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax (the "CIT") at a rate of 25% on the estimated assessable profits for the years ended 31 March 2019 and 2018. However, two of the Group's subsidiaries in the PRC are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is within the second year of full exemption from BIT, whereas, the other two subsidiaries have no assessable profit for the period, and hence no BIT is provided.

The effective tax rate of the Group was 13.3% for the year ended 31 March 2018.

(Loss)/profit for the Year Attributable to Owners of the Company

As a result of the foregoing, the Group recorded loss attributable to the owners of the Company of HK$298.5 million and profit attributable to the owners of the Company of HK$327.0 million for the years ended 31 March 2019 and 2018 respectively.

The result for the year ended 31 March 2019 turned from profit to loss was due to the impairment loss on the intangible assets relating to V. Success Group. However, to a certain extent, this situation was intensified by the decrease in gross profit margin which was mainly caused by (i) the substantial increase of raw material prices; and (ii) changes in product mix.

Adjusted Net Profit

Adjusted net profit is a non-HKFRS financial measure and it is derived from net (loss)/profit attributable to the owners of the Company for the year after excluding impairment loss on intangible assets and realised and unrealised gains/(losses) from derivative financial instruments. We believe the adjusted net profit presented herein better reflects the Group's core operating results.

Based on the formula above, the Group's adjusted net profit decreased by HK$93.0 million from HK$320.4 million for the year ended 31 March 2018 to HK$227.4 million for the year ended 31 March 2019. As a percentage of revenue, the adjusted net profit margin decreased from 9.3% for the year ended 31 March 2018 to 5.2% for the year ended 31 March 2019.

Dividend

An interim dividend of 3.6 HK cents per share was paid on 28 December 2018.

At the board meeting held on 21 June 2019, the Directors did not recommend the payment of a final dividend for the year ended 31 March 2019.

Consolidated Cash Flow Statement

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Net cash (used in)/generated from operating activities	**(8,680)**	164,719
Net cash used in investing activities	**(330,158)**	(292,204)
Net cash (used in)/generated from financing activities	**(238,517)**	466,367
Net (decrease)/increase in cash and cash equivalents	**(577,355)**	338,882
Cash and cash equivalents at beginning of the year	**1,009,477**	643,197
Exchange difference on cash and cash equivalents	**(17,278)**	27,398
Cash and cash equivalents at end of the year	**414,844**	1,009,477

Net Cash Used in Operating Activities

The Group's net cash used in operating activities for the year ended 31 March 2019 was HK$8.7 million, primarily due to loss before income tax of HK$275.0 million, adjusted for income tax paid of HK$23.5 million, impairment loss on intangible assets of HK$521.6 million, depreciation of property, plant and equipment of HK$186.3 million, increases in inventories of HK$305.4 million and prepayments, deposits, other receivables and other assets of HK$244.0 million, which was partially offset by the increase in trade and bills payables of HK$112.8 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 March 2019 was HK$330.2 million, primarily due to the purchase of property, plant and equipment of HK$322.9 million and acquisition of land use rights of HK$12.5 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the year ended 31 March 2019 was HK$238.5 million, which was attributable to the net decrease in the Group's total bank borrowings and finance lease obligations of HK$247.7 million and the dividend payments of HK$95.7 million, which was partially offset by the capital contribution from non-controlling interests of HK$104.9 million.

Cash and Cash Equivalents

For the year ended 31 March 2019, the Group's cash and cash equivalents decreased by HK$577.4 million and the exchange loss was HK$17.3 million. The net decrease in the Group's cash and cash equivalents was from HK$1,009.5 million as at 31 March 2018 to HK$414.8 million as at 31 March 2019.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the year ended 31 March 2019, the Group's cash and cash equivalents was mainly used in the Group's business operations and expansion, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities, bank borrowings and proceeds from the Company's listing on the Stock Exchange. The Group's gearing ratio increased from 29.6% as at 31 March 2018 to 42.6% as at 31 March 2019. Such increase was mainly due to (i) the decrease in equity as a result of the HK$521.6 million impairment loss on the intangible assets relating to V, Success Group; and (ii) the increases in inventory and prepayment levels to cope with the production schedule after the year end date and business expansion.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings and finance lease obligations less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 31 March 2019, the Group's cash and cash equivalents, amounting to HK$414.8 million, were denominated in US dollars ("US$") (37.2%), HK$ (25.2%), Chinese Renminbi ("RMB") (35.4%), Vietnamese Dong ("VND") (1.7%) and other currencies (0.5%).

As at 31 March 2019, the Group's total bank borrowings and finance lease obligations were due for repayment as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Within one year	**1,001,638**	1,177,180
Between one and two years	**399,599**	367,238
Between two and five years	**529,434**	493,873
	1,930,671	2,038,291

Notes:

(a) The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand rights.

(b) As at 31 March 2019, the Group's total bank borrowings and finance lease obligations were denominated in HK$ (78.0%) and US$ (22.0%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and finance lease obligations as at 31 March 2019 were 2.67% and 1.68% respectively.

(c) As at 31 March 2019, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK$73.4 million.

Financial Risk Management Objectives and Policies

The Group's management has adopted certain policies on financial risk management with the objective of: (i) ensuring that appropriate funding strategies are adopted to meet the Group's short term and long term funding requirements taking into consideration of the cost of funding, gearing ratios and cash flow projections of the Group; and (ii) ensuring that appropriate strategies are also adopted to minimise the related foreign currency risk, interest rate risk, credit risk and liquidity risk.

Foreign Currency Risk

The Group mainly operates in Hong Kong, the PRC and Vietnam with majority of the transactions settled in HK$, RMB and US$. Foreign currency risk arises when future business transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group's foreign currency risk exposure is primarily with respect to RMB and US$ since a considerable portion of our operating expenses are denominated in RMB while most of the sales are denominated in US$. As HK$ is pegged with US$, the foreign currency risk exposure in respect of US$ is considered minimal.

During the year ended 31 March 2019, the Group entered into some forward foreign currency contracts to mitigate its exposures of RMB against US$ in light of the appreciation of RMB during the second half of the year. The Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk and bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the year ended 31 March 2019 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

Credit Risk

The Group has policies in place to ensure that sales on credit are made to customers with an appropriate credit history and the Group also performs credit assessments of its customers on a periodic basis, taking into account their financial position, past payment records and other relevant factors. The Group has not experienced and does not expect to experience any material impairment on trade receivables and receivables from other counterparties.

As at 31 March 2019, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong, the PRC and Vietnam which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group utilises cash flow forecast and other relevant information to monitor its liquidity requirements and to ensure the Group has sufficient cash and cash equivalents and banking facilities to support its business and operational activities. The Group has not experienced and does not expect to experience any difficulties in meeting credit obligations when they fall due.

Capital Expenditures

The Group incurred capital expenditures of approximately HK$441.3 million for the year ended 31 March 2019, which were mainly related to the purchase of machinery and equipment for our factories and the construction of a new production base in Vietnam. These capital expenditures were fully financed by internal resources, bank borrowings and finance lease obligations.

Capital Commitments

The Group's capital commitments as at 31 March 2019 amounted to approximately HK$82.6 million which were mainly related to the purchase of machinery and equipment for our factories.

Operating Lease Commitments

As at 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately HK$32.9 million, with approximately HK$12.6 million due within one year and approximately HK$20.3 million due later than one year and not later than five years.

Charge on Assets

As at 31 March 2019, the Group's land use rights with a total carrying amount of HK$15.0 million, land and buildings and leasehold improvements with a total carrying amount of HK$206.2 million and financial assets at fair value through profit or loss with a total carrying amount of HK$73.4 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liability as at 31 March 2019.

Use of Net Proceeds from the Company's Initial Public Offering

The net proceeds from the listing of the Company amounted to approximately HK$635.4 million. Such proceeds have been used according to the allocation set out in the Company's prospectus dated 30 March 2016. Use of net proceeds from the date of listing to 31 March 2019 is set out on page 63 of this annual report.

Significant Investments, Acquisitions and Disposals

Other than the establishment of a joint venture company for the production of cashmere yarn (i.e. Hebei Nanguan Technology Co., Ltd.) as disclosed the Company's announcement dated 24 July 2018, the Group had no significant investments, acquisitions and disposals during the year ended 31 March 2019.

Events after Balance Sheet Date

The Group did not have any significant events after balance sheet date.

Financial Instruments

As at 31 March 2019, the Group had outstanding forward foreign currency contracts to sell US$ and purchase RMB with a notional principal amounts of HK$46.5 million (2018: HK$108.5 million).

Operating Segment Information

As a result of the acquisition of V. Success Group in December 2017, the Group's revenue and results for the years ended 31 March 2019 and 2018 were derived from manufacturing of knitwear products, knitted upper for footwear and knitted upper shoes, which are considered as two operating segments. The operating segment information is disclosed in a manner consistent with the way in which information is reported internally to the Group's chief operating decision-makers for allocation of resources and performance assessment.

Human Resources and Emolument Policy

As at 31 March 2019, the Group had a total of approximately 15,400 full-time employees in the PRC, Vietnam and Hong Kong. For the year ended 31 March 2019, the total staff costs, including the directors' emoluments, amounted to HK$919.9 million.

The Group's emolument policies are formulated based on the performance and experience of individual employee and in line with the salary trends in Hong Kong, the PRC and Vietnam. Other employee benefits include performance-related bonuses, insurance and medical coverage and share options.

Since human resources management is an important factor in maintaining and enhancing the Group's strong expertise in the manufacturing of knitwear products, knitted upper for footwear and knitted upper shoes, the Group will provide appropriate training programs to the new recruits before they are assigned to work at the manufacturing facilities of the Group. From time to time, different on-the-job training will be provided to employees in order to ensure continuous staff development and skills upgrading.

Remuneration Policy

The Directors and senior management of the Group receive compensation in the form of salaries and discretionary bonuses related to the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Group or executing their functions in relation to the Group's operations. The remuneration committee will regularly review and determine the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of the Group.

Biographical Details of Directors and Members of Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Ting Chung (王庭聰), *BBS, JP*, aged 57, has been our Director since 11 August 2015. He is one of our founders, the chairman and chief executive officer of our Group and is primarily responsible for overall management and formation of corporate strategy of our Group. Mr. Wong has over 30 years of working experience in knitting industry. He established his business through Hang Cheong Knitting Factory (恒昌織造廠), a factory engaged in the production of knitwear products, in 1982 and was responsible for overall management of the factory. Mr. Wong established our Group's business through Nameson Industrial Limited ("Nameson Industrial") in September 1990. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group Limited ("Nameson Group"), First Team (HK) Limited ("First Team (HK)"), Nameson Industrial, Kingmax Industrial Limited ("Kingmax Industrial"), Winner Way Industrial Limited ("Winner Way"), V. Success Limited ("V. Success"), V. Success (HK) Limited ("V. Success (HK)") and V. Success (HZ) Knitting Limited ("V. Success Huizhou"). Mr. Wong is currently a delegate of the Hong Kong Special Administrative Region to the National People's Congress of the PRC (中國全國人民代表大會香港特別行政區代表) and the chairman of Hong Kong Industrial and Commercial Association General Chamber Executive Committee (香港工商總會會董會執行委員會). He graduated from Hong Kong Yee Tong Ye College (香港易通夜中學) in 1978. Mr. Wong is the brother of Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau and father of Mr. Wong Wai Yue. Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun are our executive Directors, while Mr. Wong Ting Kau is our non-executive Director.

Mr. Wong Wai Yue (王槐裕), aged 37, has been our Director since 30 August 2015 and was re-designated as executive Director and vice chairman with effect from 27 November 2017. He is primarily responsible for assisting the chairman to oversee and manage the Board and formulate the corporate strategy. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group, First Team (HK), Nameson Industrial, Kingmax Industrial, Winner Way, V. Success and V. Success (HK). From January 2007 to January 2015, Mr. Wong served as a director of Nameson Group, responsible for investment management. Mr. Wong obtained his bachelor's degree of science in computer science and the master's degree of science in international management from University of Exeter, United Kingdom in July 2005 and June 2006 respectively. Mr. Wong has served as the president of Hong Kong Industrial & Commercial Association-Youth Link since May 2012 and the chief president of Hong Kong Industrial & Commercial Association (Shatin Branch) since August 2018. Mr. Wong is also a committee member of the Chinese People's Political Consultative Conference Longgang District Shenzhen (中國人民政治協商會議深圳市龍崗區委員會) since September 2016. Mr. Wong is the son of Mr. Wong Ting Chung, our executive Director. Mr. Wong is also the nephew of Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau. Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun are our executive Directors, while Mr. Wong Ting Kau is our non-executive Director.

Mr. Wong Wai Wing, Raymond (王惠榮), aged 49, has been our Director since 11 August 2015. He is the chief operating officer of our Group and is primarily responsible for the operational management, research and development and sales strategy of our Group. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group, Nameson Industrial, Winner Way, Kingmax Industrial, First Team (HK), Huizhou Nanxuan Knitting Factory Limited ("Nanxuan Knitting") and Huizhou Liyun Knitting Factory Limited ("Huizhou Liyun"). Mr. Wong has over 20 years of working experience in the garment and hotel industries. He joined Nameson Industrial as a senior merchandising manager in March 1998 and was responsible for marketing plan development and the execution of marketing strategy. From May 2000 to December 2004, he served as a general manager in Japan Winner Way Knitting Factory (日本力運針織廠), where he was primarily responsible for operational management of the factory. From January 2005 to August 2007, he served as a director in the human resources division of our Group, where he was primarily responsible for compensation and benefit, recruitment, training development and manpower management. From September 2007 to December 2014, he served as executive director in Kong Sing (H.K.) Limited (港昇(香港)有限公司), a company principally engaged in hospitality management, where he was primarily responsible for the management of Crowne Plaza Huizhou and Grand Square Hotel Wuhu. Since February 2012, Mr. Wong has served as a committee member of the Chinese People's Political Consultative Conference in Huizhou City (中國人民政治協商會議惠州市委員會). Mr. Wong was awarded as the Young Industrialist in 2015. Mr. Wong received his bachelor's degree in commerce from the University of Calgary in Canada in June 1996. He received his executive master's degree of business administration from the City University of Hong Kong in October 2014. Mr. Wong is the brother of Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau and uncle of Mr. Wong Wai Yue. Mr. Wong Ting Chung, Mr. Wong Wai Yue and Mr. Wong Ting Chun are our executive Directors, while Mr. Wong Ting Kau is our non-executive Director.

Mr. Wong Ting Chun (王庭真), aged 53, has been our Director since 30 August 2015. He is the chief production officer of our Group and is primarily responsible for the production management of our PRC Factory and Vietnam Factory. He joined our Group as the production manager of Nameson Industrial in November 1990 and was responsible for overseeing production and operations management. Currently, Mr. Wong assumes various directorships in our Group, including Nanxuan Knitting, Huizhou Liyun and Hebei Nanguan Technology Co. Ltd, . Mr. Wong has over 30 years of working experience in knitting industry. He worked as a production technician in Hang Cheong Knitting Factory (恒昌織造廠) from August 1982 to October 1990. In April 2009, he received the award of Model Worker of Huicheng District in Huizhou (惠州市惠城區勞動模範) issued by Huizhou City Huicheng District Committee of Chinese Communist Party and Huizhou City Huicheng District People's Government (中共惠州市惠城區委及惠州市惠城區人民政府). In January 2011, he received the award of Outstanding Individual of the Construction of Staff Library of Chinese Trade Unions (全國工會職工書屋建設先進個人) issued by All-China Federation of Labour (中華全國總工會). Mr. Wong is the brother of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Kau, uncle of Mr. Wong Wai Yue. Mr. Wong Ting Chung, Mr. Wong Wai Yue and Mr. Wong Wai Wing, Raymond are our executive Directors, while Mr. Wong Ting Kau is our non-executive Director.

Mr. Li Po Sing (李寶聲), aged 54, has been our Director since 30 August 2015. He is the chief sales officer of our Group. He is primarily responsible for the sales management and research and development. Mr. Li joined our Group as a sales manager in February 2000 and was promoted to the senior sales manager in January 2004. He was further promoted to the general merchandising manager in February 2006 and the director of sales and marketing department in April 2007. Prior to joining our Group, Mr. Li served as a merchandising executive at Creazioni Knitters Limited (翹迅針織有限公司) from June 1989 to November 1990. From January 1991 to June 1991, he served as a senior sales administrator at ESE Limited, a sales agency for electronic products, where he was primarily responsible for providing support services to sales department. From July 1991 to August 1992, he served as a production manager at High In Factory, a sweater manufacturing company, where he was primarily responsible for production management. From August 1992 to July 1995, he served as a senior merchandiser at Vinnitsa HK Limited, a fashion agency, where he was primarily responsible for product development and production management. From August 1995 to August 1997, he served as a sales manager at Nice Harvest Knitters Limited, a sweater manufacturing company, where he was primarily responsible for production and logistic management. From June 1998 to January 2000, he served as a sales manager at Fambish Limited, a company primarily engaged in sweater manufacturing, where he was responsible for product development and sales. Mr. Li obtained his bachelor's degree of arts in history from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in January 1992.

Mr. Tam Wai Hung, David (譚偉雄), aged 69, has been our Director since 30 August 2015. He was a consultant of Nameson Group from June 2012 to March 2018 and was responsible for providing advice on various areas including financing, banking and risk management. Mr. Tam has more than 40 years of experience in commercial banking industry in Hong Kong and China. From January 1968 to March 1999, Mr. Tam worked in The Hongkong and Shanghai Banking Corporation and held various positions including branch manager, district manager, manager in corporate banking and senior executive banking. From March 1999 to January 2012, Mr. Tam worked in Hang Seng Bank Limited and held various positions including assistant general manager,deputy general manager and chief risk officer. Mr. Tam was a director of Yantai Bank (煙台銀行), a city commercial bank in Yantai, Shandong Province, the PRC from December 2012 to June 2017. Mr. Tam has also been an independent non-executive director of Xinyi Glass Holdings Limited (stock code: 868) since December 2012 and Dah Sing Financial Holdings Limited (stock code: 440) since December 2018. Mr. Tam became a fellow member of the Institute of Bankers in the United Kingdom and the Hong Kong Institute of Bankers in October 1986 and July 1995 respectively. Mr. Tam received his associateship from the Institute of Bankers in the United Kingdom and completed the Financial Studies Diploma of the Chartered Institute of Bankers in the United Kingdom in December 1974 and August 1987 respectively. Mr. Tam received his master's degree in business administration from the University of Toronto, Canada in June 1991.

Mr. Wong Ting Kau (王庭交), aged 57, has been our Director since 30 August 2015. He is one of the founders of our Group. Mr. Wong currently is the chief executive officer of V. Success (HK). Mr. Wong joined our Group as an executive director of Nameson Group in November 1990 and was promoted to the executive vice president in May 2002. He was further promoted to the managing director of Nameson Group in August 2006 and ceased to be the director in March 2013. Currently, Mr. Wong is the honorary chairman of Hong Kong Knitwear Innovation and Design Society (香港毛織創新及設計協會), the vice chairman of Hong Kong Footwear Association Limited (香港鞋業商會有限公司), the vice president of The Federation of Hong Kong Footwear Limited (香港鞋業(1970)總會) and the governor of Happy Hong Kong Charity Foundation. Mr. Wong is the brother of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun and the uncle of Mr. Wong Wai Yue, all of them are executive Director.

Ms. Fan Chiu Fun, Fanny (范椒芬), *GBM, GBS, JP*, aged 66, has been our Director since 29 January 2016. She is a member of the executive council of the government of Hong Kong Special Administrative Region and a special adviser to the China-US Exchange Foundation. Ms. Fan joined the board of CLP Holdings Limited (stock code: 0002), as an independent non-executive director in August 2011 and resigned in April 2012. She rejoined the board of CLP Holdings Limited in August 2012. Ms. Fan also joined China Unicom (Hong Kong) Limited (stock code: 0762), as independent non-executive director in November 2012. Ms. Fan has also been the independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited) (stock code: 0620) from December 2015 to May 2019 and Minmetals Land Limited (stock code: 0230) since April 2018. Prior to her retirement from the civil service in 2007, Ms. Fan was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years working experience in the government departments, Ms. Fan has held various positions in the government of Hong Kong Special Administrative Region, including the director of the office of chief executive designate, the Commissioner for Transport of the Transport Department of Hong Kong, the secretary and permanent secretary of Education and Manpower Bureau of Hong Kong. Ms. Fan graduated from the University of Hong Kong with a bachelor's degree in science in 1975. She received a master degree in public administration from Harvard University, US in 1990 and a master degree in education from the Chinese University of Hong Kong in 2005.

Mr. Kan Chung Nin, Tony (簡松年), *SBS, JP*, aged 68, has been our Director since 29 January 2016. He founded Tony Kan & Co., Solicitors & Notaries in March 1984 and became the senior consultant in April 2014. Mr. Kan has been a practicing solicitor of the supreme court of Hong Kong since March 1982. Mr. Kan has been an independent non-executive director of Man Wah Holdings Limited (stock code: 1999) since May 2013 and Hopewell Highway Infrastructure Limited (stock code: 0737) since April 2018. Mr. Kan has been the non-executive director as well as the chairman of Midland IC&I Limited (stock code: 459) since October 2016 and was the non-executive director of Midland Holdings Limited (stock code: 1200) between March 2014 and October 2016. He has been appointed as a vice chairman of the board of directors of DBG Technology Co., Ltd. (stock code: 300735) which has been listed on Shenzhen Stock Exchange ChiNext on 29 December 2017. Mr. Kan is a solicitor of the supreme court of England and Wales and a barrister and solicitor of the supreme court of the Australian Capital Territory as well as advocate and solicitor of the supreme court of the Republic of Singapore. He is also a China-Appointed Attesting Officer and a Notary Public in Hong Kong. Mr. Kan is currently a committee member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會) and was a committee member of the Chinese People's Political Consultative Conference Guangdong Committee (中國人民政治協商會議廣東省委員會) for three consecutive terms. Mr. Kan is currently a member of the election committee of the chief executive of Hong Kong Special Administrative Region.

Mr. Ong Chor Wei (王祖偉), aged 49, has been our Director since 29 January 2016. He has extensive experience in finance and accounting. Mr. Ong was, or has been, a director of the following listed companies in the last three years preceding 21 June 2019:

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
December 2007 to present	Joyas International Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: E9L)	Design, manufacture and sale of metal gift products and jewellery products	Non-executive director	Overseeing the management
June 2010 to present	Net Pacific Financial Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: 5QY)	Provision of financing services	Executive director and chief executive officer	Day-to-day operations, strategic planning and major decision making
March 2014 to present	Zibao Metals Recycling Holdings Plc, whose shares are listed on the London Stock Exchange (Stock Code: BO)	Trading of recyclable metal	Executive finance director	Overseeing the finance function within Zibao Metals Recycling Holdings Plc and its subsidiaries
March 2010 to present	Man Wah Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1999)	Production and sales of sofas	Non-executive director redesignated to independent non-executive director	Board oversight and providing independent judgement
April 2010 to present	O-Net Technologies (Group) Limited (formerly known as O-Net Communications (Group) Limited), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 877)	Design, manufacturing and sale of optical networking subcomponents, modules and subsystem used in high-speed telecommunications and data communications	Independent non-executive director	Board oversight and providing independent judgement

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
November 2012 to October 2016	Hong Wei (Asia) Holdings Company Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8191)	Manufacturing and sale of particle board	Non-executive director	Board oversight and providing independent judgement
November 2015 to present	Denox Environmental & Technology Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1452)	Manufacturing platetype DeNox catalysts	Independent non-executive director	Board oversight and providing independent judgement
December 2017 to present	Prosperous Printing Company Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8385)	Provision of printing products	Non-executive director	Board oversight and providing independent judgement
June 2017 to February 2019	Vico International Holdings Limited whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1621)	Distribution of diesel and lubricant oil and fuel cards services	Non-executive director	Board oversight and providing independent judgement
December 2017 to present	Smart Globe Holdings Limited whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8485)	Provision of printing products	Independent non-executive director	Board oversight and providing independent judgement

Mr. Ong received a bachelor of laws from The London School of Economics and Political Science in August 1990. Mr. Ong also received a distance learning degree in master of business administration which was jointly awarded by the University of Wales and the University of Manchester, United Kingdom in March 2000. Mr. Ong has been an associate of The Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Society of Accountants since December 1993 and October 1995, respectively.

Mr. Fan Chun Wah, Andrew (范駿華), *JP*, aged 40, has been our Director since 29 January 2016. He has been the managing director of Fan. Mitchell., & Co Limited (尚德會計師事務所有限公司) since September 2017 and the managing director of C.W. Fan & Co. Limited (泛華會計師事務所有限公司) since November 2013. Mr. Fan was, or has been, a director of the following companies in the last three years preceding 21 June 2019:

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
January 2013 to present	Chuang's China Investments Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0298)	Property investment and development in Hong Kong and China	Independent non-executive Director	Board oversight and independent management
March 2013 to December 2016	LT Commercial Real Estate Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0112)	Property development, property investment, securities investment, and finance activities in Hong Kong, China, and the US	Independent non-executive Director	Board oversight and independent management
March 2014 to present	Sinomax Group Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1418)	Marketing, manufacture, and distribution of visco-elastic health and wellness products	Independent non-executive Director	Board oversight and independent management
October 2014 to present	Fulum Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1443)	Operation of fullservice restaurant chain serving Cantonese cuisine in Hong Kong and in China	Independent non-executive Director	Board oversight and independent management
April 2015 to present	Culturecom Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0343)	Publishing comic books and provision of media content in Hong Kong, China, and Macau	Independent non-executive Director	Board oversight and independent management
July 2015 to May 2017	Hong Kong Resources Holdings Company Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2882)	Retail and franchise of gold and jewellery products in China, Hong Kong, and Macau	Independent non-executive Director	Board oversight and independent management

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
September 2015 to August 2016	On Real International Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8245)	Design and manufacturer of two-way radio product	Independent non-executive Director	Board oversight and independent management
June 2017 to present	Omnibridge Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8462)	Human resources outsourcing and recruitment services	Independent non-executive Director	Board oversight and independent management
December 2017 to present	Sanbase Corporation Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8501)	Provision of interior office fit-out management and solutions services	Independent non-executive Director	Board oversight and independent management
December 2017 to present	Space Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2448)	Provision of fitting-out works and building construction works in Macau	Independent non-executive Director	Board oversight and independent management
January 2018 to present	CNC Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8356)	Provision of civil engineering services for the public sector in Hong Kong and television broadcasting business in Asia-Pacific region	Independent non-executive Director	Board oversight and independent management
April 2019 to present	Universal Star (Holdings) Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2346)	Manufacturer of sintered NdFeB magnetic materials	Independent non-executive Director	Board oversight and independent management

Mr. Fan received the bachelor of business administration in accounting and finance from the University of Hong Kong in December 1999 and the bachelor of laws from University of London as an external student in August 2007. In January 2003 and September 2011, Mr. Fan was admitted as a member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants. He is also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Fan has been a member of the 10th to the 12th Zhejiang Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議浙江省第十屆至第十二屆委員會) since 2007. He was a member of the 4th and the 5th Shenzhen Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省深圳市第四屆及第五屆委員會) from 2008 to 2015.

Ms. Lee Bik Kee, Betty (李碧琪), aged 68, has been our Director since 29 January 2016. She has over 45 years of experience in overall operational management in the apparel and textile industries. She served as an Executive Vice President in Bonaventure Textiles Ltd from 1989 to 1990 where Ms. Lee was responsible for production management. From 1991 to 2013, Ms. Lee worked as an Executive Vice President in Mast Industries (Far East) Ltd and MGF Sourcing Far East Ltd, each a garment sourcing agent respectively, where she was responsible for apparel procurement and production management. She was engaged in management role since 1977 with H.I.S. Sportswear Ltd, and was Executive Director of Murjani Industries (HK) Ltd till 1989. Ms. Lee graduated from Maryknoll Convent School with a commercial diploma in 1969.

Mr. Ip Shu Kwan, Stephen (葉澍堃), *GBS, JP,* aged 67, has been our Director since 16 April 2018. Mr. Ip was graduated from the University of Hong Kong with a degree in social sciences in 1973. Mr. Ip joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Hong Kong Government as a Principal Official from July 1997 to June 2007. Mr. Ip held certain senior positions which include Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services. Mr. Ip took up the position of Secretary for Economic Development and Labour in July 2002. His portfolio in respect of economic development covered air and sea transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. He was also responsible for labour policies including matters relating to employment services, labour relations and employees rights.

In his capacity as Secretary for Economic Development and Labour, Mr. Ip was a member of the Hong Kong Airport Authority Board, the Mandatory Provident Fund Schemes Authority Board, the Hongkong International Theme Parks Limited Board as well as the Chairman of the Logistics Development Council, Port Development Board, Maritime Industry Council and Aviation Development Advisory Committee. Mr. Ip retired from the Hong Kong Government in July 2007. Mr. Ip received the Gold Bauhinia Star award from the Hong Kong Government in 2001, and is an unofficial Justice of the Peace. Mr. Ip was an independent non-executive director of Synergis Holdings Limited (stock code: 2340) from September 2008 to December 2017. Mr. Ip is currently an independent non-executive director of five companies listed on the main board of the Stock Exchange namely, China Resources Cement Holdings Limited (stock code: 1313) since August 2008, Lai Sun Development Company Limited (stock code: 488) since December 2009, Kingboard Laminates Holdings Limited (stock code: 1888) since May 2011, Luk Fook Holdings (International) Limited (stock code: 590) since October 2011 and Million Cities Holdings Limited (stock code: 2892).

SENIOR MANAGEMENT

Mr. Tao Chi Keung (陶志強), aged 48, is the chief financial officer of our Group and the company secretary of our Company. He is primarily responsible for our Group's overall financial planning and reporting, financial risk management and company secretarial matters. Mr. Tao joined our Group on 30 August 2015. Mr. Tao possesses extensive experience in financial management and auditing and had held a number of senior positions prior to joining our Group. From July 1993 to February 1996, Mr. Tao worked as a staff accountant in Ernst & Young. From March 1996 to May 1998, he was the accounting manager in FT Holdings International Limited (stock code: 559). From June 1998 to October 1999, Mr. Tao worked as an assistant manager in New World China Land Limited (stock code: 917). He worked in KPMG as a manager from October 1999 to March 2004, and PricewaterhouseCoopers as a senior audit manager from April 2004 to October 2009. From December 2009 to September 2010, Mr. Tao worked as a chief finance officer in Birdland (Hong Kong) Limited, where he was responsible for finance and accounting. From October 2010 to July 2011, Mr. Tao worked as a chief financial officer in Chiaus International Group Company Limited, an investment holding company engaged in, through its subsidiaries, manufacturing baby and children's care products, where he was responsible for financial management. From October 2011 to August 2015, Mr. Tao worked in Kinetic Mines and Energy Limited (stock code: 1277), with the latest positions of company secretary and chief financial officer. Mr. Tao received his bachelor's degree in business administration from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in December 1993. Mr. Tao is currently a fellow and a practising Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Mr. Chan Yiu Tung (陳耀東), aged 48, is the merchandising director of our Group. He is primarily responsible for merchandising management for Japanese market in our Group. Mr. Chan joined our Group as a senior merchandiser in December 1997. In January 2003, he was promoted to the merchandising manager and later in April 2005, he was promoted to the sales manager. Further, in February 2006, he was promoted to the senior merchandising manager and in January 2008, he was promoted to merchandising director. Prior to joining our Group, from 1991 to 1996, Mr. Chan worked as a senior merchandiser in Products Union Garment Ltd, a company principally engaged in the manufacturing of garment. Mr. Chan passed Hong Kong Certificate of Education Examination in 1989.

Mr. Lin Guoxin (林國新), aged 48, is the assistant general manager of our PRC Factory. He is primarily responsible for the production management in our PRC Factory. Mr. Lin joined our Group as a plant manager at Nanxuan Knitting in November 1995, where he was responsible for overseeing and managing the production process. He was promoted to assistant general manager of the production department in October 2005, where he was responsible for managing and supervising overall production operations in our PRC factory. Mr. Lin is the cousin of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau.

Mr. Mo Erjin (莫二金), aged 51, is the assistant general manager of our PRC Factory. He is primarily responsible for supervising sample development in our PRC Factory. Mr. Mo joined our Group as the chief of the technical centre in March 2003 and was further promoted to assistant general manager in January 2008 and was responsible for the management of the sample development in our PRC Factory. Prior to joining our Group, Mr. Mo served as a knitting technician at Foshan Zhangcha Knitting Factory (佛山張槎毛衫廠), from October 1986 to March 1989. From March 1989 to February 2002, he served as a knitting team leader at Laws Fashion Knitters Limited (羅氏針織有限公司).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

As the Company believes that good corporate governance can create value for its shareholders, the Board is committed to maintaining a high standard of corporate governance practices by placing strong emphasis on a quality board of Directors, sound internal controls and effective accountability to the shareholders as a whole.

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. In the opinion of the Directors, save for the deviation from code provision A.2.1 which is explained below, the Company has complied with all the mandatory code provisions set out in the CG Code for the year ended 31 March 2019.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Ting Chung ("Mr. Wong") is the chairman and the chief executive officer of our Group. In view of the fact that Mr. Wong is one of the founders of the Group and has been assuming day-to-day responsibilities in operating and managing our Group since September 1990, the Board believes that it is in the best interest of our Group to have Mr. Wong taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from the code provision A.2.1 is appropriate in such circumstance. Notwithstanding the above, the Board is of the view that this management structure is effective for our Group's operations, sufficient checks and balances are in place and will not impair the balance of power and authority between the Board and the management of the Company.

The Board will continue to enhance its corporate governance practices to ensure that it complies with the CG Code and align with the latest developments.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code for securities transactions by the Directors.

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct throughout the year ended 31 March 2019.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on terms no less exacting than the required standards set out in the Model Code. Each of the relevant employees has been given a copy of the written guidelines.

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company for the year ended 31 March 2019.

THE BOARD OF DIRECTORS

Responsibilities of the Board

The Board is responsible for, and has general powers under the memorandum and articles of association of the Company for, the leadership and oversight of the Company's management and performance and the formulation and review of the Group's overall policies and strategies.

The Board is also responsible for performing corporate governance duties, including the (i) development and review of the Company's policies and practices on corporate governance; and (ii) review of the Company's compliance with Appendix 14 to the Listing Rules and disclosures in the corporate governance report. All major decisions, including but not limited to those decisions affecting the financial results, operations and shareholders of the Company, such as financial statements, business acquisitions, major transactions and dividend policies, are made by the Board as a whole. Each Director is aware of his or her fiduciary duties and duties and responsibilities as a director under the Listing Rules, the CG Code and applicable laws and regulations, and has acted objectively for the benefit and best interests of the Company and its shareholders.

Decisions of the Board are communicated to the senior management through executive Directors. The day-to-day management, administration and operation of the Group are delegated to the executive Directors and an independent senior management team. The senior management team is also responsible for the supervision and execution of the Group's business plans. The Board reviews periodically the performance of the senior management team.

Certain functions and responsibilities are delegated to committees established by the Board. For details, please refer to the sub-sections headed "Executive Committee", "Audit Committee", "Remuneration Committee" and "Nomination Committee" below.

Composition of the Board

As at the date of this annual report, the Board comprises of five executive Directors, two non-executive Directors and six independent non-executive Directors whose names are listed below. Each member of the Board brings a wide spectrum of valuable experience, knowledge and expertise to the Board for its efficient and effective functioning.

Board of Directors

Executive Directors

Mr. Wong Ting Chung *(Chairman and Chief Executive Officer)*
Mr. Wong Wai Yue *(Vice- Chairman)*
Mr. Wong Wai Wing, Raymond
Mr. Wong Ting Chun
Mr. Li Po Sing
Ms. Chan Mei Hing, Aurora *(Resigned with effect from 31 October 2018)*

Non-executive Directors

Mr. Tam Wai Hung, David
Mr. Wong Ting Kau
Mr. Lau Ka Keung *(Resigned with effect from 16 April 2018)*

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny
Mr. Kan Chung Nin, Tony
Mr. Ong Chor Wei
Mr. Fan Chun Wah, Andrew
Ms. Lee Bik Kee, Betty
Mr. Ip Shu Kwan, Stephen *(Appointed with effect from 16 April 2018)*

Except for the family relationship between Mr. Wong Ting Chung, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond, Mr. Wing Ting Chun and Mr. Wong Ting Kau as disclosed in the section headed "Biographical Details of Directors and Members of Senior Management" of this annual report, there is no financial, business, family or other relevant relationship between the Directors.

For the year ended 31 March 2019, the Company has complied with the requirements of the Listing Rules to have at least three independent non-executive Directors representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

Having considered the factors for assessing the independence of independent non-executive Directors under Rule 3.13 of the Listing Rules and the written annual confirmations from each independent non-executive Director, the Board considers all of its independent non-executive Directors to be independent.

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules. A list of the Company's Directors identifying their roles and functions is also available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

Terms of Appointment of Directors

Executive Directors and Non-executive Directors

Each of the executive Directors and non-executive Directors of the Company has entered into a service contract for a fixed term of three years. The appointment may be terminated by not less than three months' notice in writing served by either the relevant Director or the Company.

Independent non-executive Directors

Each of the independent non-executive Directors of the Company was appointed by the Company for a fixed term of three years commencing from their respective dates of appointment. The appointment may be terminated by not less than three months' notice in writing served by either the relevant Director or the Company.

Nomination, Appointment, Re-election and Removal Procedures

The procedures and process of appointment, re-election and removal of Directors are set out in the Company's articles of association. Every Director is subject to the provisions of retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his or her appointment and be subject to re-election at such meeting.

The nomination committee of the Board has been established to review the structure, size and composition of the Board at least annually to ensure that the Board has a balance of expertise, skills and experience appropriate to meet the requirements of the Company. This committee will identify individuals who are qualified or suitable for directorship, assess their qualifications, skills, prior experience, character and other relevant aspects, including but not limited to their independence in the case of an independent non-executive Director candidate, and make recommendations to the Board on the appointment or re-appointment of Directors or the filling of casual vacancies on the Board or any other proposed changes to the Board to complement the Company's corporate strategies. Please refer to the sub-section headed "Nomination Committee" below for more details on the nomination committee of the Board.

Board Practices and Conduct of Meetings

Directors are given the opportunity to include matters in the agenda for Board meetings with notices of regular Board meetings given or to be given at least 14 days in advance. Notices and agenda of the Board meetings are prepared by the company secretary of the Company as delegated by the chairman. Directors are provided with adequate and timely information to allow them to fulfill their duties properly. They are allowed to seek independent professional advice in appropriate circumstances at the Company's expenses.

Directors are encouraged to make a full and active contribution to the Board's affairs and to voice out their views and concerns. Directors are supplied with sufficient information and given sufficient time for discussion to ensure that Board decisions fairly reflect Board consensus.

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested. Subject to the articles of association of the Company, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested.

Minutes of Board meetings and meetings of Board committees containing sufficient detail of the matters considered and decisions reached, including any concerns raised or dissenting views expressed, are sent to each Director for their review, comment and records within a reasonable time after each meeting. Final versions of such minutes are kept by the company secretary of the Company and are open for inspection by Directors upon reasonable notice.

Directors' Attendance Records

During the year ended 31 March 2019, four physical Board meetings were held at which the Directors reviewed and approved, among other things, (i) the annual results and report of the Group for the year ended 31 March 2018; (ii) the quarterly results of the Group for the three months ended 30 June 2018; (iii) the interim results and report of the Group for the six months ended 30 September 2018; and (iv) quarterly results of the Group for the nine months ended 31 December 2018.

The attendance records of individual Directors at the aforementioned Board meetings and at the Company's annual general meeting held on 27 August 2018 are set out below:

	Attendance/Number of Meetings	
Name of Director	**(Board meetings)**	**(Annual general meeting)**
Executive Directors		
Mr. Wong Ting Chung *(Chairman and Chief Executive Officer)*	4/4	1/1
Mr. Wong Wai Yue *(Vice-Chairman)*	4/4	1/1
Mr. Wong Wai Wing, Raymond	3/4	1/1
Mr. Wong Ting Chun	3/4	1/1
Mr. Li Po Sing	4/4	1/1
Ms. Chan Mei Hing, Aurora *(Resigned with effect from 31 October 2018)*	2/4	1/1
Non-executive Directors		
Mr. Tam Wai Hung, David	4/4	1/1
Mr. Wong Ting Kau	4/4	1/1
Mr. Lau Ka Keung *(Resigned with effect from 16 April 2018)*	0/4	0/1
Independent non-executive Directors		
Ms. Fan Chiu Fun, Fanny	4/4	1/1
Mr. Kan Chung Nin, Tony	4/4	1/1
Mr. Ong Chor Wei	4/4	1/1
Mr. Fan Chun Wah, Andrew	4/4	1/1
Ms. Lee Bik Kee, Betty	4/4	1/1
Mr. Ip Shu Kwan, Stephen *(Appointed with effect from 16 April 2018)*	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wong Ting Chung serves as the chairman and chief executive officer of the Company. He is responsible for the overall management business and formation of corporate strategy of our Group. With the support of the executive Directors and the company secretary, the chairman approves the agenda for, and chairs, Board meetings to ensure that all key and appropriate issues are discussed in a timely manner, including any matters proposed by other Directors. He is responsible for the effective functioning of the Board, including but not limited to taking steps to ensure that all Directors are properly briefed on issues arising at Board meetings, providing all Directors with adequate information which is accurate, clear, complete and reliable in a timely manner, communicating shareholders' views to the Board as a whole and promoting a culture of openness and constructive debate during Board meetings.

BOARD COMMITTEES

Executive Committee

The executive committee of the Board was established with written terms of reference setting out its authority delegated by the Board. The primary duties of the executive committee include (but without limitation) (i) general management which includes, supervising the day-to-day management, performance and operations of the Group; (ii) assessing and making recommendations to the Board on major acquisitions of or investments in business or operations; and (iii) undertaking the role of risk management within the Company to minimise or mitigate major risks to the operations of the Group. The executive committee comprises all executive Directors, namely, Mr. Wong Ting Chung (Chairman of the executive committee), Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Li Po Sing. The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

Audit Committee

The audit committee of the Board was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by the Board. For the year ended 31 March 2019, the audit committee consists of one non-executive Director, Mr. Tam Wai Hung, David, and four independent non-executive Directors, namely, Mr. Ong Chor Wei (chairman of the audit committee who possesses the appropriate professional qualification or accounting or related financial management expertise), Mr. Kan Chung Nin, Tony, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen. The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

The audit committee held two physical meetings during the year ended 31 March 2019. In these two meetings, the audit committee discussed and reviewed, among other things, (i) the accuracy and fairness of the Group's audited annual results for the year ended 31 March 2018 and unaudited interim results for the six months ended 30 September 2018; (ii) the work of the Group's internal audit department; and (iii) the effectiveness of the Group's risk management and internal control systems.

The attendance records of individual audit committee members at the aforementioned audit committee meetings are set out below:

Name of audit committee member	**Attendance/ Number of Meetings**
Mr. Ong Chor Wei *(Chairman)*	2/2
Mr. Kan Chung Nin, Tony	2/2
Mr. Tam Wai Hung, David	2/2
Mr. Fan Chun Wah, Andrew	2/2
Mr. Ip Shu Kwan, Stephen	2/2

The external auditors were invited to attend the meetings without the presence of the executive Directors to discuss with the audit committee members about issues relating to the audit and financial reporting matters. An audit committee meeting was held on 21 June 2019 to consider and review, among other things, the Group's annual results and annual report for the year ended 31 March 2019. It was attended by Mr. Ong Chor Wei, Mr. Kan Chung Nin, Tony, Mr. Tam Wai Hung, David, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen.

Remuneration Committee

The remuneration committee of the Board was established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the CG Code. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme of the Company. For the year ended 31 March 2019, the remuneration committee consists of one executive Director, Mr. Wong Ting Chung and two independent non-executive Directors, Mr. Kan Chung Nin, Tony (chairman of the remuneration committee) and Mr. Ong Chor Wei. The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

The remuneration committee held one physical meeting during the year ended 31 March 2019. In this meeting, the remuneration committee discussed and reviewed, among other things, the remuneration packages of the Directors and senior management.

The attendance records of individual remuneration committee members at the aforementioned remuneration committee meeting are set out below:

Name of remuneration committee member	**Attendance/ Number of Meeting**
Mr. Kan Chung Nin, Tony *(Chairman)*	1/1
Mr. Wong Ting Chung	1/1
Mr. Ong Chor Wei	1/1

Nomination Committee

The nomination committee of the Board was established with written terms of reference in compliance with paragraph A5 of the CG Code. It is responsible for determining the policy for the nomination of directors, identifying and recommending to the Board appropriate candidates to serve as Directors, evaluating the structure and composition of the Board and developing, recommending to the Board and monitoring nomination guidelines for the Company. For the year ended 31 March 2019, the nomination committee consists of two executive Directors, Mr. Wong Ting Chung (chairman of the nomination committee) and Mr. Wong Wai Yue and three independent non-executive Directors, Mr. Kan Chung Nin, Tony, Mr. Ong Chor Wei and Ms. Lee Bik Kee, Betty. The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the nomination committee shall consider a variety of factors including but not limited to the following in assessing the suitability of the proposed candidate:

— Reputation for integrity;

— Accomplishment, experience and knowledge in the garment industry and other relevant sectors;

— Merit and contribution that candidate will bring to the Board;

— Commitment to devote sufficient time and efforts to the Company's affairs;

— Achieve board diversity, including but not limited to gender, age, cultural background, educational background, industry experience and professional experience; and

— Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director if the proposed candidate will be nominated as an independent non-executive Director.

The nomination committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board.

The nomination committee held one physical meeting during the year ended 31 March 2019. In the meeting, the nomination committee discussed and reviewed, among other things, (i) the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the Group's business and is in compliance with the requirements of the Listing Rules; and (ii) the recommendation on re-election of retiring Directors at the forthcoming annual general meeting.

The attendance records of individual nomination committee members at the aforementioned nomination committee meeting are set out below:

Name of nomination committee member	**Attendance/ Number of Meeting**
Mr. Wong Ting Chung *(Chairman)*	1/1
Mr. Wong Wai Yue	1/1
Mr. Kan Chung Nin, Tony	1/1
Mr. Ong Chor Wei	1/1
Ms. Lee Bik Kee, Betty	1/1

Board Diversity

The Company recognises and embraces the importance and benefit achieving diversity on the Board has on corporate governance and board effectiveness. During the year ended 31 March 2019, the Company monitored the Board composition with regard to its diversity policy which requires board appointments to be made on a merit basis with due regard for the benefits of the diversity of Board members. Selection of candidates will be based on a wide range of diversity perspectives, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The nomination committee has developed measurable objectives to implement the board diversity policy and would monitor the progress in achieving these objectives.

EXTERNAL AUDITOR'S REMUNERATION

The amount of fees charged by the Company's external auditor, PricewaterhouseCoopers, in respect of their audit and non-audit services including review interim financial information for the year ended 31 March 2019 amounted to HK$2.8 million and HK$0.6 million, respectively.

THE COMPANY SECRETARY

The company secretary plays a role in supporting the Board by ensuring good information flow within the Board and Board policy and procedures are followed. The company secretary is responsible for advising the Board through the chairman and/or the chief executive officer on corporate governance matters and should also facilitate induction and professional development of Directors. Specific enquiry has been made to the company secretary of the Company, Mr. Tao Chi Keung ("Mr. Tao"), and Mr. Tao has confirmed that he has complied with the relevant qualifications, experience and training requirements under the Listing Rules.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged Directors' and Officers' Liability insurance for its Directors and senior management. The insurance covers the corresponding costs, charges, expenses and liabilities for any legal action of corporate activities against them arising out of corporate activities.

DIRECTORS' TRAINING

According to the code provision A.6.5 of the CG Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All the Directors are also encouraged to attend relevant training courses at the Company's expenses.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code for the year ended 31 March 2019 and they participated in the following types of continuous professional development:

Name of Director	Type of continuous professional development
Executive Directors	
Mr. Wong Ting Chung *(Chairman and Chief Executive Officer)*	(I), (II)
Mr. Wong Wai Yue *(Vice-Chairman)*	(I), (II)
Mr. Wong Wai Wing, Raymond	(I), (II)
Mr. Wong Ting Chun	(I), (II)
Mr. Li Po Sing	(I), (II)
Ms. Chan Mei Hing, Aurora *(Resigned with effect from 31 October 2018)*	N/A
Non-executive Directors	
Mr. Tam Wai Hung, David	(I), (II)
Mr. Wong Ting Kau	(I), (II)
Mr. Lau Ka Keung *(Resigned with effect from 16 April 2018)*	N/A
Independent non-executive Directors	
Ms. Fan Chiu Fun, Fanny	(I), (II)
Mr. Kan Chung Nin, Tony	(I), (II)
Mr. Ong Chor Wei	(I), (II)
Mr. Fan Chun Wah, Andrew	(I), (II)
Ms. Lee Bik Kee, Betty	(I), (II)
Mr. Ip Shu Kwan, Stephen *(Appointed with effect from 16 April 2018)*	(I), (II)

(I) Attending seminars/webinars.

(II) Reading/watching materials in relation to the roles, functions and duties of a listed company director and the latest developments in the relevant rules and regulations.

INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS

The Company considers timely communication to shareholders and/or investors and transparent reporting as key components of good corporate governance.

The Company aims to maintain frequent and timely communication with its shareholders and/or investors through a variety of communication channels, including but not limited to general meetings, annual and interim reports and official announcements. General meetings provide a platform for shareholders to exchange views with the Board and the Directors are available to answer questions at the Company's annual general meetings. Shareholders will be sent a copy of the annual and interim reports or be notified of the release of such reports. Annual and interim reports are accessible on the website of the Stock Exchange and the Company's website at www.namesonholdings.com, where general information on the Group's business and activities is available for public access. Official announcements will be released from time to time in accordance with the Listing Rules to update our shareholders and/or investors with the latest developments of the Group.

Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be published on the websites of the Stock Exchange and the Company, respectively.

Pursuant to Article 58 of the Company's existing articles of association, one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may deposit a written requisition (the "Written Requisition") to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in the Written Requisition. Such meeting shall be held within two months after the deposit of the Written Requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders and investors are also welcome to submit any enquiries to the Board and suggestions or proposals at general meetings directly to the Company's principal place of business in Hong Kong as provided in the section "Corporate Information" in this annual report.

The Board also encourages shareholders to attend general meetings to make enquiries with the Board directly.

CONSTITUTIONAL DOCUMENTS

The amended and restated articles of association of the Company has been conditionally adopted on 29 January 2016 with effect from the date of listing of the Company on the Stock Exchange. During the year ended 31 March 2019, there is no change to the memorandum of association and amended and restated articles of association of the Company.

The Company has published its memorandum of association and amended and restated articles of association on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

ACCOUNTABILITY

The Directors have included a management discussion and analysis of the Group's performance for the year ended 31 March 2019 under the section headed "Management Discussion and Analysis" of this annual report.

INTERNAL CONTROLS AND RISK MANAGEMENT

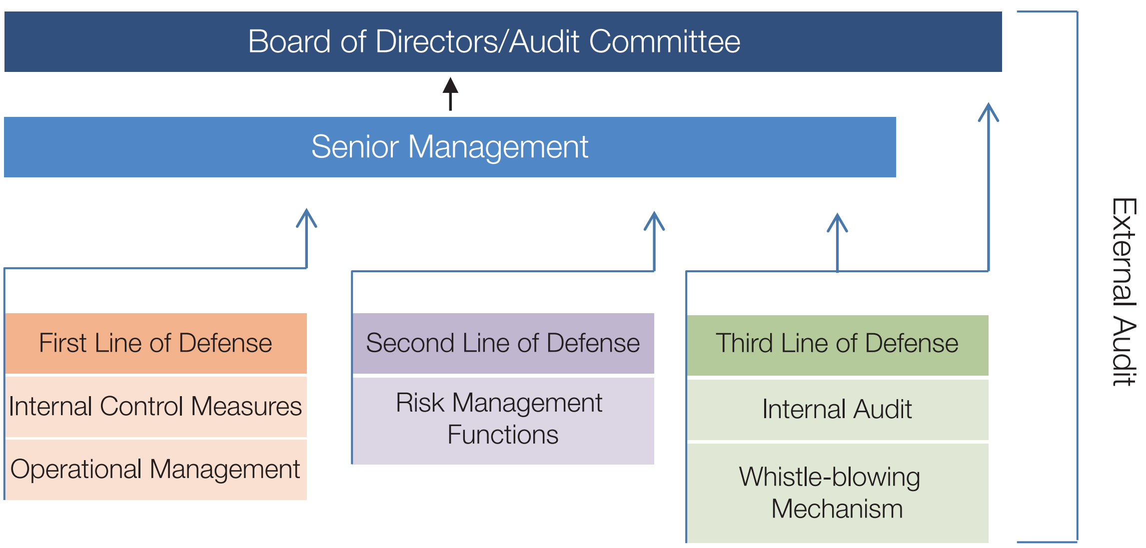
The Group has an internal control system which plays an important role in maintaining and improving accountability and transparency in the conduct of the Group's business, safeguarding the interests of the Company's shareholders and the assets of the Group and enhancing investor confidence. On the other hand, the Group improves its business and operational activities by identifying the areas of significant risks and taking appropriate measures to manage and mitigate these risks. The management of the Company reviews the significant control policies and procedures and highlights all significant matters to the audit committee and the Board on a regular basis.

Main Features of Risk Management and Internal Control Systems

We adopt the following risk structure to identify, analyse, evaluate and manage the risks associated with the Group. Our internal control system is developed based on the framework of Committee of Sponsoring Organizations of the Treadway Commission, which covers five components, namely Control Environment, Risk Assessment, Control Activities, Information and Communication as well as Monitoring Activities.

Risk Governance Framework

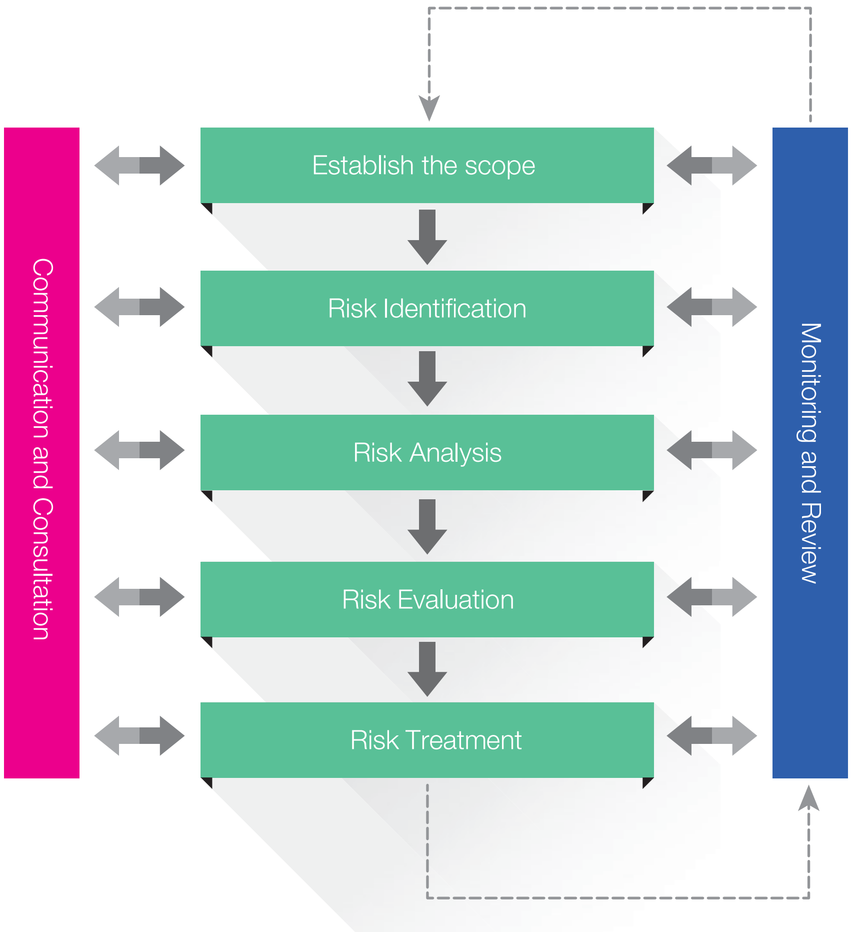
The Group's risk governance framework is guided by the "Three Lines of Defense" model, with the objective to achieve risk management by means of internal control measures, operational management, risk management functions, internal audit and whistle-blowing mechanism.



Being the first line of defense, the Group's business unit is responsible for identifying, evaluating and monitoring the risks associated with each business or transaction, minimising the potential risks posed to business operations through various policies, procedures of operational management and internal control measures. The second line of defense is to set the categories and scope for managing specific risks and to raise queries to the first line of defense on effective risk management and control. The third line of defense is the internal audit and whistle-blowing mechanism. Internal audit is a risk-based approach to determine whether significant monitoring measures can effectively control the risks exposed to the Group.

The controls built into the risk management system are intended to manage rather than completely eliminate significant risks in the Group's business environment. The Group's risk management procedures include the followings:

- to identify significant risks in the Group's operational environment and evaluate the impact of those risks on the Group's business;
- to develop necessary measures to manage those risks; and
- to monitor and review the effectiveness of the measures.



Process Used for Identifying, Evaluating and Managing Significant Risks

The process used by the Group to identify, evaluate and manage significant risks are briefly described as follows:

Establish the scope

- Establish the scope for assessing risk profiles and set the assessment criteria.

Risk Identification

- The Group adopts a bottom-up approach to identify risks that may have potential impact on the Group's business and operations

Risk Analysis

- Mainly analyse from the two perspectives of the possibility of the occurrence of risks and the extent of the impact of those risks on the Group's objectives.

Risk Evaluation

- Evaluate the extent of identified risks using the assessment criteria established by the management; and

- Consider the impact of those risks on the business and the possibility of their occurrence.

Risk Treatment

- Prioritise risks by comparing the results of risk evaluation; and

- Risk management strategies and internal control procedures are established by operational management to prevent, avoid or mitigate risks through internal monitoring units.

Monitoring and Review

- Monitor risks on an ongoing and regular basis, and establish appropriate internal control procedures based on the production and operational process;

- In the event of any major changes in the production and operational process, review the risk management policy and revise the internal control procedures (if necessary); and

- Report the results of risk monitoring to the management, audit committee and Board on a regular basis.

Communication and Consultation

- It is necessary to communicate and consult with internal and external stakeholders in each step of the risk management process.

Risks are classified into six different categories for assessment: strategy, finance, operations, compliance, external environment and human capital. The Risk Register records the major risks exposed to the major operating units of the Group. The Group has classified the major risks based on the aforesaid categories that may have a significant impact on the Group, and will regularly assess the potential impact and possibility of each major risk on the Group. For significant risks, each operating unit shall propose and implement mitigation actions.

Each operating unit shall submit an update on its respective Risk Register every six months for compiling the Group's risk management report.

The Board confirms that it is responsible for monitoring the risk management and internal control systems of the Group, which includes taking all reasonable and necessary steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities. It is also responsible for reviewing their effectiveness through the audit committee at least annually. Such reviews cover all material controls, including financial, operational and compliance controls. The risk management and internal control systems are designed to manage rather than eliminate the risks associated with the failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's Significant Risks

- Due to the intense competition in the human capital market, our failure to recruit, replenish or retain key employees may impact the business development and the ability to achieve the Group's objectives.

- Given the uncertainty about the trade policy enforced by the government of the United States of America (the "United States"), we believe that the customer demand for knitwear products manufactured in Vietnam will continue to increase, thereby driving the demand for labour force in Vietnam, which will in turn lead to an upward pressure on labour costs.

- There is uncertainty about the trade policy enforced by the government of the United States, which may be detrimental to our current operations in China.

- Global economic uncertainties and climate warming hit the overall demand for knitwear products, which in turn affect our sales. These may have an impact on our business, financial condition and operating results.

- We have a concentrated customer base as sales attributable to the five largest customers account for over 80% of total sales. Any changes in the five largest customers' decisions to purchase products from us may have an impact on our business and financial condition.

- The drastic upsurge in raw material prices may result in failure to completely transfer the upward pressure to customers in a timely manner.

- In the knitted uppers for footwear and knitted upper shoes business, with the increasingly keen competition in the industry, the average selling price and order volume of products may be subject to a continuous downward pressure.

- Shipping and container spaces were in shortage after a large shipping company got into financial trouble in the middle of 2016 and the subsequent merger of several shipping companies. Moreover, changeable weather and unexpected weather changes in recent years could affect our delivery schedules. Thanksgiving Day from September to October every year in the United States results in intense demand for shipping spaces of cargo ships and aircrafts to the United States between June and August. Besides, as customers may change shipping methods suddenly, we may not be able to make reservations for shipping spaces of cargo ships or aircrafts and handle shipment in a timely manner. Delays in delivery schedules may have an impact on our business, reputation, financial condition and operating results.

- China is toning up restrictions and requirements for pollutant emissions so that machinery and equipment may not comply with the regulations if they are not upgraded or modified in a timely manner. Moreover, since we are governed by the regulations in different business locations, changes in regulations may render us unable to comply with the local regulations in a timely manner, giving rise to non-compliance risks.

- Since a considerable portion of our operating expenses are settled in Renminbi, fluctuations in the exchange rate of the US dollar against Renminbi will have certain impact on the Group's costs and operating margins. The Group's bank borrowings are at floating rates. If the current interest rate rises, the floating-rate borrowings will lead to an increase in finance costs.

- The increased number of cyberattacks may affect us.

- To align with the business development of the Group, we have been developing upstream businesses in Vietnam and China. Moreover, the management continues to look for potential growth opportunities arising from the diversification of the existing business scope so as to broaden the Group's revenue base and customer base.

  However, these projects involve capital allocation, financing, budgeting, schedule, partnership, resource competition, grant of approval and other aspects, which may not be in line with our expectations or budget. Moreover, during the development and strengthening of diversified products, we may assess the market situation and development mistakenly and may not be able to establish a long-term partnership with customers. These risks may affect our business, prospects, financial condition and operating results.

Measures to Enhance the Group's Internal Control System

On the other hand, we also have adopted the following corporate governance measures to enhance our internal control system and to be better positioned to comply with various applicable rules and regulations:

(a) Reed Smith Richards Butler, our Hong Kong legal adviser, is appointed to advise us on Hong Kong laws and regulations and compliance matters in accordance with the Listing Rules;

(b) Trainings are provided to our employees in relation to their obligations to contribute to their part of the social insurance and housing provident funds on a regular basis in order to comply with the applicable PRC laws and regulations;

(c) training programs and/or updates regarding the relevant PRC, Vietnam and Hong Kong laws and regulations applicable to our business operations and directors' responsibilities respectively are provided to our Directors and senior management on a regular basis with a view to proactively identify any concerns and issues relating to potential non- compliance; and

(d) an internal control manager is appointed to oversee our internal controls in Hong Kong, PRC and Vietnam and to ensure our Group's on-going compliance with the relevant legal and regulatory requirements.

The Company's audit committee is responsible for monitoring the effectiveness of the Group's risk management and internal control systems and their compliance with the Listing Rules.

The Company's Internal Audit Department performs internal audit function and the Board is responsible for overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group on an ongoing basis. The Board confirms that it has reviewed the effectiveness of the risk management and internal control system for the year ended 31 March 2019 and the Board considers them to be effective and adequate.

Measures to Safeguard the Interests of the Company and its Shareholders against Competition Issues

Happy Family Assets Limited, Nameson Investments Limited, Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun (the "Covenantors") have entered into a deed of non-competition dated 24 March 2016 in favour of the Company and its subsidiaries, pursuant to which each of the Covenantors has undertaken that it/he and its/his respective close associates (other than any members of our Group) will not directly or indirectly engage, participate, compete, invest or otherwise be interested in or acquire or hold any restricted business unless such restricted business has first been offered or made available to the Group, and the Group, after review and approval by an independent board committee of the Company comprising only of independent non-executive Directors who do not have a material interest in such restricted business, has declined to pursue such opportunity.

For details of the above-mentioned non-competition undertaking, please refer to the Company's prospectus dated 30 March 2016.

The Covenantors have also given a non-competition undertaking in favour of the Company with respect to the Group's knitted footwear business and/or footwear business and other footwear ancillary businesses as disclosed in the Company's circular dated 24 November 2017.

The Directors are of the view that the measures in place are sufficient to safeguard the interests of the Company and its shareholders against any competition issues or potential competition issues.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has developed an inside information policy which provides a guidance to the Directors and the Company's senior management and relevant employees in handling inside information, monitoring information disclosure and responding to enquiries. The Company should take all reasonable measures to ensure the confidentially of inside information until consistent and timely disclosure of such information is made.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 March 2019 and confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and reflect amounts which are based on best estimates and reasonable, informed and prudent judgment of the Board. Such acknowledgement should be read in conjunction with, but be distinguished from, the statement of the external auditor of the Company, PricewaterhouseCoopers, in relation to their reporting responsibilities as set out in their auditor's report on pages 103 to 107 of this annual report.

GOING CONCERN

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's and the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

SENIOR MANAGEMENT REMUNERATION BY BANDS

The remuneration of the Company's senior management, whose biographies are set out on page 30 of this annual report, for the year ended 31 March 2019 is set out below:

	Number of Individuals
Remuneration bands	
HK$Nil — HK$500,000	1
HK$500,001 — HK$1,000,000	1
HK$1,000,001 — HK$1,500,000	1
HK$1,500,001 — HK$2,000,000	1

Directors' Report

The board (the "Board") of directors (the "Directors") of Nameson Holdings Limited (the "Company") is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019.

CORPORATE REORGANISATION AND INITIAL PUBLIC OFFERING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 August 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through a series of group reorganisation procedures, the Company became the holding company of the Group when the reorganisation was completed on 21 March 2016.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 April 2016 (the "Listing Date").

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are the manufacturing of knitwear products, knitted upper for footwear and knitted upper shoes. Particulars of the principal activities of the Company's subsidiaries are set out in note 11 to the consolidated financial statements of the Group. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2019.

BUSINESS REVIEW

A business review of the Group for the year ended 31 March 2019 and its future development is set out in the chairman's statement from pages 4 to 7 and management discussion and analysis from pages 8 to 20 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated income statement on page 108 of this annual report.

An interim dividend of 3.6 HK cents per share was paid on 28 December 2018 to the shareholders. At the board meeting on 21 June 2019, the Board did not recommend the payment of final dividend for the year ended 31 March 2019.

DONATIONS

Charitable and other donations made by the Group for the year ended 31 March 2019 amounted to approximately HK$2.0 million (2018: HK$2.8 million).

RESERVES AND DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in the reserves of the Group and the Company during the year ended 31 March 2019 are set out in note 31 and note 39 to the consolidated financial statements respectively.

As at 31 March 2019, the Company's reserves available for distribution to equity shareholders in accordance with its articles of association and the laws of the Cayman Islands amounted to approximately HK$1,874.3 million (2018: HK$1,881.5 million).

DIVIDEND POLICY

The Company considers stable and sustainable returns to the shareholders of the Company to be our goal. In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account the Group's earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant. The proposal and payment of dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands, any applicable laws, rules and regulations and the memorandum and articles of association of the Company.

Our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our shareholders at least 35% of any distributable profit. However, there is no assurance that dividends will be paid in any particular amount for any given period.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

BORROWINGS

Details of the bank borrowings and finance lease obligations of the Group as at 31 March 2019 are set out in note 24 and note 25 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company for the year ended 31 March 2019 are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there are no restrictions against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2019 attributable to the Group's major customers and suppliers are as follows:

Revenue from sales of goods attributable to:	
— the largest customer	62.6%
— five largest customers in aggregate	79.2%
Purchases attributable to:	
— the largest supplier	18.5%
— five largest suppliers in aggregate	56.3%

None of the Directors, or any of their close associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital), had any interest in any of the five largest customers or suppliers of the Group during the year ended 31 March 2019.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2019 are set out on page 190 of this annual report. This summary does not form part of the audited financial statements.

DIRECTORS

The Directors during the year ended 31 March 2019 and up to the date of this annual report are as follows:

Executive Directors

Mr. Wong Ting Chung *(Chairman and chief executive officer)*
Mr. Wong Wai Yue *(Vice-Chairman)*
Mr. Wong Wai Wing, Raymond
Mr. Wong Ting Chun
Mr. Li Po Sing
Ms. Chan Mei Hing, Aurora *(Resigned with effect from 31 October 2018)*

Non-executive Directors

Mr. Tam Wai Hung, David
Mr. Wong Ting Kau
Mr. Lau Ka Keung *(Resigned with effect from 16 April 2018)*

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny
Mr. Kan Chung Nin, Tony
Mr. Ong Chor Wei
Mr. Fan Chun Wah, Andrew
Ms. Lee Bik Kee, Betty
Mr. Ip Shu Kwan, Stephen *(Appointed with effect from 16 April 2018)*

In accordance with article 84(1) of the Company's articles of association, Mr. Wong Wai Yue, Mr. Wong Ting Chun, Mr. Tam Wai Hung, David, Mr. Wong Ting Kau and Ms. Fan Chiu Fun, Fanny will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

All Directors are subject to retirement by rotation at least once every three years but are eligible for re-election by shareholders at the annual general meeting of the Company pursuant to article 84 of the Company's articles of association.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Director and non-executive Director has entered into a service contract with the Company for a fixed term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors was appointed by the Company for a fixed term of three years in accordance with their respective letters of appointment with the Company, which may be terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below and in note 35 to the consolidated financial statements, no transactions, arrangements or contracts of significance between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, or in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2019.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision contained in the Company's articles of association that is subject to the requirements specified in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the benefit of the Directors of the Company was in force during the year ended 31 March 2019 and up to the date of this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The following transactions entered into between certain connected parties (as defined in the Listing Rules) and the Group constituted non-exempt continuing connected transactions and connected transactions under Chapter 14A of the Listing Rules.

(1) On 31 August 2017 and 30 June 2017, V. Success (HZ) Knitting Limited ("V. Success Huizhou") entered into the lease agreements (the "Lease Agreements") with (i) Huizhou Lijia Clothing Company Limited ("Huizhou Lijia"); and (ii) Huizhou Lixin Technology Company Limited ("Huizhou Lixin"), pursuant to which Huizhou Lijia and Huizhou Lixin agreed to lease to our Group a portion of the factory located in Licheng Industrial Zone, Shuikou Sub-district Office, Huicheng District, Huizhou City, Guangdong Province, the PRC, with a total gross floor area of 50,708.58 square meters. The premises is for factor and dormitory use. The term of each of the Lease Agreements is three years commencing from 1 September 2017 and 1 July 2017 respectively. The monthly rental is RMB571,429 and RMB8,098, exclusive of tax, respectively payable by V. Success Huizhou.

    On 31 August 2018, V. Success Huizhou entered into the supplemental lease agreements (the "Supplemental Lease Agreements") with Huizhou Lijia and Huizhou Lixin, pursuant to which, the monthly rental is reduced to RMB400,000 and RMB5,669, exclusive of tax, respectively.

    The lessors to the Lease Agreements, Huizhou Lijia is held by Mr. Wong Ting Chun, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Kau, each an executive Director, and Mr. Lau Ka Keung, a non-executive Director of the Company (who has resigned with effect from 16 April 2018), and Huizhou Lixin is owned by Ms. Teresa Wong, the daughter of Mr. Wong Ting Chung, and hence Huizhou Lijia and Huizhou Lixin are connected persons of our Company for the purpose of the Listing Rules.

(2) On 24 July 2018, Hebei Nanguan Technology Co., Ltd ("Nanguan Tech"), the Company's non-wholly owned subsidiary, entered into the cashmere purchase agreement ("Cashmere Purchase Agreement") with Hebei Yuteng Cashmere Products Co., Ltd. ("Hebei Yuteng"). Then, Nanguan Tech (a non-wholly owned subsidiary of the Company), Huizhou Nanxuan Knitting Factory Limited ("Huizhou Nanxuan") and Huizhou Nanguan Knitting Factory Limited ("Huizhou Nanguan") (both being the Company's wholly owned subsidiaries), entered into the supplemental cashmere purchase agreement ("Supplemental Cashmere Purchase Agreement") with Hebei Yuteng on 18 December 2018, pursuant to the Cashmere Purchase Agreement (as supplemented by the Supplemental Cashmere Purchase Agreement), Nanguan Tech, Huizhou Nanxuan and Huizhou Nanguan agreed to purchase cashmere from Hebei Yuteng. The maximum transaction amount (i.e. annual cap) under the Cashmere Purchase Agreement (as supplemented by the Supplemental Cashmere Purchase Agreement) for the financial year ended 31 March 2019 is RMB300 million.

    As Nanguan Tech is a joint venture company owned as to 55% and 45% by the Company and Hebei Yuteng respectively. Hebei Yuteng, being a substantial shareholder of Nanguan Tech, is a connected person of the Company at the subsidiary level under the Listing Rules.

(3) On 31 January 2019, Nanguan Tech entered into the assets transfer agreement ("Assets Transfer Agreement") with Hebei Yuteng, pursuant to which Nanguan Tech agreed to acquire the assets comprising yarn, spinning equipment, trademarks and customer list owned by Hebei Yuteng as at the date of the Assets Transfer Agreement at the total consideration, exclusive of tax, of RMB47,537,000. The connected relationship between Hebei Yuteng and the Group is disclosed in paragraph (2) above.

For details on the Lease Agreements, Cashmere Purchase Agreement, Supplemental Cashmere Purchase Agreement and Assets Transfer Agreement, please refer to the Company's announcements dated 28 September 2017, 24 July 2018, 18 December 2018 and 31 January 2019, respectively.

The independent non-executive Directors have reviewed and confirmed that the aforementioned continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to review the continuing connected transactions contemplated under the Lease Agreements, the Supplemental Lease Agreements, the Cashmere Purchase Agreement and the Supplemental Cashmere Purchase Agreement. The auditors have, based on the work performed, provided a letter to the Directors confirming that nothing has come to their attention that causes them to believe that such continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the relevant annual caps.

The connected transaction and the continuing connected transactions disclosed above also constitute related party transactions under the Hong Kong Financial Reporting Standards. A summary of the related party transactions entered into by the Group during the year ended 31 March 2019 is contained in note 35 to the consolidated financial statements.

On the other hand, the Group entered into the following agreements with connected persons on 22 March 2019:

(i) Hebei Yuteng (as seller) and Naguan Tech, Huizhou Nanguan and Huizhou Nanguan (as purchasers) entered into the new raw materials purchase agreement ("New Raw Materials Purchase Agreement") in respect of the purchase of cashmere and other raw materials by the purchasers from Hebei Yuteng for a term of one year from 1 April 2019 to 31 March 2020.

(ii) Hebei Yuteng (as lessor) and Nanguan Tech (as lessee) entered into the lease agreement ("Lease Agreement") in respect of the lease of the factory plant by Nanguan Tech from Hebei Yuteng for the production of cashmere yarn for a term of three years from 1 April 2019 to 31 March 2022; and

(iii) Hebei Rongcang Warehousing Services Co., Ltd. ("Hebei Rongcang") (as service provider) and Naguan Tech, Huizhou Nanguan and Huizhou Nanguan (as service recipients) entered into the processing agreement ("Processing Agreement") in respect of the processing service of fiber dyeing and finishing of cashmere and other raw materials to be provided by Hebei Rongcang to the service recipients for a term of one year from 1 April 2019 to 31 March 2020.

Nanguan Tech is a non-wholly owned subsidiary of the Company. Two of Nanguan Tech's directors are also the controlling shareholders of Hebei Yuteng and Hebei Rongcang, both of which are associates of such directors. In addition, Hebei Yuteng is a substantial shareholder of Nanguan Tech. Consequently, each of Hebei Yuteng and Hebei Rongcang, the associates of two of our directors of Nanguang Tech, is a connected person of the Company at the subsidiary level under the Listing Rules.

For details on the New Raw Materials Purchase Agreement, Lease Agreement and Processing Agreement, please refer to the Company's announcement dated 22 March 2019.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

Save as disclosed below, as at 31 March 2019, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long position in theOrdinary Shares of the Company

Name of Directors	Nature of interest	Number of ordinary shares held or interested in	Approximate percentage of issued share capital of the Company(9)
Mr. Wong Ting Chung (1)(2)	Beneficiary of a trust	1,500,000,000	65.8%
	Beneficial owner	201,500,000	8.8%
Mr. Wong Wai Wing, Raymond (3)(4)	Beneficiary of a trust	1,500,000,000	65.8%
	Beneficial owner	1,500,000	0.1%
Mr. Wong Ting Chun (3)(4)	Beneficiary of a trust	1,500,000,000	65.8%
	Beneficial owner	1,500,000	0.1%
Mr. Li Po Sing (5)	Beneficial owner	3,500,000	0.15%
Mr. Tam Wai Hung, David (6)	Beneficial owner	2,500,000	0.1%
Mr. Wong Ting Kau (3)	Beneficiary of a trust	1,500,000,000	65.8%
Ms. Fan Chiu Fun, Fanny (7)	Beneficial owner	1,500,000	0.1%
Mr. Kan Chung Nin, Tony (7)	Beneficial owner	1,500,000	0.1%
Mr. Ong Chor Wei (7)	Beneficial owner	1,500,000	0.1%
Mr. Fan Chun Wah, Andrew (7)	Beneficial owner	1,500,000	0.1%
Ms. Lee Bik Kee, Betty (7)	Beneficial owner	1,500,000	0.1%
Mr. Ip Shu Kwan, Stephen (8)	Beneficial owner	1,500,000	0.1%

Note 1: Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust and therefore he is deemed to be interested in the shares held by the Happy Family Trust under the SFO.

Note 2: Mr. Wong Ting Chung beneficially owned 200,000,000 shares which were issued by the Company on 15 December 2017 as consideration shares pursuant to the acquisition of V. Success Group and has a beneficial interest in the share options granted to him on 29 August 2016 under the Share Option Scheme (as defined below) and which, if exercised in full, would result in the issue of 1,500,000 shares to him.

Note 3: Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust and therefore they are deemed to be interested in the shares held by the Happy Family Trust under the SFO.

Note 4: Each of Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun, has a beneficial interest in the share options granted to him on 29 August 2016 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to each of them.

Note 5: Mr. Li Po Sing has a beneficial interest in the share options granted to him on 29 August 2016 and 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 3,500,000 shares to him.

Note 6: Mr. Tam Wai Hung, David has a beneficial interest in options granted to him on 29 August 2016 and 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 2,500,000 shares to him.

Note 7: Each of Ms. Fan Chiu Fun, Fanny, Mr. Kan Chung Nin, Tony, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew and Ms. Lee Bik Kee, Betty has a beneficial interest in options granted to him/her on 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to him/her.

Note 8: Mr. Ip Shu Kwan, Stephen has a beneficial interest in options granted to him on 20 April 2018 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to him.

Note 9: The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2019.

Details of the interests of the Directors and chief executive in the options (being regarded as unlisted physically settled equity derivatives) granted to them under the Share Option Scheme (as defined below) are set out in the section headed "Share Option Scheme" in this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme (as defined below), at no time for the year ended 31 March 2019 was the Company or any of its subsidiaries, holding companies, or any of the subsidiary undertakings (within the meaning of the Companies (Directors' Report) Regulation) of such holding companies a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, none of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2019, none of the Directors had any interest in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DEED OF NON-COMPETITION

For the year ended 31 March 2019, each of the Company's controlling shareholders have confirmed to the Company of his/ its compliance with (i) the non-competition undertakings given by him/it to the Company under the deed of non-competition, as defined in the Prospectus; and (ii) the non-competition undertakings given by him/it to the Company with respect to the Group's knitted footwear business and/or footwear business and other footwear ancillary businesses as disclosed in the Company's circular dated 24 November 2017.

The Directors are of the view that there are sufficient measures in place to safeguard the interests of the Company and its shareholders against any competition issues or potential competition issues.

SHARE OPTION SCHEME

The Company has approved and adopted a share option scheme on 29 January 2016 (the "Share Option Scheme"). Under the Share Option Scheme, the eligible participants may be granted share options pursuant to the Share Option Scheme. The following is a summary of the principal terms of the Share Option Scheme.

(a) Purpose

The purposes of the Share Option Scheme are to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the eligible participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Eligible participants

The eligible Participants include (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries; (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and (iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company and/or any of its subsidiaries.

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all the share options to be granted under the Share Option Scheme and any other share option scheme of the Company (if any) shall not in aggregate exceed 10% of the shares in issue (i.e. a maximum of 200,000,000 shares) immediately after listing, provided that:

(i) the maximum number of shares may be renewed, with the approval of the shareholders in a general meeting, up to a maximum of 10% of the issued share capital of the Company at the date of such shareholders' approval, inclusive of the maximum number of shares in respect of which share options may be granted under another scheme, if any;

(ii) the Company may obtain a separate approval from the Company's shareholders in a general meeting to permit the granting of share options which will result in the number of shares in respect of all the share options granted exceeding the then maximum number of shares provided that such share options are granted only to eligible participants specifically identified by the Company before shareholders' approval is sought (in which case such share options granted shall not be counted towards the then applicable maximum number of shares); and

(iii) the total maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share options granted and yet to be exercised under another scheme shall not exceed 30% of the issued share capital of the Company from time to time.

(d) Maximum entitlement of each eligible participant

Unless approved by the shareholders in a general meeting (with the relevant eligible participant and his/her close associates abstaining from voting), no eligible participant shall be granted a share option if the total number of shares issued and to be issued upon exercise of the share options granted and to be granted to such eligible participant in any 12-month period up to the date of the latest grant would exceed 1% of the issued share capital of the Company from time to time.

An offer of the grant of an option to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

Where any grant of share options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the shares in issue; and

(ii) having an aggregate value, based on the official closing price of the shares at the date of each grant, in excess of HK$5.0 million,

such further grant of share options will be subject to the issue of a circular by the Company and must be approved by the shareholders in general meeting on a poll. The grantee, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

(e) Acceptance of an offer of share options

A share option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the share options duly signed by the grantee, together with a remittance in favour of the Company of HK$0.01 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. To the extent that the offer to grant a share option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(f) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any share options granted under the Share Option Scheme can be exercised.

(g) Subscription price

The subscription price in respect of any share option shall be a price determined by the Board and notified to an eligible participant (subject to any adjustments made pursuant to the terms and conditions of the Share Option Scheme) which must be at least the higher of:

(i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; or

(iii) the nominal value of the shares.

(h) Ranking of shares

The shares to be allotted upon the exercise of a share option will be subject to all the provisions of the articles of association for the time being in force and will rank pari passu in all respects with and shall have the same voting, dividend, transfer and other rights. Shares issued on the exercise of a share option shall not rank for any rights attaching to the shares by reference to a record date preceding the date of allotment.

The shares to be allotted upon the exercise of a share option will not carry voting rights until completion of the registration of the grantee (such other person nominated by the grantee) as the holder thereof.

(i) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from 12 April 2016 (being the listing date), after which no further options shall be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Share options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

For the year ended 31 March 2019, the total number of share options the Company granted to the employees and the Directors amounted to 1,500,000 share options. As at the date of this annual report, the number of share options that could still be granted under the Share Option Scheme was 110,610,000 share options representing approximately 4.85% of the existing issued share capital of the Company.

Details of the movements of the share options under the Share Option Scheme during the year ended 31 March 2019 are as follows:

				Number of Share Options					
Grantee	**Date of Grant** (Note 1)	**Exercise Price** HK$	**Exercise Period** (Note 2)	**Balance as at 1 April 2018**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Balance as at 31 March 2019**
Mr. Wong Ting Chung	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	–	–	–	–	1,500,000
Mr. Wong Wai Wing, Raymond	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	–	–	–	–	1,500,000
Mr. Wong Ting Chun	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	–	–	–	–	1,500,000
Mr. Li Po Sing	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	–	–	–	–	1,500,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	2,000,000	–	–	–	–	2,000,000
Ms. Chan Mei Hing, Aurora	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,000,000	–	–	(1,000,000)	–	–
	28 August 2017	1.462	28 August 2018 to 27 August 2027	2,000,000	–	–	(2,000,000)	–	–

				Number of Share Options					
Grantee	**Date of Grant** (Note 1)	**Exercise Price** HK$	**Exercise Period** (Note 2)	**Balance as at 1 April 2018**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Balance as at 31 March 2019**
Mr. Tam Wai Hung, David	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,000,000	–	–	–	–	1,000,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	–	–	–	–	1,500,000
Ms. Fan Chiu Fun, Fanny	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	–	–	–	–	1,500,000
Mr. Kan Chung Nin, Tony	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	–	–	–	–	1,500,000
Mr. Ong Chor Wei	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	–	–	–	–	1,500,000
Mr. Fan Chun Wah, Andrew	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	–	–	–	–	1,500,000
Ms. Lee Bik Kee, Betty	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	–	–	–	–	1,500,000
Mr. Ip Shu Kwan, Stephen	20 April 2018	1.700	20 April 2019 to 19 April 2028	–	1,500,000	–	–	–	1,500,000
Other employees of the Group (Note 3)	29 August 2016	1.394	29 August 2017 to 28 August 2026	15,042,000	–	–	(1,186,000)	–	13,856,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	46,400,000	–	–	(6,400,000)	–	40,000,000
Total				82,442,000	1,500,000	–	(10,586,000)	–	73,356,000

Notes:

1. The closing price of the shares of the Company immediately before the date on which the share options were granted on (i) 29 August 2016, i.e. 26 August 2016, was HK$1.40; (ii) 28 August 2017, i.e. 25 August 2017, was HK$1.48; and (iii) 20 April 2018, i.e. 19 April 2018, was HK$1.68.

2. The share options granted to the above Directors and other employees of the Group shall be vested in three equal tranches. The vesting periods of the share options are between the date of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the share options are as follows:

Share options	Vesting period	Exercise period
Granted on 29 August 2016		
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2017	29 August 2017 to 28 August 2026
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2018	29 August 2018 to 28 August 2026
The remaining share options	29 August 2016 to 28 August 2019	29 August 2019 to 28 August 2026
Granted on 28 August 2017		
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2018	28 August 2018 to 27 August 2027
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2019	28 August 2019 to 27 August 2027
The remaining share options	28 August 2017 to 27 August 2020	28 August 2020 to 27 August 2027
Granted on 20 April 2018		
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	20 April 2018 to 19 April 2019	20 April 2019 to 19 April 2028
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	20 April 2018 to 19 April 2020	20 April 2020 to 19 April 2028
The remaining share options	20 April 2018 to 19 April 2021	20 April 2021 to 19 April 2028

3. Employees working under employment contracts that were regarded as "continuous contracts" for the purpose of the Hong Kong Employment Ordinance.

4. The fair value of the share options as at the date of grant, its calculation and the model and assumptions used to estimate the fair value of the share options are set out in note 32 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

Save as disclosed below, so far as known to the Directors and chief executive of the Company, as at 31 March 2019, the following persons or corporations (other than our Directors and chief executive of our Company) who had interest and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in the ordinary shares of the Company

Name of substantial shareholders	Nature of interest	Number of ordinary shares held or interested in	Approximate percentage of issued share capital of the Company [6]
Nameson Investments Limited [1]	Beneficial owner	1,500,000,000	65.8%
Happy Family Assets Limited [1]	Interest in a controlled corporation	1,500,000,000	65.8%
East Asia International Trustees Limited [1]	Trustee of a trust	1,500,000,000	65.8%
Ms. Wang Kam Chu [2]	Interest of spouse	1,701,500,000	74.6%
Ms. Kwan Ying Tsi, Catherine [3]	Interest of spouse	1,501,500,000	65.9%
Ms. Tsoi Suet Ngai [4]	Interest of spouse	1,501,500,000	65.9%
Ms. Chan Ka Wai [5]	Interest of spouse	1,500,000,000	65.8%

Notes:

(1) Nameson Investments Limited is wholly owned by Happy Family Assets Limited, the holding vehicle incorporated in the British Virgin Islands used by East Asia International Trustees Limited, the trustee of the Happy Family Assets Limited which is a trust established by Mr. Wong Ting Chung as the settlor and the protector. Accordingly, each of Happy Family Assets Limited and Mr. Wong Ting Chung is deemed to be interested in the 1,500,000,000 shares held by Nameson Investments Limited under the SFO.

(2) Ms. Wang Kam Chu is the spouse of Mr. Wong Ting Chung and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Chung under the SFO.

(3) Ms. Kwan Ying Tsi, Catherine is the spouse of Mr. Wong Wai Wing, Raymond and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Wai Wing, Raymond under the SFO.

(4) Ms. Tsoi Suet Ngai is the spouse of Mr. Wong Ting Chun and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Chun under the SFO.

(5) Ms. Chan Ka Wai is the spouse of Mr. Wong Ting Kau and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Kau under the SFO.

(6) The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2019.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 March 2019 or subsisted as at 31 March 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or substantial part of the business of the Group were entered into or existed during the year ended 31 March 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 March 2019, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the listing of the Company amounted to approximately HK$635.4 million. Such proceeds have been used according to the allocation set out in the Prospectus. Use of net proceeds from the date of listing to 31 March 2019 is set below as follows:

Items	**Approximate utilised amount up to 31 March 2019** HK$(million)
Construction of factory buildings and purchase of machinery for the second phase of our Vietnam Factory	378.1
Repayment of part of our bank loans	93.2
Enhancing design and product development capabilities	10.9
Enhancing existing enterprise resource planning system	13.1
General corporate purposes	54.7
Total	550.0

The unused balance of HK$85.4 million was placed in the bank accounts of several reputable commercial banks in Hong Kong as the Group's bank deposits.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosure is included in respect of the Company's existing loan agreements, which contain covenants requiring performance obligations of the controlling shareholder(s) of the Company, as follows:

Date of the agreement	Banking facilities	Specific performance obligations
22 March 2019	Three-year term loan facility of up to HK$150,000,000	Mr. Wong Ting Chung or his family members are and will remain as the majority ultimate beneficial owner holding not less than 50% of all issued share capital of the Company with management control in the Company.
22 March 2019	Three-year term loan facility of up to HK$250,000,000	Mr. Wong Ting Chung and his family shall own more than 60% share interests in the Company, or Mr. Wong Ting Chung shall remain as the Chairman and maintain management control of the Company.
16 November 2018	Three-year term loan facility of up to HK$100,000,000	Any one or all of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau shall at all times collectively maintain, directly or indirectly, at least 51% of the beneficial shareholding in the Company and collectively retain management control over the Company.
16 March 2018	(i) Term loan facility of up to an aggregate principal amount of HK$195,000,000, with final maturity date falling on 8 August 2022 (ii) Term loan facility of up to USD30,000,000 or HK$234,00,000, with final maturity date falling on the day which is five years from the date of drawdown	Management control over the Group by Mr. Wong Ting Chung or his family members.
22 June 2017	Three-year committed term loan facility of up to HK$100,000,000	Mr. Wong Ting Chung or his family trust remains as the majority ultimate beneficial owner holding not less than 50% of the Company with management control in the Company.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes participated by the Group are set out in note 9 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT

Particulars of the directors and senior management of the Company are set out on pages 21 to 30 of this annual report.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules. The Board is of the view that the Company is in compliance with the mandatory code provisions of the CG Code for the year ended 31 March 2019.

For details of the Corporate Governance Report, please refer to pages 31 to 48 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's issued shares for the year ended 31 March 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") for the year ended 31 March 2019 is scheduled to be held on Friday, 23 August 2019. A notice convening the AGM will be issued and disseminated to the Company's shareholders in due course.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Policies

We are committed to implement policies in environmental protection in order to conserve natural resources. We strive to minimise our environmental impact through reducing electricity and water consumption and encouraging recycle of office supplies and other materials. We are also committed to ensure that the Group is in strict compliance with the applicable environmental laws and regulations of the jurisdictions where our factories are located.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong, China and Vietnam and are therefore subject to relevant local laws and regulations in Hong Kong, China and Vietnam. Given that the operations of the Group's factories involve consumption of resources and discharges of pollutants which may affect the environment, certain environmental laws in Vietnam and China will have impact on the Group's operations.

The Group's manufacturing process produces pollutants such as waste water, noise, smoke and dust. The discharge of waste water and other pollutants from the manufacturing operations into the environment may give rise to liabilities that may require the Group to incur costs to remedy such discharge. There may be additional production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations, which may have a material adverse effect on the Group's business and results of operations.

During the year ended 31 March 2019, the Board is not aware of any material breach or non-compliance with relevant local laws and regulations which have a significant impact on the Group's business.

Workplace Quality

We believe that employees constitute one of the valuable assets of the Group and regard human resources as the Group's corporate wealth. The Group offers employees with competitive remuneration packages and provides additional bonus in accordance with their performance and contributions to the growth and development of the Group. The Group provides on-the-job training and development opportunities to enhance employees' career progression, these training programs cover different areas such as management skills, sales and production, and other courses relating to the Group and the industry.

We are dedicated to promoting equal opportunities for all of our employees and do not discriminate on the basis of personal characteristics. All employees are assessed based on their ability, performance and contribution, irrespectively of their nationality, race, religion, gender, age or family status. The Group has employee handbooks outlining terms and conditions of employment, employees' rights and benefits, duties and responsibilities, conducts and behavior.

Health and Safety

The Group is committed to the health and safety of our employees and provides a safe and effective working environment. We pledge full compliance with all occupational health and safety legislation, and our factories in China and Vietnam are in full compliance with ISO 9001 requirements. The Group values the health and well-being of our employees. We supply free first-aid kits and medicine to our employees and they are entitled to medical insurance benefits.

Development and Training

The Group is committed to the professional and personal development and growth of employees and considers development and training as a continual process. We offer and encourage employees at all levels to participate in various internal and external courses in order to promote the advancement of their job-related skills. Our employees are provided with fair opportunities for adequate learning, trainings and promotions.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group maintains solid and steady relationship with its customers and provides products which satisfy their needs and requirements. The Group enhances the relationship by continuous interaction with customers to gain insights on market demand and consumer needs so that the Group could respond proactively. The Group also maintains close relationship with its suppliers. This leads to a high degree of cooperative development and enables the Group to deliver the high-quality solutions as required and expected by our customers.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor will be proposed for shareholders' approval at the AGM.

On behalf of the Board
Wong Ting Chung
Chairman and Chief Executive Officer
21 June 2019

Environmental, Social and Governance Report

ABOUT THE REPORT

Nameson Holdings Limited (the "Company") is pleased to present this Environmental, Social and Governance Report (the "Report") for the purpose of highlighting the strategies, policies and performance in the aspects of sustainable development of the Company and its subsidiaries (collectively, the "Group" or "we" or "Nameson").

Scope of the report

Unless otherwise stated, the Report covers the overall performance in two main aspects, namely environment and society, of our seven subsidiaries engaged in the production of knitted garments, knitted upper for footwear and knitted upper shoes located in the People's Republic of China (the "PRC") and Socialist Republic of Vietnam ("Vietnam") from 1 April 2018 to 31 March 2019 (the "Reporting Period"). Those subsidiaries included: Huizhou Liyun Knitting Factory Limited, Huizhou Nanguan Knitting Factory Limited, Huizhou Jiaming Knitting Factory Limited, Huizhou Nanxuan Knitting Factory Limited, V. Success (HZ) Knitting Limited (collectively, the "PRC Factories") as well as First Team (Vietnam) Garment Limited and V. Success (Vietnam) Knitting Company Limited (collectively, the "Vietnam Factories"). As compared to eight subsidiaries covered in last year's report, one of the subsidiaries ceased operation due to business reorganisation during the year.

Basis of the report

The content of the Report is prepared according to standards in "Environmental, Social and Governance Reporting Guide" (the "ESG Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and through collecting stakeholders' aspects of concern of the Group. We confirm that the Report is in compliance with provisions of "comply or explain" and "recommended disclosures" in the ESG Guide.

Principles of the report

The data in the Report were collected, sorted and provided by respective administration departments and the reporting content are complied with the following four principles:

GROUP PROFILE

Established in 1990, the Group is now one of the leading knitwear manufacturers in the PRC. The Group is headquartered with operations in Hong Kong and Huizhou, Guangdong Province, the PRC and has set up production bases in Huizhou, Guangdong Province, the PRC and the outskirts of Ho Chi Minh City, Vietnam. We offer one-stop services from development and procurement of raw materials, product design, sample development, production to delivery to our customers, aiming to provide customers with comprehensive services and knitwear products with high quality. Our partners mainly include internationally renowned apparel brands and retailers, while our product range extended from garments to knitted upper for footwear and knitted upper shoes. With our quality products and services, we have built long-term business partnership with our customers.

Vision and Mission

We strive to bring the knitwear industry towards sustainable development, and enhance competitiveness of the knitwear industry in various aspects including social development, economic efficiency and environmental protection, thus "to deliver innovative knitwear solutions to service our customers". To realise our vision, we adopt human-based management: focusing on training of talents and elite team with a mission to develop staff potential to the fullest, emphasising mutual trust between partners and employees; paying close attention and following trends and movements in the market, in order to enhance competitive advantages driving our business to new heights and achieving win-win situation for all stakeholders. Besides, we fulfill our corporate responsibility to the society thoroughly in various aspects and areas under the seven elements of our corporate mission: learning, innovating, green, low carbon, warmth, friendliness and harmony.

Sustainable Development Strategies

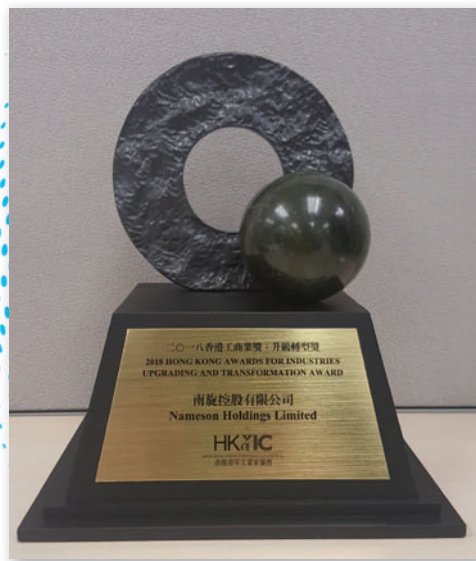
We believe business development is inseparable from good sustainable development. "Knit with Charm, Warmth and Love" is the core value of our corporate social responsibility. On one hand, we encourage innovative designs, improve operation strategies, develop new market and customer mix as well as incorporate high tech production facilities and advanced technology to produce high quality knitwear products. On the other hand, we proactively fulfill corporate social responsibilities, with a view to create long-term value for shareholders, customers, employees, suppliers, partners, the government and residents of neighborhood communities, as well as, improving ourselves continuously to achieve sustainable development.

Our Board plays an important role in developing strategies and reporting process for sustainable development. When assessing and identifying corporate risks, the Board also considers risks in relation to the environment, society and governance (for example, the emission requirement in place of business, labour force requirement and global warming issues). The Board manages and minimises effects of potential risks by formulating appropriate internal control measures, operation management, risk management functions, internal audit and whistleblowing mechanism. In addition, we have also appointed legal advisor to advise on relevant laws and regulations on environment, society and governance in our place of business while the internal audit department is responsible for monitoring internal control measures and their implementation so as to ensure the Group complies with the requirements of relevant laws and regulations continuously.

HIGHLIGHTS AND HONORS IN 2018

Awarded the "ESG Report of the Year (Newly Listed Companies)" Award of BDO ESG Awards 2019 by BDO Limited

"Caring Certificate" presented by CSR Recognition Scheme Industry Cares 2018 hosted by the Federation of Hong Kong Industries



"2018 Hong Kong Awards for Industries Upgrading and Transformation Award" presented by the Hong Kong Young Industrialists Council in recognition of the Group's achievement in response to changes in market and operation environment through upgrading and transforming its core business.

"Market Development Excellence Award" issued from Outstanding Import & Export Enterprise Awards hosted by The Hong Kong Chinese Importers' & Exporters' Association

"Corporate Achievement Award" issued from Outstanding Import & Export Enterprise Awards hosted by The Hong Kong Chinese Importers' & Exporters' Association

"Hong Kong-Guangdong Cleaner Production Partner(Manufacturing)" issued by the Department of Industry and Information Technology of Guangdong Province in recognition of the Goup's contribution to the environment and to encourage continuous clean production of the Group.

Issued by the Hong Kong Council of Social Service in appreciation the Group's practice of good corporate citizen spirit concerning aspects including the community, employees and the environment

STAKEHOLDERS' ENGAGEMENT

We believe effective communication with stakeholders bring valuable visions to the Group's business development, assisting us to identify and respond to existing and potential risks and opportunities in the market as well as becoming the basis of developing strategies and implementing decisions. Our major stakeholders include shareholders and investors, customers, employees, suppliers, other business partners and the community.

In our daily operation, we actively maintain close and regular communication with stakeholders through the following channels for comprehensive understanding of their requirements on the Group's environmental, social and governance aspects, to ensure the Group's business activity meets the expectation of stakeholders and to build mutual trust in open and transparent communication as well as practically fulfill our social responsibilities.

Shareholders and Investors	• Annual general meeting • Annual reports, interim reports and the Group's announcements • "Investor Relations" in the Group's website
Customers	• Enquiries on customers' satisfaction • The Group's website and social media • Business communication
Employees	• Labour unions • Labour representative meetings • Chairman's mailbox • Continuous direct communication
Suppliers	• On-site inspection • Audit and assessment • Continuous direct communication
Other business partners and the community	• The Group's website • The Group's announcements

To identify significant risks and opportunities of our sustainable development, we have conducted comprehensive materiality analysis. The assessment set priority and sequence for issues identified through the stakeholders' engagement evaluation process and identified the areas of concern in relation to environmental and social issues of the Group and the stakeholders, so as to adjust allocation of resources thus enabling the Report to be more focused. Major steps of materiality analysis in this Reporting Period are summarised as follows:

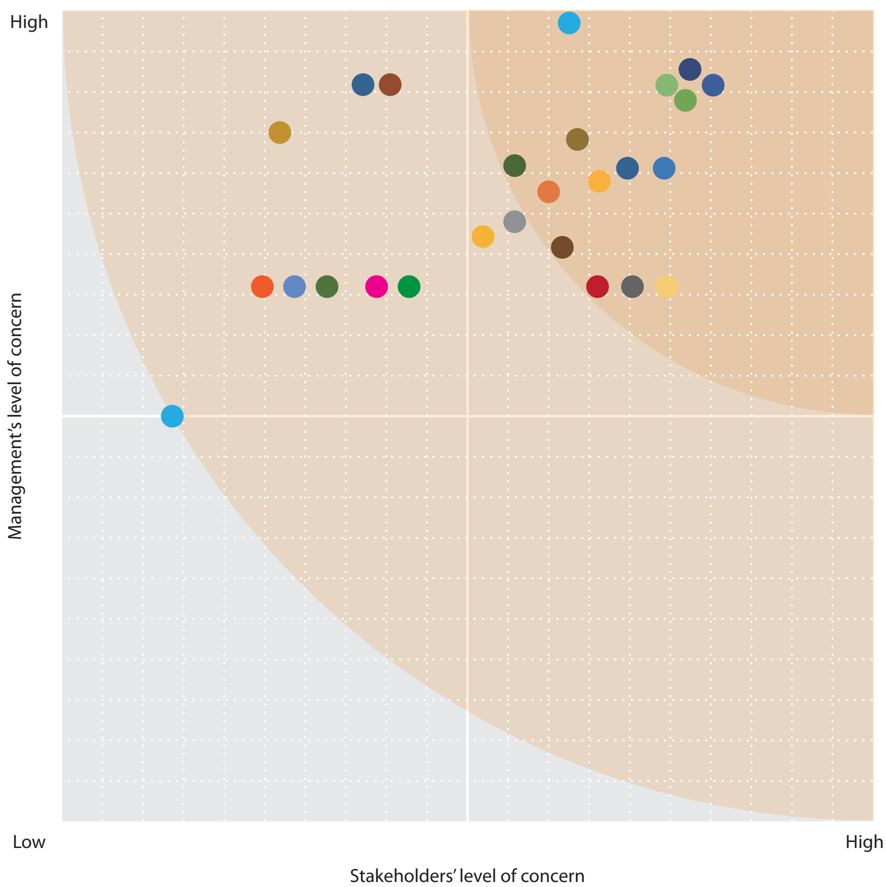
Step 1: Management of the Group identifies 26 issues applicable to the Group with reference to results of communication with existing and previous stakeholders, industry trend and ESG Guide of the Stock Exchange.

Step 2: We invite stakeholders to conduct online questionnaire interviews anonymously as the first step to prioritise the issues and as reference for materiality assessment.

Step 3: Management of the Group conducts internal evaluation on the importance of the issues to the Group.

Step 4: According the evaluation of the Group's internal and external stakeholders and the interview result, we make statistics and analysis on the issues to form a materiality matrix.

Step 5: Management of the Group arranges the level of materiality of each ESG issue to our stakeholders and business in accordance with result of the analysis. The result of analysis is also used as reference for the Group's strategic plan and risk management assessment as well as basis of preparation of the Report.



HIGH LEVEL OF CONCERN
- Occupational safety and health
- Safeguarding customers' privacy
- Product and service quality
- Intellectual property
- Customers' level of satisfaction
- Emergency policy under disasters
- Employment relations and communication
- Anti-fraud and anti-corruption
- Employees' benefit and recreational activities
- Waste disposal
- Sewage emission
- Product safety
- Complaint management
- Research and development
- Child labour and forced labour

MEDIUM LEVEL OF CONCERN
- Air emissions
- Saving energy and water
- Charitable donations
- Training and development
- Diversity and anti-discrimination (for example, age, gender and disability)
- Natural resources (including water and electricity)
- Supplier management (including procedures for selecting suppliers)
- Greenhouse gas emissions
- Participation in charity events
- Staff turnover rate

LOW LEVEL OF CONCERN
- Green procurement

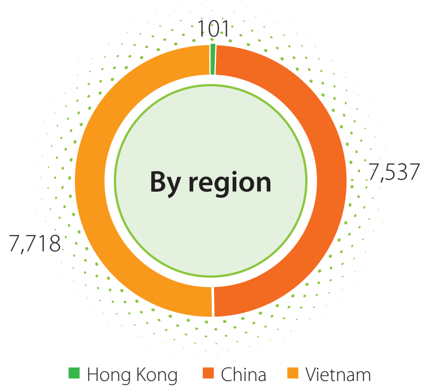
THE PEOPLE, OUR WEALTH

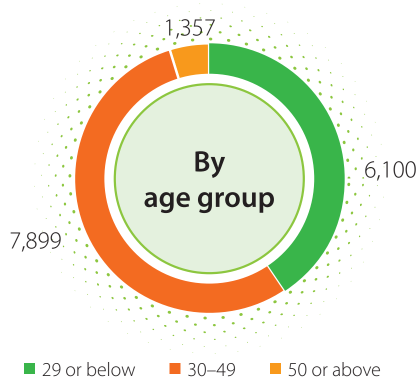
Employees are valuable treasure to the Group while establishment of human resources is the foundation of corporate strategic management. We believe that every employee plays an essential role in maintaining sustainable development of the Group. In formulating the operating directions and management policies of the Group, we thoroughly take into account of the physical and mental development, as well as the health and safety, of our employees. We attend to the needs of our employees and strive to create a good working environment so that all of them can devote their full effort to their work, thereby promoting joint development and shared achievement between the Group and the employees. We strictly comply with the employment regulations in each respective place of operation, such as Employment Ordinance (Cap. 57, Laws of Hong Kong), the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Regulations on Work-Related Injury Insurance of the People's Republic of China and 2012 Labour Code of Vietnam. The Group was not subject to any material administrative penalties or fines for any breach of employment laws or regulations during the Reporting Period.

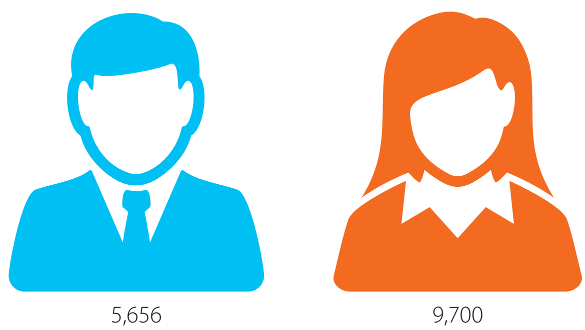
Recruiting High Caliber Talents

To cope with needs for sustainable development of our business, we actively recruit talents without hesitation. We establish our team primarily by placing recruitment advertisements in newspapers, referrals from employment agencies and campus recruitment day. We attract and retain talents with salaries and benefits not lower than local statutory requirement and provide a comfortable working environment to retain talents. In addition, the Group has established a promising promotion mechanism. The management regularly reviews and assesses the performance of our employees based on assessment criteria such as work competence, interpersonal communication, teamwork and initiative, and accordingly provides outstanding and qualifying employees with promotion opportunities and/or salary adjustment under fair and justified conditions to demonstrate the Group's affirmation of their contribution.

Distribution of employees (as at 31 March 2019)
Total workforce: 15,356 full-time employees







Talent retention is essential to maintain our competitive edge. In order to reduce the loss of talents, we formulate seniority-based remuneration policies, establish internal referrals, grant peak season bonuses, and regularly review employee benefits to enhance employees' initiative and increase returning employees. Whenever an employee resigns, our human resources department will conduct an interview to understand the specific reason for one's resignation and to seek the employee's feedback and recommendation, so as to keep optimising our talent management strategy. We strive to maintain employee turnover rate at an acceptable level so as to facilitate accumulation of professional skills and experience. During the Reporting Period, the Group's employee turnover rate[1] was 26.6%, which is categorised by gender, age group and region as follows:

By gender (%)		By age group (%)			By region (%)		
Male	**Female**	**29 or below**	**30–49**	**50 or above**	**Hong Kong**	**China**	**Vietnam**
25.3	27.3	32.9	23.2	12.6	28.4	31.9	21.9

Safeguarding the Rights and Interests of Employees

We have established policies for human resources management and strictly complied with laws and regulation in our places of operation, including the Employment Ordinance (Cap. 57, Laws of Hong Kong) and the Labour Law of the People's Republic of China. To protect employees' interests, our policies set out relevant regulations on aspects like employment management, right of termination of labour relationship, social insurance fund, remuneration and benefits as well as leave days. We are pleased to accept differences and personalities of employees and believe that diversity can bring vitality and creativity to our operation. As an employer that promotes equal opportunity, our employees will not face any discrimination or be deprived of relevant opportunities in any human resources processes due to their gender, nationality, race, age, religion, marital status, family status, sexual orientation, disability, pregnancy, political stand, social status or other discrimination factors prohibited by relevant laws and regulations.

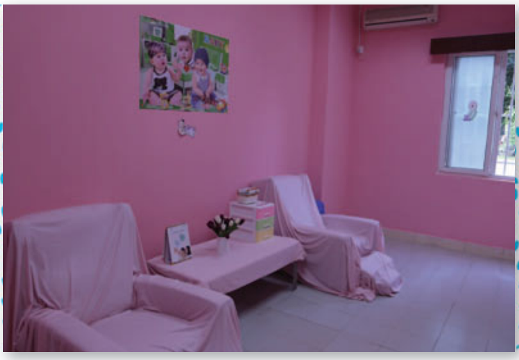
We adhere to the principle of "effort-based remuneration" and never deduct wages unlawfully or force our employees to work overtime, so as to ensure fair remuneration and adequate rest time for our employees. We arrange reasonable work schedule for employees. The employees of the PRC Factories and the Vietnam Factories generally work 8 hours a day, and have at least one day off per week. Apart from providing employees with basic employee benefits such as social insurance, compassionate leave, work-related injury leave, sick leave and other statutory holidays, we also offer various additional employee benefits such as staff quarters or accommodation allowance, meals and company coaches for transportation to and from work.

[1] The employee turnover rate is calculated by the average number of employees in the entire year.

Concern for Women's Rights

Female employees account for approximately 60% of our total workforce. Considering female employees taking responsibilities of both work and family, we provide special assistance to female employees, especially during special periods such as pregnancy, childbirth and lactation. In addition to statutory maternity leave, lactation leave and paternity leave to eligible father-to-be employees, we also invite qualified medical staff to provide regular free gynecology, premarital or pre-pregnancy check-ups for female employees aged between 18 and 55 to ensure their health in long term.

The photo on the right shows the "nursing-friendly space" established in our PRC factory, which provides a private, comfortable and hygienic breastfeeding space for working mothers during the lactation period with two breastfeeding sessions daily. The facility is also a rest space opened to pregnant employees, and is used occasionally for women's healthcare classes to introduce common knowledge on women's health and general healthcare knowledge.



Facilitating work-life balance

We believe that a warm and friendly working environment will effectively enhance sense of belonging of our employees and further reinforce the internal cohesiveness within the company. We hope to create a platform for employees to strive for growth and enjoy life at the same time. We are committed to creating healthier and happier working environment so that employees can relax timely and balance their work and life. Relevant measures include:

- The PRC Factories has set up a "Nameson Radio Station" to provide news, life hacks and song dedication.
- The PRC Factories has cooperated with beauty school to provide free beauty and haircut services for the employees on holidays.
- The PRC Factories has also regularly organised various types of interest classes, such as photography, tea ceremony and yoga classes, to provide our employees with multi-faceted learning opportunities.
- The PRC Factories also organised employees participating in external activities to facilitate communication between employees so as to reinforce their cohesiveness.
- The labour union members and the human resources and administration departments have organised a visiting team to visit the employees who stay at the staff quarters in private times, taking the initiative to care for them.
- Various fitness and recreational facilities are set up in the factories, including: fitness equipment, auditorium and library for our employees to relax and train for fitness after work.
- The PRC Factories and Vietnam Factories organise various types of recreational activities or communal meals regularly, for example: annual conference, festival celebrations or banquet, sports day, telematches and birthday celebrations.

Employees' activities in Year 2018–2019

Mid-autumn festival celebrations

Huicheng District Fun Sports Meeting for Employees 2018

Shuikou Sub-district Office Riverside Walkathon 2018

Arts Banquet on National Day 2018

Supporting Foreign Workers

Our employees of the PRC Factories are mostly from different provinces and cities. They leave their hometown alone to work in foreign places and may face difficulties in adapting to the environment. Therefore, we especially provide them with extra support and care:

◊ ***Staff quarters:*** As we understand that the primary concern for employees to work in a foreign city is a comfortable shelter, we give priority to providing accommodation for employees from other provinces.

◊ ***"Couple house":*** We provide married employees from other provinces and their spouses with family quarters to relief their difficulties in finding shelters away home, so that they can be devoted to their work. With more time to stay with their spouses, it is hoped that the numbers of couples departing due to work could be reduced.

◊ ***Pick-up service in special holidays:*** During Lunar New Year, we work together with the labour union to set up specialised drop-off points at Huizhou station. Before Lunar New Year holiday, we send the employees who want to go back to their hometowns to our drop-off points. After Lunar New Year holiday, we also arrange coaches to pick up the employees returning to the factory from the above drop-off points 24-hours a day.

◊ ***Mental Care:*** The PRC Factories also have a "psychological counseling corner" with qualified counselors or consultants to provide psychological counseling services to our employees, and to help some of our new employees who are far from their hometowns to adapt to the working environment as soon as possible.

Listening to the Voice of Employees

We attentively listen to our employees' opinions and care for them. To understand employee's needs and suggestions, we have developed a comprehensive employee complaint and suggestion mechanism. The labour unions are responsible for understanding, investigating and handling complaints. The identity and substance of complaints are kept confidential. In case the complaints are true, we will make appropriate arrangement in accordance with the rules. We handle all complaints and opinions with independent, open and equal attitude. As we receive opinions from employees, we would proactively respond to their expectation and demands and implement measures for follow-up, rectification and precautions.

Labour unions of the PRC Factories and Vietnam Factories are important communication channels between us and our employees. The labour unions hold regular staff representatives seminars to collect, listen to and respond to employees' appeals simultaneously so as to manage and solve potential dispute and conflicts through amicable negotiation to maintain a harmonious working atmosphere. The labour unions also provide 24-hours hotline and WeChat Official Account. We also have suggestion boxes set up in the factories for employees to express their complaints and opinions.

Occupational Health and Safety

Adhering to "Safety First, Prevention as Priority" to maintain our safety awareness, we are committed to creating a safe and healthy working and living environment to safeguard employees' health. First, we strictly comply with safety laws and regulations, such as the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, in our places of operation and have implemented safety measures in factories and offices, taking precaution to prevent occurrence of accidents. Secondly, to enhance the awareness of safety management, we have established Occupational Safety and Health Committee and Emergency Management Committee to monitor the measures relating to occupational health, production safety and fire prevention in our factories. The committee convenes meetings regularly to discuss matters on production safety and training and proactively investigate improving measures so as to reduce and prevent incidents of work injuries. We have developed safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, factory safety, work injury and emergency evacuation procedures. The major measures are as follows:

Working Environment

- Smoking is prohibited in offices and factories to provide employees with a good working environment and mitigate potential safety risks of smoking as well as to prevent accidental triggers of the smoke detector.

- Fire equipment and fire alarm systems have been installed and inspected regularly as required by local regulations in different regions. Fire prevention system approved by the relevant authorities has also been connected to the front desk of the office so that alert can be given timely and emergency measures such as firefighting and evacuation can be carried out.

- National qualified independent third party agencies have been appointed to conduct dust, toxic chemical and noise tests for the PRC Factories and the Vietnam Factories to ensure the environment of the factories meet the occupational health standards and relevant qualification certificates have been issued.

- Machineries and equipment are inspected regularly to prevent accidents.

- All offices and factory buildings are equipped with first-aid medical supplies and employees with first-aid certificates are stationed to take care of employees who are physically ill or involved in work injuries.

Employee Education

- Newly recruited factory workers receive trainings on occupational safety, hygiene and first-aid knowledge so that they are aware of the operational safety procedures required for their positions and raise their awareness of production safety.

- All employees have to attend regular trainings on the usage of safety equipment, hygiene and fire-aid knowledge to enhance their capability to respond to contingencies.

- Relevant operational safety guidelines and instructions for wearing protective gears are posted at respective production departments. Appropriate protective gears are also provided. Besides, employees operating dangerous mechanical equipment must pass specialised professional training and be equipped with proper protective gears.

- Training seminars on fire prevention and fire drills are organised regularly to enhance employees' awareness of fire prevention.

The Vietnam Factories — Training on hygiene and first-aid knowledge

With the effective implementation of the above measures, the number of working days lost due to work injury recorded by the Group was 357 days during the Reporting Period, and there were no record of serious work injuries or death. As far as we know, the Group was not subject to any material administrative penalties or fines for any breach of laws or regulations relating to the provision of a safe working environment or the protection of employees against occupational hazards during the Reporting Period.

Professional and personal development

We believe that employees' knowledge and skills are important to the Group's growth in operation and business. We expect employees to keep on learning and grow with the Group to create a win-win situation. The Group encourages our employees to utilise their time after work for actively participating in trainings which enhance their own quality and business capability. Further, we provide entry and continuous internal trainings for our employees at all levels so as to enhance their understanding of corporate culture and working knowledge. Meanwhile, we provide opportunities of external trainings for employees. In addition, we customise training plan for employees according to results of their performance assessment, and regularly review the results and efficiency of trainings. During the Reporting Period, 41.8% of our employees[2] received training, and are categorised as follows:

By gender (%)		By employee category (%)		
Male	**Female**	**Senior management**	**Administrative employees**	**Other employees**
39.1	43.3	53.9	17.8	42.0

Senior management

- **Continuing professional training**
  Various types of lectures and seminars including updates on corporate governance and the relevant laws and regulations, in order to maintain and update industry-related knowledge and skills so as to keep up our pace with the time
- Talks in relation to the Listing Rules, such as disclosure requirements on environment, society and governance

Administrative employees

- **Professional training**
  For example, trainings on aspects such as accounting system, financial knowledge and PRC taxation, with an objective to further enhance the professional knowledge of the employees about their jobs
- Programmes in relation to safety and first aids

Other employees

Trainings on different aspects, including:

- Production safety
- First-aid
- Environmental protection seminars and training to promote environmental protection awareness to employees
- Use of industrial safety equipment and chemicals
- Workplace etiquette

2 Employee training data does not include those who resigned during the Reporting Period.

During the Reporting Period, we provided a total of **161** hours of different kinds of training to all of our employees, and each trained employee received an average of approximately **2.26** hours of training.

Average training hour of employee, by gender:

2.13 hours

2.33 hours

Average training hour of employee, by employee category:

Senior management	**2.14** hours
Administrative employees	**4.03** hours
Other employees	**2.26** hours

"Dreams Come True Programme"

The programme is jointly organised by the Huizhou Municipal Committee of the Communist Youth League, the Huizhou Education Bureau, the Huizhou Financial Bureau and the Huizhou Municipal Human Resources and Social Security Bureau, under which frontline workers of the new generation aged between 18 and 35 in Huizhou Municipality could receive higher education with the government's subsidies for a period of two and a half to five years in a bid to improve their quality, which in turn targeting to boost the economic development of Guangdong Province.

We encourage and support our employees to join the "Dreams Come True Programme" to receive continuing education during their spare time to enhance personal knowledge. During the Reporting Period, 46 employees already joined the Programme to pursue studies on various subjects such as business management, business English, finance and economics, and graduated one after another. We believe that the personal growth and development of employees not only benefits the employees personally, but also brings new development opportunities and a good learning culture to the company, which contributes to sustainable development of the company.

Child and Forced Labour

The Group strictly complies with relevant laws and regulation such as the Employment Ordinance of Hong Kong, the Labour Law of the People's Republic of China and 2012 Labour Code of Vietnam. We strictly regulate our recruitment process and verify candidates' identity card and household register at interviews to ensure their ages meet the legal working standard at our places of operation so as to avoid any breach of laws involving child and forced labour. We employ workers who are willing to work at the Group and will not tolerate any means of punishment, threat, coercion or deception to force any person to work involuntarily or overtime. We also encourage employees to report any related incompliance to the Group through complaint mechanism. In case the complaints are found true after inspection, we will deal with or impose appropriate punishments on the relevant employee in accordance with the rules. During the Reporting Period, the Group did not find or was not involved in any incompliance involving child or forced labour.

Anti-corruption

The Group believes that integrity is essential to sustainable development of a company. We strictly follow relevant national laws and regulations, such as Prevention of Bribery Ordinance of Hong Kong, Criminal Law of the People's Republic of China and Regulations for Punishment for Corruption of the People's Republic of China and Law of Anti-corruption of the Socialist Republic of Vietnam. We adopt a "zero tolerance" approach towards corruption and malpractice to our employees, and is determined to oppose to any form of immoral behaviors like bribery, extortion, fraud and money laundering. To maintain the standard of openness, incorruptness and accountability, we clearly explain the procedures in case of any conflict of interest in our "Conflict of Interest Policy" apart from specifying ethical behaviour standards in the Employees Handbook. In addition, we have also established an Anti-fraud and Reporting Procedures, under which our employees can make anonymous reports regarding bribery, fraud and corruption to the internal audit department or the Audit Committee by means of an independent reporting channel.

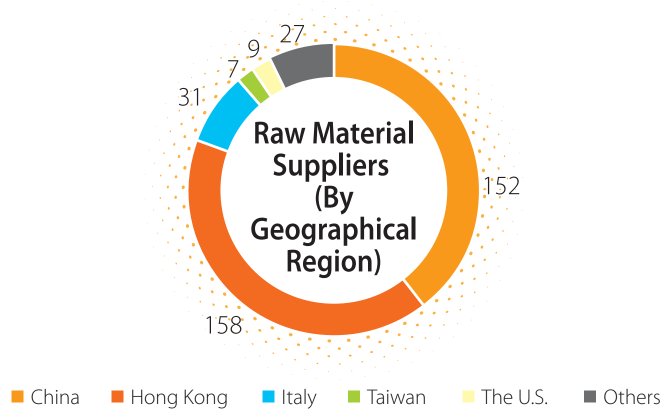
During the Reporting Period, we received no reports or proceedings regarding incompliance to corruption, bribery, extortion, fraud and money laundering against the Group or its employees.

RESPONSIBLE PRODUCTION

Since our establishment, we have consistently upheld the operation philosophy of "Quality First, Customer Priority and Continuous Improvement", and have been actively researching on and introducing advanced and highly automated production technologies and machineries to the Group, so as to improve production capacity and quality, launch new products in line with the trends, with a keen determination to produce quality and stylish knitwear products. We consider customers as the root of survival of a corporate. Designing and developing brand new styles of yarn and knitwear through original creation or collaboration with our customers is essential to meet the ever-changing requirement of customers.

Supply Chain Management

Our major raw materials used in producing knitwear products is yarn. Other than yarn, we also purchase other materials such as buttons, zippers and washing materials from our suppliers. Breakdown of the number of our raw material suppliers[3] by geographical region is as follows:



Our relationship with the suppliers is based on arm's length negotiation, mutual benefits and mutual gains. We persist in establishing long-term strategic partnership with suppliers which have good reputations and provide quality products and services. To ensure quality and timely supply of raw materials, we have established a set of internal criteria to assess the suitability of suppliers, which include pricing, services, scale, technical capability, reputation, quality of raw materials and their ability to assure timely delivery. However, for certain customers, we need to purchase raw materials from specified suppliers as customers required notwithstanding results of our internal assessment. After internal assessment, we place a small batch of test orders in the first instance to ensure the quality of the raw materials supplied is satisfactory before we proceed with bulk purchases, and the supplier is then put on the list of qualified suppliers.

In addition, all of our suppliers are generally subject to our annual evaluation, which includes assessments on their abilities and performances in different areas such as services, product quality, production costs and product delivery time. When necessary, we also require suppliers to provide certificates or inspection reports on the quality of raw materials, and closely monitor the supply of raw materials. Moreover, our major suppliers are required to sign a "Letter of Undertaking on Social Responsibilities" to undertake various requirements for social responsibilities such as environmental protection, anti-discrimination and avoiding employment of child labours in their operation.

3 Data of Suppliers does not include excipient suppliers.

Sustainability of Materials

We are concerned about the sustainability of product materials. Therefore, we participate in a number of social audits, as well as take the initiative to keep an eye on the market conditions so as to obtain international green marks related to knitwear products to prove that our products comply with green procurement standards and are environmentally-friendly. These include memberships of the Better Cotton Initiative ("BCI") , the Supplier Ethical Data Exchange ("Sedex") and the Global Security Verification ("GSV") as well as certificates from the Organic Content Standard 2.0 ("OCS"), Global Recycled Standard 4.0 ("GRS") and the Pure New Wool and Responsible Wool Standard ("RWS") which enable us to effectively provide our customers with reliable and quality products and services, and to strengthen their confidence in us.

Supporting Better Cotton Initiative

We have become a BCI member since 2016. The non-profit organisation aims to promote sustainable production of cotton in all aspects, including training farmers on how to adopt the best management on environmental, social and economic aspects in cotton production. The BCI proposes the following six major long-term objectives:

1. to demonstrate the inherent benefits of "Better Cotton" production, particularly the financial profitability, for cotton farmers;

2. to reduce the impact of water and pesticides used on human health and the environment;

3. to improve the soil health and biodiversity;

4. to promote decent work for the farming communities and cotton farmers;

5. to facilitate the global knowledge exchange on sustainable cotton production; and

6. to increase the traceability along the cotton supply chain.

As a member, we undertake that we abide by the Code of Practice established by the BCI and that we work with the BCI and its members to nurture and grow a "Better Cotton" market, as well as reducing the negative impact on the environment, society and economy.

Attaching importance to ethics of suppliers

Sedex is the largest global platform for supplier ethical data exchange with members from over 150 countries. We have passed the Sedex Members Ethical Trade Audit, which includes labour standards, health and safety, environmental protection and business ethics, and have been granted the relevant certification to ensure that we comply with the Sedex's stringent business ethical standards.

Ensuring safe and reliable supply chain management

Moreover, we have become a member of the GSV after passing the relevant audits by Intertek, in recognition of the security operation and anti-terrorism management in our supply chain management, covering storage and distribution, shipment information controls, records and documentation, contractor controls, personnel security, transparency in supply chain, physical security, information access controls and export logistics, all of which complied with the security requirements of the U.S. Customs and Border Protection of the U.S. Department of Homeland Security. By obtaining this GSV certificate, we are able to provide the customers with safe products and speed up cargo handling.

Obtaining certificates for organic contents

We have also obtained the OCS certificate issued by the Textile Exchange, proving the organic planting materials content labelled in some of our organic knitwears are the same as the organic raw materials used in the production.

Meeting the Global Recycling Standard for Textiles

We have obtained the GRS issued by the Textile Exchange in respect of global third party product certification standards on recycled content of obsolete textiles, chain of custody, social and environmental practices, and chemical restrictions. As some of our products contain recyclable fibre, to ensure traceability of recyclable fibre, reduce harms of production to human and the environment and to meet the monitoring mechanism of the industry supply chain, we attached corresponding GRS logo on products with recyclable contents of 20% or above, in accordance with the GRS's recycled content standard.

The Woolmark Certificate

We have obtained the Woolmark Certificate issued by the Woolmark Company, which proves that the physical properties of our products, such as wool content, colour fastness, dimensional stability and abrasion resistance meet the high international quality standards. The use of the marks as specified in the certificates on wool products can effectively enhance the confidence of customers and end consumers in our products.

Responsible Wool Standard

We have passed audits by authorised certification agencies on farms of our wool suppliers, which assure wools we used originated from sheep under ethical treatment and our suppliers adopted progressive approach to manage their land. Therefore, source of wools in our product can gain confidence from customers and end consumers.

Product Quality Assurance and Liability

We emphasise on product quality and we believe that product quality is the key to success of a company. Hence, we set up a stringent quality monitoring system throughout the entire production process, ensuring the quality of our products through strict and thorough monitoring of such process.

Our production quality management system has been certified as an ISO 9001 quality management system by SGS United Kingdom Ltd to ensure we meet its production requirements for knitwear products, knitted upper for footwear and knitted upper shoes. The entire quality control system is meticulous with every detail throughout the process, ranging from the procurement of raw materials, manufacturing, checking to delivery, in a bid to ensure our products meet national and industrial standards and achieve the Group's quality objectives. That is, the test pass rate of finished products is over 98%.


SGS

V.success (HZ)knitting Limited.

ISO 9001:2015


SGS

Huizhou Nanguan Knitting Factory Limited

ISO 9001:2015


SGS

Huizhou Nanxuan Knitting Factory Limited

ISO 9001:2015


SGS

First Team (VIETNAM) Garment LTD

ISO 9001:2015

Our knitwear products are categorised as follows:

Menswear

Womenswear

Other products (e.g. childrenswear, scarfs, hats and gloves)

Knitted upper shoes

Our measures of quality control include:

Suppliers and Outsourced Manufacturers

- We conduct quality assessments based on a number of stringent internal standards, and conduct on-site inspections and assessments at their business sites or production bases, and give ratings for these.

- The yarn purchased by and the products produced by the Group passed the Oeko-Tex Standard 100 Class II set by the Oeko-Tex® Association. The laboratory tests comprise about 100 testing parameters, including substances prohibited or regulated by laws or even those harmful to health but has not been expressly regulated by laws such as formaldehyde, heavy metal, phenols, azo colorant, plasticizer, human carcinogen and allergen dye, which prove that the yarn we used for production and its finished products do not contain substances harmful to the human body or the environment with skin-friendly PH value and good colour fastness.


OEKO-TEX®
CONFIDENCE IN TEXTILES

CERTIFICATE

The company

OEKO-TEX®
STANDARD 100

for the following articles:

The certificate SHGO 057675 is valid until 31.05.2019

Matz Bachmann
Managing Director

Mary Rose Egloff
Customer Service Ecology Manager

- Suppliers are required to provide test reports or certificates for their raw materials during the purchasing process.

- For other chemical excipients, such as washing materials, shoe adhesives and plastic pellets, we require the suppliers to provide relevant safety data sheets and test reports to ensure they are free from harmful substances. These excipients are stored and disposed according to different risk categories, so as to avoid any negative impact on the environment or products.

- Our self-made packaging plastic bags are mainly made of plastic pellets. Hence, we will ensure whether the plastic pellets provided by the suppliers have passed the "National Food Safety Standards for Plastic Standards for Plastic Resins Used in Food-contact" during our purchasing process.

Testing Centre

The PRC Factories — testing centre

- Prior to the receipt of raw materials, samples of the raw materials are tested for colour fastness in advance to ensure the fading of the dye used on the yarn are up to our internal requirements after different conditions such as sun exposure, rubbing, washing, ironing before making bulk purchase.

- Prior to production, we carry out sample quality testing on the raw materials focusing on different characteristics of the materials, to ensure the quality meets our in-house standards, regulatory requirements of the place of export and customers' requirements before it is used for production. For yarn, which is the raw materials mainly used for our knitwear, we will test its colour fastness to washing, water and perspiration etc. For knitted upper shoes, our physical and colour fastness tests will be focused on their abrasion resistance, bending resistance, slip resistance, water resistance and aging resistance.

- When there are chemicals related to consumers and hazardous to the environment, we appoint an authoritative independent third-party organisation to conduct tests on harmful chemicals.

- We will add more testing instruments based on customers' requirement so that our testing method can match with our customers' needs.

Our PRC Factories have their own testing centres. One of the testing centres has been granted an SGS Field Solution Consultancy Services Certificate by SGS-CSTC Standard Technical Services — Guangzhou Branch, which authorises our testing centre to conduct over 40 physical and chemical quality tests on yarn and knitwear products as listed on the certificate. Moreover, some of our customers, including UNIQLO, Perry Ellis and Lands' End, after their review, also issued certificates of qualified laboratory to the testing centre to authorise us to conduct certain quality tests on their products.

UNIQLO
LABORATORY
ACCREDITATION CERTIFICATE

This certificate has been awarded to
NAMESON TESTING CENTRE
(NAMESON GROUP)
and indicates that the personnel named below
has been found entitled to carry out the stated tests
accurately and reliably in accordance with UNIQLO testing methods.

Certificate Issued 1st January,2019
Valid until 31st December,2019

LANDS' END
Awards This Certificate of Accreditation to:
Huizhou Nanxuan Knitting Factory Limited

SGS FIELD SOLUTION
CONSULTANCY SERVICE CERTIFICATE
This Certificate has been granted to
Nameson Testing Centre
(Huizhou Nanxuan Knitting Factory Ltd)

Perry Ellis International
awards
Laboratory Certification
to
Nameson Testing Center (Nameson Group)
7/F, Block 5, Nanxuan Industrial Center, Shuikou, Huizhou, Guangdong Province, China

In Accordance with the test methods and conditions set forth in the PEI Supplier Laboratory Certification Manual, the following test methods are authorized to be performed in the designated laboratory.

TEST METHOD	REFERENCE
Fabric Weight (oz. /sq. yd.)	ASTM D3776
Thread Count	ASTM D3887
Yarn Size	ASTM D1907
Dimensional Stability after Laundering	AATCC 135/150
Dimensional Stability after Dryclean	AATCC 158
Appearance After Laundering	Visual Evaluation
Appearance After Dryclean	Visual Evaluation
Spirality	AATCC 179
Bursting Strength	ASTM D3786
Random Tumble Pilling	ASTM D3512
Colorfastness to Acc. Laundering	AATCC 61
Colorfastness to Acc. Drycleaning	AATCC 132
Colorfastness to Crocking	AATCC 8
Colorfastness to Perspiration	AATCC 15
Colorfastness to Water	AATCC 107
Colorfastness to Chlorine Bleach/ Non-Chlorine Bleach	AATCC TS-001
Colorfastness to. Light	AATCC 16 Option 3
pH	AATCC 81

Signed on behalf of PEI:

AKRAM SUHOOD
Vice President of Global Quality Assurance
Perry Ellis International

Date of Issue: 1st -Sep-2018
Expiration Date: 31-Aug-2019

Production Team

- Automated production equipment and precise computerised embroidery technology are employed together with manual inspection procedures to ensure product quality is maintained at a high level.

- For orders of new products or new styles, we hold meetings and conduct relevant production and quality training for production teams prior to production. We also conduct stringent tests on the first finished product. Mass production is carried out only after the tests are passed.

- Our quality control department carries our various quality inspection procedures at all major stages of the production process, such as the inspection of knitted panels, inspection of knitted panels after linking and stitching, inspection of semi-finished products after washing, size inspection, inspection after steam ironing and inspection of lighting. For the production of knitted upper for footwear and knitted upper shoes, we check notches and carry out other test procedures such as the checking of size and pattern to ensure no substandard products will proceed to the next process.

- Our quality control employees conduct sampling checks on semi-finished products and finished products according to the international standard AQL2.5. Our in-house inspection standards are generally more stringent than customers' quality requirements to ensure our products are of high quality.

- All of our finished products are subject to final inspection and needle inspection to ensure the products do not contain any broken needles or ferrous metallic foreign objects.

- Some international brands customers require our quality inspection employees to pass their in-house quality examinations before conducting quality inspections on their products that we produced.

- We have commenced lean production and launched the Manufacturing Execution System ("MES") in the knitted upper shoes segment to immediately keep track of production schedules, quality status and rework rate orders in arrears; monitor the status of each production team on a real-time basis; and handle problems in a timely manner once these problems are identified. A target production capacity is set and defective products are defined in the MES to effectively monitor product quality as well as to increase production efficiency and delivery punctuality.

Quality Control — Process of Needle Detection

Customers

- Our products are mainly sold to international apparel brands retailers, therefore we must follow the requirements and standards provided by our customers.

- Our customers, from time to time, carry out inspection in our compliance of the regulations, the product quality as well as the environmental and labour standards.

- We also submit quality reports to our customers on a regular basis.

Product Returns

We strictly adhere to the laws and regulations on product liability in the places where we operate so as to protect consumers' interest. Due to our OEM operating model, we generally carry out production based on the requirements of our customers, while end consumers are usually unable to realise the manufacturer of these products. Their compensation will only be claimed against the retail brand selling the products. Therefore, our risk exposure of assuming the obligation or compensation for personal injuries or loss of properties caused by the usage of our products by the end consumers is relatively low, yet we still face a certain degree of potential compensation risk.

As for our product returns policy, we accept any product returns for defective products caused by us and bear the costs of such product returns after conducting internal investigations. Depending on the circumstances, we may repair, replace the defective products or refund to our customers. If we receive a defective product complaint from a customer, we will conduct an internal investigation. In case we ascertain the cause of the defect to be the liability of raw materials suppliers or outsourced manufacturers, we would seek reasonable compensation from them. During the Reporting Period, we were not subject to any product liability claims due to safety and health reasons, and we did not recall any products nor receive any major customer complaints about our product quality.

Data Protection and Privacy

We have implemented an Information Secrecy Policy to protect the confidential information of our employees, customers, business partners and the Group. The employees are directed to handle customer data cautiously, and can only request data from the customers when necessary. Notices are posted in the sample development units, display rooms and workshop areas of our factories, reminding the employees that no photos are allowed without permissions. Moreover, the computers used for storing sizes and original patterns drawings of our knitted upper shoes business are blocked from access to the Internet and computer ports to prevent divulgence of confidential information and infringement. We, as requested by our customers, burn the remaining brand labels and shoe-making samples to ashes in the presence of our customers at the end of each year, in order to avoid misappropriation of the labels and samples. We are committed to collect and use the customer data in a responsible, fair and equal manner, and the customer data can only be used for the purposes set out in the customer contracts.

As far as we know, during the Reporting Period, there was no breach of regulations nor any case of data leakage, and we did not receive complaints that the Group had failed to protect customer privacy and loss of customer data from external parties or regulatory authorities. In addition, during the Reporting Period, we also complied with the terms relating to the Group's handling of customers' brand labels specified in the customer contracts. As OEM is the major operating model of the Group, and we do not possess our own brand, we will not promote directly to our consumers or make any advertisement.

Intellectual Property

The Group registered 4 domain names significant to the Group's business and 6 trademarks in the PRC. Besides, the Group also registered 8 domain names significant to the Group's business and 4 trademarks in Hong Kong. During the Reporting Period, we were not involved in any material proceedings in respect of intellectual property rights, and according to our knowledge, there was no claim for infringement of any intellectual property rights that had been made, in which we may either be involved as a claimant or respondent.

ENVIRONMENTAL PROTECTION

The Group realises the solid, liquid and gas pollutants emitted from our production and operation process affect our environment to a certain extent. Therefore, not only should we enhance the awareness of environmental protection of our staffs, but we should also take action practically. The Group has been devoting to utilise resource in an effective way, reduce the waste of energy while upholding the principle of maintaining our development and profitability control the impact of our business towards the environment to an acceptable level and enhance our green competitiveness.

The Group complies with the laws and regulations regarding environmental protection in places where we operate, such as the "Environmental Protection Law of People's Republic of China", the "People's Republic of China Law on Prevention and Control of Water Pollution", the "Law of the People's Republic of China on Soil and Water Conservation", the "People's Republic of China Law on Prevention and Control of Air Pollution" and the "National Technical Regulations for Industrial Sewage" of Vietnam. We notice that different countries are adopting more stringent regulations on the air, water and waste, and more emphasis is put on the environmental protection issues. Hence, besides regular review to ensure compliance of environment protection laws and regulations, we will also explore and adopt the new equipment and technology for energy saving and emission reduction, so as to fulfill our responsibility for environmental protection as a corporate citizen. As we know, during the Reporting Period, our production and operation activities are in compliance with the laws and regulations in relation to environment protection, the Group was not subject to any significant administrative penalties or fines for any material breach of environmental laws or regulations.

Environmental Data

The Group's performances in emissions, use of energy and resources during the Reporting Period are as follows.

Indicators	2019	2018[4]
Air emissions		
Nitrogen oxide (NO_x) (kg)	42,133	39,806
Sulfur oxide (SO_x) (kg)	22,033	31,285
Particulate matter emissions (PM) (kg)	3,569	21,941
Greenhouse gases		
Total emissions (Scope 1, Scope 2 and Scope 3) (tonnes of CO_2e)	**94,717**	**94,785**
Greenhouse gas intensity (kg of CO_2e/per production unit)	2.18	2.62
Scope 1 (tonnes of CO_2e)	54,452	62,354
Scope 2 (tonnes of CO_2e)	40,211	32,362
Scope 3[5] (tonnes of CO_2e)	138	153
Total emissions of greenhouse gases reduced by planting trees (tonnes of CO_2e)	84	84
Direct and indirect energy		
Total energy consumption (MWh)	**266,745**	**252,172**
Energy consumption intensity (kWh/per production unit)	6.13	6.96
Direct energy		
Coal consumption (MWh)	123,440	190,339[6]
Unleaded gasoline consumption (MWh)	1,819	1,770
Diesel consumption (MWh)	1,925	1,317
Town gas consumption (MWh)	3	3
Liquefied petroleum gas consumption (MWh)	1,026	998
Natural gas consumption (MWh)	67,458	–[7]
Indirect energy		
Electricity consumption (MWh)	71,025	57,732
Steam consumption (MWh)	49	13[8]

4 The biomass steam boiler of the PRC Factories relied on third party contractors for procuring raw materials and burning biomass fuels to provide us steam for boiler operation. To make calculations in line, data in 2018 has been restated to reflect relevant data arised from steam consumption.

5 Greenhouse gas emissions (Scope 3) include indirect emissions from business trips of air travel.

6 Coal consumption in 2018 is restated to reflect actual consumption.

7 Our PRC Factories started to use natural gas boilers in April 2018, the relevant data in 2018 is not applicable.

8 The Group completed acquisition of V. Success Group in December 2017. Therefore, data in 2018 only covers steam consumption of V. Success (HZ) Knitting Limited from December 2017 to March 2018.

Indicators	2019	2018[4]
Water resources		
Total water consumption (m^3)	**3,261,424**	**3,052,316**
Water consumption intensity (m^3/per production unit)	0.07	0.08
Hazardous waste		
Total volume (tonnes)	2	2
Hazardous waste intensity (g/per production unit)	0.05	0.06
Non-hazardous waste[9]		
Generated and disposed volume (tonnes)	**4,634[10]**	**5,269**
Generated and disposed non-hazardous waste intensity (g/per production unit)	106.49	145.49
Packaging materials used for finished products		
Total volume (tonnes)	**2,232**	**2,171**
Packaging materials used for finished products per production unit (g/per production unit)	51.30	59.95
Plastic bags (tonnes)	601	605
Cartons (tonnes)	1,631	1,566

9 As non-hazardous waste from Fortune Plaza and dormitory in Mayfair By The Sea in Hong Kong is not significant, total volume of non-hazardous does not include these two places.

10 As the total volume of sludge generated in our PRC Factories during the Reporting Period did not reach the process requirement level, the sludge was not required to be recycled for processing. As a result, the total volume of non-hazardous waste in 2019 does not include sludge generated by the PRC Factories.

Exhaust Gas Treatment

We strictly follows the relevant emission laws and regulations of the places where we operate and manages exhaust gas emissions in a responsible manner so as to reduce environmental pollution. In the process of our production, operation of boilers, usage of canteen gas stove and travelling of vehicles and ships produce exhaust gas emissions, which mainly include nitrogen oxide, sulfur oxide and particles (including smoke and dust), are generated.

To ensure that our boiler emissions are in compliance with the emission standards of the places where we operate, guidelines and rules related to the restrictions on pollutant emission and internal environmental protection management procedures are formulated. Moreover, approved boiler burners and exhaust gas treatment systems are installed in the PRC and the Vietnam Factories. The Group regularly engages independent third-party professional agencies recognised by the state to conduct the compliance tests on exhaust gas emissions from the boilers in accordance with the relevant regulations of the places where we operate. As a results, during the Reporting Period, the air pollutant emissions of our boilers complied with the "Emission Standard of Air Pollutants for Boiler" enacted by the Guangdong Environmental Protection Bureau and the exhaust gas detection standard set out in the "National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts" promulgated by the Ministry of Natural Resources and Environment of Vietnam.

In line with the carbon reduction strategy promulgated by the PRC government, we have decided to apply environmentally-friendly renewable energy after careful consideration. We invest more than HK$3 million[11] to fully replace the coal boiler with natural gas boiler which saves more energy. Due to the low nitrogen and sulfur content of natural gas, the carbon dioxide (CO_2), sulfur dioxide (SO_2) and nitrogen oxides (NOx) released during combustion will be relatively small. Moreover, natural gas is made up of gas and can be easily mixed with air. Therefore, atomisation process which is necessary for coal boiler can be skipped for natural gas boiler, resulting in a better burning efficiency and overall energy utilisation. The energy saver and condenser of natural gas boiler can control the temperature of the emitted smoke, collect the residual heat and the heat of vaporisation of the smoke, enhancing the thermal efficiency of the boiler. Beside the above advantages, the existing gas boiler we use is also applying the following technologies:

- The flexible corrugated design of the furnace and the two-pass threaded pipe increase the heating surface and thermal conduction, allowing the fuel to fully burn and reduce the emission of exhaust gases.

- The boilers are equipped with high-quality burners and operated with micro-positive pressure combustion to ensure a stable dynamic condition and adequate combustion to avoid the gas shock phenomenon, thereby reducing smoke and dust and noise.

In addition, our employees responsible for boiler maintenance also carry out function tests on boilers on a regular basis to ensure that they are in good operating condition so as to reduce the energy loss rate.

Sewage Treatment

Our sewage primarily comes from the sewage generated in daily life and production wastewater containing washing materials used during the manufacturing of knitwear, such as degreaser, derusting water and dyeing resistants. We have set up sewage discharge and treatment procedures and installed sewage treatment systems to collect domestic and production wastewater in separate pipelines. The wastewater is required to be treated by a series of purification and disinfection treatment procedures so that the amount of pollutants in wastewater is reduced to the level required by the regulations of the places where we operate before it is discharged to the sewage treatment centre. For one of the sewage treatment systems in the PRC Factories, the Environmental Monitoring Station monitors wastewater by means of a remote monitoring system in the clear water pool and carries out anion tests before the wastewater is discharged, to ensures conformity to the sewage discharge standards of the places where we operate, including the "Discharge Limits of Water Pollutants" issued by the Guangdong Environmental Protection Bureau and the "National Technical Regulation on Industrial Wastewater" stipulated by the Ministry of National Resources and Environment in Vietnam. If there is any problem with the sewage treatment systems, the sewage will first be discharged to the storage tank and then treated again until the problem is resolved.

[11] Unless otherwise expressed, the exchange rate of Renminbi against HK Dollar was RMB0.875: HK$1.00 in the Report.

In both the PRC and the Vietnam Factories, we regularly engage independent third-party professional agencies recognised by the state to conduct the tests on sewage discharged to ensure its compliance with the relevant laws and regulations of the places where we operate. During the Reporting Period, we appointed independent third-party inspection and testing agencies recognised by the state to carry out the tests on our industrial wastewater in accordance with the national standards. The test items include chemical oxygen demand, five-day biochemical oxygen demand and hexavalent chromium.

In addition, we have established grey water recycling stations in the PRC and the Vietnam Factories, and effectively reused approximately 60% of the water resources in production. Through the biochemical treatment technology and softening systems of the grey water recycling systems, the production wastewater is treated to further remove the organic pollutants contained. The treated sewage will be reused in the flushing system, for cleaning the road surface of our factories and for plant irrigation. The daily treatment capacity of our grey water recycling stations in the PRC and the Vietnam Factories reach 2,000 m^3 and 300 m^3 respectively.

Energy and Resources Management

The Group strictly follows the relevant laws and regulations in relation to energy and resources consumption of the places where we operate, such as Energy Conservation Law of the People's Republic of China" the "Water Law of the People's Republic of China" and the "2015 Environmental Protection Act" Vietnam to improve environmental protection and resource management of the Group, deploy relevant staffs and improve their initiative on energy saving and emission reduction. The energy sources we primarily consumed are electricity used in production as well as coal, steam and natural gas used as fuel for the boilers, liquefied petroleum gas used in canteens, diesel oil and unleaded gasoline used in vehicles, etc. Due to the nature of the knitwear production business, water is also an essential resource for our operation and production. As for water resources, our water mainly comes from the water plant of the places where we operate, we have not encountered any problem in sourcing water. To make use of the Earth's resources in a more efficient way, the Group has also adopted the following environmental protection measures:

- Furnished energy measuring instruments to measure the energy consumption by various installations, systems, processes and major equipment at the production workshops.

- Posted reminder notes on energy saving and water in prominent positions.

- Kept the air conditioning temperature in the range of 22 to 25 degree Celsius.

- Communicated information on the environmental protection and emission reduction to the employees by means of broadcasting, videos, training programs and the bulletin boards.

- Worked with the Ministry of Industry and Trade of Vietnam every year to prepare the energy saving reports and jointly study plans for the emission reduction and energy saving.

- Provided lighting with reference to the sunshine hours.

- Implemented the water and electricity welfare system and waived the water and electricity charges within a designated usage in the staff quarters in order to encourage the employees to conserve resources.

Waste Management

Waste treatment is one of the major environmental issues. Therefore, we have established relevant environmental policies and waste treatment procedures setting out the management and supervision of waste in the production process to ensure that the waste and by-products produced are properly treated and discharged to minimise their negative impact on the environment. Our wastes can be roughly divided into three categories as follows:

Non-hazardous Waste

The non-hazardous waste produced in the course of our business operation is divided into domestic solid waste and non-hazardous industrial solid waste.

Domestic Solid Waste

Domestic solid waste includes office and domestic waste. We collect the domestic solid waste generated by the factories dormitories and offices on a daily basis, and transport it to the designated garbage storage areas for further treatment by the service providers. Moreover, to facilitate the sorting treatment of domestic waste, we have implemented a garbage sorting system at the Vietnam Factories to classify domestic waste as "recyclable", "non-recyclable but decomposable" and "non-recyclable and non-decomposable". Employees are encouraged to dispose their waste according to the above classification. Besides, we also encourage our staffs to take up a good paper using habit to save paper and promote recycle and reuse of waste paper.

Non-hazardous Industrial Solid Waste

Non-hazardous industrial solid waste, such as waste cardboard, waste yarn and waste yarn bobbin etc., is classified, collected and sold to the recycling service providers for further treatment. Analysis of heavy metals is carried out on coal cinders left in the boilers. Coal cinders with metal content exceeding the limit are stored separately, and then delivered to the qualified recycling service providers for proper treatment. The sludge formed during the purification of wastewater is stored in the designated collection areas to avoid contamination, and then delivered to the qualified recycling service providers for proper treatment.

Repeated use of non-hazardous waste can reduce waste of energy and emission of greenhouse gases in the processing stage. Hence, we cooperate with designated suppliers, who arranges recovery and recycling of yarn bobbins, in the hope of enhancing the recovery rate of materials and reduce the production of non-hazardous waste. In addition, we also use the remaining yarn as spacer yarn as priority during the production without compromising on the product quality.

Hazardous Waste

Hazardous waste generated in the Vietnam Factories. It mainly comes from the chemical storage containers during the production process and heavy metal substances such as light pipes. In our Vietnam Factories, there is a designated collection area for temporary storage of dangerous waste. All the hazardous waste generated during the production process will be collected and stored centrally in the area and is labelled as "hazardous waste" for identification, and managed according to the classification codes for the hazardous waste. The Group strictly complies with "Management of Waste & Discarded Materials: 38/2015/ND-CP" and all the laws and regulations related to hazardous waste in Vietnam, all kinds of hazardous waste are properly treated by qualified recycling service providers appointed by us.

Packaging Materials

The packaging materials used by the Group are primarily plastic bags and cartons, of which the sizes are determined according to the requirements of different customers and size of the products. Despite the significance of packaging materials to every product, we make every effort to enhance the utility rate of the resources. Old cartons are reused by the Group internally and recycled into plastic pellets for making plastic bags of other sizes. Due to the principle of materiality, details of our customers' requirements and product label required to be used in the export region are not included in this report.

The Environment and Natural Resources

Making of product sample

In the Reporting Period, the Group purchased advanced flat knitting simulation system to design product samples for our customers, and provide them with high definition computer simulation graphic as a rendering of our products. Customers can decide their product design by the realistic 3D simulation renderings instead of making samples repeatedly. This can save time and the costs involved in the production of samples and reduce the wastes produced in the process.

Green Factories

For industrial production, greening is an important way to protect the factory environment. We incorporate the concept of green planning into our factory design. In choosing the plantation, not only biological factors but also aesthetics aspects are taken into considerations. Green space occupies more than 40% of the Group's factories area. Green meadow and various plants can be found around the entire area. We believe that a comfortable green environment can help our staff taking a good rest, relaxing their bodies and minds and eliminating their fatigue in their leisure time.

In addition to planting, our PRC Factories have reserved space for an organic farming area for planting of seasonal fruits and vegetables, providing organic food to our staff canteens.

Organic farming area in our PRC Factories

Food Waste Treatment

The food waste of the Group comes from the food and beverage department offering catering services to our employees and visitors and leftovers was produced during the process. Staffs of our food and beverage department would clean up the garbage in the kitchen in a timely manner to avoid the growing of pathogenic bacteria. Landfill treatment of food waste would create greenhouse gas, speed up global warming and affect the ecological environment. Therefore, our factories cooperate with swine farms in food waste recycling, under which the farms would feed the processed food waste to their rearing pigs. This measure can help to reduce the amount of waste and the burden of processing waste. The food waste can also be used to feed the rearing pigs so that costs can be saved and achieving a win-win situation.

We understand that more emphasis should be put on reducing waste at source besides making proper treatment on it. Therefore, under the principle of avoiding food waste, the food and beverage department purchases and prepare meal based on the number of visitor and staff diners. We advise our staff to treasure food and minimised the production of food waste.

CONTRIBUTIONS TO THE SOCIETY

The development of a successful enterprise relies on its own operation ability as well as the resources and supports from different segments in the society. There is a saying that "the one who plants the seed thinks about the tree, the one who drinks the water thinks about its source". As an enterprise with strong sense of citizenship and social responsibility, we are looking for practicing our social responsibility by different means and actively devoting ourselves in various green and charity activities, in the hope of guiding and encouraging our staffs to give back to the society.

We are committed to encourage our staffs to go into the community and take part in the public volunteer activities to play a part in the charity. During the Reporting Period, we sponsored and donated amounting to over HK$2.4 million to different non-profit organisations such as Community Chest of Hong Kong, Suicide Prevention Services Limited and International Social Service (Hong Kong Branch) in order to strive for benefits from different groups in the community to the whole society.

We emphasise on the environmental protection work to create a better living environment and give back to the society. We have joined the Low Carbon Office Operation Programme (LOOP+) organised by World Wildlife Fund, reducing the greenhouse gas emission produced by the operation of office through office management and changes in equipment and technology. We also actively participated in the charity activities such as "Walks for Millions" organised by the Community Chest of Hong Kong and "Visit to Elderly People 2019". Our Vietnam Factories has also provided assistant to the local impoverished households by sending materials and greetings to them. During the Reporting Period, the total number of hours of our participation in volunteer activities was approximately 8 hours. In the future, we will continue to involve in the community, education and environmental activities and actively plan our form of participation in the coming days. We will continue to allocate resources and improve the living standard of our community, creating the value of sustainable development to our society.

Visit to Elderly People 2019

Vietnam Factories donated materials to impoverished households

FUTURE PROSPECTS

Looking forward, the Group will continue to keep up its high standard in corporate governance, provide our customers with high quality products and service. While maintaining the stable development of our business, we are also committed to promote the long term sustainable development of the community where we operate so as to create long term value for our customers, shareholders, business partners, investors, staffs and the general public. We will also actively devote ourselves in charity and community activities, to perform our social responsibility in our best effort and make contributions to the development of our peripheral societies. Moreover, we will try our best to optimise the management on resources utilisation and waste disposal during our production process and reduce the impact of corporate operations towards the environment.

We hope that we can further the communication with our stakeholders through this report to let them understand deeper on us in respect of the sustainable development. We would like to take this opportunity to express our sincere gratitude for the support and trust of our stakeholders. We assure that we will make continuous improvement on our corporate development strategy and implement the idea of sustainable development. We will work hard with our stakeholders to make greater contribution to the sustainable development of the society and benefit the community.

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Nameson Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Nameson Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 108 to 189, which comprise:

- the consolidated balance sheet as at 31 March 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment for V. Success Group, a cash generating unit ("CGU") containing goodwill and an intangible asset relating to the technical know-how of knitting technique ("technical know-how"); and
- Tax provision.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment for V. Success Group, a cash generating unit ("CGU") containing goodwill and technical know-how	
Refer to note 4(a), 4(d) and 18 to the consolidated financial statements. As at 31 March 2019, the Group had intangible assets including goodwill and technical knowhow of HK$nil and HK$64,747,000 respectively after an aggregate impairment charge of HK$521,577,000 was made during the year. The goodwill and technical knowhow arose from business combination with V. Success Group in December 2017. Under Hong Kong Accounting Standard ("HKAS") 36 Impairment of Assets, the Group is required to perform impairment assessment both annually and whenever there is an indication that a cash generating unit to which goodwill has been allocated may be impaired. In carrying out the impairment assessment for the CGU, management determined the recoverable amount based on the value in use calculations using cash flow projections. The process of impairment assessment was complex and involved significant judgement and estimates which included assumptions such as expected future market and economic conditions. The directors assessed the recoverable amount of the CGU with reference to the valuation performed by an external independent professional valuer. We focused on this area as the impairment assessment of the CGU required significant judgements and estimates by management.	Our procedures in relation to management's impairment assessment included: We have assessed the competence, independence and objectivity of the external independent professional valuer. We involved our internal valuation specialist in assessing the appropriateness and consistency of methodologies used and certain key assumptions applied, we further evaluated the key assumptions applied in the valuation by comparing the data inputs such as revenue growth rate, gross profit margin and discount rate used in the valuation model to market data, historical financial data of V. Success Group and our knowledge of the business and industry. We discussed with management and challenged the underlying key assumptions used in the cash flow forecasts (including revenue growth rate and gross profit margin used), taking into account market developments. We evaluated the discount rate used in the calculations by comparing with the relevant industry and market data. We reconciled the cash flow forecasts to management's approved budgets and assessed reasonableness of these budgets by comparing historical information and business plan. We tested the mathematical accuracy of the underlying value-in-use calculations.

Key Audit Matter	How our audit addressed the Key Audit Matter
	We evaluated the sensitivity analysis performed by management around the key assumptions applied to the value-in-use calculation in order to assess the potential impact of a range of possible outcomes. Based on the procedures performed, we found the judgements and estimates applied in the impairment assessment of the CGU to be supportable by available evidence.
Tax provision	
Refer to note 4(b) to the consolidated financial statements. The Group's current income tax provision covers the current and potential obligations in relation to the respective income tax positions across different jurisdictions. The Group operates mainly in Hong Kong, the Mainland China and Vietnam which are subject to different types of cross-border arrangements, laws and regulations, government practices, interpretation of tax rules by respective tax authorities, tax concession schemes of different jurisdictions which may result in different approaches and timing of recording transactions. Significant management judgements are therefore required in assessing the income tax provisions for different potential obligations across different jurisdictions in particular on the Group's intercompany transactions and cross-border business arrangements. Where the final tax outcome is different from the amounts that were initially estimated, such differences will impact the income tax provisions in the period in which such determination is made.	Our procedures in relation to management's assessment on tax provision included: We evaluated management's income tax provisions assessments and the processes by which they have been performed, by examining relevant documents supporting their conclusion, which was primarily based on the factual cross-border business arrangements, recent practice of local tax authorities, market practice for local companies, tax returns and computations as well as the advice from the Group's external independent tax advisor. We evaluated the appropriateness and consistency of the basis that management used in the current income tax provision assessments. We discussed with management to understand their interpretation of the relevant tax rules and regulations. We obtained management's current income tax provision calculations and checked their accuracy by testing the underlying calculations and tracing the inputs to the relevant tax rules and regulations. We obtained explanations and reviewed corroborative evidence from management, including management communications with local tax authorities and the tax advice issued by the Group's external independent tax advisor, regarding the tax treatments applied to the income tax provisions assessments. We evaluated management judgements with the involvement of our tax specialists based on our understanding of the relevant tax rules and regulations. Based on the procedures performed, we found the judgements made by management in relation to the current income tax provision were supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is KONG Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 June 2019

Consolidated Income Statement

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	**4,359,050**	3,446,415
Cost of sales	7	**(3,686,670)**	(2,734,273)
Gross profit		**672,380**	712,142
Other income	6	**16,332**	12,423
Other gains, net	8	**10,625**	35,243
Selling and distribution expenses	7	**(44,584)**	(50,385)
General and administrative expenses	7	**(363,065)**	(313,792)
Impairment loss on intangible assets	18	**(521,577)**	–
Operating (loss)/profit		**(229,889)**	395,631
Share of post-tax loss of a joint venture	29	**(496)**	(2)
Finance income	10	**4,205**	4,263
Finance expenses	10	**(48,863)**	(22,943)
Finance expenses, net		**(44,658)**	(18,680)
(Loss)/profit before income tax		**(275,043)**	376,949
Income tax expenses	12	**(25,425)**	(49,981)
(Loss)/profit for the year		**(300,468)**	326,968
(Loss)/profit for the year attributable to:			
— Owners of the Company		**(298,511)**	326,968
— Non-controlling interests		**(1,957)**	–
		(300,468)	326,968
(Loss)/earnings per share attributable to the owners of the Company during the year			
— Basic (HK cents per share)	13	**(13.10)**	15.32
— Diluted (HK cents per share)	13	**(13.10)**	15.14

The notes on pages 115 to 189 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year		**(300,468)**	326,968
Other comprehensive (loss)/income, net of tax:			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
— Currency translation differences		**(114,965)**	90,662
— Share of other comprehensive loss of a joint venture	29	**(213)**	–
Other comprehensive (loss)/income for the year, net of tax		**(115,178)**	90,662
Total comprehensive (loss)/income for the year		**(415,646)**	417,630
Total comprehensive (loss)/income for the year attributable to:			
— Owners of the Company		**(413,736)**	417,630
— Non-controlling interests		**(1,910)**	–
		(415,646)	417,630

The notes on pages 115 to 189 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Land use rights	15	108,976	95,781
Property, plant and equipment	16	2,087,863	1,943,442
Investment properties	17	2,014	2,148
Intangible assets	18	64,747	599,988
Interest in a joint venture	29	6,309	7,018
Available-for-sale financial assets	19	–	150,076
Financial assets at fair value through profit or loss	19	155,543	–
Prepayments, deposits, other receivables and other assets	22	113,368	58,843
Deferred income tax assets	27	557	–
		2,539,377	2,857,296
Current assets			
Inventories	20	1,110,733	812,172
Trade receivables	21	141,188	149,403
Derivative financial instruments	28	937	6,577
Prepayments, deposits, other receivables and other assets	22	404,046	148,676
Tax recoverable		12,472	–
Cash and cash equivalents	23	414,844	1,009,477
		2,084,220	2,126,305
Total assets		4,623,597	4,983,601
EQUITY			
Capital and reserves			
Share capital	30	22,794	22,794
Reserves	31	1,921,168	2,425,008
Capital and reserves attributable to the owners of the Company		1,943,962	2,447,802
Non-controlling interests		103,005	–
Total equity		2,046,967	2,447,802

The notes on pages 115 to 189 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet (continued)

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	24	**648,122**	551,367
Finance lease obligations	25	**276,745**	284,535
Deferred income tax liabilities	27	**11,364**	16,498
		936,231	852,400
Current liabilities			
Trade and bills payables	26(a)	**312,635**	208,937
Accruals and other payables	26(b)	**162,541**	134,816
Current income tax liabilities		**159,419**	137,257
Bank borrowings	24	**862,391**	1,038,564
Finance lease obligations	25	**143,413**	163,825
		1,640,399	1,683,399
Total liabilities		**2,576,630**	2,535,799
Total equity and liabilities		**4,623,597**	4,983,601
Net current assets		**443,821**	442,906

The financial statements on pages 108 to 189 were approved by the Board of Directors on 21 June 2019 and were signed on its behalf.

Wong Ting Chung
Chairman, Chief Executive Officer and Executive Director

Wong Wai Yue
Vice-Chairman and Executive Director

The notes on pages 115 to 189 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to the owners of the Company				
	Share capital (Note 30) HK$'000	Reserves (Note 31) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 April 2018	**22,794**	**2,425,008**	**2,447,802**	**–**	**2,447,802**
Loss for the year	**–**	**(298,511)**	**(298,511)**	**(1,957)**	**(300,468)**
Other comprehensive loss:					
— Currency translation differences	**–**	**(115,012)**	**(115,012)**	**47**	**(114,965)**
— Share of other comprehensive loss of a joint venture	**–**	**(213)**	**(213)**	**–**	**(213)**
Total comprehensive loss	**–**	**(413,736)**	**(413,736)**	**(1,910)**	**(415,646)**
Transactions with owners:					
— Capital contribution from non-controlling interests	**–**	**–**	**–**	**104,915**	**104,915**
Share option scheme:					
— Equity-settled share-based compensation	**–**	**5,630**	**5,630**	**–**	**5,630**
Dividends (Note 14)	**–**	**(95,734)**	**(95,734)**	**–**	**(95,734)**
As at 31 March 2019	**22,794**	**1,921,168**	**1,943,962**	**103,005**	**2,046,967**

The notes on pages 115 to 189 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 March 2019

	Attributable to the owners of the Company		
	Share capital (Note 30) HK$'000	Reserves (Note 31) HK$'000	Total HK$'000
As at 1 April 2017	20,750	1,549,246	1,569,996
Profit for the year	–	326,968	326,968
Other comprehensive income:			
— Currency translation differences	–	90,662	90,662
Total comprehensive income	–	417,630	417,630
Transactions with owners:			
Issuance of ordinary shares upon acquisition of V. Success Limited	2,000	588,000	590,000
Share option scheme:			
— Equity-settled share-based compensation	–	9,424	9,424
— Proceeds from shares issued upon exercise of share options	44	6,073	6,117
Dividends (Note 14)	–	(145,365)	(145,365)
As at 31 March 2018	22,794	2,425,008	2,447,802

The notes on pages 115 to 189 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	33(a)	64,018	214,341
Interest paid		(49,157)	(21,980)
Income tax paid		(23,541)	(27,642)
Net cash (used in)/generated from operating activities		(8,680)	164,719
Cash flows from investing activities			
Payment for acquisitions of subsidiaries, net of cash acquired		–	(94,325)
Loan to a joint venture		–	(7,020)
Purchases of property, plant and equipment		(322,880)	(263,655)
Acquisitions of land use rights		(12,501)	–
Decrease in short-term bank deposits with maturity over three months		–	50,229
Proceeds from disposals of property, plant and equipment	33(b)	1,018	18,304
Interest received		4,205	4,263
Net cash used in investing activities		(330,158)	(292,204)
Cash flows from financing activities			
Proceeds from new bank borrowings		2,507,168	2,179,846
Repayments of bank borrowings		(2,586,586)	(1,381,154)
Repayments of finance lease obligations		(168,280)	(193,077)
Dividends paid		(95,734)	(145,365)
Proceeds from issuance of new ordinary shares, net		–	6,117
Capital contribution from non-controlling interests		104,915	–
Net cash (used in)/generated from financing activities		(238,517)	466,367
Net (decrease)/increase in cash and cash equivalents		(577,355)	338,882
Cash and cash equivalents at beginning of the year		1,009,477	643,197
Exchange difference on cash and cash equivalents		(17,278)	27,398
Cash and cash equivalents at end of the year	23	414,844	1,009,477

The notes on pages 115 to 189 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 August 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYl-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the manufacturing of knitwear products, knitted upper for footwear and knitted upper shoes. The ultimate holding company of the Company is Happy Family Asset Limited. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 12 April 2016.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term referred to all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 4.

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following new and amended standards, and interpretations for the first time for the financial year beginning 1 April 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies and make retrospective adjustments, where relevant, as a result of adopting HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". Save as disclosed in Note 2.2, the adoption of other amendments on standards and interpretation did not have any material impact on the consolidated financial statements of the Group for any prior years or the current year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New and amended standards and interpretations not yet adopted by the Group

The following new and amended standards, and interpretations have been issued but are not effective for the Group's financial year beginning 1 April 2018 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019

The Group is in the process of making an assessment of the impact of these new and amended standards and interpretations in the period of initial application. So far the Group has identified some aspects of HKFRS 16 "Leases" ("HKFRS 16") which may have a significant impact on the financial statements and further details on the expected impacts are discussed below.

HKFRS 16

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. As disclosed in Note 34, as at 31 March 2019 the Group has non-cancellable operating leases commitments of approximately HK$33 million in respect of properties, the majority of which is payable later than one year after the reporting date. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be recognised, after taking into account the effects of discounting, as at 1 April 2019. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New and amended standards and interpretations not yet adopted by the Group *(Continued)*

HKFRS 16 (Continued)

The Group has not yet fully assessed the adjustments, if any, that are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

HKFRS 16 is mandatory for financial years beginning on or after 1 January 2019. The Group will apply the standard from its mandatory adoption date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the Group in the prior, current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") on the Group's consolidated financial statements and the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more details below.

Consolidated balance sheet (extract)

	As at 31 March 2018	**HKFRS 9**	**HKFRS 15**	**As at 1 April 2018**
	HK$'000	HK$'000	HK$'000	HK$'000
		Note 2.2(b)	Note 2.2(c)	
Non-current assets				
Available-for-sale financial assets	150,076	(150,076)	–	–
Financial assets at fair value through profit or loss	–	150,076	–	150,076
Current liabilities				
Accruals and other payables	134,816	–	(2,233)	132,583
Contract liabilities	–	–	2,233	2,233

Note: Contract liabilities which represents receipts in advance from customers of approximately HK$4,814,000 as at 31 March 2019 is included in "Accruals and other payables".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The new accounting policies are set out in Notes 2.12 and 2.16 below. In accordance with the transition provisions in HKFRS 9, comparative figures have not been restated.

Impact of adoption:

(i) *Classification and measurement*

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories as detailed in Note 2.12 below.

The main effect was that the Group had to reclassify unlisted investments with a fair value of approximately HK$150,076,000 previously classified as available-for-sale financial assets to financial assets at fair value through profit or loss ("FVTPL") on 1 April 2018. The unlisted investments are not held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) *Impairment of financial assets*

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

— trade receivables

— other financial assets at amortised cost (including bank deposits, cash and cash equivalents, deposits, other receivables and other assets)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

(i) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group of receivables is estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any material additional impairment loss for trade receivables as at 1 April 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) Adoption of HKFRS 9 *(Continued)*

(ii) Impairment of financial assets (Continued)

(ii) Other financial assets at amortised cost

For other financial assets at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the resulted increase in loss allowance at 1 April 2018 was immaterial.

(c) Adoption of HKFRS 15

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue" which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts" which specified the accounting for construction contracts. The Group has elected to use the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings at 1 April 2018 without restating comparative information. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

The adoption of HKFRS 15 and the new accounting policies set out in Note 2.24 did not have any material impact on the Group's consolidated financial position and results of operation for the year and its retained earnings as at 1 April 2018.

The only impact is a reclassification on the Group's consolidated balance sheet to present "receipts in advance from customers" of approximately HK$2,233,000 as at 1 April 2018 as "contract liabilities" within "other payables and accruals" to reflect the terminology of HKFRS 15.

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their fair value at the acquisition date, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Joint arrangements

Under HKFRS 11 "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has interest in a joint venture.

Interests in joint ventures are accounted for using the equity method (Note 2.4.1), after initially being recognised at cost in the consolidated balance sheet.

2.4.1 Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint venture are recognised as a reduction in the carrying amount of the investment.

When the Group's share of loss in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and joint venture are eliminated to the extent of the Group's interest in this entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

When the Group ceases to equity account for an investment because of a loss of joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Joint arrangements *(Continued)*

2.4.1 Equity accounting *(Continued)*

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and senior management of the Company led by the Group's chief executive officer that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within "Other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances, such as macroeconomic factors, indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Technical knowhow

Intangible assets acquired in business combination are identified and recognised separately from goodwill where they satisfy the definition of intangible assets and their fair values can be measured reliably. Such intangible assets are recognised at their fair values at the acquisition date. The technical knowhow have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives of 8 years.

2.8 Property, plant and equipment

Land and buildings comprise mainly manufacturing factories and offices. Leasehold land classified as finance leases and all other property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress represents buildings and leasehold improvements in which construction work has not been completed and plant, machinery and equipment pending for installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses, if any. No depreciation is provided for construction in progress until it is completed and available for use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment *(Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land and buildings	2.5% to 4%
Leasehold improvements	5% to 20%
Plant and machinery	6.7% to 12.5%
Furniture, fixtures and other equipment	12.5% to 20%
Motor vehicles and yacht	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains, net" in the profit or loss.

2.9 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 44–50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of leases.

2.10 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group.

Investment property is initially recognised at cost and subsequently carries at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated using a straight-line method to allocate the depreciation amounts over the estimated useful lives, as follows:

Leasehold land	the remaining lease term
Buildings	2.5%

The residual value and useful life of investment property are reviewed, and adjusted as appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are at least tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (i.e. cash generating units or CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial assets

(a) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

(c) Measurement *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

(ii) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains, net" and impairment expenses are presented as separate line item in the consolidated income statement.

(iii) FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "Other gains, net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "Other gains, net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

(e) Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 March 2018, the Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Subsequent measurement

The measurement at initial recognition did not change an adoption of HKFRS 9, see description in Note 2.12(c) above.

Subsequent to the initial, recognition loans and receivables were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets were subsequently carried at fair value.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss as gains or losses on disposal of available-for-sale financial assets.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.2.

(ii) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

(e) Accounting policies applied until 31 March 2018 *(Continued)*

(ii) Impairment (Continued)

(a) Assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the profit or loss.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit or loss.

Derivative financial assets are classified as current assets if they are expected to be realised within 12 month after the balance sheet date. Derivative financial liabilities are classified as current liabilities if they are due to be settled within 12 months after the balance sheet date.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are generally due for settlement within the credit period and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.17 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade and other payables

Trade and other payables are liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade and others payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.22 Employee benefits

The Group operates various post-employment schemes, including defined contribution pension plans.

(a) Pension obligations

The Group participates in various defined contribution pension plans for its employees. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory or contractual basis.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme, a defined contribution scheme managed by an independent trustee. The Group's subsidiaries operating in the PRC and Vietnam make contributions to staff retirement schemes managed by local government authorities in accordance with the relevant rules and regulations.

The contributions to the defined contribution pension plans are recognised as employee benefit expense when they are due. The Group has no legal or constructive obligations to pay further contributions.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Revenue and income recognition

(a) Sales of goods

The Group manufactures and sells a range of knitwear products, knitted upper for footwear and knitted upper shoes. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sale of goods is based on the price specified in the sales contracts. Accumulated experience is used to estimate provision for returns.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. Receipts in advance collected from the customers before product delivery are recognised as contract liabilities.

(b) Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(c) Rental income

Rental income is recognised on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives received from the lessor) are recognised as income or expenses in the profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.26 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government subsidies relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest-rate risk), credit risk, liquidity risk and price risk. The Group's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group used derivative financial instruments to manage certain risk exposures occasionally.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to RMB and US$ since a considerable portion of its operating expenses are denominated in RMB while most of the sales are denominated in US$. Since HK$ is pegged with US$, management is of the opinion that the foreign exchange risk arising from US$ is insignificant.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk *(Continued)*

As at 31 March 2019, the Group had certain outstanding forward foreign currency contracts to sell US$ and purchase RMB, details of which are further presented in Note 28. If US$ has weakened/strengthened against RMB at the date of settlement by 5% compared with that at the balance sheet date, with all other variables constant, the loss before tax for the year would have been approximately HK$2,353,000 lower/higher (2018: profit before tax for the year would have been approximately HK$5,797,000 higher/lower).

As at 31 March 2019, if HK$ has weakened/strengthened by 5% against RMB, with all other variables held constant, the loss before tax for the year would have been approximately HK$3,230,000 lower/higher (2018: profit before tax for the year would have been approximately HK$8,739,000 higher/lower), mainly as a result of net foreign exchange gains/losses on translation of RMB denominated trade receivables (Note 21), bank balances and deposits (Note 23) and trade and bills payables (Note 26).

(b) Cash flow interest-rate risk

The Group has no significant interest-bearing assets except for bank deposits, details of which are disclosed in Note 23. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings, details of which are disclosed in Note 24. Borrowings carried at floating rates expose the Group to cash flow interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2019 if the interest rates on borrowings had been 50 basis points higher/lower, with all other variables held constant, the loss before tax for the year would have been approximately HK$7,751,000 higher/lower (2018: profit before tax for the year would have been approximately HK$5,150,000 lower/higher), mainly as a result of higher/lower interest expense on floating-rate borrowings.

(c) Credit risk

(i) Risk Management

The credit risk of the Company mainly arises from trade receivables, deposits, other receivables, other assets and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

As at 31 March 2019, all the bank balances and deposits as detailed in Note 23 are held with major financial institutions located in Hong Kong, Mainland China and Vietnam which the directors believe are of high credit quality. For deposit, other receivables and other assets, management has policies in place to monitor the exposures to these credit risks on an on-going basis. The directors do not expect any losses arising from non-performance by these counterparties.

The Group's credit sales are generally on credit terms within 60 days. Normally the Group does not require collaterals from trade debtors. As at 31 March 2019, the Group's largest debtor accounted for 13% (2018: 24%) of the Group's total trade receivables. The existing debtors have no significant default in the past.

In order to minimise the credit risk, the Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers, taking into account their financial position, past experience and other factors.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

(ii) Impairment of financial assets

The Group has two type of financial assets that are subject to the expected credit loss model:

— trade receivables

— other financial assets at amortised cost

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped with similar risk characteristics and, collectively or individually, assessing them for likelihood of recovery.

The Group categorises its trade receivables, except those individually assessed, based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 March 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Given the track record of regular repayment of trade receivables, the directors are of the opinion that the risk of default by these customers is not significant, taking into account forward-looking information on macroeconomics factors. Therefore, expected credit loss rate of trade receivables is assessed to be insignificant. There is no loss allowance as at 31 March 2019 (2018: same).

The previous accounting policy for impairment of trade receivables is set in Note 2.12(e).

Trade receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Other financial assets at amortised cost

The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

(a) actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations;

(b) actual or expected significant changes in the operating results of the counterparties;

(c) significant changes in the expected performance and behavior of the counterparties, including changes in the payment status of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment/repayable demanded. There is no loss allowance for other financial assets at amortised cost as at 31 March 2019 (2018: same).

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements are mainly for additions of property, plant and equipment, payments for purchases, operating expenses and dividends. The Group mainly finances its working capital requirements through internal resources and bank borrowings.

The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors monitor the utilisation of bank and other borrowings to ensure adequate unutilised banking facilities and compliance with loan covenants.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk *(Continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table represent the contractual undiscounted cash flows.

	Less than 1 year HK$'000	**Between 1 and 2 years** HK$'000	**Between 2 and 5 years** HK$'000	**Total** HK$'000
At 31 March 2019				
Trade and bills payables	**312,635**	**–**	**–**	**312,635**
Accruals and other payables	**83,511**	**–**	**–**	**83,511**
Short-term bank borrowings	**635,497**	**–**	**–**	**635,497**
Long-term bank borrowings	**252,107**	**295,669**	**379,213**	**926,989**
Finance lease obligations	**149,470**	**157,154**	**124,708**	**431,332**
	1,433,220	**452,823**	**503,921**	**2,389,964**
At 31 March 2018				
Trade and bills payables	208,937	–	–	208,937
Accruals and other payables	43,155	–	–	43,155
Short-term bank borrowings	661,405	–	–	661,405
Long-term bank borrowings	376,055	278,945	318,989	973,989
Finance lease obligations	170,258	109,054	182,545	461,857
	1,459,810	387,999	501,534	2,349,343

(e) Price risk

The Group is exposed to price risk arising from its investments in unlisted key management insurance which are classified on the consolidated balance sheet as financial assets at fair value through profit or loss.

The fair value of the unlisted investments will fluctuate, subject to the returns which are at the discretion of the issuer of the investments. Such investments have a minimum guaranteed returns during the holding period. Management is of the opinion that the price risk arising from these investments is insignificant.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation

The carrying amounts of the Group's current financial assets including bank balances and cash, deposits, receivables and other assets, and current financial liabilities including payables and borrowings approximate their fair values due to their short maturities.

The carrying value of financial instruments measured at fair value at the balance sheet date are categorised among the three levels of the fair value hierarchy defined in HKFRS 13, "Fair value Measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair values at 31 March 2019 and 2018.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2019				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investments	**–**	**–**	**155,543**	**155,543**
Derivative financial instruments	**–**	**937**	**–**	**937**
	–	**937**	**155,543**	**156,480**
As at 31 March 2018				
Assets				
Available-for-sale financial assets				
— Unlisted investments	–	–	150,076	150,076
Derivative financial instruments	–	6,577	–	6,577
	–	6,577	150,076	156,653

There were no transfers among levels 1, 2 and 3 and no change in valuation during the year ended 31 March 2019 (2018: same).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation *(Continued)*

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table represents the changes in level 3 instruments for the years ended 31 March 2019 and 2018:

	Available-for-sale financial assets HK$'000	Financial assets at FVTPL HK$'000	Total HK$'000
Opening balance at 1 April 2017	144,800	–	144,800
Net gains on investments	5,276	–	5,276
Closing balance at 31 March 2018	150,076	–	150,076
Reclassification on adoption of HKFRS 9	(150,076)	150,076	–
Opening balance at 1 April 2018	**–**	**150,076**	**150,076**
Net gains on investments	**–**	**5,467**	**5,467**
Closing balance at 31 March 2019	**–**	**155,543**	**155,543**

These unlisted investments in level 3 represent unlisted key management insurance policies. Their fair value is determined by reference to the expected returns from such policies which are primarily based on the financial performance and market price of the underlying portfolio taking into consideration the respective guaranteed minimum returns. Consideration is also placed on the pattern of crystallising the contracts and surrender charges, if any.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions to shareholders, issue new shares or sell assets.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including finance lease obligations) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 March 2019 and 2018 were as follows:

	As at 31 March	
	2019 HK$'000	2018 HK$'000
Total borrowings	**1,930,671**	2,038,291
Less: cash and cash equivalents	**(414,844)**	(1,009,477)
Net debt	**1,515,827**	1,028,814
Total equity	**2,046,967**	2,447,802
Total capital	**3,562,794**	3,476,616
Gearing ratio	**42.55%**	29.59%

The increase in gearing ratio from 29.59% as at 31 March 2018 to 42.55% as at 31 March 2019 was primarily due to the decrease in equity as a result of the impairment loss made on the intangible assets (Note 18).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts have been determined based on value-in-use calculations which require the use of estimates (Note 18).

(b) Current and deferred income tax provision

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group's inter-company transactions and cross-border business arrangements during the ordinary course of business may impose inherent uncertainty over the Group's profit allocation and its respective tax position across different jurisdictions. The Group also recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes may be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax provision in the period in which such determination is made.

Deferred income tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

(c) Useful lives, residual values and depreciation of property, plant and equipment

Management of the Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation where useful lives or residual values are different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation in the future periods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(d) Impairment of non-financial assets

Non-financial assets including intangible assets (other than goodwill), property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to disposal. These calculations require the use of judgements and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the profit or loss.

5 SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors and senior management of the Company led by the Group's chief executive officer, being the Group's chief operating decision-maker ("CODM"), which are used for the purposes of assessing performance and making strategic decisions. The Group's operating segments are structured and managed separately according to the nature of their operations, and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has two operating segments after the acquisition of V. Success Limited (Note 37) during the year ended 31 March 2018:

(a) Manufacturing of knitwear products; and

(b) Manufacturing of knitted upper for footwear and knitted upper shoes

The Board assesses the performance of the operating segments based on a measure of gross profit at each segment.

5 SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue, results and other selected financial information by operating segment are as follows:

For the year ended 31 March 2019

	Manufacturing of knitwear products HK$'000	Manufacturing of knitted upper for footwear and knitted upper shoes HK$'000	Consolidated HK$'000
Revenue			
Segment revenue	4,164,337	194,713	4,359,050
Results			
Segment profit	649,348	23,032	672,380
Other income			16,332
Other gains, net			10,625
Selling and distribution expenses			(44,584)
General and administrative expenses			(363,065)
Impairment loss on intangible assets			(521,577)
Share of post-tax loss of a joint venture			(496)
Finance income			4,205
Finance expenses			(48,863)
Loss before income tax			(275,043)
Income tax expenses			(25,425)
Loss for the year			(300,468)

5 SEGMENT INFORMATION *(Continued)*

For the year ended 31 March 2018

	Manufacturing of knitwear products HK$'000	Manufacturing of knitted upper for footwear and knitted upper shoes HK$'000	Consolidated HK$'000
Revenue			
Segment revenue	3,374,581	71,834	3,446,415
Results			
Segment profit	693,066	19,076	712,142
Other income			12,423
Other gains, net			35,243
Selling and distribution expenses			(50,385)
General and administrative expenses			(313,792)
Share of post-tax loss of a joint venture			(2)
Finance income			4,263
Finance expenses			(22,943)
Profit before income tax			376,949
Income tax expenses			(49,981)
Profit for the year			326,968

Segment results represent profit earned by each segment without allocating other income, other gains, selling and distribution expenses, general and administrative expenses, share of post-tax loss of a joint venture, impairment loss on intangible assets, finance income, finance expenses and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

5 SEGMENT INFORMATION *(Continued)*

(a) Revenue by location of goods delivery

	2019 HK$'000	2018 HK$'000
Japan	1,660,551	1,346,527
North America	717,917	643,581
Europe	714,304	638,478
Mainland China	694,038	416,892
Other countries	572,240	400,937
	4,359,050	3,446,415

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
Hong Kong	59,648	90,130
Mainland China	799,208	811,930
Vietnam	1,433,299	1,198,154
Other countries	20,066	–
	2,312,221	2,100,214

The non-current asset information above is based on the location of the assets and excludes intangible assets, interest in a joint venture, financial assets at fair value through profit or loss, available-for-sale financial assets and deferred income tax assets.

(c) Major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group is as follows:

	2019 HK$'000	2018 HK$'000
Customer A	2,729,404	2,151,930
Customer B	N/A	429,551

The five largest customers accounted for approximately 79.2% (2018: 83.7%) of revenue for year ended 31 March 2019.

(d) Disaggregation of revenue from contracts with customers

For the years ended 31 March 2019 and 2018, the revenue of the Group was recognised at a point in time.

5 SEGMENT INFORMATION *(Continued)*

(e) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	31 March 2019 HK$'000	1 April 2018 HK$'000
Contract liabilities — receipts in advance	**4,814**	2,233

Contract liabilities for sales of goods contracts have increased by HK$2,581,000 due to an increase in overall contract activities.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2019 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**1,826**

6 OTHER INCOME

	2019 HK$'000	2018 HK$'000
Rental income from investment properties	**792**	2,111
Rental income from properties occupied by employees	**630**	412
Government subsidies	**8,572**	1,756
Others	**6,338**	8,144
	16,332	12,423

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and general and administrative expenses are analysed as follows:

	2019 HK$'000	2018 HK$'000
Advertising and promotion expenses	4,436	4,185
Amortisation of land use rights (Note 15)	1,086	1,103
Auditor's remuneration		
— audit services	2,770	3,078
— non-audit services	630	1,634
Depreciation (Note 16)		
— owned property, plant and equipment	91,997	112,521
— property, plant and equipment held under finance leases	94,257	50,325
Depreciation of investment properties (Note 17)	134	134
Amortisation of technical knowhow (Note 18)	13,664	4,130
Employment benefit expenses (including directors' emoluments) (Note 9)	919,885	759,013
Raw materials and consumables used	2,317,646	1,715,026
Changes in inventories of finished goods and work in progress	(194,056)	(303,579)
Provision for impairment of inventories	6,836	7,537
Subcontracting charges	431,247	374,175
Commission expenses	4,633	4,553
Transportation charges	36,286	40,823
Sample charges	23,809	21,070
Donations	1,953	2,831
Operating lease rental in respect of land and buildings	6,145	4,301
Utilities expenses	91,009	62,218
Others	239,952	233,372
Total cost of sales, selling and distribution expenses and general and administration expenses	4,094,319	3,098,450

8 OTHER GAINS, NET

	2019 HK$'000	2018 HK$'000
Net foreign exchange gains	8,904	6,015
Net gains on investments (Note 19)	5,467	5,276
Net gains on disposals of property, plant and equipment (Note 33(b))	600	17,375
Unrealised gains from derivative financial instruments (Note 28)	937	6,577
Net realised losses from derivative financial instruments	(5,283)	–
	10,625	35,243

9 EMPLOYMENT BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

Employment benefit expenses, including directors' emoluments, consist of:

	2019 HK$'000	2018 HK$'000
Wages, salaries, commissions, allowances, bonus, welfare and other benefits	**853,835**	678,804
Equity-settled share-based compensation	**5,630**	9,424
Pension costs — defined contribution plans	**60,420**	70,785
	919,885	759,013

(a) Pension costs — defined contribution plans

The Group has no material obligation for post-retirement benefits beyond contributions to the Mandatory Provident Fund Scheme managed by an independent trustee in Hong Kong and the staff retirement schemes managed by local government authorities in accordance with the relevant rules and regulations in Mainland China and Vietnam.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2019 include four (2018: five) directors whose emoluments are reflected in Note 36 to the consolidated financial statements. The emoluments payable to the remaining one (2018: nil) individual during the year are as follows:

	2019 HK$'000	2018 HK$'000
Wages, salaries, commissions, allowances, welfare and other benefits	**1,560**	–
Pension costs — defined contribution plans	**18**	–
Bonus	**300**	–
	1,878	–

The emoluments fell within the following bands:

	2019	2018
Emolument band (in HK dollar)		
HK$1,500,001–HK$2,000,000	**1**	–

No directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or compensation for loss of office.

10 FINANCE EXPENSES, NET

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Finance income		
Interest income from:		
— Bank deposits	**4,205**	4,263
Finance expenses		
Interest expenses on:		
— Bank borrowings	**(40,937)**	(17,609)
— Finance lease obligations	**(7,926)**	(5,334)
	(48,863)	(22,943)
Finance expenses, net	**(44,658)**	(18,680)

11 SUBSIDIARIES

The following are details of the principal subsidiaries at 31 March 2019:

Company Name	Place of incorporation and type of legal entity	Issued/registered and paid up capital	Principal activities/ place of operation	Effective interest held (%)			
				The Company		The non-controlling interest	
				2019	2018	2019	2018
Directly owned:							
Nameson Group Limited	The British Virgin Islands ("BVI"), limited liability company	US$10	Investment holding, Hong Kong	100%	100%	–	–
Indirectly owned:							
Nameson Industrial Limited	Hong Kong, limited liability company	HK$3,000,000	Manufacturing of knitwear products, Hong Kong	100%	100%	–	–
Kingmax Industrial Limited	Hong Kong, limited liability company	HK$60,000	Manufacturing of knitwear products, Hong Kong	100%	100%	–	–
Winner Way Industrial Limited	Hong Kong, limited liability company	HK$60,000	Manufacturing of knitwear products, Hong Kong	100%	100%	–	–
First Team (HK) Limited	Hong Kong, limited liability company	HK$1	Manufacturing of knitwear products, Hong Kong	100%	100%	–	–
First Team (Vietnam) Garment Limited	Vietnam, limited liability company	US$130,000,000 (2018: US$127,393,348)	Manufacturing of knitwear products, Vietnam	100%	100%	–	–
Huizhou Nanxuan Knitting Fty. Ltd.	The People's Republic of China ("the PRC"), wholly foreign owned enterprise	US$30,000,000	Manufacturing of knitwear products, the PRC	100%	100%	–	–
Huizhou Nanguan Knitting Fty. Ltd	The PRC, wholly foreign owned enterprise	N/A	Manufacturing of knitwear products, the PRC	100%	100%	–	–
Huizhou Liyun Knitting Fty. Ltd	The PRC, wholly foreign owned enterprise	HK$337,216,000	Manufacturing of knitwear products, the PRC	100%	100%	–	–

11 SUBSIDIARIES *(Continued)*

Company Name	Place of incorporation and type of legal entity	Issued/registered and paid up capital	Principal activities/ place of operation	Effective interest held (%)			
				The Company		The non-controlling interest	
				2019	2018	2019	2018
Indirectly owned: *(Continued)*							
Huizhou Lihao Fashion Ltd.	The PRC, wholly foreign owned enterprise	HK$65,000,000	Manufacturing of knitwear products, the PRC	100%	100%	–	–
S. Power (Vietnam) Textile Limited	Vietnam, limited liability company	US$8,000,000	Manufacturing of knitting fabric, Vietnam	100%	100%	–	–
V. Success Limited	BVI, limited liability company	US$100	Investment holding, Hong Kong	100%	100%	–	–
V. Success (HK) Limited	Hong Kong, limited liability company	HK$1	Manufacturing of knitted upper for footwear and knitted upper shoes, Hong Kong	100%	100%	–	–
V. Success (HZ) Knitting Limited	The PRC, wholly foreign owned enterprise	HK$180,000,000	Manufacturing of knitted upper for footwear and knitted upper shoes, the PRC	100%	100%	–	–
V. Success (Vietnam) Knitting Company Limited	Vietnam, limited liability company	US$22,759,317	Manufacturing of knitted upper for footwear and knitted upper shoes, Vietnam	100%	100%	–	–
Hebei Nanguan Technology Co., Ltd.	The PRC, limited liability company	RMB159,000,000	Manufacturing of cashmere yarn, the PRC	55%	–	45%	–

12 INCOME TAX EXPENSES

For the year ended 31 March 2019, Hong Kong profits tax has been provided for at the rate of 16.5% (2018:16.5%) on the estimated assessable profit for the year and the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2018: 25%) on estimated assessable profits. However, two of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subjected to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is within the second year of full exemption from BIT, whereas, the other two subsidiaries have no assessable profit for the period, and hence no BIT is provided.

	2019 HK$'000	2018 HK$'000
Hong Kong profits tax		
— Current taxation	**421**	15,663
China corporate income tax	**30,695**	34,969
Deferred taxation (Note 27)	**(5,691)**	(651)
	25,425	49,981

The difference between the actual income tax charged to the consolidated income statement and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	2019 HK$'000	2018 HK$'000
(Loss)/profit before income tax	**(275,043)**	376,949
Tax calculated at domestic tax rates applicable to (loss)/profits in the respective jurisdictions	**(34,298)**	87,616
Income not subject to tax	**(278,480)**	(270,411)
Expenses not deductible for tax purposes	**339,080**	233,367
Others	**(877)**	(591)
Income tax expenses	**25,425**	49,981

13 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share for the years ended 31 March 2019 and 2018 are calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
(Loss)/profit attributable to the owners of the Company (HK$'000)	(298,511)	326,968
Weighted average number of ordinary shares in issue ('000)	2,279,392	2,134,538
Basic (loss)/earnings per share (HK cents)	(13.10)	15.32

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2019	2018
(Loss)/profit attributable to the owners of the Company (HK$'000)	(298,511)	326,968
Weighted average number of ordinary shares in issue ('000)	2,279,392	2,134,538
Adjustment for potential dilutive effect in respect of outstanding share options ('000)	–	25,302
Weighted average number of ordinary shares for diluted earnings per share ('000)	2,279,392	2,159,840
Diluted (loss)/earnings per share (HK cents)	(13.10)	15.14

14 DIVIDENDS

At the board meeting held on 27 November 2017, the Company's Board of Directors declared an interim dividend for the year ended 31 March 2018 of 5.0 HK cents per share amounting to a total of HK$103,865,000 and paid on 29 December 2017.

At the board meeting held on 22 June 2018, the Company's Board of Directors declared a final dividend for the year ended 31 March 2018 of 0.6 HK cents per share amounting to a total of HK$13,676,000 and paid on 18 September 2018.

At the board meeting held on 26 November 2018, the Company's Board of Directors declared an interim dividend for the year ended 31 March 2019 of 3.6 HK cents per share amounting to a total of HK$82,058,000 and paid on 28 December 2018.

At the board meeting held on 21 June 2019, the Board of Directors did not recommend the payment of a final dividend for the year ended 31 March 2019.

15 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2019 **HK$'000**	2018 HK$'000
Beginning of the year	**95,781**	42,624
Acquisition of a subsidiary (Note 38)	**–**	52,750
Addition	**17,859**	–
Exchange differences	**(3,578)**	1,510
Amortisation (Note 7)	**(1,086)**	(1,103)
End of the year	**108,976**	95,781

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and other equipment HK$'000	Motor vehicles and yacht HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 2017							
Cost	838,018	33,204	1,827,645	28,375	66,682	6,279	2,800,203
Accumulated depreciation	(272,905)	(25,260)	(1,220,646)	(18,652)	(34,919)	–	(1,572,382)
Net book amount	565,113	7,944	606,999	9,723	31,763	6,279	1,227,821
Year ended 31 March 2018							
Opening net book amount	565,113	7,944	606,999	9,723	31,763	6,279	1,227,821
Additions	1,427	–	234,507	6,109	2,679	19,263	263,985
Acquisition of a subsidiary (Note 37)	–	509	534,593	6,934	2,618	–	544,654
Disposals	–	–	(79)	(850)	–	–	(929)
Transfers	18,148	–	1,892	4,623	229	(24,892)	–
Exchange difference	19,877	735	49,339	643	163	–	70,757
Depreciation (Note 7)	(27,343)	(650)	(126,089)	(3,320)	(5,444)	–	(162,846)
Closing net book amount	577,222	8,538	1,301,162	23,862	32,008	650	1,943,442
At 31 March 2018							
Cost	877,469	34,448	2,456,553	45,259	60,198	650	3,474,577
Accumulated depreciation	(300,247)	(25,910)	(1,155,391)	(21,397)	(28,190)	–	(1,531,135)
Net book amount	577,222	8,538	1,301,162	23,862	32,008	650	1,943,442
Year ended 31 March 2019							
Opening net book amount	**577,222**	**8,538**	**1,301,162**	**23,862**	**32,008**	**650**	**1,943,442**
Additions	**8,029**	**–**	**280,696**	**3,607**	**3,220**	**127,918**	**423,470**
Disposals	**–**	**–**	**(418)**	**–**	**–**	**–**	**(418)**
Transfers	**–**	**–**	**–**	**245**	**–**	**(245)**	**–**
Exchange difference	**(26,866)**	**(595)**	**(63,697)**	**(1,002)**	**(196)**	**(21)**	**(92,377)**
Depreciation (Note 7)	**(27,477)**	**(654)**	**(141,348)**	**(9,977)**	**(6,798)**	**–**	**(186,254)**
Closing net book amount	**530,908**	**7,289**	**1,376,395**	**16,735**	**28,234**	**128,302**	**2,087,863**
At 31 March 2019							
Cost	**858,632**	**33,853**	**2,673,134**	**48,109**	**63,222**	**128,302**	**3,805,252**
Accumulated depreciation	**(327,724)**	**(26,564)**	**(1,296,739)**	**(31,374)**	**(34,988)**	**–**	**(1,717,389)**
Net book amount	**530,908**	**7,289**	**1,376,395**	**16,735**	**28,234**	**128,302**	**2,087,863**

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	2019 HK$'000	2018 HK$'000
Depreciation charged in consolidated income statement:		
— Cost of sales	**161,969**	142,991
— General and administrative expenses	**24,285**	19,855
	186,254	162,846

As at 31 March 2019, the net book value of plant and machinery under finance leases amounted to approximately HK$1,006,841,000 (2018: HK$913,300,000).

Land and buildings are primarily situated in Mainland China and Vietnam.

17 INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
At cost		
Beginning net book amount of the year	**2,148**	2,282
Depreciation (Note 7)	**(134)**	(134)
End of the year	**2,014**	2,148
Cost	**4,640**	4,640
Accumulated depreciation	**(2,626)**	(2,492)
Net book amount	**2,014**	2,148

The fair values of the Group's investment properties as at 31 March 2019 were HK$25,200,000 (2018: HK$25,000,000), as determined by an independent professional valuation firm, RHL Appraisal Limited, on an open market basis.

Investment properties are situated in Hong Kong.

Depreciation of HK$134,000 (2018: HK$134,000) for the year ended 31 March 2019 has been included in "general and administrative expenses".

Outgoings in respect of the investment properties amounted to HK$37,000 (2018: HK$41,000) for the year ended 31 March 2019.

18 INTANGIBLE ASSETS

	Goodwill HK$'000	Technical knowhow HK$'000	Total HK$'000
At 1 April 2017			
Cost	–	–	–
Accumulated amortisation	–	–	–
Net book amount	–	–	–
Year ended 31 March 2018			
Opening net book amount	–	–	–
Acquisition of a subsidiary	493,910	110,208	604,118
Amortisation charge (Note 7)	–	(4,130)	(4,130)
Closing net book amount	493,910	106,078	599,988
At 31 March 2018			
Cost	493,910	110,208	604,118
Accumulated amortisation	–	(4,130)	(4,130)
Net book amount	493,910	106,078	599,988
Year ended 31 March 2019			
Opening net book amount	**493,910**	**106,078**	**599,988**
Amortisation charge (Note 7)	**–**	**(13,664)**	**(13,664)**
Impairment loss	**(493,910)**	**(27,667)**	**(521,577)**
Closing net book amount	**–**	**64,747**	**64,747**
At 31 March 2019			
Cost	**493,910**	**110,208**	**604,118**
Accumulated amortisation	**–**	**(17,794)**	**(17,794)**
Impairment loss	**(493,910)**	**(27,667)**	**(521,577)**
Net book amount	**–**	**64,747**	**64,747**

18 INTANGIBLE ASSETS *(Continued)*

On 28 September 2017, Nameson Group Limited ("Nameson Group"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Wong Ting Chung ("Mr. Wong"), pursuant to which Nameson Group agreed to acquire the entire issued share capital of V. Success Limited ("V. Success") held by Mr. Wong. The acquisition was completed on 15 December 2017. Goodwill arising from such acquisition amounted to HK$493,910,000 has been allocated to the CGU for manufacturing of knitted upper for footwear and knitted upper shoes (the "CGU"). Technical knowhow, arising from the acquisition of the V. Success, represents technical knowhow in relation to specific knitting technique, with which V. Success and its subsidiaries ("V. Success Group") manufacture footwear products. Refer to Note 37 for more details.

For the year ended 31 March 2019, amortisation of HK$13,664,000 (2018: HK$4,130,000) has been charged to "cost of sales" in the consolidated income statement.

Impairment test of intangible assets

Goodwill and technical knowhow acquired through acquisition of V. Success have been allocated to the CGU for impairment testing. The recoverable amount of the CGU is determined based on a value-in-use calculation which uses cash flow projection based on financial budgets of the V. Success Group covering a five-year period, and a pre-tax discount rate of 15.4% (2018: 15.5%) per annum.

Assumed growth rate is used to extrapolate the cash flows in the following years. The financial budgets are prepared based on a 5-year business plan which is appropriate after considering the sustainability of business growth, stability of core business developments and achievement of business targets. The financial model assumes an average growth rate of 8.4% (2018: 11.8%) for five-year period budgets and a terminal growth rate of 3% (2018: 3%) per annum beyond the 5-year period taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors assessed the recoverable amount of the CGU with reference to the valuation performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer. As at 31 March 2019, the recoverable amount of the CGU determined based on the value-in-use calculations was lower than the carrying amount of the CGU by approximately HK$521,577,000.

The impairment is mainly due to the fierce competition in knitted upper for footwear and knitted upper shoes industry, leading to a substantial decline in revenue V.Success Group during the year ended 31 March 2019 as compared to prior financial budgets, and the overall average selling price and gross profit margin were also under downward pressure. Therefore, considering the global economic uncertainties, fast-changing market environment and intense competition currently faced by V. Success Group in relation to its knitted uppers for footwear and knitted upper shoes business, provisions for impairment of goodwill and technical knowhow of HK$493,910,000 and HK$27,667,000 respectively were recognised in the consolidated income statement for the year ended 31 March 2019.

As at 31 March 2019, if the revenue growth rate applied to the cash flow projection had been 5% lower/higher or the pre-tax discount rate used had been 1 percentage point higher/lower, the total provision for impairment of goodwill and technical knowhow would be HK$11 million higher/lower and HK$26 million higher/HK$31 million lower respectively.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Financial assets at fair value through profit or loss		
— Unlisted investments, at fair value (Note)	155,543	–

Note:

(i) Unlisted investments represent unlisted key management insurance contracts which are debt instruments classified as financial assets at FVTPL. Minimum returns are guaranteed under these contracts with upside variable returns and the respective fixed and determinable returns are recognised as part of "Other gains, net". The portion allocated as insurance premium is recognised as prepayment and is amortised to the consolidated income statement based on the estimated years that the Group intends to hold such contracts.

(ii) For the year ended 31 March 2018, the Group had designated the debt instruments as available-for-sale where management intended to hold them for the medium to long-term. Note 2.2 explains the change of accounting policy and the reclassification of the debt instruments from available-for-sale to at FVTPL. Note 2.12 sets out the accounting policies.

(iii) Financial assets previously classified as available-for-sale financial assets

	2019 HK$'000	2018 HK$'000
Available-for-sale financial assets		
— Unlisted investments, at fair value	–	150,076

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Certain bank borrowings of the Group are secured by financial assets at FVTPL with a total carrying amount of HK$73,376,000 (2018: secured by available-for-sale financial assets with a total carrying amount of HK$71,052,000) as at 31 March 2019 (Note 24).

Movement of the financial assets at FVTPL and the financial assets previously classified as available-for-sale financial assets are as follows:

	Available-for-sale financial assets HK$'000	Financial assets at FVTPL HK$'000	Total HK$'000
Opening balance at 1 April 2017	144,800	–	144,800
Net gains on investments	5,276	–	5,276
Closing balance at 31 March 2018	150,076	–	150,076
Reclassification on adoption of HKFRS 9	(150,076)	150,076	–
Opening balance at 1 April 2018	–	150,076	150,076
Net gains on investments	–	5,467	5,467
Closing balance at 31 March 2019	–	155,543	155,543

Financial assets at fair value through profit or loss and financial assets previously classified as available-for-sale financial assets are denominated in US$.

20 INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**351,461**	246,956
Work-in-progress	**691,789**	537,562
Finished goods	**67,483**	27,654
	1,110,733	812,172

The cost of inventories recognised as expense and included in "cost of sales" in the consolidated income statement amounted to HK$2,130,426,000 (2018: HK$1,418,984,000) for the year ended 31 March 2019.

21 TRADE RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**141,188**	149,403

The carrying amounts of trade receivables are denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
US$	**69,966**	113,082
RMB	**71,222**	36,060
Others	**–**	261
	141,188	149,403

The Group grants credit periods to customers ranging from 0 to 60 days. As at 31 March 2019 and 2018, the ageing analysis of the trade receivables based on invoice date was as follows:

	2019 **HK$'000**	2018 HK$'000
Up to three months	**132,969**	145,724
Three to six months	**6,398**	1,776
Over six months	**1,821**	1,903
	141,188	149,403

The Group applies HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This has not resulted in loss allowance for any trade receivables as at 1 April 2018 and 31 March 2019.

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in Note 3.1(c).

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group did not hold any collateral as security.

22 PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 HK$'000	2018 HK$'000
Prepayments for property, plant and equipment	**86,330**	25,441
Prepayments for subcontracting charges	**34,718**	38,039
Prepayments to raw materials suppliers (Note)	**277,549**	2,742
Other prepayments	**13,739**	23,038
Prepaid insurance premium for the key management insurance	**26,404**	27,525
Deposits	**5,672**	12,127
Other receivables	**71,322**	76,927
Other assets	**1,680**	1,680
	517,414	207,519
Less: Non-current portion	**(113,368)**	(58,843)
Current portion	**404,046**	148,676

Note: As at 31 March 2019, prepayments, deposits, other receivables and other assets includes prepayments for raw materials to the non-controlling interests of approximately HK$270,345,000 (2018: HK$nil) (Note 35(b)).

23 CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	**414,844**	1,009,477

Cash and cash equivalents are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
US$	**154,171**	248,868
HK$	**104,480**	457,639
RMB	**146,921**	279,770
Vietnamese Dong	**6,925**	20,804
Others	**2,347**	2,396
	414,844	1,009,477

24 BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Non-current		
Bank borrowings, unsecured	**648,122**	551,367
Current		
Short-term bank borrowings, unsecured	**632,938**	658,054
Portion of long-term bank borrowings, secured, due for repayment within one year	**4,376**	7,501
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**–**	4,376
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**220,911**	347,800
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	**4,166**	20,833
	862,391	1,038,564
Total bank borrowings	**1,510,513**	1,589,931

The weighted average effective interest rate as at 31 March 2019 is 2.67% (2018: 2.13%).

The bank borrowings are due for repayment as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**858,225**	1,013,355
Between one and two years	**246,188**	262,287
Between two and five years	**406,100**	314,289
	1,510,513	1,589,931

The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand rights.

24 BANK BORROWINGS *(Continued)*

The carrying amounts of bank borrowings approximate their fair values and are denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
HK$	**1,506,137**	1,578,312
US$	**4,376**	11,619
	1,510,513	1,589,931

The following borrowings were drawn by the Group under secured banking facilities:

	2019 **HK$'000**	2018 HK$'000
Bank borrowings	**4,376**	11,877

Certain bank borrowings of the Group are secured by financial assets at FVTPL with a total carrying amount of HK$73,376,000 (2018: secured by available-for-sale financial assets with a total carrying amount of HK$71,052,000) as at 31 March 2019 (Note 19).

25 FINANCE LEASE OBLIGATIONS

	2019 **HK$'000**	2018 HK$'000
Current		
Finance lease obligations due for repayment within one year	**143,413**	163,825
Non-current		
Finance lease obligations due for repayment after one year:		
Between one and two years	**153,411**	104,951
Between two and five years	**123,334**	179,584
	276,745	284,535
Total finance lease obligations	**420,158**	448,360

The weighted average effective interest rate as at 31 March 2019 is 1.68% (2018: 1.70%).

25 FINANCE LEASE OBLIGATIONS *(Continued)*

The finance lease obligations were due for repayment as follows:

	2019 HK$'000	2018 HK$'000
Gross finance lease obligations — minimum lease payments:		
Within one year	**149,470**	170,258
Between one and two years	**157,154**	109,054
Between two and five years	**124,708**	182,545
	431,332	461,857
Future finance charges on finance leases	**(11,174)**	(13,497)
Present value of finance lease obligations	**420,158**	448,360

The carrying amount of finance lease obligations was denominated in US$.

26 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

(a) Trade and bills payables

Trade and bills payables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
US$	**146,278**	135,729
HK$	**31,172**	29,439
RMB	**135,185**	43,769
	312,635	208,937

The carrying amounts of the trade and bills payables approximate their fair values.

Note: As at 31 March 2019, trade and bills payables includes trade payables to related companies of approximately HK$74,945,000 (2018: HK$nil) (Note 35(b)).

The ageing analysis of the trade and bills payables based on the invoice date was as follows:

	2019 HK$'000	2018 HK$'000
Within one month	**191,442**	163,136
One to two months	**111,970**	32,755
Two to three months	**7,193**	12,844
Over three months	**2,030**	202
	312,635	208,937

(b) Accruals and other payables

	2019 HK$'000	2018 HK$'000
Accrued subcontracting charges	**5,897**	3,242
Accrued salaries	**65,886**	70,023
Contract liabilities (2018: Deposits received from customers)	**4,814**	2,233
Other accrued expenses	**14,618**	27,202
Other payables (Note)	**71,326**	32,116
	162,541	134,816

Note: As at 31 March 2019, accruals and other payables includes other payable to a related company of approximately HK$1,661,000 (2018: HK$nil) (Note 35(b)).

27 DEFERRED INCOME TAX

The analysis of deferred tax assets/(liabilities) is as follows:

	2019 HK$'000	2018 HK$'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	**557**	559
	557	559
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	**(11,364)**	(17,057)
	(11,364)	(17,057)
Deferred tax liabilities, net	**(10,807)**	(16,498)

The net movement on the deferred income tax account is as follow:

	2019 HK$'000	2018 HK$'000
As at 1 April	**(16,498)**	(2,443)
Acquisition of subsidiary	**–**	(14,706)
Credited to consolidated income statement (Note 12)	**5,691**	651
As at 31 March	**(10,807)**	(16,498)

27 DEFERRED INCOME TAX *(Continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax (liabilities)/assets:

	Accelerated tax depreciation HK$'000	Recognition of technical knowhow HK$'000	Total HK$'000
As at 1 April 2017	(3,036)	–	(3,036)
Acquisition of a subsidiary	(104)	(14,602)	(14,706)
Credited to consolidated income statement	65	620	685
As at 31 March 2018	(3,075)	(13,982)	(17,057)
As at 1 April 2018	**(3,075)**	**(13,982)**	**(17,057)**
Credited to consolidated income statement	**289**	**5,404**	**5,693**
As at 31 March 2019	**(2,786)**	**(8,578)**	**(11,364)**

	Decelerated tax depreciation HK$'000
As at 1 April 2017	593
Charged to consolidated income statement	(34)
As at 31 March 2018	559
As at 1 April 2018	**559**
Charged to consolidated income statement	**(2)**
As at 31 March 2019	**557**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$13,897,000 (2018: HK$1,388,000) in respect of accumulated tax losses amounting to HK$71,890,000 (2018: HK$5,550,000) as at 31 March 2019, that can be carried forward against future taxable income. As at 31 March 2019, the accumulated tax losses amounting to HK$28,931,000 (2018: HK$5,550,000) will expire in five years. There is no expiry period for the other tax losses.

As at 31 March 2019, deferred income tax liabilities of approximately HK$3,503,000 (2018: HK$2,663,000) have not been recognised for the withholding taxation that would be payable on the unremitted earnings of subsidiaries in Mainland China of approximately HK$70,077,000 (2018: HK$53,270,000), as the management considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed in the foreseeable future.

28 DERIVATIVES FINANCIAL INSTRUMENTS

	2019 HK$'000	2018 HK$'000
Forward foreign currency contracts	**937**	6,577

As at 31 March 2019, the Group had outstanding forward foreign currency contracts to sell US$ and purchase RMB. As at 31 March 2019, the notional principal amounts of the outstanding contracts underlying the derivative financial assets were approximately HK$46,500,000 (2018: HK$108,500,000).

29 INTEREST IN A JOINT VENTURE

Movements in the investment in a joint venture are as follows:

	2019 HK$'000	2018 HK$'000
Beginning of the year	**7,018**	–*
Loan to a joint venture (Note)	**–**	7,020
Share of post-tax loss	**(496)**	(2)
Share of other comprehensive loss	**(213)**	–
	6,309	7,018

* It represents HK$30.

Note: Loan to a joint venture represents a loan advanced which is unsecured, interest-free and to be repaid on a date mutually agreed between the Company and the joint venture.

Nature of interest in a joint venture as at 31 March 2019:

Name of joint venture	Place of incorporation	Place of operation	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Proportion of voting power held 2019	Proportion of voting power held 2018	Principal activities
SML & FT (HK) Limited	Hong Kong	Hong Kong	**30%**	30%	**50%**	50%	Investment holding
Directly owned:							
SML & FT (Vietnam) Limited	Vietnam	Vietnam	**30%**	30%	**50%**	50%	Manufacturing of labels and hang tags

29 INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information for joint venture

Set out below is the summarised financial information for SML & FT (HK) Limited and its subsidiary which is accounted for using the equity method.

Summarised balance sheet

	2019 HK'000	2018 HK'000
Current		
Total current assets	5,580	7,028
Total current liabilities	(16,601)	(15,707)
Non-current		
Total non-current assets	8,651	8,672
Net liabilities	(2,370)	(7)

Summarised statement of comprehensive income

	2019 HK'000	2018 HK'000
Revenue	2,831	–
Loss for the year	(1,652)	(201)
Other comprehensive (loss)/income	(711)	194
Total comprehensive loss	(2,363)	(7)

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture

	2019 HK'000	2018 HK'000
Reconciled to the Group's interest in the joint venture		
Gross amounts of net liabilities of the joint venture	(2,370)	(7)
Group's effective interest	30%	30%
	(711)	(2)
Loan to a joint venture	7,020	7,020
Group's share of interest in the joint venture	6,309	7,018

30 SHARE CAPITAL

	2019		2018	
	Number of shares	**Nominal value HK$**	Number of shares	Nominal value HK$
Authorised:				
Ordinary shares at HK$0.01 each as at 31 March	**5,000,000,000**	**50,000,000**	5,000,000,000	50,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each as at 1 April	**2,279,392,000**	**22,793,920**	2,075,000,000	20,750,000
Issuance of ordinary shares upon acquisition of V. Success (Note (i))	**–**	**–**	200,000,000	2,000,000
Issuance of ordinary shares upon exercise of share options (Note (ii))	**–**	**–**	4,392,000	43,920
At 31 March	**2,279,392,000**	**22,793,920**	2,279,392,000	22,793,920

Notes:

(i) On 15 December 2017, 200,000,000 ordinary shares of HK$0.01 each were issued at the issue price of HK$2.95 per share as part of the consideration for the acquisition of V. Success (Note 37).

(ii) For the year ended 31 March 2018, share options were exercised to subscribe for 4,392,000 shares in the Company at a consideration of approximately HK$6,117,000, of which approximately HK$44,000 was credited to share capital and the balance of approximately HK$6,073,000 was credited to the share premium account (Note 31).

In respect of the share options exercised, an amount of approximately HK$1,411,000 was reversed from the share option reserve and credited to the share premium account of the Company (Note 31).

31 RESERVES

	Attributable to the owners of the Company				
	Other reserves (Note (i)) HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 April 2018	1,586,311	201,941	10,963	625,793	2,425,008
Loss for the year	–	–	–	(298,511)	(298,511)
Other comprehensive loss:					
— Currency translation difference	–	(115,012)	–	–	(115,012)
— Share of other comprehensive loss of joint venture	–	(213)	–	–	(213)
	–	(115,225)	–	–	(115,225)
Total comprehensive loss	–	(115,225)	–	(298,511)	(413,736)
Transactions with owners					
Share option scheme:					
Equity-settled share-based compensation (Note 32)	–	–	5,630	–	5,630
Dividends (Note 14)	–	–	–	(95,734)	(95,734)
	–	–	5,630	(95,734)	(90,104)
As at 31 March 2019	1,586,311	86,716	16,593	231,548	1,921,168

31 RESERVES *(Continued)*

	Attributable to the owners of the Company				
	Other reserves (Note (i)) HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 April 2017	990,827	111,279	2,950	444,190	1,549,246
Profit for the year	–	–	–	326,968	326,968
Other comprehensive income:					
— Currency translation differences	–	90,662	–	–	90,662
Total comprehensive income	–	90,662	–	326,968	417,630
Transactions with owners					
Issue of ordinary shares upon acquisition of V. Success (Note (ii))	588,000	–	–	–	588,000
Share option scheme:					
— Equity-settled share-based compensation (Note 32)	–	–	9,424	–	9,424
— Proceeds from shares issued upon exercise of share options (Note 30(ii))	6,073	–	–	–	6,073
— Exercise of share options (Note 30(ii))	1,411	–	(1,411)	–	–
Dividends (Note 14)	–	–	–	(145,365)	(145,365)
	595,484	–	8,013	(145,365)	458,132
As at 31 March 2018	1,586,311	201,941	10,963	625,793	2,425,008

Notes:

(i) Other reserves represent mainly the share premium (HK$2,362,974,000), and fair value of the consideration given in excess of the paid-in capital of the companies comprising the Group in relation to the Company's reorganisation.

(ii) On 15 December 2017, the Company issued 200,000,000 ordinary shares at the issue price of HK$2.95 per share as part of the consideration for the acquisition of V. Success. This resulted in share premium of HK$588,000,000 in total.

32 SHARE-BASED PAYMENTS

Movements of the share options under the share option scheme during the year ended 31 March 2019 are as follows:

Date of Grant	Exercise Price HK$	Exercise Period	Number of share options As at 1 April 2018	Granted during the year	Exercised during the year	Cancelled during the year	As at 31 March 2019
Directors							
29 August 2016	1.394	29 August 2017 to 28 August 2026	**8,000,000**	**–**	**–**	**(1,000,000)**	**7,000,000**
28 August 2017	1.462	28 August 2018 to 27 August 2027	**13,000,000**	**–**	**–**	**(2,000,000)**	**11,000,000**
20 April 2018	1.700	20 April 2019 to 19 April 2028	**–**	**1,500,000**	**–**	**–**	**1,500,000**
Other employees of the Group							
29 August 2016	1.394	29 August 2017 to 28 August 2026	**15,042,000**	**–**	**–**	**(1,186,000)**	**13,856,000**
28 August 2017	1.462	28 August 2018 to 27 August 2027	**46,400,000**	**–**	**–**	**(6,400,000)**	**40,000,000**
Total			**82,442,000**	**1,500,000**	**–**	**(10,586,000)**	**73,356,000**

Movements of the share options under the share option scheme during the year ended 31 March 2018 are as follows:

Date of Grant	Exercise Price HK$	Exercise Period	Number of share options As at 1 April 2017	Granted during the year	Exercised during the year	Cancelled during the year	As at 31 March 2018
Directors							
29 August 2016	1.394	29 August 2017 to 28 August 2026	8,500,000	–	(500,000)	–	8,000,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	–	13,000,000	–	–	13,000,000
Other employees of the Group							
29 August 2016	1.394	29 August 2017 to 28 August 2026	19,600,000	–	(3,892,000)	(666,000)	15,042,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	–	46,800,000	–	(400,000)	46,400,000
Total			28,100,000	59,800,000	(4,392,000)	(1,066,000)	82,442,000

32 SHARE-BASED PAYMENTS *(Continued)*

The share options granted to the above directors and other employees of the Group shall be vested in three equal tranches. The vesting periods of the share options are between the dates of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the share options are as follows:

Share options	**Vesting period**	**Exercise period**
Granted on 29 August 2016		
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2017	29 August 2017 to 28 August 2026
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2018	29 August 2018 to 28 August 2026
9,366,668 share options	29 August 2016 to 28 August 2019	29 August 2019 to 28 August 2026
Granted on 28 August 2017		
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2018	28 August 2018 to 27 August 2027
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2019	28 August 2019 to 27 August 2027
19,933,334 share options	28 August 2017 to 27 August 2020	28 August 2020 to 27 August 2027
Granted on 20 April 2018		
500,000 share options	20 April 2018 to 19 April 2019	20 April 2019 to 19 April 2028
500,000 share options	20 April 2018 to 19 April 2020	20 April 2020 to 19 April 2028
500,000 share options	20 April 2018 to 19 April 2021	20 April 2021 to 19 April 2028

32 SHARE-BASED PAYMENTS *(Continued)*

The Company has used the Binomial Model for assessing the fair value of the share options granted. According to the Binomial Model, the fair value of the options granted during the year ended 31 March 2019 measured as at the date of grant was approximately in a range of HK$0.478 to HK$0.482 (2018: HK$0.335 to HK$0.482) for each of the three tranches, taking into account various factors, variables and assumptions which include the following:

	Date of grant		
	29 August 2016	**28 August 2017**	**20 April 2018**
Risk-free interest rate	1.01%	1.50%	1.50%
Expected volatility	40.28%	39.02%	39.02%
Expected annual dividend yield	3.95%	3.83%	3.83%

The total expense of HK$5,630,000 (2018: HK$9,424,000) for the share options granted to the directors and employees was recognised as "employment benefit expenses" for the year ended 31 March 2019.

33 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations:

	2019 HK$'000	2018 HK$'000
(Loss)/profit before income tax	**(275,043)**	376,949
Finance income	**(4,205)**	(4,263)
Finance expenses	**48,863**	22,943
Depreciation of property, plant and equipment	**186,254**	162,846
Depreciation of investment properties	**134**	134
Net gains on investments	**(5,467)**	(5,276)
Net gains on disposals of property, plant and equipment	**(600)**	(17,375)
Provision for impairment of inventories	**6,836**	7,537
Impairment loss on intangible assets	**521,577**	–
Amortisation of land use rights	**1,086**	1,103
Amortisation of technical knowhow	**13,664**	4,130
Equity-settled share-based compensation	**5,630**	9,424
Fair value gains on derivative financial instruments	**(937)**	(6,577)
Share of post-tax loss of a joint venture	**496**	2
Exchange difference	**(14,507)**	–
Changes in working capital:		
Inventories	**(305,397)**	(382,681)
Trade receivables	**10,058**	77,728
Prepayments, deposits, other receivables and other assets	**(244,063)**	(28,654)
Trade and bills payables	**112,798**	19,828
Accruals and other payables	**264**	(23,457)
Derivative financial instruments	**6,577**	–
Cash generated from operations	**64,018**	214,341

33 CASH GENERATED FROM OPERATIONS *(Continued)*

(b) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2019 HK$'000	2018 HK$'000
Net book amount (Note 16)	**418**	929
Net gains on disposals of property, plant and equipment recognised in consolidated income statement	**600**	17,375
Proceeds from disposals of property, plant and equipment	**1,018**	18,304
Proceeds from disposals of property, plant and equipment included in consolidated cash flow statement:		
— Cash flows from investing activities	**1,018**	18,304
	1,018	18,304

(c) Significant non-cash transactions:

(i) Purchase of plant and machinery of HK$140,078,000 for the year ended 31 March 2019 (2018: HK$87,146,000) were made under finance lease arrangement (Note 25).

(ii) During the year ended 31 March 2018, the Group acquired the entire share capital of V. Success pursuant to the share transfer agreement dated 28 September 2017. The purchase consideration was satisfied by cash of HK$206,000,000 and issuance of 200,000,000 ordinary shares of the Company as consideration shares (Note 37).

(d) Reconciliation of liabilities arising from financing activities:

	Borrowings HK$'000	**Finance lease obligations** HK$'000
As at 1 April 2017	469,959	324,446
Cash inflow/(outflow)	789,255	(270,786)
Non-cash change	330,717	394,700
As at 31 March 2018	1,589,931	448,360
As at 1 April 2018	1,589,931	448,360
Cash inflow/(outflow)	(79,418)	(168,280)
Non-cash change	–	140,078
As at 31 March 2019	1,510,513	420,158

34 COMMITMENTS

(a) Operating lease commitments

As at 31 March 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**12,575**	3,331
Later than one year and not later than five years	**20,370**	1,119
	32,945	4,450

(b) Operating lease arrangements

At 31 March 2019, the aggregate future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's investment properties are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**132**	264

(c) Capital commitments

At 31 March 2019, the capital expenditure contracted but not yet incurred is as follows:

	2019 HK$'000	2018 HK$'000
Property, plant and equipment contracted but not provided for	**82,575**	171,604

35 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following is a summary of significant related party transactions which, in the opinion of the directors, are entered into the ordinary course of business between the Group and its related parties, and the balances arising from related party transactions.

Name of related parties	Relationship with the Group
Hanyi Investments Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director) , Mr. Wong Ting Chun (Executive Director) and Mr. Wong Ting Kau (Non-executive Director)
Huizhou Lijia Clothing Company Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive officer and Executive Director), Mr. Wong Ting Chun (Executive Director), Mr. Wong Wai Wing, Raymond (Executive Director), Mr. Wong Ting Kau (Non-executive Director) and Mr. Lau Ka Keung (Non-executive Director, resigned with effect from 16 April 2018)
Huizhou Lixin Technology Company Limited	Controlled by Ms. Teresa Wong (the daughter of Mr. Wong Ting Chung) (Chairman, Chief Executive officer and Executive Director)
V. Success (HK) Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director) before the completion of the acquisition of V. Success on 15 December 2017
V. Success (Vietnam) Knitting Company Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director) before the completion of the acquisition of V. Success on 15 December 2017
Huizhou Gangsheng Property Co., Ltd.	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director), Mr. Wong Wai Yue (Executive Director and Vice Chairman), Mr. Wong Wai Wing, Raymond (Executive Director), Mr. Wong Ting Chun (Executive Director), Mr. Wong Ting Kau (Non-executive Director) and Mr. Lin Xiugao, the cousin of Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director)
Champ Gear Investments Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director) before the completion of the acquisition in April 2017
Mr. Tam Wai Hung, David	Non-executive Director
Mr. Wong Ting Chung	Chairman, Chief Executive Officer and Executive Director
Hebei Yuteng Cashmere Products Co., Ltd.	The non-controlling interests of a subsidiary of the Group
Hebei Rongcang Warehousing Service Co., Ltd.	Controlled by two directors of the non-controlling interests of a subsidiary of the Group
Hebei Meixian Cashmere Textile Technology Co., Ltd.	Controlled by a relative of two directors of the non-controlling interests of a subsidiary of the Group
SML & FT (Vietnam) Limited	Wholly owned subsidiary of a joint venture formed between the Group and an independent third party

35 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant transactions

	Note	2019 HK$'000	2018 HK$'000
Continuing transactions:			
Hotel services fee charged by Huizhou Gangsheng Property Co., Ltd.	(i)	**1,792**	2,038
Consultancy fee charged by Mr. Tam Wai Hung, David	(i)	**–**	1,000
Rental charged by Huizhou Lijia Clothing Company Limited and Huizhou Lixin Technology Company Limited	(i)	**6,744**	2,442
Rental charged by Hanyi Investments Limited	(i)	**2,988**	2,785
Purchase of cashmere from Hebei Yuteng Cashmere Products Co., Ltd.	(i)	**220,167**	–
Subcontracting fee charged by Hebei Rongcang Warehousing Service Co., Ltd.	(i)	**1,501**	–
Purchase of labels and hang tags from SML & FT (Vietnam) Limited	(i)	**2,806**	–
Non-recurring transactions:			
Rental charged to V. Success (Vietnam) Knitting Company Limited (pre-acquisition)	(i)	**–**	1,319
Sales of packaging materials to V. Success (HK) Limited (pre-acquisition)	(i)	**–**	1,959
Acquisition of V. Success from Mr. Wong Ting Chung	(ii) & Note 37	**–**	796,000
Acquisition of Champ Gear from Mr. Wong Ting Chung	(ii) & Note 38	**–**	6,900
Purchase of yarn and spinning equipment from Hebei Meixian Cashmere Textile Technology Co., Ltd.	(i)	**55,379**	–

Notes:

(i) Terms of transactions are mutually agreed between the relevant parties.

(ii) The acquisition made at price mutually agreed by the relevant parties and made reference to the valuation provided by qualified independent valuer.

35 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Year end balances

	Note	2019 HK$'000	2018 HK$'000
Prepayment to Hebei Yuteng Cashmere Products Co., Ltd.	(i)	**270,345**	–
Trade payable to SML & FT (Vietnam) Limited	(ii)	**2,100**	–
Trade payable to Hebei Meixian Cashmere Textile Technology Co., Ltd.	(ii)	**53,718**	–
Trade payable to Hebei Yuteng Cashmere Products Co., Ltd.	(ii)	**19,127**	–
Other payable to Hebei Meixian Cashmere Textile Technology Co., Ltd.	(ii)	**1,661**	–

Note:

(i) Prepayment was presented in the consolidated balance sheet within "Prepayments, deposits, other receivables and other assets" (Note 22).

(ii) Payables were presented in the consolidated balance sheet within"Trade and bills payables, accruals and other payables" (Note 26).

(c) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2019 HK$'000	2018 HK$'000
Salaries, pension costs and other short-term employee benefits	**19,336**	19,622
Bonuses	**2,950**	1,389
Equity-settled share-based compensation	**2,956**	4,647
	25,242	25,658

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

The remuneration of each director and the chief executive officer for the year ended 31 March 2019 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings						
Name	**Fees** HK$'000	**Salary** HK$'000	**Discretionary bonuses** HK$'000	**Other benefits** HK$'000	**Employer's contribution to pension scheme** HK$'000	**Equity-settled share-based compensation** HK$'000	**Total** HK$'000
Executive directors:							
Mr. Wong Ting Chung (Chairman and chief executive officer) (Note (iv))	120	2,900	900	–	18	129	4,067
Mr. Wong Wai Yue (Vice Chairman) (Note (iv))	120	1,450	350	–	18	–	1,938
Mr. Wong Wai Wing, Raymond (Note (iv))	120	1,260	150	5	18	129	1,682
Mr. Wong Ting Chun (Note (iv))	120	2,129	1,200	–	18	129	3,596
Mr. Li Po Sing (Note (iv))	120	1,800	750	24	18	301	3,013
Ms. Chan Mei Hing, Aurora (Note (i) & (iv))	70	821	147	–	11	329	1,378
Non-executive directors:							
Mr. Tam Wai Hung, David	300	–	–	–	–	215	515
Mr. Wong Ting Kau (Note (iv))	120	1,210	120	–	24	–	1,474
Mr. Lau Ka Keung (Note (ii))	–	–	–	–	–	–	–
Independent non-executive directors:							
Ms. Fan Chiu Fun, Fanny	300	–	–	–	–	129	429
Mr. Kan Chung Nin, Tony	300	–	–	–	–	129	429
Mr. Ong Chor Wei	300	–	–	–	–	129	429
Mr. Fan Chun Wah, Andrew	300	–	–	–	–	129	429
Ms. Lee Bik Kee, Betty	300	–	–	–	–	129	429
Mr. Ip Shu Kwan, Stephen (Note (iii))	288	–	–	–	–	416	704
	2,878	11,570	3,617	29	125	2,293	20,512

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(Continued)*

The remuneration of each director and the chief executive officer for the year ended 31 March 2018 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings						
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Equity-settled share-based compensation HK$'000	Total HK$'000
Executive directors:							
Mr. Wong Ting Chung (Chairman and chief executive officer) (Note (iv))	120	3,900	–	–	18	279	4,317
Mr. Wong Wai Yue (Vice Chairman) (Note (iv))	120	620	–	–	10	–	750
Mr. Wong Wai Wing, Raymond (Note (iv))	120	1,950	–	14	18	279	2,381
Mr. Wong Ting Chun (Note (iv))	120	2,753	–	–	18	279	3,170
Mr. Li Po Sing (Note (iv))	120	1,950	600	27	18	625	3,340
Ms. Chan Mei Hing, Aurora (Note (iv))	120	1,365	248	–	18	625	2,376
Non-executive directors:							
Mr. Tam Wai Hung, David	120	–	–	–	–	446	566
Mr. Wong Ting Kau (Note (iv))	120	605	–	–	11	–	736
Mr. Lau Ka Keung	120	–	–	–	6	–	126
Independent non-executive directors:							
Ms. Fan Chiu Fun, Fanny	300	–	–	–	–	260	560
Mr. Kan Chung Nin, Tony	300	–	–	–	–	260	560
Mr. Ong Chor Wei	300	–	–	–	–	260	560
Mr. Fan Chun Wah, Andrew	300	–	–	–	–	260	560
Ms. Lee Bik Kee, Betty	300	–	–	–	–	260	560
	2,580	13,143	848	41	117	3,833	20,562

Notes:

(i) Ms. Chan Mei Hing, Aurora resigned as an Executive Director with effect from 31 October 2018.

(ii) Mr. Lau Ka Keung resigned as an Non-executive Director with effect from 16 April 2018.

(iii) Mr. Ip Shu Kwan, Stephen was appointed as an Independent Non-executive Director with effect from 16 April 2018.

(iv) The remuneration shown above included remuneration received from the Group by the directors in their capacity as employees of the subsidiaries during the years ended 31 March 2019 and 2018.

(v) No remunerations were paid or receivable in respect of accepting office as directors during the year ended 31 March 2019 (2018: Nil).

(vi) No directors waived any emoluments during the year ended 31 March 2019 (2018: Nil).

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(Continued)*

(a) Directors' retirement benefits

There were no retirement benefits paid to directors during the year ended 31 March 2019 (2018: Nil) by a defined benefit pension plan operated by the Group in respect of the service as a director of the Company and its subsidiaries.

(b) Directors' termination benefits

During the year ended 31 March 2019, there was no board resolution to early terminate of the directors' appointment in office (2018: Nil).

(c) Consideration provided to third parties for making available of directors' services

No consideration was provided to third parties for making available of directors' services during the year ended 31 March 2019 (2018: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There was no arrangement in relation to loans, quasi-loans and other dealings between the Group and the directors, subsisted at the end of the year or at any time during the year ended 31 March 2019 (2018: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Saved as disclosed in Note 35, there are no significant transactions, arrangements and contracts in relation to Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2019.

For the year ended 31 March 2018, Mr. Wong Ting Chung ("Mr. Wong"), had material interests in the following transactions:

(i) On 28 September 2017, Nameson Group Limited ("Nameson Group"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Wong, pursuant to which Nameson Group agreed to acquire the entire issued share capital of V. Success held by Mr. Wong, at the consideration of HK$796,000,000 (the "Acquisition I"). The Acquisition I was completed on 15 December 2017 (Note 37).

(ii) On 3 April 2017, Nameson Group entered into a share transfer agreement with Mr. Wong, pursuant to which Nameson Group agreed to acquire the entire issued share capital of Champ Gear held by Mr. Wong, at the consideration of HK$6,900,000 (the "Acquisition II"). The Acquisition II was completed in April 2017 (Note 38).

Mr. Wong is the chairman, chief executive officer, an executive director and a substantial shareholder of the Company, Mr. Wong is therefore a connected person of the Company for the purpose of the Listing Rules and accordingly, the Acquisitions I and II constituted connected transactions for the Company under the Listing Rules.

37 BUSINESS COMBINATION

Acquisition of V. Success Limited ("V. Success")

On 28 September 2017, Nameson Group Limited ("Nameson Group"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Wong Ting Chung ("Mr. Wong"), the substantial shareholder of the Company, pursuant to which Nameson Group agreed to acquire the entire issued share capital of V. Success held by Mr. Wong, (the "Acquisition"). The Acquisition was completed on 15 December 2017 (the "Acquisition Date").

The consideration for the Acquisition was satisfied by cash in the amount of HK$206,000,000 and by the issuance of 200,000,000 ordinary shares of the Company as consideration shares which amounted to HK$590,000,000 as at the Acquisition Date. The fair value of the 200,000,000 consideration shares was based on the published market price of the Company's ordinary shares at HK$2.95 per share on the Acquisition Date.

Upon completion of the Acquisition, the Group intends to diversify its products in the medium to long term, and such product diversification will allow more opportunity for the Group to further collaborate with existing customers in a wider range of the products, thereby reinforcing customer loyalty and confidence. The goodwill of HK$493,910,000 and technical knowhow of HK$110,208,000 arising from the Acquisition were attributable to enhance the Group's competitiveness in the apparel industry, and to facilitate the increasing demand for more diversified products and services from its customers. None of the goodwill recognised was expected to be deductible for income tax purposes.

The fair value of the 200,000,000 consideration shares was based on the published market price of the Company's ordinary shares on 15 December 2017 at HK$2.95 per share.

The revenue included in the consolidated income statement for the period from 15 December 2017 to 31 March 2018 contributed by V. Success and its subsidiaries ("V. Success Group") was HK$71,834,000. V. Success Group contributed net loss of HK$2,809,000 over the same period. The net cash outflow from the Acquisition amounted to HK$91,536,000 during the year ended 31 March 2018, which mainly comprised cash consideration of HK$206,000,000 offset by cash and cash equivalents of approximately HK$114,464,000 acquired from V. Success Group. Had V. Success Group been consolidated from 1 April 2017, the consolidated revenue and net profit of V. Success Group for the year ended 31 March 2018 of HK$434,506,000 and HK$77,451,000 would be included in Group's consolidated income statement, which would indicate pro-forma revenue of HK$3,809,087,000 and net profit of HK$407,228,000.

Acquisition related costs of HK$3,137,000 which were not directly attributable to the issuance of consideration shares were included in other expenses in the consolidated income statement and in operating cash flow in the consolidated cash flow statement.

	As at 15 December 2017 HK$'000
Purchase consideration:	
— Cash consideration paid	206,000
— 200,000,000 ordinary shares issued as consideration shares	590,000
Total purchase consideration	796,000
Fair value of net assets acquired (see below)	(302,090)
Goodwill	493,910

37 BUSINESS COMBINATION *(Continued)*

Acquisition of V. Success Limited ("V. Success") *(Continued)*

The fair value of assets and liabilities arising from the acquisition are as follows:

	HK$'000
Property, plant and equipment	544,654
Intangible assets (Technical knowhow)	110,208
Inventories	25,374
Trade receivables	124,853
Prepayments, deposits and other receivables	78,095
Cash and cash equivalents	114,464
Trade payables	(17,496)
Accruals and other payables	(77,946)
Borrowings	(579,271)
Current income tax liabilities	(6,139)
Deferred income tax liabilities (Note 27)	(14,706)
Fair value of net assets acquired	302,090
Net cash outflow arising on acquisition:	
Cash consideration paid	(206,000)
Cash and cash equivalents acquired	114,464
	(91,536)

38 ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

In April 2017, the Group acquired the entire issued share capital of Champ Gear Investments Limited ("Champ Gear") which owns 100% equity interest in S. Power (HK) Limited, which in turn holds the entire issued share capital of S. Power (Vietnam) Textile Limited, which owns a land use right in Vietnam. Following the completion of the acquisition, Champ Gear became a wholly-owned subsidiary of the Company. The assets acquired and liabilities assumed did not constitute a business combination as defined in HKFRS 3 "Business Combinations" and therefore, the acquisition was accounted for as assets acquisition.

The assets acquired and liabilities assumed in the transaction were as follows:

	HK$'000
Land use rights	52,750
Property, plant and equipment	330
Prepayments, deposits and other receivables	8,863
Cash and cash equivalents	4,111
Accruals and other payables	(154)
Borrowings	(59,000)
Fair value of net assets acquired	6,900
Net cash outflow arising on acquisition:	
Cash consideration paid	(6,900)
Cash and cash equivalents acquired	4,111
	(2,789)

The following values of the identifiable assets and liabilities have been determined on the following basis as at 31 March 2018:

(a) The fair value of prepayments and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the acquisition date.

(b) The fair value of non-derivative financial liabilities, which includes accruals and other payables, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the acquisition date.

(c) Acquisition-related cost of HK$240,000 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statements of cash flows.

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current asset			
Interest in a subsidiary		**623,000**	623,000
Current assets			
Prepayments, deposits, other receivables and other assets		**280**	982
Amount due from a subsidiary		**1,470,714**	1,275,804
Cash and cash equivalents		**4,415**	6,227
		1,475,409	1,283,013
Total assets		**2,098,409**	1,906,013
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**22,794**	22,794
Reserves	(a)	**1,874,287**	1,881,489
Total equity		**1,897,081**	1,904,283
LIABILITIES			
Non-current liabilities			
Bank borrowings		**200,000**	–
Current liabilities			
Accruals and other payables		**450**	1,080
Amount due to a subsidiary		**878**	650
		1,328	1,730
Total liabilities		**201,328**	1,730
Total equity and liabilities		**2,098,409**	1,906,013

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Reserve movement of the Company

	Other reserves HK$'000	**Share option reserve** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000
As at 31 March 2017 and 1 April 2017	1,271,099	2,950	1,446	1,275,495
Issue of ordinary shares upon acquisition of V. Success	588,000	–	–	588,000
Profit for the year	–	–	147,862	147,862
Dividends (Note 14)	–	–	(145,365)	(145,365)
Share option scheme:				
— Equity-settled share-based compensation (Note 32)	–	9,424	–	9,424
— Proceeds from shares issued upon exercise of share options (Note 30(ii))	6,073	–	–	6,073
— Exercise of share options (Note 30(ii))	1,411	(1,411)	–	–
As at 31 March 2018 and 1 April 2018	1,866,583	10,963	3,943	1,881,489
Profit for the year	–	–	82,902	82,902
Dividends (Note 14)	–	–	(95,734)	(95,734)
Share option scheme:				
— Equity-settled share-based compensation (Note 32)	–	5,630	–	5,630
As at 31 March 2019	1,866,583	16,593	(8,889)	1,874,287

Financial Summary

RESULTS

	Year ended 31 March				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**4,359,050**	3,446,415	2,797,193	2,775,345	2,567,667
Cost of sales	**(3,686,670)**	(2,734,273)	(2,134,571)	(2,171,417)	(1,994,299)
Gross profit	**672,380**	712,142	662,622	603,928	573,368
(Loss)/profit before income tax	**(275,043)**	376,949	380,614	271,414	313,885
Income tax expenses	**(25,425)**	(49,981)	(52,483)	(39,527)	(40,539)
(Loss)/profit for the year	**(300,468)**	326,968	328,131	231,887	273,346
(Loss)/profit for the year attributable to:					
Owners of the Company	**(298,511)**	326,968	328,131	231,887	273,346
Non-controlling interests	**(1,957)**	–	–	–	–
	(300,468)	326,968	328,131	231,887	273,346

ASSETS AND LIABILITIES

	As at 31 March				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Non-current assets	**2,539,377**	2,857,296	1,459,837	1,085,097	1,116,085
Current assets	**2,084,220**	2,126,305	1,272,224	726,530	1,268,944
Total assets	**4,623,597**	4,983,601	2,732,061	1,811,627	2,385,029
Total equity	**2,046,967**	2,447,802	1,569,996	657,293	1,121,335
Capital and reserves attributable to:					
Owners of the Company	**1,943,962**	2,447,802	1,569,996	657,293	1,121,335
Non-controlling interests	**103,005**	–	–	–	–
	2,046,967	2,447,802	1,569,996	657,293	1,121,335
Non-current liabilities	**936,231**	852,400	381,279	170,960	143,568
Current liabilities	**1,640,399**	1,683,399	780,786	983,374	1,120,126
Total liabilities	**2,576,630**	2,535,799	1,162,065	1,154,334	1,263,694
Total equity and liabilities	**4,623,597**	4,983,601	2,732,061	1,811,627	2,385,029
Net current assets/(liabilities)	**443,821**	442,906	491,438	(256,844)	148,818