



南旋控股有限公司 Nameson Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1982



2020
Interim Report



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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
(Resigned with effect from 30 November 2019)
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
(Resigned with effect from 30 November 2019)
Mr. Wong Ting Chun
Mr. Li Po Sing

COMPANY SECRETARY

Mr. Tao Chi Keung, *HKICPA, ACCA*

AUTHORISED REPRESENTATIVES

Mr. Wong Wai Yue
(Appointed with effect from 30 November 2019)
Mr. Wong Wai Wing, Raymond
(Resigned with effect from 30 November 2019)
Mr. Tao Chi Keung, *HKICPA, ACCA*

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units A–C, 21/F, Block 1
Tai Ping Industrial Centre
57 Ting Kok Road
Tai Po, New Territories
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

CORPORATE INFORMATION (CONTINUED)

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISER

Reed Smith Richards Butler
20/F, Alexandra House
18 Chater Road
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

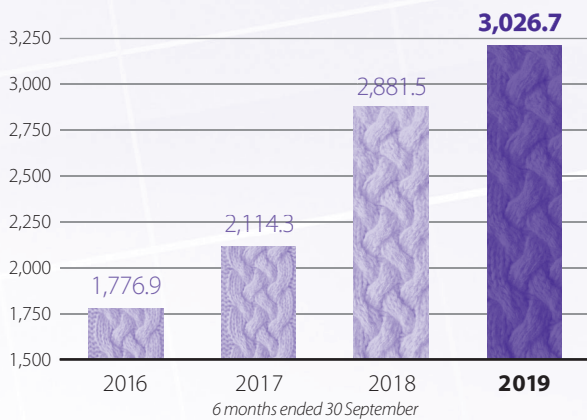
WEBSITE OF THE COMPANY

<http://www.namesonholdings.com>

FINANCIAL HIGHLIGHTS

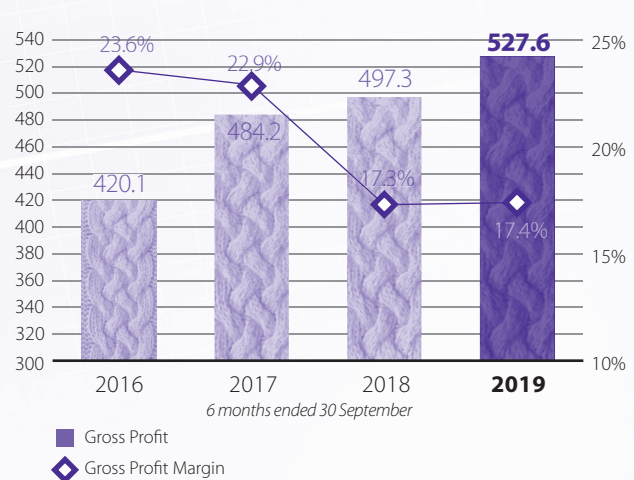
REVENUE

(HK\$'M)



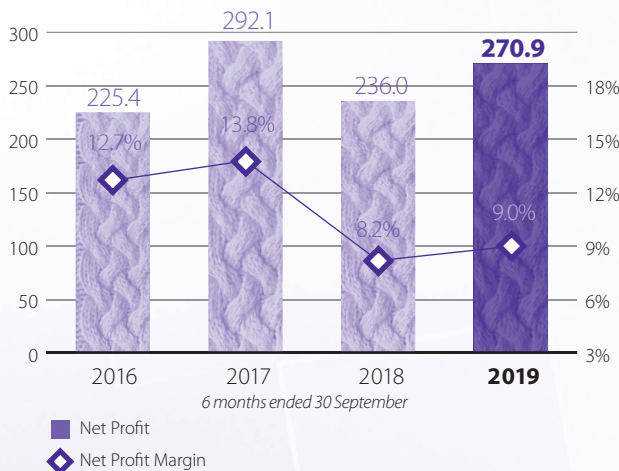
GROSS PROFIT

(HK\$'M)



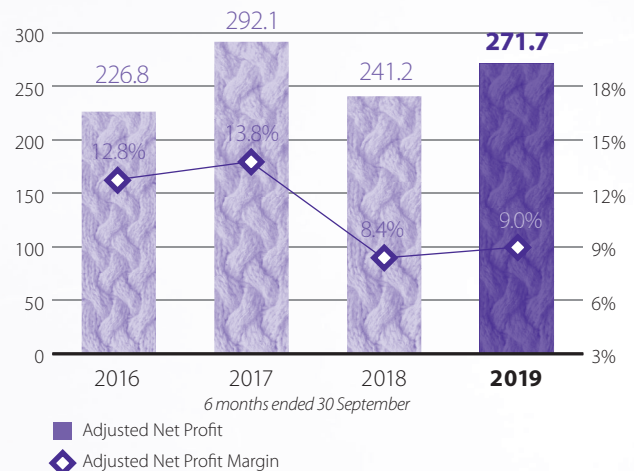
NET PROFIT

(HK\$'M)



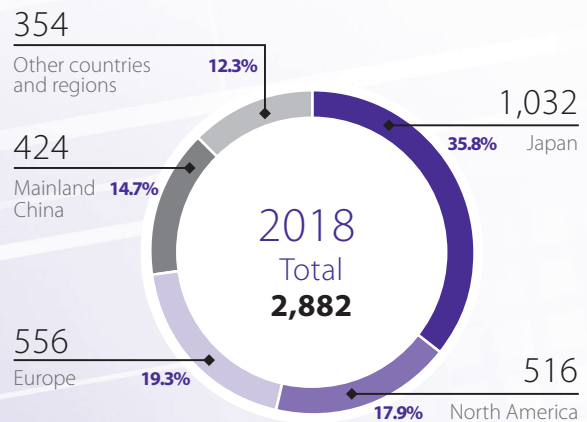
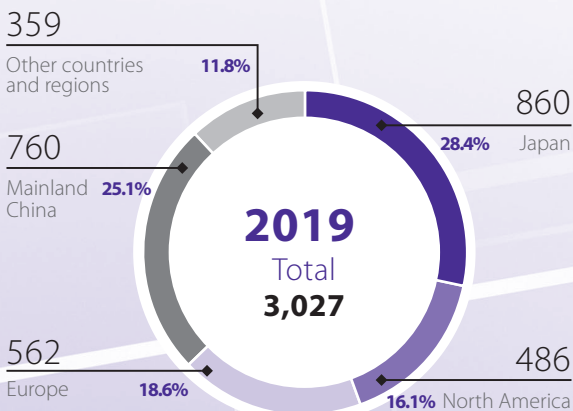
ADJUSTED NET PROFIT (Note)

(HK\$'M)



REVENUE BY GEOGRAPHICAL REGIONS

(HK\$'M)



Note: Adjusted net profit means net profit for the period without taking into account realised and unrealised (losses)/gains from derivative financial instruments.

CHAIRMAN'S STATEMENT

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 interim financial information of the Company and its subsidiaries (the "Group" or "Nameson") for the six months ended 30 September 2019 ("First Half of Financial Year 2020" or the "reporting period").

MARKET REVIEW

The ongoing discussions between the US-China trade deal, even though seemingly stopped escalating, inevitably cast an unpredictable shadow on the overall global sentiment and end-customer consumption. On the other hand, raw material price trends are seeing signs of stabilisation, and Renminbi depreciation during the reporting period played a part in alleviating the Group's costs. Yet, customer orders were more prudent and thus the Group's sales volume in the knitted sweater business was more sluggish compared to the corresponding period last year.

The knitwear industry in China recorded a sales decline during the reporting period. 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 dropped by 2.3% to US\$50.2 billion during the First Half of Financial Year 2020, against an increase of 5.5% in the corresponding period last year. The total export value of knitwear from China to the United States, Japan and Europe recorded a decline of 0.4%, 8.7% and 5.3% respectively. Vietnam, on the other hand, continued to record an increase in exports of textiles and garments across Japan and the United States, totaling an increase of 9.1% in the total export value of textiles and garments to US\$17.5 billion in the First Half of Financial Year 2020.

BUSINESS REVIEW

Despite a slight decline in terms of sales volume in the knitted sweater business arising from more prudent customer orders, the Group's revenue recorded a modest increase of 5.0% to HK\$3,026.7 million arising from an increase in average selling price due to changes in product mix, as well as the increase in sales of other products in the knitwear products segment.

Seeing the shift of customer preferences in terms of manufacturing origin to outside of China, the Group's early entrance into Vietnam enabled it to offer customers production flexibility and product offerings with consistent quality. Regarding the scope in domestic production, the Group was also able to secure a notable growth in domestic orders to fulfill the capacity that has seen a shift to non-China manufacturing base. This testifies the Group's ongoing effort in product innovation and client servicing as an industry-leading knitwear manufacturer, as well as our effort to bring diversity to our client base. The Group's revenue attributable to the Chinese market, hence, recorded a surge of 79.2%, while the revenue attributable to the Japanese and North American markets declined by 16.7% and 5.6% respectively mainly due to the prudence observed from customer orders, as well as the unpredictability on global economy attributable to the US-China trade friction.

Apart from the shift in manufacturing origin, customer specifications and expectations on delivery schedules are becoming tighter over the years. Nevertheless, the Group favourably benefits from longstanding customer relationships that enabled it to make better planning and allocation of its manufacturing facilities. The Group's gross profit increased by 6.1% to HK\$527.6 million, and gross profit margin was 17.4%, demonstrating the Group's strenuous efforts in enhancing operational efficiencies despite the generally more challenging business environment. This has taken into account the lower gross profit margin summated from its cashmere yarn products.

Despite higher finance costs due to higher interest rates during the reporting period, the Group meticulously managed other costs such as selling, distribution and administrative expenses during the First Half of Financial Year 2020. As such, the Group's net profit improved by 16.0% to HK\$273.8 million, and net profit margin also increased to 9.0% during the reporting period. The Board has recommended the payment of an interim dividend of 4.3 HK cents per share to the Company's shareholders for their unwavering support.

CHAIRMAN'S STATEMENT (CONTINUED)

FUTURE STRATEGIES AND PROSPECTS

Looking ahead, the Group's expansion into the upstream business and its jointly established cashmere spinning factory with a quality cashmere manufacturer is expected to further smoothen the Group's production of cashmere knitwear and further drive operational efficiencies.

Seeing the continued trend for more customers seeking to shift their orders to other Southeast Asian regions, the Group's new factory in Myanmar is under construction. 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 production capacity ratio to overseas production in response to the changing customer preferences.

The Group also devoted resources in developing the business projects of weaving, printing and dyeing of fabric for production. It is expected that trial production will commence toward the beginning of the next financial year. The Group is confident that developing a diversified product portfolio will be accretive to our income source and customer base, as well as contribute to our leading position in the industry.

With our aspiration to spearhead the industry, the Group is devoted to continuously improve its design and material development ability, tap into ever changing customer demand and end user preferences, be persistent in further enhancing operational efficiencies and generate greater returns to shareholders.

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

Wong Ting Chung

Chairman and Chief Executive Officer

22 November 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Board”) of Nameson Holdings Limited (the “Company”) herewith announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2019. This interim financial report has been reviewed by the Company’s audit committee and the Company’s auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

FINANCIAL REVIEW

	Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Revenue	3,026,746	2,881,477
Cost of sales	(2,499,164)	(2,384,197)
Gross profit	527,582	497,280
Other income	5,679	4,966
Other gains, net	21,577	6,106
Selling and distribution expenses	(25,869)	(28,402)
General and administrative expenses	(180,073)	(190,525)
Operating profit	348,896	289,425
Share of post-tax profit/(loss) of a joint venture	598	(338)
Finance income	1,561	2,113
Finance expenses	(39,002)	(28,209)
Finance expenses, net	(37,441)	(26,096)
Profit before income tax	312,053	262,991
Income tax expenses	(38,278)	(27,010)
Profit for the period	273,775	235,981
Profit for the period attributable to:		
— Owners of the Company	270,935	235,981
Add:		
Net realised and unrealised losses from derivative financial instruments	717	5,283
Adjusted net profit	271,652	241,264

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2019 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as children's wear, scarfs, hats, gloves and cashmere yarns, to our customers. As a result of the acquisition of V. Success Group in December 2017, the Group's revenue for the six-month periods ended 30 September 2019 and 2018 also included the revenue generated from sales of knitted upper for footwear and knitted upper shoes of HK\$83.6 million and HK\$100.9 million respectively.

The Group's revenue from sales of knitwear products slightly increased by 5.8% to HK\$2,943.1 million for the six months ended 30 September 2019 from HK\$2,780.6 million for the six months ended 30 September 2018. The increase was mainly attributable to the increase in sales revenue of other knitwear products, which was partially offset by the decrease in total sales revenue of men's and women's knitwear products.

The slight decrease in the total sales revenue of men's and women's knitwear products was mainly due to the decrease in sales volume, which was partially offset by the increase in average selling price. The Group's sales volume of men's and women's knitwear products decreased by 8.6 % from 23.3 million pieces for the six months ended 30 September 2018 to 21.3 million pieces for the six months ended 30 September 2019, while the average selling price of the Group's men's and women's knitwear products increased by 6.3 % from HK\$118.1 per piece for the six months ended 30 September 2018 to HK\$125.6 per piece for the six months ended 30 September 2019.

With the expansion of the Group's business scope and customer base, the Group's top three markets for the six months ended 30 September 2019 were Japan, Mainland China and Europe. The revenue attributable to the Japanese market, Chinese market and European market accounted for 28.4%, 25.1% and 18.6% respectively of the Group's total revenue for the six months ended 30 September 2019.

Cost of Sales

For the six months ended 30 September 2019, the Group incurred cost of sales of HK\$2,499.2 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation of property, plant and equipment and right-of-use assets, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the six months ended 30 September 2019, the Group recorded gross profit of HK\$527.6 million and gross profit margin of 17.4% as compared to the gross profit of HK\$497.3 million and gross profit margin of 17.3% for the six months ended 30 September 2018.

The slight increase in gross profit margin for the six months ended 30 September 2019 was mainly due to (i) the depreciation of Renminbi; and (ii) the decrease in total direct labour costs and subcontracting charges as we have been streamlining the production process to increase the overall production efficiency in our knitwear products segment, such increase was partially offset by the lower gross profit margin of other knitwear products.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Income

Other income primarily consisted of rental income from investment properties, rental income from properties occupied by employees and miscellaneous other income. The other income increased by HK\$0.7 million from HK\$5.0 million for the six months ended 30 September 2018 to HK\$5.7 million for the six months ended 30 September 2019. Such increase was mainly due to the increase in miscellaneous other income.

Other Gains, Net

Other gains primarily consisted of realised and unrealised gains or losses from derivative financial instruments, net foreign exchange gains or losses, net gains or losses on financial assets at fair value through profit or loss and net gains or losses on disposal of property, plant and equipment.

Other gains increased by HK\$15.5 million from HK\$6.1 million for the six months ended 30 September 2018 to HK\$21.6 million for the six months ended 30 September 2019. Such increase was primarily due to (i) the increase in net foreign exchange gains from HK\$9.1 million for the six months ended 30 September 2018 to HK\$19.6 million for the six months ended 30 September 2019; and (ii) the net realised and unrealised losses from derivative financial instruments decreased by HK\$4.6 million from HK\$5.3 million for the six months ended 30 September 2018 to HK\$0.7 million for the six months ended 30 September 2019.

In summary, the other gains for the six months ended 30 September 2019 mainly represented net foreign exchange gains of HK\$19.6 million and net gains on financial assets at fair value through profit or loss of HK\$2.4 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 slightly by HK\$2.5 million, from HK\$28.4 million for the six months ended 30 September 2018 to HK\$25.9 million for the six months ended 30 September 2019. Such decrease was largely in line with the decrease in the Group's sales volume of men's and women's knitwear products.

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 decreased by HK\$10.4 million from HK\$190.5 million for the six months ended 30 September 2018 to HK\$180.1 million for the six months ended 30 September 2019. Such decrease was mainly due to the decrease in staff costs as our Group has implemented some cost control measures to address the turbulent market conditions.

Finance Expenses, Net

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

The Group's net finance expenses increased by HK\$11.3 million from HK\$26.1 million for the six months ended 30 September 2018 to HK\$37.4 million for the six months ended 30 September 2019. The increase in net finance expenses was mainly due to the hike in market interest rates and the increase in bank borrowings to finance the Group's continuous business development and expansion during the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 six-month period ended 30 September 2019 and 2018 respectively on the estimated assessable profits arising in or derived from Hong Kong during the relevant periods.

The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax ("CIT") at a rate of 25% on the estimated assessable profits for the six-month period ended 30 September 2019 and 2018 respectively. 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 period is within the second year of 50% reduction in the BIT rate, whereas, the other two subsidiaries have no assessable profit for the period, and hence no income tax is provided.

The effective tax rates of the Group were 12.3% and 10.3% for the six-month period ended 30 September 2019 and 2018 respectively.

Profit for the Period Attributable to the Owners of the Company

As a result of the foregoing, the Group recorded profit attributable to the owners of the Company of HK\$270.9 million and HK\$236.0 million for the six-month period ended 30 September 2019 and 2018 respectively.

The increase in net profit for the six months ended 30 September 2019 was primarily due to the increase in total sales revenue and the slight improvement in gross profit margin for the six months ended 30 September 2019 which were mainly caused by (i) the increase in sales revenue of other knitwear products as a result of business scope expansion; (ii) the depreciation of Renminbi; and (iii) the decrease in total direct labour costs and subcontracting charges in our knitwear products segment as we have been streamlining the production process to increase the overall production efficiency.

Adjusted Net Profit

Adjusted net profit is a non-HKFRS financial measure and it is derived from net profit attributable to the owners of the Company for the period after excluding 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 increased by HK\$30.5 million from HK\$241.2 million for the six months ended 30 September 2018 to HK\$271.7 million for the six months ended 30 September 2019. The adjusted net profit margin increased from 8.4% for the six months ended 30 September 2018 to 9.0% for the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Consolidated Cash Flow Statement

	Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Net cash generated from operating activities	320,132	183,727
Net cash used in investing activities	(170,076)	(127,509)
Net cash generated from/(used in) financing activities	25,306	(251,928)
Net increase/(decrease) in cash and cash equivalents	175,362	(195,710)
Cash and cash equivalents at beginning of the period	414,844	1,009,477
Exchange difference on cash and cash equivalents	(2,322)	(12,526)
Cash and cash equivalents at end of the period	587,884	801,241

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the six months ended 30 September 2019 was HK\$320.1 million, primarily due to profit before income tax of HK\$312.1 million, adjusted for depreciation of HK\$106.8 million, decrease in inventories of HK\$401.0 million, and increases in trade and bills payables of HK\$68.3 million and accruals and other payables of HK\$46.7 million, which was partially offset by the increase in trade receivables of HK\$543.5 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2019 was HK\$170.1 million, primarily used on the purchase of property, plant and equipment and right-of-use assets of HK\$174.4 million.

Net Cash Generated from Financing Activities

The Group's net cash generated from financing activities for the six months ended 30 September 2019 was HK\$25.3 million, mainly represented the capital contribution from non-controlling interests of HK\$25.2 million.

Cash and Cash Equivalents

For the six months ended 30 September 2019, the Group's cash and cash equivalents increased by HK\$175.4 million and the exchange loss was HK\$2.3 million. The net increase in the Group's cash and cash equivalents was from HK\$414.8 million as at 31 March 2019 to HK\$587.9 million as at 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 September 2019, the Group's cash and cash equivalents was mainly used in the expansion of the Group's business operations, 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 and borrowings. The Group's gearing ratio decreased from 42.6% as at 31 March 2019 to 38.7 % as at 30 September 2019. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings and lease liabilities (finance lease obligations) less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 30 September 2019, the Group's cash and cash equivalents, amounting to HK\$587.9 million, were denominated in US dollars ("US\$") (26.7%), HK\$ (33.7%), Chinese Renminbi ("RMB") (38.5%), Vietnamese Dong ("VND") (0.9%) and other currencies (0.2%).

As at 30 September 2019, the Group's total bank borrowings and lease liabilities (finance lease obligations) were due for repayment as follows:

	As at 30 September 2019 HK\$'000	As at 31 March 2019 HK\$'000
Within one year	382,195	1,001,638
Between one and two years	759,681	399,599
Between two and five years	917,316	529,434
	2,059,192	1,930,671

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 30 September 2019, the Group's total bank borrowings and lease liabilities (finance lease obligations) were denominated in HK\$(77.1%), US\$(21.4%), RMB(1.4%) and VND(0.1%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rate of the Group's bank borrowings as at 30 September 2019 was 3.29%.
- (c) As at 30 September 2019, the Group's certain bank borrowings were secured by financial assets at fair value through profit or loss with a total carrying amount of HK\$163.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK\$211.8 million for the six months ended 30 September 2019, which were mainly related to the purchase of machinery for our factories and the construction of a new production base in Vietnam. These capital expenditures were fully financed by internal resources and borrowings.

The Group's capital commitments as at 30 September 2019 amounted to approximately HK\$147.4 million which were mainly related to the renovation and purchase of machinery for our factories as well as the construction of new production bases in Vietnam and Myanmar.

Charge on Assets

As at 30 September 2019, the Group's right-of-use assets with a total carrying amount of HK\$14.6 million, buildings and leasehold improvements with a total carrying amount of HK\$196.0 million and financial assets at fair value through profit or loss with a total carrying amount of HK\$163.9 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 30 September 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 30 September 2019 is set out below as follows:

Items	Approximate utilised amount up to 30 September 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	14.7
General corporate purposes	54.7
Total	551.6

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investments, Acquisitions and Disposals

The Group had no significant investments, acquisitions and disposals during the six months ended 30 September 2019.

Events after Balance Sheet Date

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

Financial Instruments

The Group did not have any outstanding hedging contracts or financial derivatives as at 30 September 2019.

Financial Risk Management

(a) 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.

The Group did not enter into forward foreign currency contracts to mitigate its foreign currency exposures during the six months ended 30 September 2019. However, there were some outstanding forward foreign currency contracts brought forward from last financial year as the Group would like to mitigate its exposures of RMB against US\$ in light of the appreciation of RMB during the second half of the last financial year. As at 30 September 2019, the Group did not have any outstanding hedging contracts or financial derivatives to hedge against foreign currency risk but the Board will continue to closely monitor the foreign currency risk exposure of our Group and may use financial instruments for hedging purposes as and when necessary.

(b) 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 six months ended 30 September 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(c) 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 30 September 2019, majority of 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.

(d) 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.

Human Resources and Emolument Policy

As at 30 September 2019, the Group had a total of approximately 16,200 full-time employees in the PRC, Vietnam and Hong Kong. For the six months ended 30 September 2019, the total staff costs, including the directors' emoluments, amounted to HK\$495.9 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.

OTHER INFORMATION

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of 4.3 HK cents per share for the six months ended 30 September 2019 (2018: 3.6 HK cents) to be paid to the shareholders of the Company whose names are recorded on the register of members of the Company at the close of business on Wednesday, 11 December 2019. The interim dividend is expected to be payable on or about Tuesday, 24 December 2019.

The Company's register of members will be closed from Monday, 9 December 2019 to Wednesday, 11 December 2019 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Friday, 6 December 2019.

CORPORATE GOVERNANCE

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 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 six months ended 30 September 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.

OTHER INFORMATION (CONTINUED)

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 for the six months ended 30 September 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.

AUDIT COMMITTEE

The audit committee of the Company comprises one non-executive Director, Mr. Tam Wai Hung, David, and four independent non-executive Directors, namely, Mr. Ong Chor Wei (Chairman), Mr. Kan Chung Nin, Tony, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen. The principal duties of the audit committee include the review and supervision of the Group's financial reporting process and internal control system. An audit committee meeting was held on 22 November 2019 to meet with the external auditors of the Company and review the Company's interim financial report for the six months ended 30 September 2019.

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

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

OTHER INFORMATION (CONTINUED)

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures

Save as disclosed below, as at 30 September 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 were as follows:

Long position in the Ordinary Shares/Underlying Shares of the Company

Name of Directors	Nature of interests	Number of ordinary shares/ underlying shares held or interested in	Approximate percentage of the 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%

Resigned as a director of the Company with effect from 30 November 2019

OTHER INFORMATION (CONTINUED)

- 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 30 September 2019.

Details of the above individuals' interests in the underlying shares of the Company are set out in the section on headed "Share Option Scheme" below. Other than the Share Option Scheme (as defined below), at no time during the six months ended 30 September 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.

OTHER INFORMATION (CONTINUED)

Substantial Shareholders' Interests 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 30 September 2019, the following persons or corporations (other than the Directors and chief executive of the 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/Underlying Shares of the Company

Name of substantial shareholders	Nature of interests	Number of ordinary shares/ underlying shares held or interested in	Approximate percentage of the issued share capital of the Company ⁽⁶⁾
Nameson Investment 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 (Resigned as a director of the Company with effect from 30 November 2019) 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 30 September 2019.

OTHER INFORMATION (CONTINUED)

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.

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.

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 unless refreshed. Moreover, unless approved by the shareholders in a general meeting (with the relevant eligible participant and his/her close associates abstaining from voting), the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (if any) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

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 business days immediately preceding the date of grant; and
- (iii) the nominal value of the shares.

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 period no further share options will 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 options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

For the six months ended 30 September 2019, no share options was granted under the Share Option Scheme. As at 30 September 2019, the number of share options that could still be granted under the Share Option Scheme was 110,600,000 share options representing approximately 4.85% of the issued share capital of the Company as at 30 September 2019.

OTHER INFORMATION (CONTINUED)

Details of the movements of the share options granted under the Share Option Scheme during the six months ended 30 September 2019 are as follows:

Grantee	Date of Grant (Note 1)	Exercise Price HK\$	Exercise Period (Note 2)	Number of Share Options					Balance as at 30 September 2019
				Balance as at 1 April 2019	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
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
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	13,856,000	-	-	(552,000)	-	13,304,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	40,000,000	-	-	(3,100,000)	-	36,900,000
Total				73,356,000	-	-	(3,652,000)	-	69,704,000

[#] Resigned as a director of the Company with effect from 30 November 2019

OTHER INFORMATION (CONTINUED)

Notes:

- 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. 29 April 2018, was HK\$1.68.
- 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
<i>Granted on 29 August 2016</i>		
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
<i>Granted on 28 August 2017</i>		
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
<i>Granted on 20 April 2018</i>		
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

- Employees working under employment contracts that were regarded as "continuous contracts" for the purpose of the Hong Kong Employment Ordinance.
- The fair value of the share options as at the date of granted, its calculation and the model and assumptions used to estimate the fair value of the share options are set out in note 23 to the interim condensed consolidated financial statements.

OTHER INFORMATION (CONTINUED)

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the date of the 2019 annual report of the Company are set out below:

Name of Director	Details of Changes
Mr. Kan Chung Nim, Tony	<ul style="list-style-type: none">— Appointed as an independent non-executive director of Kimou Environmental Holding Limited (Stock code: 6805) since 18 June 2019— The appointment as the chairman and non-executive director of Midland IC&I Limited (Stock code: 459) was terminated on 18 October 2019
Mr. Ong Chor Wei	<ul style="list-style-type: none">— The appointment as the executive finance director of Zibao Metals Recycling Holdings Plc (Stock code: BO) was terminated on 3 September 2019

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 are included in respect of the Company's loan agreement, which contains covenants requiring performance obligations of the controlling shareholder(s) of the Company, as follows:

Date of the agreement	Banking facilities	Specific performance obligations
23 September 2019	Three-year term loan facility of up to HK\$100,000,000	Mr. Wong Ting Chung and his family members will provide prior one month notice to the bank if they consider to reduce their shareholdings to less than 50% beneficial interest in the Company
28 June 2019	Five-year term loan facility of up to HK\$200,000,000.	Mr. Wong Ting Chung or his family members maintains management control over the Company and its subsidiaries.
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.

OTHER INFORMATION (CONTINUED)

Date of the agreement	Banking facilities	Specific performance obligations
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, direct or indirectly, at least 51% of the beneficial shareholding in the Company and collectively retain management control over the Company
16 March 2018	<p>(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</p> <p>(ii) Term loan facility of up to USD30,000,000 or HK\$234,000,000, with final maturity date falling on the day which is five years from the date of drawdown</p>	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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)
Six months ended
30 September

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	6	3,026,746	2,881,477
Cost of sales	8	(2,499,164)	(2,384,197)
Gross profit		527,582	497,280
Other income	7	5,679	4,966
Other gains, net	9	21,577	6,106
Selling and distribution expenses	8	(25,869)	(28,402)
General and administrative expenses	8	(180,073)	(190,525)
Operating profit		348,896	289,425
Share of post-tax profit/(loss) of a joint venture	16	598	(338)
Finance income	10	1,561	2,113
Finance expenses	10	(39,002)	(28,209)
Finance expenses, net		(37,441)	(26,096)
Profit before income tax		312,053	262,991
Income tax expenses	11	(38,278)	(27,010)
Profit for the period		273,775	235,981
Profit for the period attributable to:			
— Owners of the Company		270,935	235,981
— Non-controlling interests		2,840	—
		273,775	235,981
Earnings per share attributable to the owners of the Company during the period			
— Basic and diluted (HK cents per share)	12	11.9	10.4

The notes on pages 32 to 60 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Profit for the period	273,775	235,981
Other comprehensive loss, net of tax:		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
— Currency translation differences	(12,292)	(123,431)
— Share of other comprehensive loss of a joint venture	—	(252)
Other comprehensive loss for the period, net of tax	(12,292)	(123,683)
Total comprehensive income for the period	261,483	112,298
Total comprehensive income for the period attributable to:		
— Owners of the Company	258,003	112,298
— Non-controlling interests	3,480	—
	261,483	112,298

The notes on pages 32 to 60 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
ASSETS			
Non-current assets			
Land use rights	14	–	108,976
Property, plant and equipment	14	1,114,065	2,087,863
Right-of-use assets	14	1,227,072	–
Investment properties		1,947	2,014
Intangible assets	15	59,922	64,747
Interest in a joint venture	16	7,837	6,309
Financial assets at fair value through profit or loss	17	163,872	155,543
Prepayments, deposits, other receivables and other assets		130,399	113,368
Deferred income tax assets		505	557
		2,705,619	2,539,377
Current assets			
Inventories		704,003	1,110,733
Trade receivables	18	687,694	141,188
Derivative financial instruments		–	937
Prepayments, deposits, other receivables and other assets		457,364	404,046
Tax recoverable		13,920	12,472
Cash and cash equivalents		587,884	414,844
		2,450,865	2,084,220
Total assets		5,156,484	4,623,597
EQUITY			
Capital and reserves			
Share capital	22	22,794	22,794
Reserves	24	2,180,844	1,921,168
Capital and reserves attributable to the owners of the Company		2,203,638	1,943,962
Non-controlling interests		131,718	103,005
Total equity		2,335,356	2,046,967

The notes on pages 32 to 60 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	1,381,000	648,122
Lease liabilities	21	292,298	–
Finance lease obligations	21	–	276,745
Deferred income tax liabilities		9,311	11,364
		1,682,609	936,231
Current liabilities			
Trade and bills payables	19	380,277	312,635
Accruals and other payables		174,506	162,541
Current income tax liabilities		197,842	159,419
Bank borrowings	20	213,848	862,391
Lease liabilities	21	172,046	–
Finance lease obligations	21	–	143,413
		1,138,519	1,640,399
Total liabilities		2,821,128	2,576,630
Total equity and liabilities		5,156,484	4,623,597
Net current assets		1,312,346	443,821

WONG TING CHUNG

Chairman, Chief Executive Officer and Executive Director

WONG WAI YUE

Vice Chairman and Executive Director

The notes on pages 32 to 60 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)			Non- controlling Interests	Total equity
	Attributable to the owners of the Company				
	Share capital	Reserves	Total		
	(Note 22) HK\$'000	(Note 24) HK\$'000	HK\$'000		
As at 1 April 2019	22,794	1,921,168	1,943,962	103,005	2,046,967
Profit for the period	–	270,935	270,935	2,840	273,775
Other comprehensive loss/(income):					
Currency translation difference	–	(12,932)	(12,932)	640	(12,292)
Total comprehensive income	–	258,003	258,003	3,480	261,483
Transactions with owners					
Capital contribution from non-controlling interests	–	–	–	25,233	25,233
Share option scheme					
Equity-settled share-based compensation	–	1,673	1,673	–	1,673
As at 30 September 2019	22,794	2,180,844	2,203,638	131,718	2,335,356
As at 1 April 2018	22,794	2,425,008	2,447,802	–	2,447,802
Profit for the period	–	235,981	235,981	–	235,981
Other comprehensive loss:					
Currency translation difference	–	(123,431)	(123,431)	–	(123,431)
Share of other comprehensive loss of a joint venture	–	(252)	(252)	–	(252)
Total comprehensive income	–	112,298	112,298	–	112,298
Share option scheme					
Equity-settled share-based compensation	–	4,339	4,339	–	4,339
Dividends paid	–	(13,676)	(13,676)	–	(13,676)
As at 30 September 2018	22,794	2,527,969	2,550,763	–	2,550,763

The notes on pages 32 to 60 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities		
Cash generated from operations	361,288	203,373
Interest paid	(36,846)	(26,598)
Income tax (paid)/refunded, net	(4,310)	6,952
Net cash generated from operating activities	320,132	183,727
Cash flows from investing activities		
Deposit paid for right-of-use assets	(18,926)	–
Purchases of property, plant and equipment	(155,486)	(129,703)
Proceeds from disposals of property, plant and equipment	3,705	81
Interest received	1,561	2,113
Loan to a joint venture	(930)	–
Net cash used in investing activities	(170,076)	(127,509)
Cash flows from financing activities		
Proceeds from new bank borrowings	1,780,711	1,517,019
Repayments of bank borrowings	(1,696,376)	(1,664,336)
Repayments of lease liabilities	(84,262)	–
Repayments of finance lease obligations	–	(90,935)
Dividend paid	–	(13,676)
Capital contribution from non-controlling interests	25,233	–
Net cash generated from/(used in) financing activities	25,306	(251,928)
Net increase/(decrease) in cash and cash equivalents	175,362	(195,710)
Cash and cash equivalents at beginning of the period	414,844	1,009,477
Exchange difference on cash and cash equivalents	(2,322)	(12,526)
Cash and cash equivalents at end of the period	587,884	801,241

The notes on pages 32 to 60 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries 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 Assets Limited. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 12 April 2016.

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars ("HK\$'000") unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 22 November 2019.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 September 2019 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied by the Group are consistent with those of the annual financial statements for the year ended 31 March 2019, except for the adoption of new and amended standards as set out below.

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

A number of new and amended standards and interpretations became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the HKFRS 16 Lease ("HKFRS 16").

The impact of the adoption of HKFRS 16 and the new accounting policies are disclosed in Note 3 below. The other new and amended standards and interpretations did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Impact of new and amended standards and interpretations issued but not yet applied by the Group

A number of new and amended standards and interpretations are effective for annual periods beginning on or after 1 April 2020 and have not been applied in preparing the condensed consolidated interim financial information. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 on the Group's financial information and the new accounting policies that have been applied from 1 April 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of HKFRS 16 are therefore recognised in the opening balance sheet on 1 April 2019.

(a) Impact on adoption

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.72%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amounts of the right of use assets and the lease liabilities at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

	2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	32,945
Future lease payments for land use rights recognised as other payables as at 31 March 2019	5,358
	38,303
Discounted using the lessee's incremental borrowing rate at the date of initial application	35,861
Add: Finance lease liabilities recognised as at 31 March 2019	420,158
Less: Short-term leases recognised on a straight-line basis as expenses	(29)
Add: Adjustments as a result of a different treatment of extensions and termination options	13,376
Lease liabilities recognised as at 1 April 2019	469,366
Of which are:	
— Current lease liabilities	161,810
— Non-current lease liabilities	307,556
	469,366

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on adoption (Continued)

The right-of-use assets were measured at the amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to that leases recognised in the consolidated balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	(Unaudited)	
	As at 30 September 2019 HK\$'000	As at 1 April 2019 HK\$'000
Land use rights	108,190	108,811
Plant and machinery	1,083,914	1,040,560
Leased properties	34,968	44,025
	1,227,072	1,193,396

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- property, plant and equipment — decrease by HK\$1,040,560,000
- right-of-use assets — increase by HK\$1,193,396,000
- land use rights — decrease by HK\$108,976,000
- prepayments — decrease by HK\$10,000
- other payables — decrease by HK\$5,358,000
- lease liabilities — increase by HK\$469,366,000
- finance lease obligations — decrease by HK\$420,158,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on adoption (Continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

(b) The Group's leasing activities and how these are accounted for

As a lessee

The Group leases various land, properties, plant and machinery. Rental contracts are typically made for fixed periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the year ended 31 March 2019, leases of land was classified as land use rights, lease of properties, plant and machinery were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to 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. The right-of-use asset is depreciated over the useful life of the underlying asset if the lease transfers the ownership of the underlying asset by the end of the lease term. Otherwise, the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (Continued)

As a lessee (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amounts of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Termination options

Termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts.

As a lessor

The Group leases out various properties under operating lease arrangements with termination option. The lease term is 2 years. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

4 ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019, except as follows:

In determining the lease term, management considers all facts and circumstances that create an economic incentive to not exercise a termination option. Periods after termination options are only included in the lease term if the lease is reasonably certain not to be terminated. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures as required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 March 2019.

There have been no changes in the risk management policies since 31 March 2019.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value at 30 September 2019.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss				
— unlisted investments	–	–	163,872	163,872

The following table presents the Group's assets that are measured at fair value at 31 March 2019.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
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

There were no transfers between Levels 1, 2 and 3 during the period.

There were no changes in valuation techniques during the period.

5.4 Valuation techniques used to derive Level 3 fair values

These unlisted investments in level 3 represent unlisted key management insurance policies. Their fair values are 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 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 during the six months ended 30 September 2019:

- (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 segment based on a measure of gross profit for each segment.

An analysis of the Group's revenue, results and other selected financial information by operating segment are as follows:

For the six months ended 30 September 2019 (Unaudited):

	Manufacturing of knitwear products HK\$'000	Manufacturing of knitted upper for footwear and knitted upper shoes HK\$'000	Consolidated HK\$'000
Revenue			
Total segment revenue	2,943,138	85,881	3,029,019
Inter-segment revenue	-	(2,273)	(2,273)
Revenue from external customers	2,943,138	83,608	3,026,746
Results			
Segment profit	503,831	23,751	527,582
Other income			5,679
Other gains, net			21,577
Selling and distribution expenses			(25,869)
General and administrative expenses			(180,073)
Share of post-tax profit of a joint venture			598
Finance income			1,561
Finance expenses			(39,002)
Profit before income tax			312,053
Income tax expenses			(38,278)
Profit for the period			273,775

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's revenue, results and other selected financial information by operating segment are as follows:
(Continued)

For the six months ended 30 September 2018 (Unaudited):

	Manufacturing of knitwear products HK\$'000	Manufacturing of knitted upper for footwear and knitted upper shoes HK\$'000	Consolidated HK\$'000
Revenue			
Total segment revenue	2,780,573	102,941	2,883,514
Inter-segment revenue	–	(2,037)	(2,037)
Revenue from external customers	2,780,573	100,904	2,881,477
Results			
Segment profit	481,593	15,687	497,280
Other income			4,966
Other gains, net			6,106
Selling and distribution expenses			(28,402)
General and administrative expenses			(190,525)
Share of post-tax loss of a joint venture			(338)
Finance income			2,113
Finance expenses			(28,209)
Profit before income tax			262,991
Income tax expenses			(27,010)
Profit for the period			235,981

Segments results represent profit earned by each segment without allocating other income, other gains, net, selling and distribution expenses, general and administrative expenses, share of post-tax profit/(loss) of a joint venture, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

(a) Revenue by location of goods delivery

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Japan	859,701	1,031,659
North America	486,236	515,330
Europe	562,340	556,291
Mainland China	759,923	424,150
Other countries	358,546	354,047
	3,026,746	2,881,477

(b) Non-current assets

	(Unaudited) As at 30 September 2019 HK\$'000		(Audited) As at 31 March 2019 HK\$'000
	Hong Kong	62,876	59,648
Mainland China	839,845	799,208	
Vietnam	1,547,862	1,433,299	
Other countries	22,900	20,066	
	2,473,483	2,312,221	

The non-current assets 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 and deferred income tax assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

(c) Major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group is as follows:

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Customer A	1,575,397	1,843,567
Customer B	337,504	291,432

The five largest customers accounted for approximately 73.2% (2018: 82.2%) of revenue for the six months ended 30 September 2019.

(d) Disaggregation of revenue from contracts with customers

For the periods ended 30 September 2019 and 2018, the revenue of the Group was recognised at a point of time.

7 OTHER INCOME

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Rental income from investment properties	452	396
Rental income from properties occupied by employees	351	315
Others	4,876	4,255
	5,679	4,966

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and general and administrative expenses are analysed as follows:

	(Unaudited)	
	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Advertising and promotion expenses	2,912	3,781
Amortisation of land use rights (Note 14)	–	549
Auditor's remuneration		
— audit services	1,482	1,285
— non-audit services	315	315
Depreciation (Note 14)		
— owned property, plant and equipment	44,987	49,428
— property, plant and equipment held under finance leases	–	42,637
— right-of-use assets	61,758	–
Depreciation of investment properties	67	67
Amortisation of technical knowhow (Note 15)	4,825	6,775
Employment benefit expenses (including directors' emoluments)	495,932	504,769
Raw materials and consumables used	1,408,353	1,398,786
Changes in inventories of finished goods and work in progress	271,433	108,338
Provision for/(reversal of) impairment of inventories	5,692	(8,659)
Subcontracting charges	198,569	267,546
Commission expenses	1,208	1,858
Transportation charges	20,854	21,729
Donation	1,205	1,484
Expense relating to short-term leases	31	–
Operating lease rental in respect of land and buildings	–	3,226
Utilities expenses	52,376	50,483
Sample charges	9,733	10,921
Others	123,374	137,806
Total cost of sales, selling and distribution expenses and general and administrative expenses	2,705,106	2,603,124

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9 OTHER GAINS, NET

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Net foreign exchange gains	19,563	9,100
Net gains on financial assets at fair value through profit or loss	2,435	2,221
Net gains on disposals of property, plant and equipment	296	68
Net realised and unrealised losses from derivative financial instruments	(717)	(5,283)
	21,577	6,106

10 FINANCE EXPENSES, NET

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Finance income		
Interest income from:		
— Bank deposits	1,561	2,113
Finance expenses		
Interest expense on:		
— Bank borrowings	(34,942)	(24,242)
— Finance lease obligations	—	(3,967)
— Lease liabilities	(4,060)	—
	(39,002)	(28,209)
Finance expenses, net	(37,441)	(26,096)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11 INCOME TAX EXPENSES

For the six months ended 30 September 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 period. 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 subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificate, 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 is eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current period is within the second year of 50% reduction in the BIT rate, whereas, the other two subsidiaries have no assessable profit for the period, and hence no income tax is provided.

	(Unaudited)	
	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong profits tax	11,774	2,041
China Corporate Income Tax	27,752	26,186
Vietnam Business Income Tax	753	–
Deferred taxation	(2,001)	(1,217)
	38,278	27,010

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the periods ended 30 September 2019 and 2018 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	(Unaudited) Six months ended 30 September	
	2019	2018
Profit attributable to the owners of the Company (HK\$'000)	270,935	235,981
Weighted average number of ordinary shares in issue ('000)	2,279,392	2,279,392
Basic earnings per share (HK cents)	11.9	10.4

(b) Diluted

Diluted earnings per share for the periods ended 30 September 2019 and 2018 equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

13 DIVIDENDS

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Interim dividend of 4.3 HK cents (2018: 3.6 HK cents) per ordinary share	98,014	82,058

At the Board meeting held on 22 November 2019, the Company's Board of Directors declared an interim dividend of 4.3 HK cents (2018: 3.6 HK cents) per share. The interim dividend amounting to approximately HK\$98,014,000 has not been recognised as a liability in this interim financial information. It will be recognised as a distribution in shareholder's equity for the year ending 31 March 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND LAND USE RIGHTS

	(Unaudited)		
	Property, plant and equipment HK\$'000	Right-of-use assets HK\$'000	Land use rights HK\$'000
Six months ended 30 September 2019			
Opening net book amount at 1 April 2019	2,087,863	–	108,976
Effect on adoption of HKFRS 16 (Note 3)	(1,040,560)	1,193,396	(108,976)
Restated opening net book amount at 1 April 2019	1,047,303	1,193,396	–
Additions	114,940	96,861	–
Disposals	(3,409)	–	–
Depreciation	(44,987)	(61,758)	–
Exchange differences	218	(1,427)	–
Closing net book amount at 30 September 2019	1,114,065	1,227,072	–
Six months ended 30 September 2018			
Opening net book amount at 1 April 2018	1,943,442	–	95,781
Additions	226,236	–	–
Disposals	(13)	–	–
Depreciation/Amortisation	(92,065)	–	(549)
Exchange differences	(92,446)	–	(3,578)
Closing net book amount at 30 September 2018	1,985,154	–	91,654

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 INTANGIBLE ASSETS

	(Unaudited)		
	Goodwill HK\$'000	Technical knowhow HK\$'000	Total HK\$'000
Six months ended 30 September 2019			
Opening net book amount at 1 April 2019	-	64,747	64,747
Amortisation charge	-	(4,825)	(4,825)
Closing net book amount at 30 September 2019	-	59,922	59,922
Six months ended 30 September 2018			
Opening net book amount at 1 April 2018	493,910	106,078	599,988
Amortisation charge	-	(6,775)	(6,775)
Closing net book amount at 30 September 2018	493,910	99,303	593,213

16 INTEREST IN A JOINT VENTURE

	(Unaudited)	
	Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Beginning of the period	6,309	7,018
Loan to a joint venture (Note)	930	-
Share of post-tax profit/(loss) of joint venture	598	(338)
Share of other comprehensive loss of joint venture	-	(252)
End of the period	7,837	6,428

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 Group and the joint venture.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Unlisted investments (Note)	163,872	155,543

Note: Unlisted investments represent unlisted key management insurance contracts which are debt instruments classified as financial assets at fair value through profit or loss. 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 condensed consolidated income statement based on the estimated years that the Group intends to hold such contracts.

18 TRADE RECEIVABLES

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Trade receivables	687,694	141,188

The credit period granted by the Group to its customers generally ranging from 0 to 60 days. As at 30 September 2019 and 31 March 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Up to three months	650,160	132,969
Three to six months	31,511	6,398
Over six months	6,023	1,821
	687,694	141,188

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19 TRADE AND BILLS PAYABLES

As at 30 September 2019 and 31 March 2019, the ageing analysis of the trade and bills payables based on invoice date are as follows:

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Within one month	168,444	191,442
One to two months	83,628	111,970
Two to three months	46,271	7,193
Over three months	81,934	2,030
	380,277	312,635

The carrying amounts of the trade and bills payables approximate their fair values.

Note: As at 30 September 2019, trade and bills payables includes trade payables to related companies of approximately HK\$129,912,000 (31 March 2019: HK\$74,945,000) (Note 26(b)).

20 BANK BORROWINGS

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Non-current		
Bank borrowings, unsecured	1,381,000	648,122
Current		
Short-term bank borrowings, unsecured	27,779	632,938
Portion of long-term bank borrowings, secured, due for repayment within one year	626	4,376
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	3,699	–
Portion of long-term bank borrowings, unsecured, due for repayment within one year	181,744	220,911
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	–	4,166
	213,848	862,391
Total bank borrowings	1,594,848	1,510,513

The weighted average effective interest rate as at 30 September 2019 is 3.29% (31 March 2019: 2.67%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20 BANK BORROWINGS (CONTINUED)

The bank borrowings are due for repayment as follows:

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Within one year	210,149	858,225
Between one and two years	575,299	246,188
Between two and five years	809,400	406,100
	1,594,848	1,510,513

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.

As at 30 September 2019, certain bank borrowings of the Group are secured by financial assets at fair value through profit or loss with a total carrying amount of HK\$163,872,000 (31 March 2019: HK\$73,376,000).

21 LEASE LIABILITIES/FINANCE LEASE OBLIGATIONS

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Current		
Lease liabilities due for repayment within one year	172,046	143,413
Non-current		
Lease liabilities due for repayment after one year		
Between one and two years	184,382	153,411
Between two and five years	107,916	123,334
	292,298	276,745
Total lease liabilities	464,344	420,158

As at 31 March 2019, lease liabilities were classified as finance lease obligations.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

21 LEASE LIABILITIES/FINANCE LEASE OBLIGATIONS (CONTINUED)

The lease liabilities were due for repayment as follows:

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Gross lease liabilities — minimum lease payments:		
Within one year	179,014	149,470
Between one and two years	188,093	157,154
Between two and five years	109,562	124,708
	476,669	431,332
Future finance charges on leases	(12,325)	(11,174)
Present value of lease liabilities	464,344	420,158

The carrying amount of lease liabilities was denominated in US\$, RMB, HK\$ and VND.

22 SHARE CAPITAL

	(Unaudited) As at 30 September 2019		(Audited) As at 31 March 2019	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
Ordinary shares at HK\$0.01 each	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	2,279,392,000	22,793,920	2,279,392,000	22,793,920

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

23 SHARE-BASED PAYMENTS

Movements of the share options under the share option scheme during the six months ended 30 September 2019 are as follows:

Date of grant	Exercise price	Exercise period	Number of Share Options				As at 30 September 2019
			As at 1 April 2019	Granted during the period	Exercised during the period	Cancelled during the period	
Directors							
29 August 2016	HK\$1.394	29 August 2017 to 28 August 2026	7,000,000	–	–	–	7,000,000
28 August 2017	HK\$1.462	28 August 2018 to 27 August 2027	11,000,000	–	–	–	11,000,000
20 April 2018	HK\$1.700	20 April 2019 to 19 April 2028	1,500,000	–	–	–	1,500,000
Other employees of the Group							
29 August 2016	HK\$1.394	29 August 2017 to 28 August 2026	13,856,000	–	–	(552,000)	13,304,000
28 August 2017	HK\$1.462	28 August 2018 to 27 August 2027	40,000,000	–	–	(3,100,000)	36,900,000
Total			73,356,000	–	–	(3,652,000)	69,704,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

23 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 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
<i>Granted on 29 August 2016</i>		
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
<i>Granted on 28 August 2017</i>		
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
<i>Granted on 20 April 2018</i>		
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

23 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 have taken into account various factors, variables and assumptions which include the following:

	29 August 2016	Date of grant 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 for share options granted to directors and employees of HK\$1,673,000 (2018: HK\$4,339,000) was recognised as “employee benefit expenses” in the condensed consolidated income statement for the six months ended 30 September 2019.

24 RESERVES

	Attributable to the owners of the Company (Unaudited)				
	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 2019	1,586,311	86,716	16,593	231,548	1,921,168
Profit for the period	-	-	-	270,935	270,935
Other comprehensive loss:					
— Currency translation difference	-	(12,932)	-	-	(12,932)
Total comprehensive income for the period	-	(12,932)	-	270,935	258,003
Transactions with owners:					
— Equity-settled share-based compensation	-	-	1,673	-	1,673
As at 30 September 2019	1,586,311	73,784	18,266	502,483	2,180,844

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

24 RESERVES (CONTINUED)

	Attributable to the owners of the Company (Unaudited)				
	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
Profit for the period	–	–	–	235,981	235,981
Other comprehensive loss:					
— Currency translation difference	–	(123,431)	–	–	(123,431)
— Share of other comprehensive loss of a joint venture	–	(252)	–	–	(252)
Total comprehensive income for the period	–	(123,683)	–	235,981	112,298
Transactions with owners:					
— Equity-settled share-based compensation	–	–	4,339	–	4,339
— Dividend paid	–	–	–	(13,676)	(13,676)
	–	–	4,339	(13,676)	(9,337)
As at 30 September 2018	1,586,311	78,258	15,302	848,098	2,527,969

Note:

- (i) Other reserves mainly represent the share premium, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

25 COMMITMENTS

(a) Operating lease arrangements

As at 30 September 2019 and 31 March 2019, undiscounted lease payments under operating leases receivable by the Group in respect of the Group's investment properties in future periods are as follows:

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Within one year	320	132

(b) Capital commitments

As at 30 September 2019 and 31 March 2019, the capital expenditure contracted but not yet incurred is as follows:

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Property, plant and equipment contracted but not provided for	147,392	82,575

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

26 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the interim financial information, 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 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, resigned with effect from 30 November 2019), 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)
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, resigned with effect from 30 November 2019), 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)
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Hotel services fee charged by Huizhou Gangsheng Property Co., Ltd	966	1,426
Rental charged by Huizhou Lijia Clothing Company Limited and Huizhou Lixin Technology Company Limited	2,792	3,982
Rental charged by Hanyi Investments Limited	1,494	1,494
Subcontracting fee charged by Hebei Rongcang Warehousing Service Co., Ltd.	3,840	–
Purchase of labels and hang tags from SML & FT (Vietnam) Limited	6,753	–
Rental charged by Hebei Yuteng Cashmere Products Co., Ltd.	4,790	–
Purchase of raw materials from Hebei Yuteng Cashmere Products Co., Ltd.	328,113	–

Terms of the above transactions are mutually agreed between the relevant parties.

(b) Period/year end balances

	Note	(Unaudited) As at 30 September 2019 HK\$'000		(Audited) As at 31 March 2019 HK\$'000
Prepayment to Hebei Yuteng Cashmere Products Co., Ltd.	(i)	371,317		270,345
Trade payable to SML & FT (Vietnam) Limited	(ii)	2,914		2,100
Trade payable to Hebei Meixian Cashmere Textile Technology Co., Ltd.	(ii)	18,380		53,718
Trade payable to Hebei Yuteng Cashmere Products Co., Ltd.	(ii)	108,618		19,127
Other payable to Hebei Meixian Cashmere Textile Technology Co., Ltd.	(ii)	–		1,661
Other payable to Hebei Rongcang Warehousing Service Co., Ltd	(ii)	840		–

Notes:

- (i) Prepayment was presented in the condensed consolidated balance sheet within "Prepayments, deposits, other receivables and other assets".
- (ii) Payables were presented in the condensed consolidated balance sheet within "Trade and bills payables" and "Accruals and other payables".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(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:

	(Unaudited)	
	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Salaries, pension costs and other short-term employee benefits	8,603	10,841
Equity-settled share-based compensation	1,031	2,635
	9,634	13,476