南旋控股有限公司
Nameson Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1982

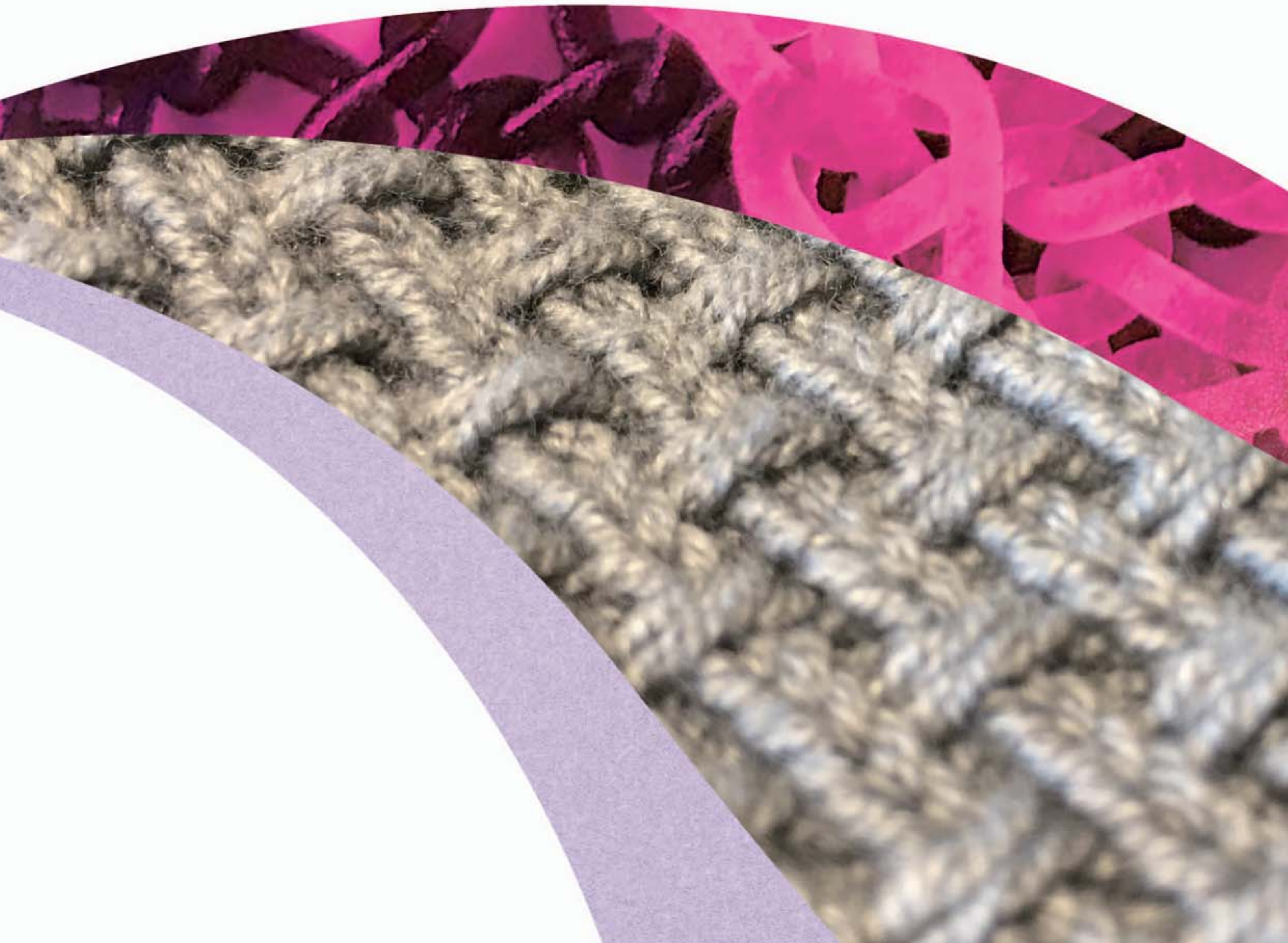
ANNUAL REPORT
2020

About **Nameson**

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

About the Annual Report Cover Design

What makes up a knitwear piece is not only the yarn and techniques - using an x-ray to magnify the structure of the knitwear piece, one will find that there are other factors that contribute to Nameson's success. Corresponding with other inside design pages, Nameson's success as a corporate also depends on our love for the planet, love for the community, and our pursuit for innovation.



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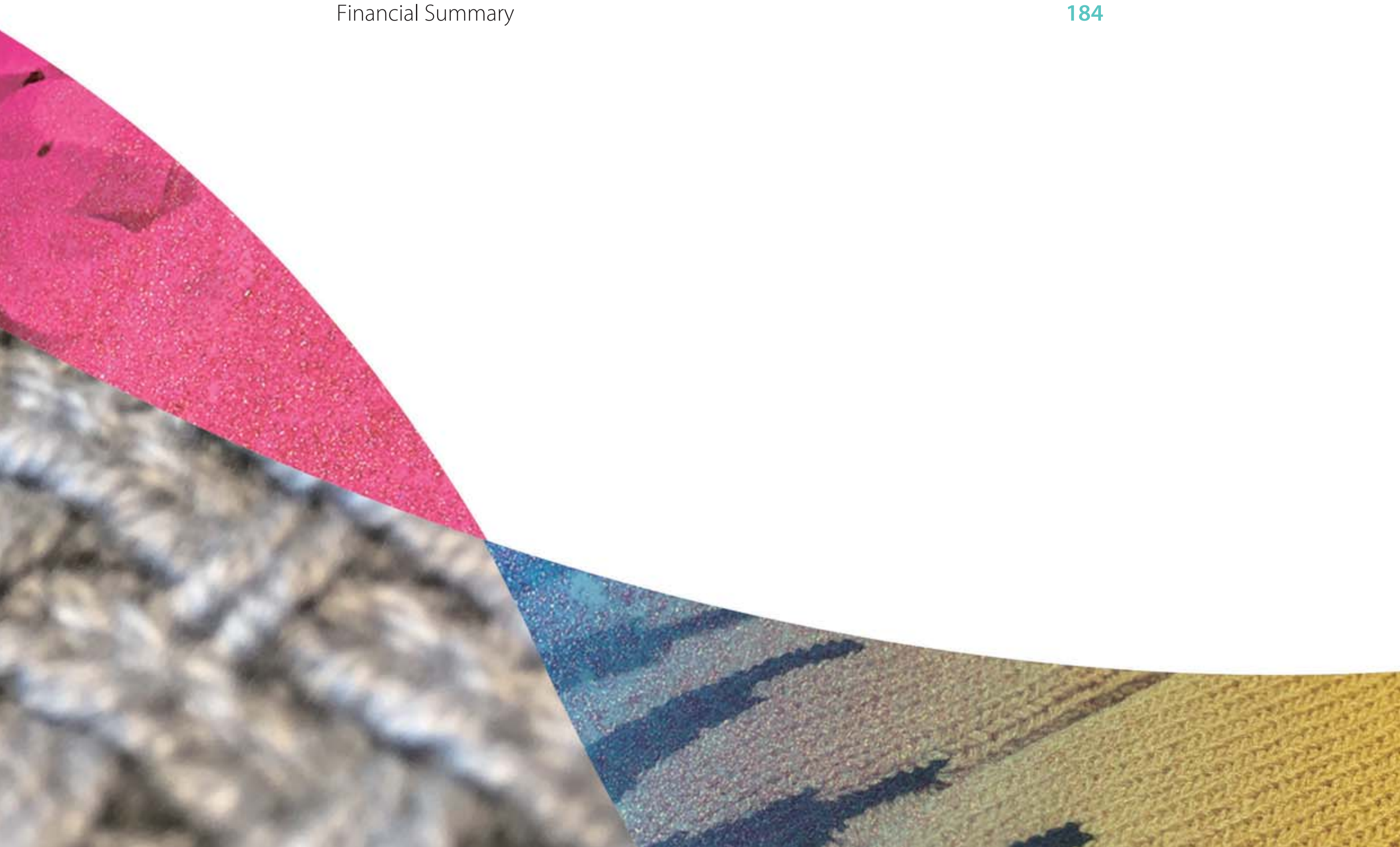

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

COMPANY SECRETARY

Mr. Tao Chi Keung, *HKICPA, ACCA*

AUTHORISED REPRESENTATIVES

Mr. Wong Wai Yue
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

HONG KONG SHARE REGISTRAR

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Hopewell Centre
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Wanchai, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISER

Reed Smith Richards Butler
17/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

1982

WEBSITE OF THE COMPANY

http://www.namesonholdings.com

Chairman's Statement

"We were amongst the first manufacturers to set up a production base in Vietnam. In line with our capacity allocation plan in response to customers' procurement preferences, we continued to make headway to optimise our utilisation at our Vietnam production base in the Financial Year 2020. Moreover, when our China's production base was temporarily short of staff after the COVID-19 pandemic outbreak, we were able to flexibly allocate some orders to Vietnam, enabling us to fulfill shipments in the year."

To Our Respected Shareholders,

On behalf of the board of directors (the "Board") of Nameson Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020 ("Financial Year 2020").

MARKET REVIEW

The ongoing amplifying and complex trade relations between China and the United States continued to impede the growth of economy as well as trade scale of both nations. The knitwear industry in China recorded a sales decline during the Financial Year 2020. 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 4.5% to US$86.8 billion. The total export value of knitwear from China to Europe, the United States and Japan declined by 23.0%, 10.0% and 9.2% respectively, while Vietnam recorded a slower growth of 5.0% in exports of textiles and garments as compared to the year ended 31 March 2019 ("Financial Year 2019"). The decline in China's exports and the slower growth of Vietnam's exports were partially attributable to the impact brought by the outbreak of novel coronavirus (COVID-19) during the latter part of the Financial Year 2020.

According to the government measures for COVID-19 pandemic in China and Vietnam, where our production bases are located, the outbreak has led to quarantine of factory staff who returned from their hometowns after the Lunar New Year. The pandemic has also caused delay in certain order shipments, and temporary disruptions to the supply chain. Utilising the advantage of having two production bases, we strategically shifted some orders to be produced in Vietnam when our production base in China was temporarily short of staff, and we were also in proximate contact with all suppliers to ensure stable supply of raw materials once available, in order to push our delay in shipments to a minimum. The sales volume of the Financial Year 2020 was 34.9 million pieces of knitted sweaters, largely in line with our original expectation.

Besides, our management team has been at the forefront, leading by example, to take the Group forward during this difficult time. We facilitated work-from-home arrangements for non-production staff, we immediately sourced and provided preventive masks and disinfectant sanitisers to all our staff. We put in our best effort in fending the effect from the outbreak, to strike a balance in the best interests of our staff, customers, suppliers and other stakeholders.

Despite the tremendous effort placed into safeguarding the Group's interests, the later global spread of COVID-19 has swiftly curbed global consumption, and rippled quickly to order demand interruption. We promptly examined the Group's business risk exposure to make decisions correspondingly and one of the strategic decisions we made was to restructure the business of knitted upper for footwear and knitted upper shoes. Although this caused short-term negative effect to the Group's financial results, we believe this restructuring will be conducive to bringing better returns to our shareholders when the global situation normalises.

BUSINESS REVIEW

During the Financial Year 2020, the Group saw a slight lift of average selling price for the knitted sweater business mainly contributed by changes in product mix, as well as the Group's attempt to uphold prices as a quality supplier. Despite overall lower sales volume of knitted sweaters, the demand for our WholeGarment products continued to increase. The Group's revenue grew slightly by 2.8% to HK$4,480.7 million due to an increase in the sales of other products in the knitwear products segment.

We worked meticulously to better allocate our resources and thus we saw a notable decrease in the total direct labour costs and subcontracting charges. However, with lower overall sales volume in knitted sweaters and the addition of cashmere yarn upstream business that has a lower gross profit margin, we managed to achieve growth in our gross profit by 2.6% to HK$690.1 million as compared to the Financial Year 2019, and maintain our gross profit margin at 15.4%. The Group will continue to place high priority in the effort to achieve better overall business efficiency.

Vietnam officially commenced implementing the Comprehensive Progressive Trans-Pacific Partnership, and the recent ratification of EU-Vietnam Free Trade Agreement places Vietnam in a position to grasp further growth arising from the favourable export policies. The Group was amongst the first manufacturers to set up a production base in Vietnam, providing customers with flexibility in their production deployment. In line with the Group's capacity allocation plan in response to customers' procurement preferences, we continued to make headway to optimise the utilisation rate at our Vietnam production base during the Financial Year 2020.

China's manufacturing positioning, on the other hand, will evolve into manufacturing orders with more elements of customisation, craftsmanship, and quick production lead time. Our gratification in spearheading industry development in areas of sustainability, developing products with enhanced functionality, and virtual solutions on raising efficiency in sampling procedures have all been well-received by our customers. These efforts together with the new cashmere yarn business enabled us to grow more in-depth in the partnership with domestic customers in China. The Group's revenue attributable to the Chinese market, hence, increased by 51.3% during the Financial Year 2020 as compared to the Financial Year 2019.

The Group placed strenuous effort in managing its overall expenses in light of the addition of the cashmere yarn business in the Financial Year 2020. If excluding the impairment losses on intangible assets, the restructuring costs and expenses associated with the business of knitted upper for footwear and knitted upper shoes and realised and unrealised losses from derivative financial instruments in both financial years, the Group's adjusted net profit increased by 7.3% from HK$227.4 million to HK$244.0 million, and adjusted net profit margin improved slightly to 5.4%.

FUTURE STRATEGIES AND PROSPECTS

The outbreak of COVID-19 increases the necessity of close-knit servicing to customers more than ever. The effects of the outbreak have caused tremendous disruption along the whole value chain. By satisfying customers' needs after cautiously examining potential business risks involved, it is now an imperative time to grow critical partnership that can extend into far-reaching business relationships.

The Group's development of the Myanmar production base is in progress as scheduled and it is expected to commence trial production by the end of the next financial year. We believe the intensified trade tensions will provide tailwind for customers to shift their orders to manufacturers with presence in Southeast Asian regions other than Vietnam.

Meanwhile, the export value of textile and garments after the outbreak of the COVID-19 saw an increase from China in April and May 2020, signaling the previous delay in market was on track for recovery. However, the export value of Vietnam recorded a steep decline, which partially displayed the shortcomings of supply chain sufficiency in Vietnam. It will give rise to the increased demand for the domestic supply of raw materials in Vietnam — our devoted resources in developing the business of weaving, printing and dyeing of fabric is expected to commence trial production in coming months. We have every confidence that, our entrance into the market to provide quality upstream products, will easily gain traction for the business to bear fruit for the Group in the years to come.

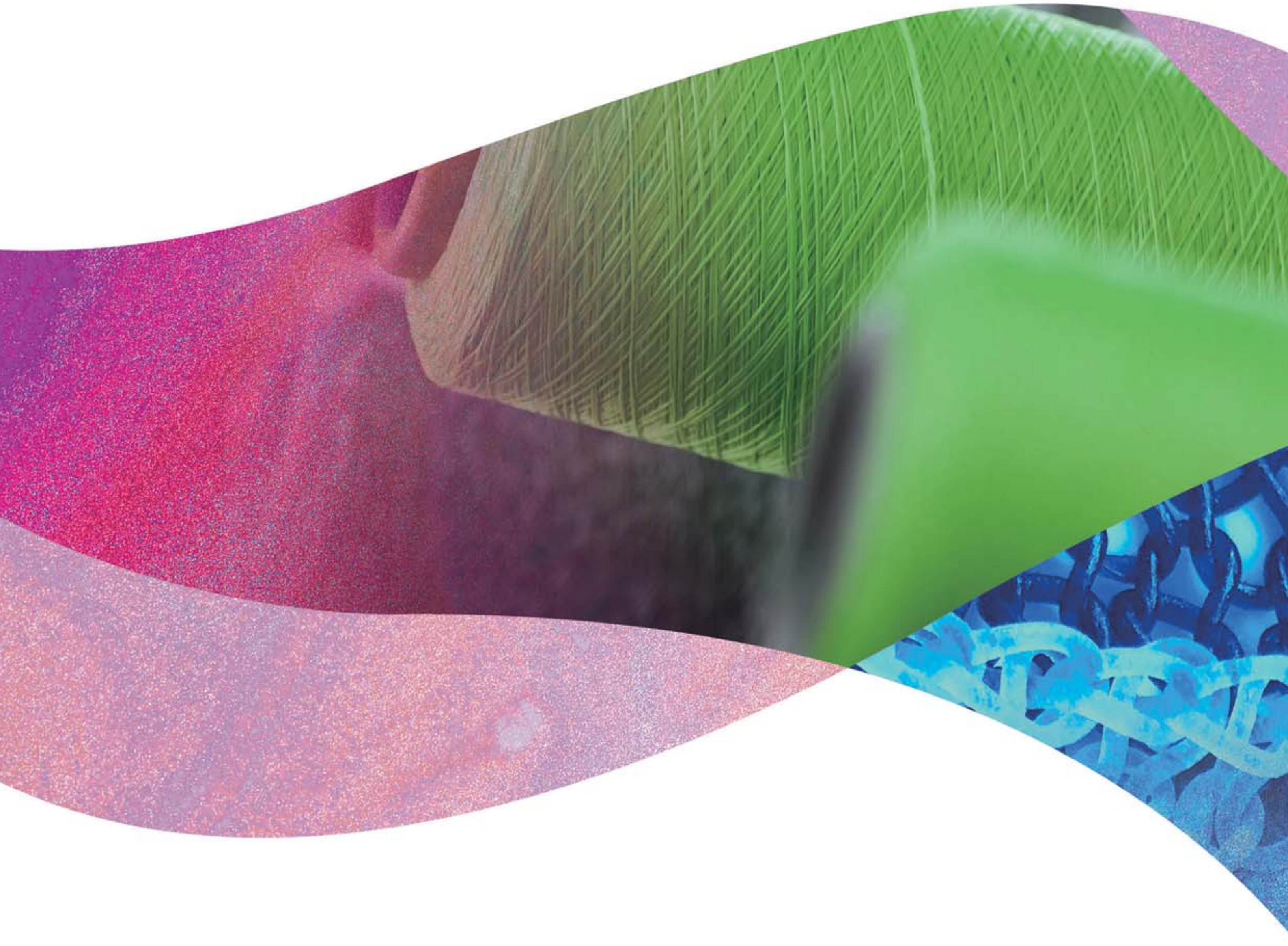
The year ahead poses crucial challenges for the garment manufacturing industry. Apart from facing external factors such as certain shipment delays requested by customers and order cancellation on softer overall demand, making constructive internal arrangements to production allocation, quickly imposing cost control measures and exercising careful control over financial resources are all of great importance to withstand the headwinds. The Group's consistent prudency in maintaining healthy cash flows, as well as the quality and diversity of our customer mix will help us weather through the storm, and puts us in a better position when market recovers.

As a pioneer in the industry, while expanding into more diversified businesses and establishing a foothold in the vertical industry chain, the Group carefully attends to its product design and material development ability and will continue to enhance its production technique and production efficiency to boost the overall profitability and strive for better returns to shareholders.

I would hereby like to express my heartfelt gratitude to our customers, suppliers, shareholders and staff for their unwavering support and trust in the Group, as well as for their contributions and efforts towards the Group's continuous development. I sincerely wish for good health and fortune to all our business partners and hope the sun will shine again sooner.

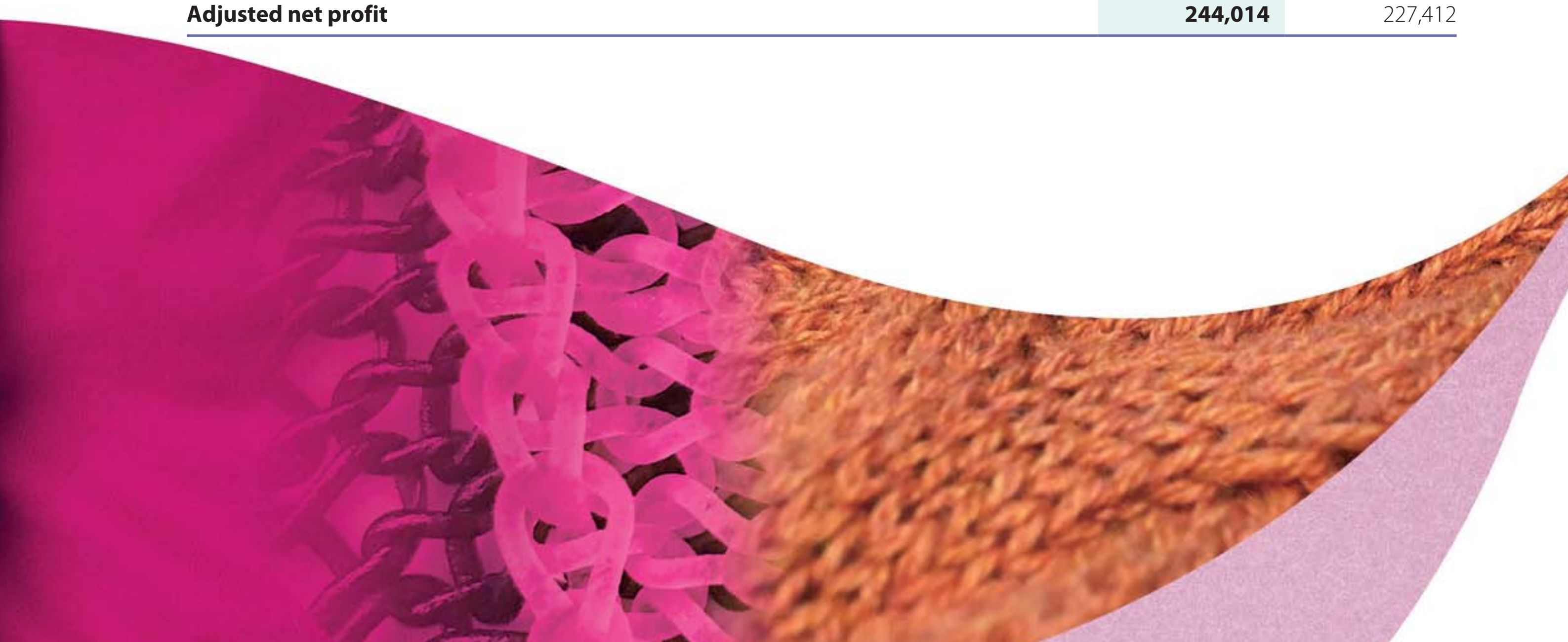
Wong Ting Chung
Chairman and Chief Executive Officer
26 June 2020

Management Discussion
& Analysis



FINANCIAL REVIEW

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Revenue	**4,480,708**	4,359,050
Cost of sales	**(3,790,582)**	(3,686,670)
Gross profit	**690,126**	672,380
Other income	**14,714**	16,332
Other gains, net	**29,018**	10,625
Selling and distribution expenses	**(46,049)**	(44,584)
General and administrative expenses	**(392,347)**	(363,065)
Impairment loss on intangible assets	**(55,096)**	(521,577)
Net impairment losses on financial assets	**(3,996)**	–
Operating profit/(loss)	**236,370**	(229,889)
Share of post-tax profit/(loss) of a joint venture	**825**	(496)
Finance income	**5,728**	4,205
Finance expenses	**(68,572)**	(48,863)
Finance expenses, net	**(62,844)**	(44,658)
Profit/(loss) before income tax	**174,351**	(275,043)
Income tax expenses	**(22,817)**	(25,425)
Profit/(loss) for the year	**151,534**	(300,468)
Profit/(loss) for the year attributable to:		
— Owners of the Company	**157,045**	(298,511)
Add:		
Impairment loss on intangible assets and costs and expenses directly or indirectly related to the restructuring of V. Success Group	**86,252**	521,577
Net realised and unrealised losses from derivative financial instruments	**717**	4,346
Adjusted net profit	**244,014**	227,412



Revenue

The Group's revenue for the year ended 31 March 2020 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as childrenswear, 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 years ended 31 March 2020 and 2019 also included the revenue generated from sales of knitted upper for footwear and knitted upper shoes of HK$185.3 million and HK$194.7 million respectively.

The Group's revenue from sales of knitwear products slightly increased by 3.1% to HK$4,295.4 million for the year ended 31 March 2020 from HK$4,164.3 million for the year ended 31 March 2019. The increase was mainly attributable to the increase in sales revenue of other knitwear products, which was partially offset by the decrease in 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 6.3% from 36.8 million pieces for the year ended 31 March 2019 to 34.5 million pieces for the year ended 31 March 2020, while the average selling price of the Group's men's and women's knitwear products increased by 2.9% from HK$110.9 per piece for the year ended 31 March 2019 to HK$114.1 per piece for the year ended 31 March 2020.

With the expansion of the Group's business scope and customer base, the Group's top three markets for the year ended 31 March 2020 were Japan, Mainland China and Europe. The revenue attributable to the Japanese market, Chinese market and European market accounted for 33.3%, 23.4% and 16.3% respectively of the Group's total revenue for the year ended 31 March 2020.

Cost of Sales

For the year ended 31 March 2020, the Group incurred cost of sales of HK$3,790.6 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the year ended 31 March 2020, the Group recorded a slight increase in gross profit of HK$17.7 million to HK$690.1 million and its gross profit margin was maintained at 15.4% as compared to the gross profit of HK$672.4 million and gross profit margin of 15.4% for the year ended 31 March 2019.

The stable gross profit margin for the year ended 31 March 2020 was mainly contributed by 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 benefit was partially offset by the lower gross profit margin of other knitwear products.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidies and miscellaneous other income. The other income of the Group decreased by HK$1.6 million from HK$16.3 million for the year ended 31 March 2019 to HK$14.7 million for the year ended 31 March 2020. Such decrease was mainly due to the decrease in government subsidies, which was partially offset by the increase in miscellaneous other income.

Other Gains, Net

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

Other gains increased by HK$18.4 million from HK$10.6 million for the year ended 31 March 2019 to HK$29.0 million for the year ended 31 March 2020. The increase is primarily due to the increase in net foreign exchange gains from HK$8.9 million for the year ended 31 March 2019 to HK$23.5 million for the year ended 31 March 2020.

In summary, other gains for the year ended 31 March 2020 mainly represented net foreign exchange gains of HK$23.5 million and net gains on financial assets at fair value through profit or loss of HK$5.9 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 increased by HK$1.4 million, from HK$44.6 million for the year ended 31 March 2019 to HK$46.0 million for the year ended 31 March 2020. Such increase was mainly due to the increase in advertising and promotion expenses.

General and Administrative Expenses

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

The Group's general and administrative expenses increased by HK$29.2 million from HK$363.1 million for the year ended 31 March 2019 to HK$392.3 million for the year ended 31 March 2020. Such increase was mainly due to the expansion of the Group's other knitwear products business and the impairment loss on property, plant and equipment of HK$25.2 million, which was mainly associated with the restructuring of V. Success Group's knitted uppers for footwear and knitted upper shoes business.

Impairment Loss on Intangible Assets

For the year ended 31 March 2020, the impairment loss on intangible assets represented impairment provision of HK$55.1 million for the technical knowhow of V. Success Group, while the amount for the year ended 31 March 2019 represented impairment provisions of HK$493.9 million and HK$27.7 million for the goodwill and technical knowhow of V. Success Group respectively. The impairment provision took into account many factors, including but not limited to the global economic uncertainties on a macro level given the COVID-19 pandemic and trade tensions between the United States of America and Mainland China, fast-changing market environment and intense competition faced by V. Success Group in relation to its knitted uppers for footwear and knitted upper shoes business, as explained in more details below.

Events and circumstances leading to the recognition of the impairment loss for the years ended 31 March 2020 and 2019

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

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

The Company engaged an independent professional valuer, Vincorn Consulting and Appraisal Limited (the "Vincorn" or "Valuer"), to assess the value in use of V. Success Group in relation to its business in knitted uppers for footwear and knitted upper shoes as at 31 March 2019. The Valuer is based in Hong Kong and has a track record of advising Hong Kong listed companies on valuations of business. As the recoverable amount of the cash generating unit in relation to V. Success Group, which was assessed with reference to the valuation performed by the Valuer, was lower than the carrying amount of the cash generating unit and resulting in a provision for impairment of intangible assets of HK$521.6 million for the year ended 31 March 2019.

Following the outbreak of the COVID-19 pandemic since late January 2020, the Group's management acknowledged that it was becoming extremely difficult to continue to deploy heavy resources to run V. Success Group's knitted uppers for footwear and knitted upper shoes business as an independent business since this business remains intensely competitive and market conditions have been exacerbated by the COVID-19 pandemic.

As the pandemic has brought upon unprecedented challenges to the knitted uppers for footwear and knitted upper shoes business and its customers, the Group has implemented various additional measures to restructure and streamline the business of V. Success Group and the Board therefore decided that it would be reasonably prudent to make further reductions to the revenue and profits forecast of this business for the financial years after the year ended 31 March 2020.

Same as last financial year, the Company engaged Vincorn to assess the value in use of V. Success Group in relation to its business in knitted uppers for footwear and knitted upper shoes as at 31 March 2020. As the recoverable amount of the cash generating unit in relation to V. Success Group, which was assessed with reference to the valuation performed by the Valuer, was lower than the carrying amount of the cash generating unit and resulting in a total impairment loss of HK$78.0 million for the year ended 31 March 2020, which includes impairment provision for intangible assets of HK$55.1 million.

Valuation methodology, value of inputs and basis and assumptions

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

	Valuation as at 31 March 2020	Valuation as at 31 March 2019
Valuation Date	**31 March 2020**	31 March 2019
Valuation Methodology	**Income Approach**	Income Approach
Basis of Valuation	**Value in use calculation***	Value in use calculation*
Pre-tax Discount Rate	**15.76%**	15.40%
Risk-free Rate (10-yr)	**2.59%**	3.07%
Beta Coefficient	**0.64**	0.54
Market Risk Premium	**5.89%**	5.89%
Company Specific Risk Premium	**5.00%**	4.00%
Small Company Risk Premium	**3.39%**	3.67%
Net Present Value of Value in Use (HK$'000)	**172,502**	339,028
Adjustments:		
Net Non-operating Assets (HK$'000)	**(2,992)**	(2,458)
Debts (HK$'000)	**(221,607)**	(286,223)
Excess Cash (HK$'000)	**13,432**	29,930
Final Result of Value in Use (HK$'000)	**(38,665)**	80,277

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

Sale Revenue (HK$'000) & Growth Rate

Year 1	91,872 (-51.6%)	211,608 (6%)
Year 2	96,925 (5.5%)	234,885 (11%)
Year 3	102,256 (5.5%)	260,723 (11%)
Year 4	107,880 (5.5%)	289,402 (11%)
Year 5	113,814 (5.5%)	298,084 (3%)

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

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

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

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

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

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets for the year ended 31 March 2020 represented provisions for impairment of trade receivables and other receivables of HK$1.7 million and HK$2.3 million respectively. These impairment losses were associated with the restructuring of V. Success Group's knitted uppers for footwear and knitted upper shoes business.

Details of the costs and expenses directly or indirectly related to the restructuring of the knitted uppers for footwear and knitted upper shoes business are set out in Note 7 to the Notes to the Consolidated Financial Statements.

Finance Expenses, Net

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

The Group's net finance expenses increased by HK$18.1 million from HK$44.7 million for the year ended 31 March 2019 to HK$62.8 million for the year ended 31 March 2020. The increase in net finance expenses was mainly due to (i) the hike in market interest rates; and (ii) our increased average bank borrowings to cope with the Group's business development and expansion during the year ended 31 March 2020.

Income Tax Expenses

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

Hong Kong profits tax as applicable to the Group is 16.5% for the years ended 31 March 2020 and 2019 on the estimated assessable profits arising in or derived from Hong Kong during the relevant years.

The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax (the "CIT") at a rate of 25% on the estimated assessable profits for the years ended 31 March 2020 and 2019. However, three of the Group's subsidiaries in Mainland China are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

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

The Group's effective tax rates based on the adjusted net profit were 9.3% and 11.2% for the years ended 31 March 2020 and 2019 respectively.

Profit/(loss) for the Year Attributable to Owners of the Company

As a result of the foregoing, the Group recorded profit attributable to the owners of the Company of HK$157.0 million and loss attributable to the owners of the Company of HK$298.5 million for the years ended 31 March 2020 and 2019 respectively.

The principal reason of the result for the year ended 31 March 2020 to turn from loss to profit was due to the impairment loss on the intangible assets relating to V. Success Group of HK$521.6 million being recorded in the year ended 31 March 2019. For the year ended 31 March 2020, the Group has implemented various additional measures to restructure the business of V. Success Group and the costs and expenses directly or indirectly related to the restructuring, including the impairment charges to the relevant assets, is only HK$86.3 million, which is substantially less than the impairment loss on intangible assets of HK$521.6 million for the year ended 31 March 2019.

Adjusted Net Profit

Adjusted net profit is a non-HKFRS financial measure and it is derived from profit/(loss) attributable to the owners of the Company for the year after excluding (i) impairment loss on intangible assets; (ii) costs and expenses directly or indirectly related to the restructuring of V. Success Group and (iii) realised and unrealised 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$16.6 million from HK$227.4 million for the year ended 31 March 2019 to HK$244.0 million for the year ended 31 March 2020. The adjusted net profit margin increased from 5.2% for the year ended 31 March 2019 to 5.4% for the year ended 31 March 2020.

Dividend

An interim dividend of 4.3 HK cents per share was paid on 24 December 2019.

At the board meeting held on 26 June 2020, the Directors did not recommend the payment of a final dividend for the year ended 31 March 2020.

Consolidated Cash Flow Statement

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**876,271**	(8,680)
Net cash used in investing activities	**(308,517)**	(330,158)
Net cash used in financing activities	**(264,958)**	(238,517)
Net increase/(decrease) in cash and cash equivalents	**302,796**	(577,355)
Cash and cash equivalents at beginning of the year	**414,844**	1,009,477
Exchange difference on cash and cash equivalents	**(4,512)**	(17,278)
Cash and cash equivalents at end of the year	**713,128**	414,844

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 March 2020 was HK$876.3 million, primarily due to profit before income tax of HK$174.4 million, adjusted for income tax paid of HK$15.8 million, impairment losses on intangible assets and property, plant and equipment of HK$55.1 million and HK$25.2 million respectively, depreciation of HK$220.1 million, decrease in inventories of HK$272.8 million and increase in trade and bills payables of HK$78.9 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 March 2020 was HK$308.5 million, primarily due to the purchase of property, plant and equipment of HK$307.9 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the year ended 31 March 2020 was HK$265.0 million, which was attributable to the net decrease in the Group's total bank borrowings and lease liabilities/finance lease obligations of HK$194.5 million and the dividend payments of HK$98.0 million, which was partially offset by the capital contribution from non-controlling interests of HK$27.5 million.

Cash and Cash Equivalents

For the year ended 31 March 2020, the Group's cash and cash equivalents increased by HK$302.8 million and the exchange loss was HK$4.5 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$713.1 million as at 31 March 2020.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the year ended 31 March 2020, the Group's cash and cash equivalents was mainly used in the Group's business operations and expansion, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and bank borrowings. The Group's gearing ratio decreased from 42.6% as at 31 March 2019 to 37.9% as at 31 March 2020. Such decrease was mainly due to the fact that the Group has tried to maintain a higher cash level amid the COVID-19 pandemic and market uncertainties.

The gearing 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 31 March 2020, the Group's cash and cash equivalents, amounting to HK$713.1 million, were denominated in US dollars ("US$") (56.9%), HK$ (19.4%), Chinese Renminbi ("RMB") (22.1%), Vietnamese Dong ("VND") (1.1%) and other currencies (0.5%).

As at 31 March 2020, the Group's total bank borrowings and lease liabilities/finance lease obligations were due for repayment as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**566,351**	1,001,638
Between one and two years	**1,060,377**	399,599
Between two and five years	**367,619**	529,434
	1,994,347	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 clause.

(b) As at 31 March 2020, the Group's total bank borrowings and lease liabilities were denominated in HK$(75.0%), US$(23.9%) and RMB(1.1%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and lease liabilities for the year ended 31 March 2020 were 2.94% and 1.79% respectively.

(c) As at 31 March 2020, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK$6.1 million.

Financial Risk Management

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

(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.

As at 31 March 2020, 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 Group's foreign currency risk exposure and may use appropriate 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 year ended 31 March 2020 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

(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 31 March 2020, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong, Mainland China 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.

Capital Expenditures

The Group incurred capital expenditures of approximately HK$535.6 million for the year ended 31 March 2020, which were mainly related to the purchase of machinery and equipment for our factories and the construction of new production bases in Vietnam and Myanmar. These capital expenditures were fully financed by internal resources, bank borrowings and lease liabilities.

Capital Commitments

The Group's capital commitments as at 31 March 2020 amounted to approximately HK$80.1 million which were mainly related to the purchase of machinery and equipment for our factories and the construction of new production bases in Vietnam and Myanmar.

Charge on Assets

As at 31 March 2020, the Group's right-of-use assets with a total carrying amount of HK$14.1 million, land and buildings and leasehold improvements with a total carrying amount of HK$183.2 million and financial assets at fair value through profit or loss with a total carrying amount of HK$6.1 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liability as at 31 March 2020.

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

The net proceeds from the listing of the Company amounted to approximately HK$635.4 million. Such proceeds have been used according to the allocation set out in the Company's prospectus dated 30 March 2016. Use of net proceeds from the date of listing to 31 March 2020 is set out on page 62 of this annual report.

Significant Investments, Acquisitions and Disposals

The Group had no significant investments, acquisitions and disposals during the year ended 31 March 2020.

Events after Balance Sheet Date

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

Financial Instruments

The Group did not have any outstanding hedging contracts or financial derivatives as at 31 March 2020.

Operating Segment Information

The Group's revenue and results for the years ended 31 March 2020 and 2019 were derived from manufacturing of knitwear products, knitted upper for footwear and knitted upper shoes, which are considered as two operating segments. The operating segment information is disclosed in a manner consistent with the way in which information is reported internally to the Group's chief operating decision-makers for allocation of resources and performance assessment.

Human Resources and Emolument Policy

As at 31 March 2020, the Group had a total of approximately 15,500 full-time employees in Mainland China, Vietnam and Hong Kong. For the year ended 31 March 2020, the total staff costs, including the directors' emoluments, amounted to HK$915.3 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, Mainland China 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.

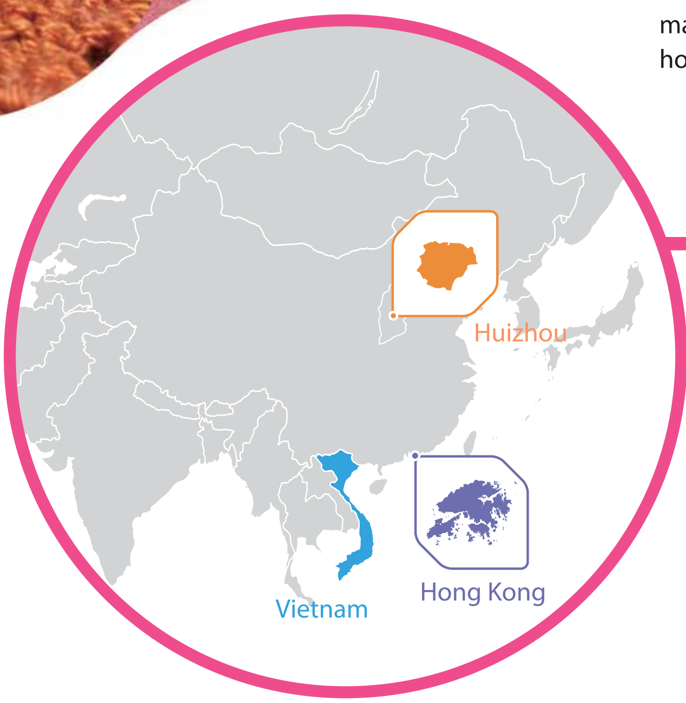
Love for the Community

Displaying care for all local communities at all our locations:

Total donations made to non-profit making organisations exceeded **HK$1.4 million**, and ranked number **7** donor for Community Chest of Hong Kong

Co-donated one million face masks to support school resumption in Huizhou, and to the communities of Hong Kong, Macao, Taiwan and overseas China to fight the epidemic

Material donations made to impoverished households in Vietnam



Biographical Details of Directors and Members of Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Ting Chung (王庭聰), *BBS, JP*, aged 58, has been our Director since 11 August 2015. He is one of our founders, the chairman and chief executive officer of our Group and is primarily responsible for overall management and formation of corporate strategy of our Group. Mr. Wong has over 30 years of working experience in knitting industry. He established his business through Hang Cheong Knitting Factory (恒昌織造廠), a factory engaged in the production of knitwear products, in 1982 and was responsible for overall management of the factory. Mr. Wong established our Group's business through Nameson Industrial Limited ("Nameson Industrial") in September 1990. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group Limited ("Nameson Group"), First Team (HK) Limited ("First Team (HK)"), Nameson Industrial, Kingmax Industrial Limited ("Kingmax Industrial"), Winner Way Industrial Limited ("Winner Way"), V. Success Limited ("V. Success") and V. Success (HK) Limited ("V. Success (HK)"). Mr. Wong has been the non-executive director as well as the chairman of Million Cities Holdings Limited (stock code: 2892) since November 2016. Mr. Wong is currently a delegate of the Hong Kong Special Administrative Region to the National People's Congress of the PRC (中國全國人民代表大會香港特別行政區代表) and the chairman of Hong Kong Industrial and Commercial Association General Chamber Executive Committee (香港工商總會會董會執行委員會). He graduated from Hong Kong Yee Tong Ye College (香港易通夜中學) in 1978. Mr. Wong is the brother of Mr. Wong Ting Chun and Mr. Wong Ting Kau and father of Mr. Wong Wai Yue. Mr. Wong Wai Yue and Mr. Wong Ting Chun are our executive Directors, while Mr. Wong Ting Kau is our non-executive Director.

Mr. Wong Wai Yue (王槐裕), aged 38, has been our Director since 30 August 2015 and was re-designated as executive Director and vice chairman with effect from 27 November 2017. He is primarily responsible for assisting the chairman to oversee and manage the Board and formulate the corporate strategy. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group, First Team (HK), Nameson Industrial, Kingmax Industrial, Winner Way, V. Success and V. Success (HK). From January 2007 to January 2015, Mr. Wong served as a director of Nameson Group, responsible for investment management. Mr. Wong obtained his bachelor's degree of science in computer science and the master's degree of science in international management from University of Exeter, United Kingdom in July 2005 and June 2006 respectively. Mr. Wong has served as the president of Hong Kong Industrial & Commercial Association-Youth Link since May 2012 and the chief president of Hong Kong Industrial & Commercial Association (Shatin Branch) since August 2018. Mr. Wong is also a committee member of the Chinese People's Political Consultative Conference Longgang District Shenzhen (中國人民政治協商會議深圳市龍崗區委員會) since September 2016. Mr. Wong is the son of Mr. Wong Ting Chung, our executive Director. Mr. Wong is also the nephew of Mr. Wong Ting Chun and Mr. Wong Ting Kau. Mr. Wong Ting Chun is our executive Director, while Mr. Wong Ting Kau is our non-executive Director.

Mr. Wong Ting Chun (王庭真), aged 54, has been our Director since 30 August 2015. He is the chief production officer of our Group and is primarily responsible for the production management of our PRC Factory and Vietnam Factory. He joined our Group as the production manager of Nameson Industrial in November 1990 and was responsible for overseeing production and operations management. Currently, Mr. Wong assumes various directorships in our Group, including Huizhou Nanxuan Knitting Factory Limited ("Nanxuan Knitting), Huizhou Liyun Knitting Factory Limited and Hebei Nanguan Technology Co. Ltd, . Mr. Wong has over 30 years of working experience in knitting industry. He worked as a production technician in Hang Cheong Knitting Factory (恒昌織造廠) from August 1982 to October 1990. In April 2009, he received the award of Model Worker of Huicheng District in Huizhou (惠州市惠城區勞動模範) issued by Huizhou City Huicheng District Committee of Chinese Communist Party and Huizhou City Huicheng District People's Government (中共惠州市惠城區委及惠州市惠城區人民政府). In January 2011, he received the award of Outstanding Individual of the Construction of Staff Library of Chinese Trade Unions (全國工會職工書屋建設先進個人) issued by All-China Federation of Labour (中華全國總工會). Mr. Wong is the brother of Mr. Wong Ting Chung and Mr. Wong Ting Kau, uncle of Mr. Wong Wai Yue. Mr. Wong Ting Chung and Mr. Wong Wai Yue are our executive Directors, while Mr. Wong Ting Kau is our non-executive Director.

Mr. Li Po Sing (李寶聲), aged 55, has been our Director since 30 August 2015. He is the chief sales officer of our Group. He is primarily responsible for the sales management and research and development. Mr. Li joined our Group as a sales manager in February 2000 and was promoted to the senior sales manager in January 2004. He was further promoted to the general merchandising manager in February 2006 and the director of sales and marketing department in April 2007. Prior to joining our Group, Mr. Li served as a merchandising executive at Creazioni Knitters Limited (翹迅針織有限公司) from June 1989 to November 1990. From January 1991 to June 1991, he served as a senior sales administrator at ESE Limited, a sales agency for electronic products, where he was primarily responsible for providing support services to sales department. From July 1991 to August 1992, he served as a production manager at High In Factory, a sweater manufacturing company, where he was primarily responsible for production management. From August 1992 to July 1995, he served as a senior merchandiser at Vinnitsa HK Limited, a fashion agency, where he was primarily responsible for product development and production management. From August 1995 to August 1997, he served as a sales manager at Nice Harvest Knitters Limited, a sweater manufacturing company, where he was primarily responsible for production and logistic management. From June 1998 to January 2000, he served as a sales manager at Fambish Limited, a company primarily engaged in sweater manufacturing, where he was responsible for product development and sales. Mr. Li obtained his bachelor's degree of arts in history from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in January 1992.

NON-EXECUTIVE DIRECTORS

Mr. Tam Wai Hung, David (譚偉雄), aged 70, has been our Director since 30 August 2015. He was a consultant of Nameson Group from June 2012 to March 2018 and was responsible for providing advice on various areas including financing, banking and risk management. Mr. Tam has more than 40 years of experience in commercial banking industry in Hong Kong and China. From January 1968 to March 1999, Mr. Tam worked in The Hongkong and Shanghai Banking Corporation and held various positions including branch manager, district manager, manager in corporate banking and senior executive banking. From March 1999 to January 2012, Mr. Tam worked in Hang Seng Bank Limited and held various positions including assistant general manager,deputy general manager and chief risk officer. Mr. Tam was a director of Yantai Bank (煙台銀行), a city commercial bank in Yantai, Shandong Province, the PRC from December 2012 to June 2017. Mr. Tam has also been an independent non-executive director of Xinyi Glass Holdings Limited (stock code: 868) since December 2012 and Dah Sing Financial Holdings Limited (stock code: 440) since December 2018. Mr. Tam became a fellow member of the Institute of Bankers in the United Kingdom and the Hong Kong Institute of Bankers in October 1986 and July 1995 respectively. Mr. Tam received his associateship from the Institute of Bankers in the United Kingdom and completed the Financial Studies Diploma of the Chartered Institute of Bankers in the United Kingdom in December 1974 and August 1987 respectively. Mr. Tam received his master's degree in business administration from the University of Toronto, Canada in June 1991.

Mr. Wong Ting Kau (王庭交), aged 58, has been our Director since 30 August 2015. He is one of the founders of our Group. Mr. Wong currently is the chief executive officer of V. Success (HK). Mr. Wong joined our Group as an executive director of Nameson Group in November 1990 and was promoted to the executive vice president in May 2002. He was further promoted to the managing director of Nameson Group in August 2006 and ceased to be the director in March 2013. Currently, Mr. Wong is the honorary chairman of Hong Kong Knitwear Innovation and Design Society (香港毛織創新及設計協會), the vice chairman of Hong Kong Footwear Association Limited (香港鞋業商會有限公司), the vice president of The Federation of Hong Kong Footwear Limited (香港鞋業(1970)總會) and the governor of Happy Hong Kong Charity Foundation. Mr. Wong is the brother of Mr. Wong Ting Chung, and Mr. Wong Ting Chun and the uncle of Mr. Wong Wai Yue, all of them are executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Fan Chiu Fun, Fanny (范椒芬), *GBM, GBS, JP*, aged 67, has been our Director since 29 January 2016. She is a member of the executive council of the government of Hong Kong Special Administrative Region and a special adviser to the China-US Exchange Foundation. Ms. Fan joined the board of CLP Holdings Limited (stock code: 0002), as an independent non-executive director in August 2011 and resigned in April 2012. She rejoined the board of CLP Holdings Limited in August 2012. Ms. Fan also joined China Unicom (Hong Kong) Limited (stock code: 0762), as independent non-executive director in November 2012. Ms. Fan has also been the independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited) (stock code: 0620) from December 2015 to May 2019 and Minmetals Land Limited (stock code: 0230) since April 2018. Prior to her retirement from the civil service in 2007, Ms. Fan was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years working experience in the government departments, Ms. Fan has held various positions in the government of Hong Kong Special Administrative Region, including the director of the office of chief executive designate, the Commissioner for Transport of the Transport Department of Hong Kong, the secretary and permanent secretary of Education and Manpower Bureau of Hong Kong. Ms. Fan graduated from the University of Hong Kong with a bachelor's degree in science in 1975. She received a master degree in public administration from Harvard University, US in 1990 and a master degree in education from the Chinese University of Hong Kong in 2005.

Mr. Kan Chung Nin, Tony (簡松年), *SBS, JP*, aged 69, has been our Director since 29 January 2016. He founded Tony Kan & Co., Solicitors & Notaries in March 1984 and became the senior consultant in April 2014. Mr. Kan has been a practicing solicitor of the supreme court of Hong Kong since March 1982. Mr. Kan has been an independent non-executive director of Man Wah Holdings Limited (stock code: 1999) since May 2013, Shenzhen Investment Holdings Bay Area Development Company Limited (previously known as Hopewell Highway Infrastructure Limited) (stock code: 0737) since April 2018 and Kimou Environmental Holding Limited (stock code: 6805) since June 2019. Mr. Kan was the non-executive director as well as the chairman of Midland IC&I Limited (stock code: 459) between October 2016 and October 2019, and was the non-executive director of Midland Holdings Limited (stock code: 1200) between March 2014 and October 2016. He has been appointed as a vice chairman of the board of directors of DBG Technology Co., Ltd. (stock code: 300735) which has been listed on Shenzhen Stock Exchange ChiNext on 29 December 2017. Mr. Kan is a solicitor of the supreme court of England and Wales and a barrister and solicitor of the supreme court of the Australian Capital Territory as well as advocate and solicitor of the supreme court of the Republic of Singapore. He is also a China-Appointed Attesting Officer and a Notary Public in Hong Kong. Mr. Kan is currently a committee member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會) and was a committee member of the Chinese People's Political Consultative Conference Guangdong Committee (中國人民政治協商會議廣東省委員會) for three consecutive terms. Mr. Kan is currently a member of the election committee of the chief executive of Hong Kong Special Administrative Region.

Mr. Ong Chor Wei (王祖偉), aged 50, has been our Director since 29 January 2016. He has extensive experience in finance and accounting. Mr. Ong was, or has been, a director of the following listed companies in the last three years preceding 26 June 2020:

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
December 2007 to present	Joyas International Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: E9L)	Design, manufacture and sale of metal gift products and jewellery products	Non-executive director	Overseeing the management
June 2010 to present	Net Pacific Financial Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: 5QY)	Provision of financing services	Executive director and chief executive officer	Day-to-day operations, strategic planning and major decision making
March 2014 to September 2019	Phimedix Plc (formerly known as Zibao Metals Recycling Holdings Plc) whose shares are listed on the London Stock Exchange (Stock Code: BO)	Trading of recyclable metal	Executive finance director	Overseeing the finance function within Zibao Metals Recycling Holdings Plc and its subsidiaries
March 2010 to present	Man Wah Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1999)	Production and sales of sofas	Non-executive director redesignated to independent non-executive director	Board oversight and providing independent judgement

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
April 2010 to present	O-Net Technologies (Group) Limited (formerly known as O-Net Communications (Group) Limited), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 877)	Design, manufacturing and sale of optical networking subcomponents, modules and subsystem used in high-speed telecommunications and data communications	Independent non-executive director	Board oversight and providing independent judgement
November 2015 to present	Denox Environmental & Technology Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1452)	Manufacturing platetype DeNox catalysts	Independent non-executive director	Board oversight and providing independent judgement
December 2017 to present	Prosperous Printing Company Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8385)	Provision of printing products	Non-executive director	Board oversight and providing independent judgement
June 2017 to February 2019	Vico International Holdings Limited whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1621)	Distribution of diesel and lubricant oil and fuel cards services	Non-executive director	Board oversight and providing independent judgement
December 2017 to present	Smart Globe Holdings Limited whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8485)	Provision of printing products	Independent non-executive director	Board oversight and providing independent judgement

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

Mr. Fan Chun Wah, Andrew (范駿華), *JP*, aged 41, has been our Director since 29 January 2016. He has been the managing director of Fan. Mitchell., & Co Limited (尚德會計師事務所有限公司) since September 2017 and the managing director of C.W. Fan & Co. Limited (泛華會計師事務所有限公司) since November 2013. Mr. Fan was, or has been, a director of the following companies in the last three years preceding 26 June 2020:

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
January 2013 to present	Chuang's China Investments Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0298)	Property investment and development in Hong Kong and China	Independent non-executive Director	Board oversight and independent management
March 2014 to June 2020	Sinomax Group Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1418)	Marketing, manufacture, and distribution of visco-elastic health and wellness products	Independent non-executive Director	Board oversight and independent management
October 2014 to present	Fulum Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1443)	Operation of fullservice restaurant chain serving Cantonese cuisine in Hong Kong and in China	Independent non-executive Director	Board oversight and independent management
April 2015 to present	Culturecom Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0343)	Publishing comic books and provision of media content in Hong Kong, China, and Macau	Independent non-executive Director	Board oversight and independent management
July 2015 to May 2017	Hong Kong Resources Holdings Company Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2882)	Retail and franchise of gold and jewellery products in China, Hong Kong, and Macau	Independent non-executive Director	Board oversight and independent management
June 2017 to present	Omnibridge Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8462)	Human resources outsourcing and recruitment services	Independent non-executive Director	Board oversight and independent management

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

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

Ms. Lee Bik Kee, Betty (李碧琪), aged 69, has been our Director since 29 January 2016. She has over 45 years of experience in overall operational management in the apparel and textile industries. She served as an Executive Vice President in Bonaventure Textiles Ltd from 1989 to 1990 where Ms. Lee was responsible for production management. From 1991 to 2013, Ms. Lee worked as an Executive Vice President in Mast Industries (Far East) Ltd and MGF Sourcing Far East Ltd, each a garment sourcing agent respectively, where she was responsible for apparel procurement and production management. She was engaged in management role since 1977 with H.I.S. Sportswear Ltd, and was Executive Director of Murjani Industries (HK) Ltd till 1989. Ms. Lee graduated from Maryknoll Convent School with a commercial diploma in 1969.

Mr. Ip Shu Kwan, Stephen (葉澍堃), *GBS, JP,* aged 68, has been our Director since 16 April 2018. Mr. Ip was graduated from the University of Hong Kong with a degree in social sciences in 1973. Mr. Ip joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Hong Kong Government as a Principal Official from July 1997 to June 2007. Mr. Ip held certain senior positions which include Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services. Mr. Ip took up the position of Secretary for Economic Development and Labour in July 2002. His portfolio in respect of economic development covered air and sea transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. He was also responsible for labour policies including matters relating to employment services, labour relations and employees rights.

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

SENIOR MANAGEMENT

Mr. Tao Chi Keung (陶志強), aged 49, is the chief financial officer of our Group and the company secretary of our Company. He is primarily responsible for our Group's overall financial planning and reporting, financial risk management and company secretarial matters. Mr. Tao joined our Group on 30 August 2015. Mr. Tao possesses extensive experience in financial management and auditing and had held a number of senior positions prior to joining our Group. From July 1993 to February 1996, Mr. Tao worked as a staff accountant in Ernst & Young. From March 1996 to May 1998, he was the accounting manager in FT Holdings International Limited (stock code: 559). From June 1998 to October 1999, Mr. Tao worked as an assistant manager in New World China Land Limited (stock code: 917). He worked in KPMG as a manager from October 1999 to March 2004, and PricewaterhouseCoopers as a senior audit manager from April 2004 to October 2009. From December 2009 to September 2010, Mr. Tao worked as a chief finance officer in Birdland (Hong Kong) Limited, where he was responsible for finance and accounting. From October 2010 to July 2011, Mr. Tao worked as a chief financial officer in Chiaus International Group Company Limited, an investment holding company engaged in, through its subsidiaries, manufacturing baby and children's care products, where he was responsible for financial management. From October 2011 to August 2015, Mr. Tao worked in Kinetic Mines and Energy Limited (stock code: 1277), with the latest positions of company secretary and chief financial officer. Mr. Tao received his bachelor's degree in business administration from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in December 1993. Mr. Tao is currently a fellow and a practising Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Mr. Chan Yiu Tung (陳耀東), aged 49, is the merchandising director of our Group. He is primarily responsible for merchandising management for Japanese market in our Group. Mr. Chan joined our Group as a senior merchandiser in December 1997. In January 2003, he was promoted to the merchandising manager and later in April 2005, he was promoted to the sales manager. Further, in February 2006, he was promoted to the senior merchandising manager and in January 2008, he was promoted to merchandising director. Prior to joining our Group, from 1991 to 1996, Mr. Chan worked as a senior merchandiser in Products Union Garment Ltd, a company principally engaged in the manufacturing of garment. Mr. Chan passed Hong Kong Certificate of Education Examination in 1989.

Mr. Lin Guoxin (林國新), aged 49, is the assistant general manager of our PRC factory. He is primarily responsible for the production management in our PRC factory. Mr. Lin joined our Group as a plant manager at Nanxuan Knitting in November 1995, where he was responsible for overseeing and managing the production process. He was promoted to assistant general manager of the production department in October 2005, where he was responsible for managing and supervising overall production operations in our PRC factory. Mr. Lin is the cousin of Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau.

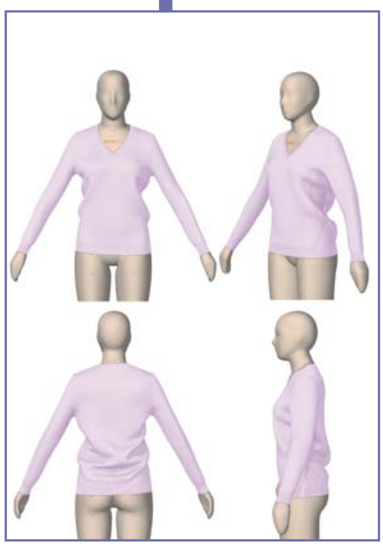
Mr. Mo Erjin (莫二金), aged 52, is the assistant general manager of our PRC factory. He is primarily responsible for supervising sample development in our PRC factory. Mr. Mo joined our Group as the chief of the technical centre in March 2003 and was further promoted to assistant general manager in January 2008 and was responsible for the management of the sample development in our PRC factory. Prior to joining our Group, Mr. Mo served as a knitting technician at Foshan Zhangcha Knitting Factory (佛山張槎毛衫廠), from October 1986 to March 1989. From March 1989 to February 2002, he served as a knitting team leader at Laws Fashion Knitters Limited (羅氏針織有限公司).

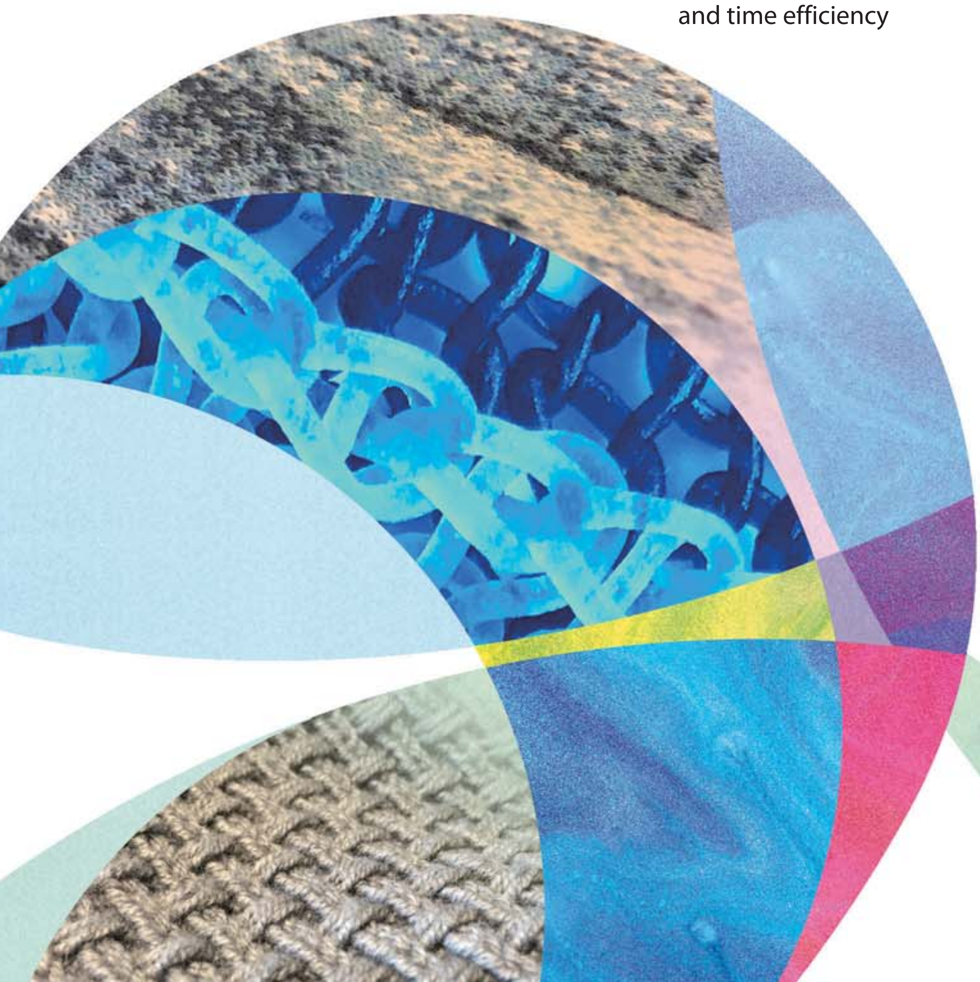
Love for Innovation

1 Direction
2 Seasons
3 Collections
4 Design Teams

Technological Application:
Out-of-the-box solution, caring for the environment

Early adaptation of Virtual Sampling:
simulation raises cost and time efficiency





Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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 Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2020.

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

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

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 year ended 31 March 2020.

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

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company for the year ended 31 March 2020.

THE BOARD OF DIRECTORS

Responsibilities of the Board

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

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

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

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

Composition of the Board

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

Board of Directors

Executive Directors

Mr. Wong Ting Chung *(Chairman and Chief Executive Officer)*
Mr. Wong Wai Yue *(Vice- Chairman)*
Mr. Wong Wai Wing, Raymond *(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
Mr. Kan Chung Nin, Tony
Mr. Ong Chor Wei
Mr. Fan Chun Wah, Andrew
Ms. Lee Bik Kee, Betty
Mr. Ip Shu Kwan, Stephen

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

For the year ended 31 March 2020, the Company has complied with the requirements of the Listing Rules to have at least three independent non-executive Directors representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

Terms of Appointment of Directors

Executive Directors and Non-executive Directors

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

Independent non-executive Directors

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

Nomination, Appointment, Re-election and Removal Procedures

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

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

Board Practices and Conduct of Meetings

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

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

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

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

Directors' Attendance Records

During the year ended 31 March 2020, four physical Board meetings were held at which the Directors reviewed and approved, among other things, (i) the annual results and report of the Group for the year ended 31 March 2019; (ii) the quarterly results of the Group for the three months ended 30 June 2019; (iii) the interim results and report of the Group for the six months ended 30 September 2019; and (iv) quarterly results of the Group for the nine months ended 31 December 2019.

The attendance records of individual Directors at the aforementioned Board meetings and at the Company's annual general meeting held on 23 August 2019 are set out below:

	Attendance/Number of Meetings	
Name of Director	**(Board meetings)**	**(Annual general meeting)**
Executive Directors		
Mr. Wong Ting Chung *(Chairman and Chief Executive Officer)*	4/4	1/1
Mr. Wong Wai Yue *(Vice-Chairman)*	4/4	1/1
Mr. Wong Wai Wing, Raymond *(Resigned with effect from 30 November 2019)*	3/4	1/1
Mr. Wong Ting Chun	4/4	1/1
Mr. Li Po Sing	4/4	1/1
Non-executive Directors		
Mr. Tam Wai Hung, David	3/4	0/1
Mr. Wong Ting Kau	4/4	1/1
Independent non-executive Directors		
Ms. Fan Chiu Fun, Fanny	4/4	1/1
Mr. Kan Chung Nin, Tony	4/4	1/1
Mr. Ong Chor Wei	4/4	1/1
Mr. Fan Chun Wah, Andrew	4/4	1/1
Ms. Lee Bik Kee, Betty	4/4	1/1
Mr. Ip Shu Kwan, Stephen	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD COMMITTEES

Executive Committee

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

Audit Committee

The audit committee of the Board was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by the Board. For the year ended 31 March 2020, the audit committee consists of one non-executive Director, Mr. Tam Wai Hung, David, and four independent non-executive Directors, namely, Mr. Ong Chor Wei (chairman of the audit committee who possesses the appropriate professional qualification or accounting or related financial management expertise), Mr. Kan Chung Nin, Tony, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen. The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

The audit committee held two physical meetings during the year ended 31 March 2020. In these two meetings, the audit committee discussed and reviewed, among other things, (i) the accuracy and fairness of the Group's audited annual results for the year ended 31 March 2019 and unaudited interim results for the six months ended 30 September 2019; (ii) the work of the Group's internal audit department; and (iii) the effectiveness of the Group's risk management and internal control systems.

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

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

The external auditors were invited to attend the meetings without the presence of the executive Directors to discuss with the audit committee members about issues relating to the audit and financial reporting matters. An audit committee meeting was held on 19 June 2020 to consider and review, among other things, the Group's annual results and annual report for the year ended 31 March 2020. It was attended by Mr. Ong Chor Wei, Mr. Kan Chung Nin, Tony, Mr. Tam Wai Hung, David, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen.

Remuneration Committee

The remuneration committee of the Board was established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the CG Code. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme of the Company. For the year ended 31 March 2020, the remuneration committee consists of one executive Director, Mr. Wong Ting Chung and two independent non-executive Directors, Mr. Kan Chung Nin, Tony (chairman of the remuneration committee) and Mr. Ong Chor Wei. The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

The remuneration committee held two physical meetings during the year ended 31 March 2020. In the meetings, the remuneration committee discussed and reviewed, among other things, the remuneration packages of the Directors and senior management.

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

Name of remuneration committee member	**Attendance/ Number of Meetings**
Mr. Kan Chung Nin, Tony *(Chairman)*	2/2
Mr. Wong Ting Chung	2/2
Mr. Ong Chor Wei	2/2

Nomination Committee

The nomination committee of the Board was established with written terms of reference in compliance with paragraph A5 of the CG Code. It is responsible for determining the policy for the nomination of directors, identifying and recommending to the Board appropriate candidates to serve as Directors, evaluating the structure and composition of the Board and developing, recommending to the Board and monitoring nomination guidelines for the Company. For the year ended 31 March 2020, the nomination committee consists of two executive Directors, Mr. Wong Ting Chung (chairman of the nomination committee) and Mr. Wong Wai Yue and three independent non-executive Directors, Mr. Kan Chung Nin, Tony, Mr. Ong Chor Wei and Ms. Lee Bik Kee, Betty. The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

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

— Reputation for integrity;

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

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

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

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

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

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

The nomination committee held two physical meetings during the year ended 31 March 2020. In the meetings, the nomination committee discussed and reviewed, among other things, (i) the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the Group's business and is in compliance with the requirements of the Listing Rules; and (ii) the recommendation on re-election of retiring Directors at the forthcoming annual general meeting.

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

Name of nomination committee member	**Attendance/ Number of Meetings**
Mr. Wong Ting Chung *(Chairman)*	2/2
Mr. Wong Wai Yue	2/2
Mr. Kan Chung Nin, Tony	2/2
Mr. Ong Chor Wei	2/2
Ms. Lee Bik Kee, Betty	2/2

Board Diversity

The Company recognises and embraces the importance and benefit achieving diversity on the Board has on corporate governance and board effectiveness. During the year ended 31 March 2020, the Company monitored the Board composition with regard to its diversity policy which requires board appointments to be made on a merit basis with due regard for the benefits of the diversity of Board members. Selection of candidates will be based on a wide range of diversity perspectives, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The nomination committee has developed measurable objectives to implement the board diversity policy and would monitor the progress in achieving these objectives.

EXTERNAL AUDITOR'S REMUNERATION

The amount of fees charged by the Company's external auditor, PricewaterhouseCoopers, in respect of their audit and non-audit services including review interim financial information for the year ended 31 March 2020 amounted to HK$2.8 million and HK$0.7 million, respectively.

THE COMPANY SECRETARY

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' TRAINING

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

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code for the year ended 31 March 2020 and they participated in the following types of continuous professional development:

Name of Director	Type of continuous professional development
Executive Directors	
Mr. Wong Ting Chung *(Chairman and Chief Executive Officer)*	(I), (II)
Mr. Wong Wai Yue *(Vice-Chairman)*	(I), (II)
Mr. Wong Wai Wing, Raymond *(Resigned with effect from 30 November 2019)*	N/A
Mr. Wong Ting Chun	(I), (II)
Mr. Li Po Sing	(I), (II)
Non-executive Directors	
Mr. Tam Wai Hung, David	(I), (II)
Mr. Wong Ting Kau	(I), (II)
Independent non-executive Directors	
Ms. Fan Chiu Fun, Fanny	(I), (II)
Mr. Kan Chung Nin, Tony	(I), (II)
Mr. Ong Chor Wei	(I), (II)
Mr. Fan Chun Wah, Andrew	(I), (II)
Ms. Lee Bik Kee, Betty	(I), (II)
Mr. Ip Shu Kwan, Stephen	(I), (II)

(I) Attending seminars/webinars.

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

INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

The amended and restated articles of association of the Company has been conditionally adopted on 29 January 2016 with effect from the date of listing of the Company on the Stock Exchange. During the year ended 31 March 2020, there is no change to the memorandum of association and amended and restated articles of association of the Company.

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

ACCOUNTABILITY

The Directors have included a management discussion and analysis of the Group's performance for the year ended 31 March 2020 under the section headed "Management Discussion and Analysis" of this annual report.

INTERNAL CONTROLS AND RISK MANAGEMENT

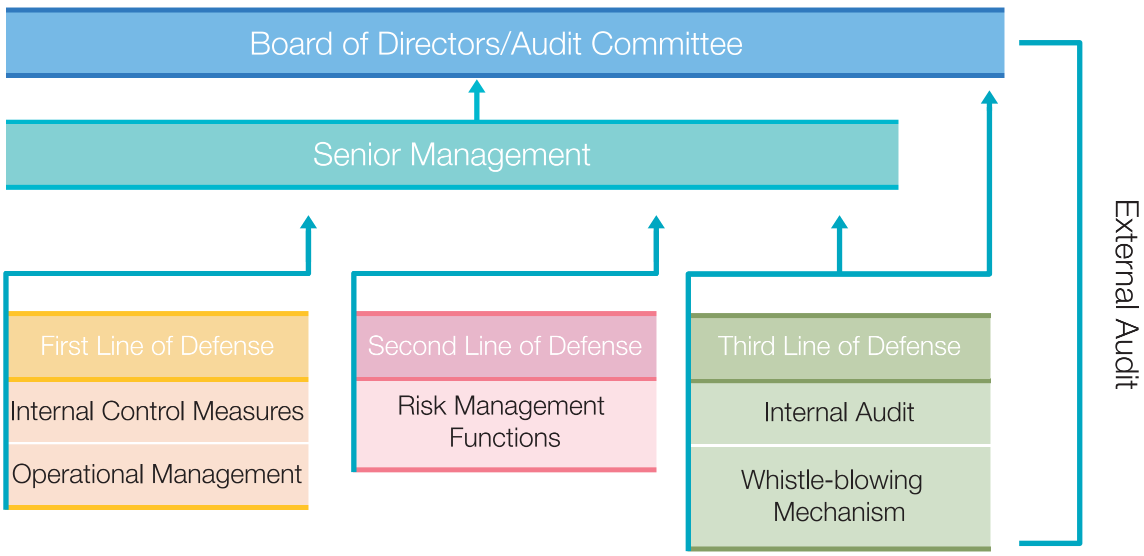
The Group has an internal control system which plays an important role in maintaining and improving accountability and transparency in the conduct of the Group's business, safeguarding the interests of the Company's shareholders and the assets of the Group and enhancing investor confidence. On the other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

Main Features of Risk Management and Internal Control Systems

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

Risk Governance Framework

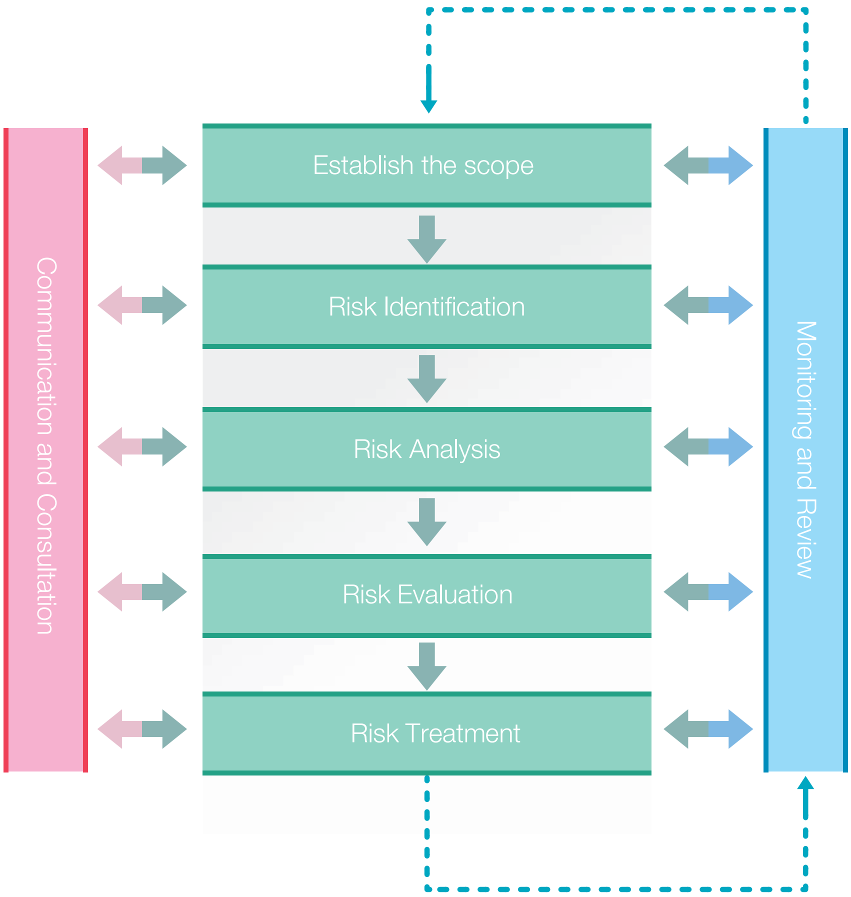
The Group's risk governance framework is guided by the "Three Lines of Defense" model, with the objective to achieve risk management by means of internal control measures, operational management, risk management functions, internal audit and whistle-blowing mechanism.



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

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

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



Process Used for Identifying, Evaluating and Managing Significant Risks

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

Establish the scope

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

Risk Identification

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

Risk Analysis

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

Risk Evaluation

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

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

Risk Treatment

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

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

Monitoring and Review

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

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

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

Communication and Consultation

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

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

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

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

The Group's Significant Risks

- Given the trade policy enforced by the government of the United States, we believe that the customer demand for production of textile and garments in Vietnam will continue to increase, thereby driving the demand for labour force in Vietnam, which will in turn lead to an upward pressure on our labour costs.

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

- As a result of the outbreak of the new coronavirus disease, development of the global economy has become more uncertain. We believe that the financial and sales performance of our customers has been greatly influenced and will affect our short to medium term business and financial condition.

- Global warming may reduce consumer demand for knitwear products, thereby affecting the development of our business.

- The increased frequency of cyberattacks may pose a risk to our operation.

- We have a concentrated customer base as sales attributable to the five largest customers account for over 70% of total sales. Any changes in the five largest customers' decisions to purchase products from us may have an impact on our business and financial condition.

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

- Cashmere is one of the costly raw materials, and its price depends on market demand and supply, and the production cycle from purchasing cashmere to making it into a finished product is relatively long. If the market price of cashmere falls after our purchase, the selling price and gross profit of the finished cashmere products will ultimately be affected.

- To align with the business development of the Group, we have been developing cashmere yarn production business in China, weaving and dyeing fabric production business in Vietnam, and a new knitwear production base in Myanmar. Moreover, the management continues to look for business diversification and related growth opportunities so as to broaden the revenue base and customer base. However, these projects involve capital allocation, financing, budgeting, schedule, partnership, resource competition, grant of approval and other aspects, which may not be in line with our expectations or budget. During the development and strengthening of diversified products, we may assess the market situation and development mistakenly and may not be able to establish a long-term partnership with customers. These risks may affect our business, prospects, financial condition and operating results.

- China is toning up restrictions and requirements for pollutant emissions so that machinery and equipment may not comply with the regulations if they are not upgraded or modified in a timely manner. Moreover, since we are governed by the regulations in different business locations, we may be subject to relevant penalties for failing to comply with changes in local regulations in a timely manner.

Measures to Enhance the Group's Internal Control System

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

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

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

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

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

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

The Company's Internal Audit Department performs internal audit function and the Board is responsible for overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group on an ongoing basis. The Board confirms that it has reviewed the effectiveness of the risk management and internal control system for the year ended 31 March 2020 and the Board considers them to be effective and adequate.

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

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 March 2020 and confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and reflect amounts which are based on best estimates and reasonable, informed and prudent judgment of the Board. Such acknowledgement should be read in conjunction with, but be distinguished from, the statement of the external auditor of the Company, PricewaterhouseCoopers, in relation to their reporting responsibilities as set out in their auditor's report on pages 103 to 107 of this annual report.

GOING CONCERN

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

SENIOR MANAGEMENT REMUNERATION BY BANDS

The remuneration of the Company's senior management, whose biographies are set out on pages 28 to 29 of this annual report, for the year ended 31 March 2020 is set out below:

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

Directors' Report

The board (the "Board") of directors (the "Directors") of Nameson Holdings Limited (the "Company") is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020.

CORPORATE REORGANISATION AND INITIAL PUBLIC OFFERING

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

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are the manufacturing of knitwear products, knitted upper for footwear and knitted upper shoes. Particulars of the principal activities of the Company's subsidiaries are set out in note 11 to the consolidated financial statements of the Group. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2020.

BUSINESS REVIEW

A business review of the Group for the year ended 31 March 2020 and its future development is set out in the chairman's statement from pages 4 to 7 and management discussion and analysis from pages 8 to 19 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated income statement on page 108 of this annual report.

An interim dividend of 4.3 HK cents per share was paid on 24 December 2019 to the shareholders. At the board meeting on 26 June 2020, the Board did not recommend the payment of final dividend for the year ended 31 March 2020.

DONATIONS

Charitable and other donations made by the Group for the year ended 31 March 2020 amounted to approximately HK$1.4 million (2019: HK$2.0 million).

RESERVES AND DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in the reserves of the Group and the Company during the year ended 31 March 2020 are set out in note 31 and note 37 to the consolidated financial statements respectively.

As at 31 March 2020, the Company's reserves available for distribution to equity shareholders in accordance with its articles of association and the laws of the Cayman Islands amounted to approximately HK$1,869.7 million (2019: HK$1,874.3 million).

DIVIDEND POLICY

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

BORROWINGS

Details of the bank borrowings and lease liabilities of the Group as at 31 March 2020 are set out in note 24 and note 25 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company for the year ended 31 March 2020 are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2020 attributable to the Group's major customers and suppliers are as follows:

Revenue from sales of goods attributable to:	
— the largest customer	55.5%
— five largest customers in aggregate	73.7%
Purchases attributable to:	
— the largest supplier	23.8%
— five largest suppliers in aggregate	61.7%

None of the Directors, or any of their close associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital), had any interest in any of the five largest customers or suppliers of the Group during the year ended 31 March 2020.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2020 are set out on page 184 of this annual report. This summary does not form part of the audited financial statements.

DIRECTORS

The Directors during the year ended 31 March 2020 and up to the date of this annual report are as follows:

Executive Directors

Mr. Wong Ting Chung *(Chairman and chief executive officer)*
Mr. Wong Wai Yue *(Vice-Chairman)*
Mr. Wong Wai Wing, Raymond *(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
Mr. Kan Chung Nin, Tony
Mr. Ong Chor Wei
Mr. Fan Chun Wah, Andrew
Ms. Lee Bik Kee, Betty
Mr. Ip Shu Kwan, Stephen

In accordance with article 84(1) of the Company's articles of association, Mr. Wong Ting Chung, Mr. Li Po Sing, Mr. Kan Chung Nin, Tony, and Ms. Lee Bik Kee, Betty will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 35 to the consolidated financial statements, no transactions, arrangements or contracts of significance between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, or in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2020.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision contained in the Company's articles of association that is subject to the requirements specified in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the benefit of the Directors of the Company was in force during the year ended 31 March 2020 and up to the date of this annual report.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

Huizhou Lijia is held by Mr. Wong Ting Chung, Mr. Wong Ting Chun, Mr. Wong Wai Wing, Raymond (who has resigned with effect from 30 November 2019), each an executive Director, Mr. Wong Ting Kau, a non-executive Director and Mr. Lau Ka Keung, the brother-in-law of Mr. Wong Ting Chung, Mr. Wong Ting Chun, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Kau, and Huizhou Lixin is owned by Ms. Teresa Wong, the daughter of Mr. Wong Ting Chung. Therefore, Huizhou Lijia and Huizhou Lixin are connected persons of our Company for the purpose of the Listing Rules.

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

(i) Hebei Yuteng Cashmere Products Co., Ltd. ("Hebei Yuteng") (as seller) and Hebei Nanguan Technology Co., Ltd. ("Nanguan Tech") (a non-wholly owned subsidiary of the Company), Huizhou Nanxuan Knitting Factory Limited ("Huizhou Nanxuan") and Huizhou Nanguan Knitting Factory Limited ("Huizhou Nanguan") (both being the Company's wholly owned subsidiaries) (as purchasers) entered into the new raw materials purchase agreement (the "New Raw Materials Purchase Agreement") in respect of the purchase of cashmere and other raw materials by the purchasers from Hebei Yuteng for a term of one year from 1 April 2019 to 31 March 2020.

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

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

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

On 10 January 2020, the Company issued an announcement to revise the annual cap of the New Raw Materials Purchase Agreement for the year ended 31 March 2020 from RMB400 million to RMB580 million.

For details on the Lease Agreements, the New Raw Materials Purchase Agreement, the Lease Agreement, the Processing Agreement and the revision of annual cap of the New Raw Materials Purchase Agreement, please refer to the Company's announcements dated 28 September 2017, 22 March 2019 and 10 January 2020.

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

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

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

(i) have not been approved by the Board;

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

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

(iv) have exceeded the relevant annual caps.

The continuing connected transactions disclosed above also constitute related party transactions under the Hong Kong Financial Reporting Standards. A summary of the related party transactions entered into by the Group during the year ended 31 March 2020 is contained in note 35 to the consolidated financial statements.

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

Save as disclosed below, as at 31 March 2020, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long position in the Ordinary Shares of the Company

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

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

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

Note 3: Mr. Wong 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: 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 him.

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

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

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

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

Note 9: The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2020.

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

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

Other than the Share Option Scheme (as defined below), at no time for the year ended 31 March 2020 was the Company or any of its subsidiaries, holding companies, or any of the subsidiary undertakings (within the meaning of the Companies (Directors' Report) Regulation) of such holding companies a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, none of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2020, none of the Directors had any interest in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DEED OF NON-COMPETITION

For the year ended 31 March 2020, each of the Company's controlling shareholders have confirmed to the Company of his/its compliance with (i) the non-competition undertakings given by him/it to the Company under the deed of non-competition, as defined in the Prospectus; and (ii) the non-competition undertakings given by him/it to the Company with respect to the Group's knitted footwear business and/or footwear business and other footwear ancillary businesses as disclosed in the Company's circular dated 24 November 2017.

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

SHARE OPTION SCHEME

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

(a) Purpose

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

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

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

(b) Eligible participants

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

(c) Maximum number of shares

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

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

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

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

(d) Maximum entitlement of each eligible participant

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

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

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

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

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

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

(e) Acceptance of an offer of share options

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

(f) Performance target

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

(g) Subscription price

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

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

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

(iii) the nominal value of the shares.

(h) Ranking of shares

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

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

(i) Life of the Share Option Scheme

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

For the year ended 31 March 2020, no share options was granted under the Share Option Scheme. As at the date of this annual report, the number of share options that could still be granted under the Share Option Scheme was 110,610,000 share options representing approximately 4.85% of the existing issued share capital of the Company.

Details of the movements of the share options under the Share Option Scheme during the year ended 31 March 2020 are as follows:

				Number of Share Options					
Grantee	**Date of Grant** (Note 1)	**Exercise Price** HK$	**Exercise Period** (Note 2)	**Balance as at 1 April 2019**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Balance as at 31 March 2020**
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

Grantee	Date of Grant (Note 1)	Exercise Price HK$	Exercise Period (Note 2)	Number of Share Options: Balance as at 1 April 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 March 2020
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	–	–	(652,000)	–	13,204,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	40,000,000	–	–	(3,700,000)	–	36,300,000
Total				73,356,000	–	–	(4,352,000)	–	69,004,000

Resigned as an executive Director with effect from 30 November 2019.

Notes:

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

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

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

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

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

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

Save as disclosed below, so far as known to the Directors and chief executive of the Company, as at 31 March 2020, the following persons or corporations (other than our Directors and chief executive of our Company) who had interest and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in the ordinary shares of the Company

Name of substantial shareholders	Nature of interest	Number of ordinary shares held or interested in	Approximate percentage of issued share capital of the Company (7)
Nameson Investments Limited (1)	Beneficial owner	1,500,000,000	65.8%
Happy Family Assets Limited (1)	Interest in a controlled corporation	1,500,000,000	65.8%
East Asia International Trustees Limited (1)	Trustee of a trust	1,500,000,000	65.8%
Ms. Wang Kam Chu (2)	Interest of spouse	1,701,500,000	74.6%
Mr. Wong Wai Wing, Raymond (3)	Beneficiary of a trust	1,501,500,000	65.9%
Ms. Kwan Ying Tsi, Catherine (4)	Interest of spouse	1,501,500,000	65.9%
Ms. Tsoi Suet Ngai (5)	Interest of spouse	1,501,500,000	65.9%
Ms. Chan Ka Wai (6)	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) Mr. Wong Wai Wing, Raymond is 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. Moreover, he 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 him.

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

(5) 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.

(6) 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.

(7) The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2020.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 March 2020 or subsisted as at 31 March 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or substantial part of the business of the Group were entered into or existed during the year ended 31 March 2020.

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

For the year ended 31 March 2020, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

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

The net proceeds from the listing of the Company amounted to approximately HK$635.4 million. Such proceeds have been used according to the allocation set out in the prospectus. Use of net proceeds from the date of listing to 31 March 2020 is set out as follows:

Items	**Approximate utilised amount up to 31 March 2020** HK$(million)
Construction of factory buildings and purchase of machinery for the second phase of our factory in Vietnam	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	15.3
General corporate purposes	54.7
Total	552.2

The unused balance of HK$83.2 million was placed in the bank accounts of several reputable commercial banks in Hong Kong as the Group's bank deposits.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

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

RETIREMENT BENEFITS SCHEMES

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

DIRECTORS AND SENIOR MANAGEMENT

Particulars of the directors and senior management of the Company are set out on pages 21 to 29 of this annual report.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules. The Board is of the view that the Company is in compliance with the mandatory code provisions of the CG Code for the year ended 31 March 2020.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's issued shares for the year ended 31 March 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") for the year ended 31 March 2020 is scheduled to be held on Friday, 21 August 2020. A notice convening the AGM will be issued and disseminated to the Company's shareholders in due course.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Policies

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

Compliance with Laws and Regulations

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

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

During the year ended 31 March 2020, the Board is not aware of any material breach or non-compliance with relevant local laws and regulations which have a significant impact on the Group's business.

Workplace Quality

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

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

Health and Safety

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

Development and Training

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

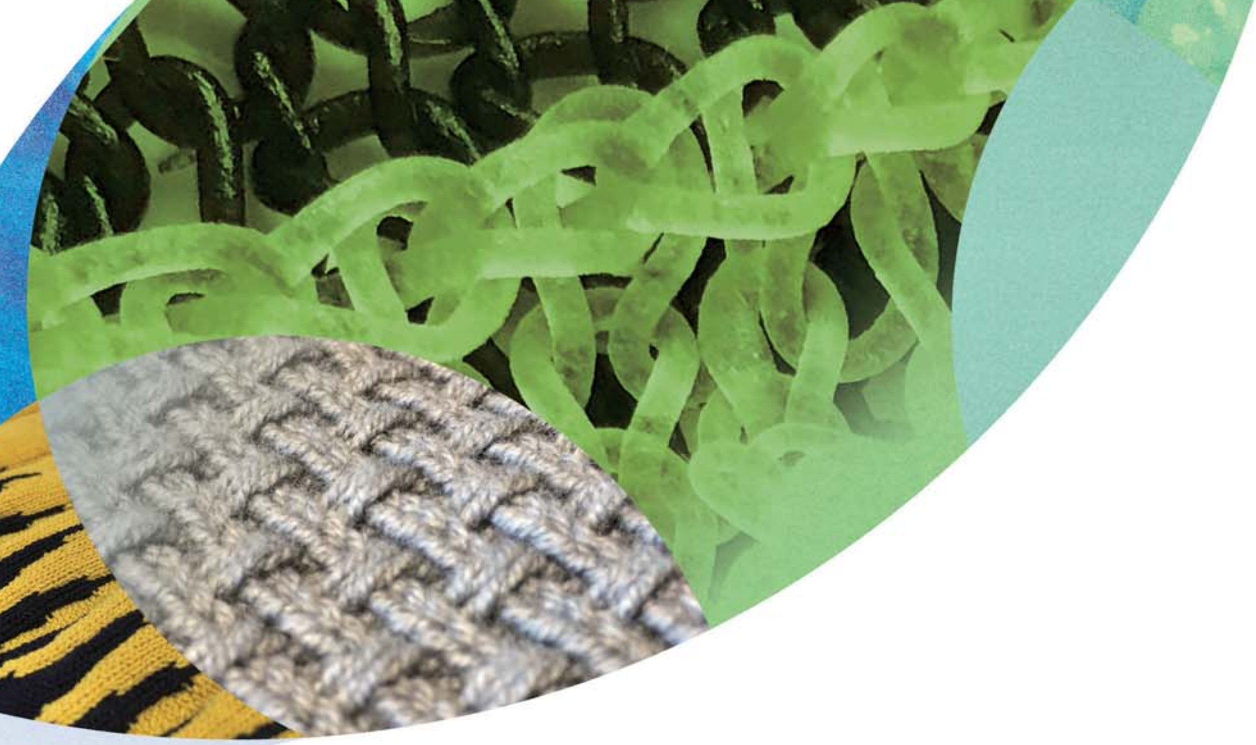
RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board
Wong Ting Chung
Chairman and Chief Executive Officer
26 June 2020



Love for the planet

Greenhouse gas emission:
92,222 tonnes of CO_2e:
Target to Reduce Carbon Emission by **10%** before 2022
(on the basis of same production volume)

Ongoing initiatives include:

Coal consumption ⬇ **25%**
with installation of natural gas boiler

Water recycling: **~60%** reuse of water resources

Packaging materials ⬇ **18%**
improved folding method using less plastic

Ethical procurement standards:
9 memberships or certificates attained for responsible and ethical sourcing

Zero Discharge of Hazardous Chemicals:
certified by Bureau Veritas

Greenery at Factory:
40%[1] of the factories' area is planted with trees

[1] *Applicable to Huizhou factory*

Environmental, Social and Governance Report

ABOUT THE REPORT

Nameson Holdings Limited (the "Company") is pleased to present this Environmental, Social and Governance Report 2020 (the "Report") mainly for the purpose of enhancing stakeholders' understanding of the performance of the Company and its subsidiaries (collectively, the "Group" or "we" or "Nameson") in environmental and social aspect, as well as its strategies in sustainable development.

Scope of the Report

Unless otherwise stated, the Report covers the overall performance in two main aspects, namely environment and society, of our 12 subsidiaries engaged in the production of knitted garments, knitted upper for footwear and knitted upper shoes located in the People's Republic of China (the "PRC"), the Hong Kong Special Administrative Region ("Hong Kong") and the Socialist Republic of Vietnam ("Vietnam") from 1 April 2019 to 31 March 2020 (the "Reporting Period"). Those subsidiaries include: Huizhou Nanxuan Knitting Factory Limited, Huizhou Nanguan Knitting Factory Limited, Huizhou Liyun Knitting Factory Limited, Huizhou Jiaming Knitting Factory Limited, V. Success (HZ) Knitting Limited, Hebei Nanguan Technology Co., Ltd. (collectively, the "PRC Factories"), and Nameson Industrial Limited, Kingmax Industrial Limited, Winner Way Industrial Limited, V. Success (HK) Limited (collectively, the "Hong Kong Offices"), as well as First Team (Vietnam) Garment Limited and V. Success (Vietnam) Knitting Company Limited (collectively, the "Vietnam Factories"). As compared to the report last year, Hebei Nanguan Technology Co., Ltd. is added to this year's report for a more comprehensive disclosure of the Group's performance in sustainable development.

Basis of the Report

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

Principles of the Report

The data in the Report comply with the following four principles:

Materiality

We involve the management and stakeholders in materiality assessment to identify environmental, social and governance issues that are material to us and make relevant disclosures in the Report.

Balance

We are committed to present our performance in each material matter during the Reporting Period in an unbiased way to provide readers with true and objective information.

Quantitative

The KPIs in the Report adopts quantitative data as far as possible to facilitate evaluation and validation. The calculation adopted should be disclosed and indicated where appropriate.

Consistency

We use consistent statistical methodology for disclosures. In case of any change in the statistical methodology, we would clarify the reasons for the change and difference between the methodologies as well as explain the effects on the Report.

GROUP PROFILE

Established in 1990, the Group has become one of the top-notch domestic knitwear manufacturers in the PRC in recent years. By providing customers with one-stop services ranging from raw material development and procurement, product design, sample development to production and delivery, the Group has established a good international reputation and is able to build up long-term business partnership with internationally renowned clothing brands and retailers. The Group's operations and headquarters are located in Hong Kong and Huizhou, Guangdong Province, China, while our production bases are located in Huizhou, Guangdong Province, the PRC and the outskirts of Ho Chi Minh City, Vietnam where we have introduced advanced and highly-automated production equipment to strive to provide customers with holistic services and quality products. In order to achieve sustainable development, we are committed to expanding our business, exploring new markets, improving product quality, while maintaining the core advantages of our business.

Vision and Mission

As one of the PRC's leading knitwear manufacturers, we have always been committed to our responsibilities of "maximizing the value for our employees, customers and shareholders, while contributing to and serving the society in good faith". We always adhere to the "people-oriented" management model, and constantly care about the needs of our employees, fostering talents and help employees build up their self-worth. In regards to our corporate development, we strive to achieve sustainable development and maintain the core advantages of our business even amidst the challenging environment. We fulfill our corporate responsibilities and regard "learning, innovation, green, low-carbon, warmth, fraternity, harmony" as our operating philosophy.

Sustainable Development Strategies

The core principles of the Group's sustainable development are making products that are "safe, quality, and environmentally sustainable". The board of directors of the Company is responsible for formulating strategies and developing a series of appropriate internal control measures, operation management, risk management functions, internal audit and reporting mechanisms in response to the environmental, social, and governance risks we have identified (such as emissions requirements, labour demand in places where our business operates, climate change and public health crisis and beyond), so as to avoid and mitigate the impact of such potential risks. We also engage legal advisers to provide us with professional advice on the laws and regulations related to the environment, society and governance where the Group operates. Our Internal Audit Department is responsible for monitoring the internal control measures adopted by the Group and their implementation to ensure that the Group continues to comply with relevant laws and regulatory requirements.

In the course of production, we strictly monitor its impact on the environment and society. We strive to produce knitwear products of the best quality by creating new design, improving business strategies, exploring new markets and new customer base as well as introducing market-leading production technology and equipment. In addition, we champion charitable causes and are keen to give back to the society. In response to our corporate mission of building a resource-saving society, we have formulated a series of standards in aspects such as energy conservation, waste separation and recycling and environmental protection. We are committed to creating long-term value for the general public and contributing to achieve sustainable development.

HIGHLIGHTS AND HONORS IN THE REPORTING PERIOD

◀ Ranked 7th in Top Donors of The Community Chest of Hong Kong.

▼ Awarded "Innovation Excellence Award" in "Outstanding Import and Export Enterprise Award 2019" by The Hong Kong Chinese Importers' & Exporters' Association.

▶ Awarded "Caring Certificate" in CSR Recognition Scheme "Industry Cares" 2019 by the Federation of Hong Kong Industry.

Accredited "Hong Kong — Guangdong Cleaner Production Excellent Partner (Manufacturing)" by the Environment Bureau of Hong Kong and the Department of Industry and Information Technology of Guangdong Province in recognition of the Group's contribution in environmental protection and as encouragement for the Group to continuously pursue cleaner production.

Accredited "Caring Company" by The Hong Kong Council of Social Service in recognition of the Group's practice of good corporate citizenship in caring for the community, employees and the environment.

STAKEHOLDERS' ENGAGEMENT

For the purpose of better understanding and identifying the existing and potential risks and opportunities in the market, as well as formulating clear and precise strategies and decisions, we have maintained regular and effective communication with the stakeholders of the Group which mainly include shareholders and investors, customers, employees, suppliers, other business partners and the community.

Undoubtedly, stakeholders have a variety of needs regarding the sustainable development of the Group. Therefore, we actively communicate with them through the following channels to ensure that the Group's business activities are carried out in line with various stakeholders' expectations, thereby foster a good relationship between the Group and the stakeholders to build mutual trust while earnestly fulfilling our social responsibilities.

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

Our management on sustainable development is a dynamic process. As the stakeholders 'concerns and expectations may vary as the general trend evolves, we regularly update the relevant materiality matrix by collecting quantitative and qualitative data as the basis for construction. Apart from that, we must also keep abreast of the rapidly changing business environment and timely respond to the issues that stakeholders are most concerned, so as to enhance the Group's sustainable development strategies. Major steps of materiality analysis for the Reporting Period are summarised as follows:

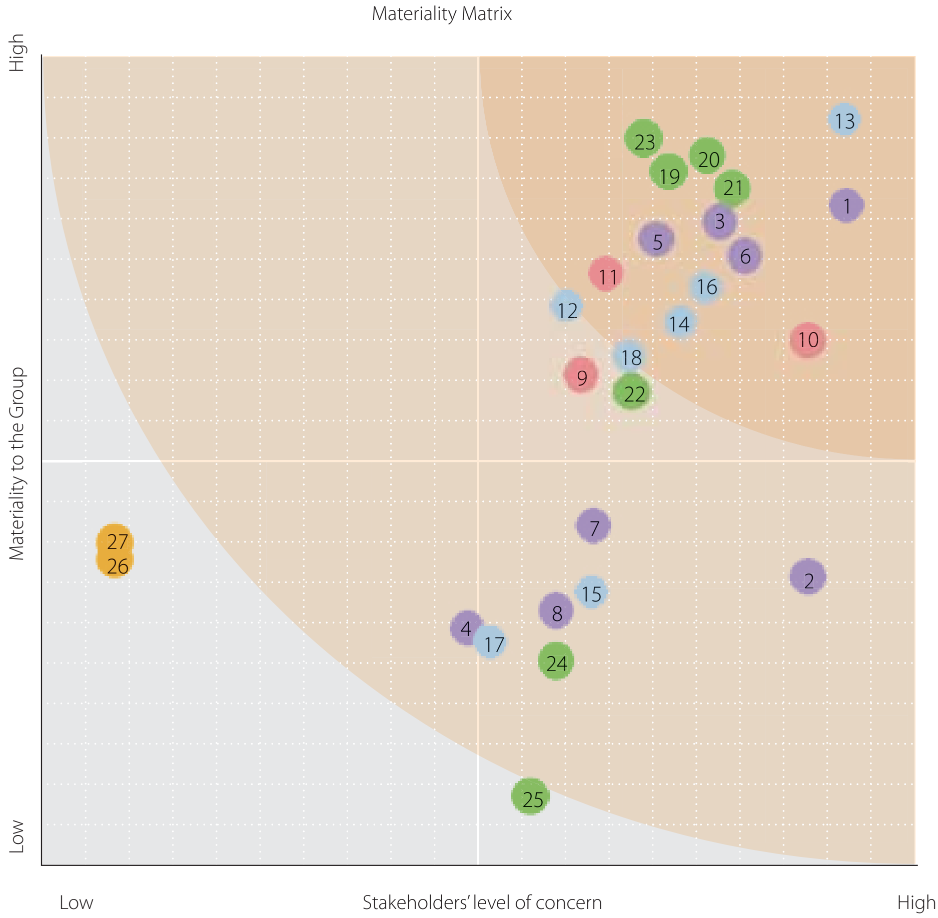
Step 1: The Group concluded that there are 27 issues applicable to the Group with reference to the analysis of materiality and results of communication with existing and previous stakeholders, industry trend and ESG Guide.

Step 2: We invited stakeholders to conduct online questionnaires anonymously and collect stakeholders' comments and expectations about the Groups' achievement in environment, social and governance in order to initially identify the materiality of the issues.

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

Step 4: Materiality matrix was formed based on the opinions of both stakeholders and management. Environmental, Social and Governance issues were prioritised according to their impact on and materiality to both the stakeholders and the business of the Group.

Step 5: The materiality matrix was used by the management of the Group as a reference in conducting risk management assessment and strategic planning, and is also the basis on which the Report is prepared. We will respond to and elaborate on the issues that stakeholders concern in different sections of the Report.



Product and Service Liabilities

1. Product and service quality
2. Product safety
3. Customers' level of satisfaction
4. Complaint handling
5. Safeguarding customers' privacy
6. Intellectual property
7. Research and development
8. Content of labels

Operational Practices

9. Supplier management
10. Emergency response under disasters
11. Anti-fraud and anti-corruption

Practices in Working Environment

12. Diversity and anti-discrimination
13. Occupational safety and health
14. Training and development
15. Child labour and forced labour
16. Employment relations and communication
17. Staff turnover rate
18. Employees' benefit and recreational activities

Environmental Protection and Green Operation

19. Exhaust air emissions
20. Greenhouse gas emissions
21. Sewage discharge
22. Waste disposal
23. Energy and water conservation
24. Other resources (such as use of paper and packaging)
25. Green procurement

Contribution to the Community

26. Participating in charitable events
27. Charitable donations

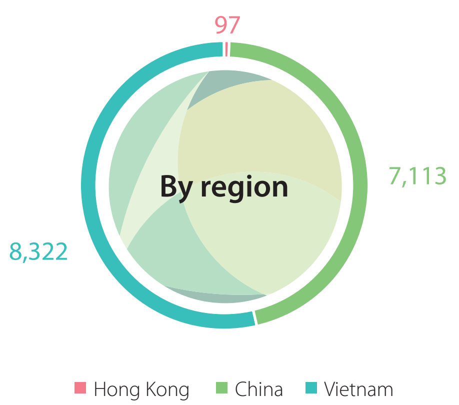
THE PEOPLE, OUR WEALTH

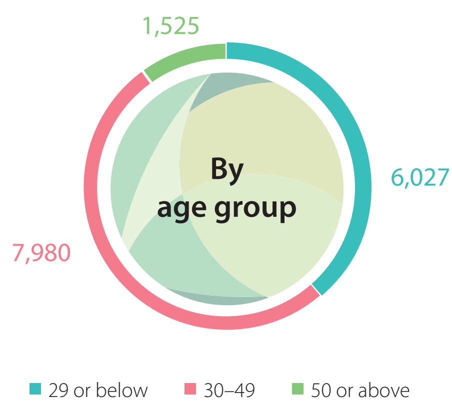
Our employees are valuable for our business and are regarded as the Group's most cherished asset. We recognise that employees form the cornerstone of our success and shape our corporate competitiveness. Therefore, the Group is committed to providing a superior working environment and growing with employees wholeheartedly, and excelling ourselves together. We fully consider the needs of employees and formulate management policies and operating principles that incorporate people-oriented philosophy. As a responsible employer, we strictly comply with the employment regulations in each respective place of operation, such as the Labour Law of the PRC, Labour Contract Law of the PRC, Regulations on Work-Related Injury Insurance of the PRC, Employment Ordinance (Cap. 57, Laws of Hong Kong) of Hong Kong and 2012 Labour Code of Vietnam. The Group was not subject to any material administrative penalties or fines for any breach of employment laws or regulations during the Reporting Period.

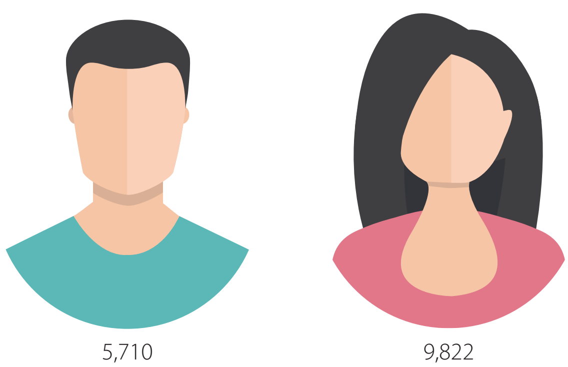
Recruiting High Caliber Talents

The Group adheres to the principles of "open recruitment, holistic assessment, and merit-based admission" in recruitment. We recruit through advertisements posted in newspapers, websites and factory bulletin boards, referrals from employment agencies and on-campus recruitment days. We recognise the value of diversity and equal opportunities. Therefore, factors that are not related to job applicants' working ability will not affect the outcome of the selection process. We have also set up an internal referral program to encourage employees to recommend all kinds of high-quality talents.

In order to attract and retain talents, we provide competitive salaries that are no less than the local statutory requirement, benefits and a comfortable working environment, to ensure that the Group has sufficient human resources to maintain its competitive advantages. In addition, we have set up an established promotion mechanism and regularly evaluate the employees' performance to examine different objective factors such as employees' working ability, teamwork, attendance records and personal skills. Employees who perform well and meet the criteria for promotion under fair and just condition will be offered promotion opportunities and/or salary adjustments as gratitude for the employees' contributions to the Group.







The Human Resources Department will conduct interviews with resigned employees to understand their specific reasons for leaving their jobs, and obtain relevant suggestions from them for the Group, through which we can continue to optimise our talent management strategy so as to maintain the employee turnover rate at an acceptable level and help the Group to accumulate professional expertise and experience in a more effective manner. During the Reporting Period, the Group's employee turnover rate[1] was 16%, which is categorised by gender, age group and region as follows:

By gender (%)		By age group (%)			By region (%)		
Male	Female	29 or below	30–49	50 or above	Hong Kong	China	Vietnam
17	15	19	15	7	22	19	13

Professional and personal development

In line with our philosophy to develop and excel ourselves together with our employees, we always help employees in enhancing their knowledge and skill set, which is not only conducive to their personal development but also enhances the quality of the Group. Therefore, we actively encourage our employees to participate in various trainings in their spare time for self-enhancement and strengthening business capabilities. Apart from that, the Group provides induction training and continuous internal training for employees at all levels in the hope of helping them adapt to the ever-changing business environment through lifelong learning. During the Reporting Period, 43% of our employees[2] received training, and are categorised as follows:

By gender (%)		By employee category (%)		
Male	Female	Senior management	Administrative employees	Other employees
45	41	61	38	43

Senior management

Continuing Professional Training

- Provide update on the latest changes to the Listing Rules and related laws and regulations to enhance their knowledge and responsibility towards the Group's corporate governance
- Talks in relation to the Listing Rules, such as disclosure requirements on environmental, social and governance of the Group

Administrative Employees

Professional Training

- Trainings on accounting system, financial knowledge and PRC taxation, with an objective to further enhance the professional knowledge of the employees about their jobs
- Programmes in relation to safety and first aid

General Employees

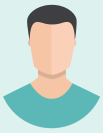
Continuing Training

- Production safety
- Environmental protection seminars and training to promote awareness towards conservation
- First-aid
- Workplace etiquette
- Psychological health and emotion management

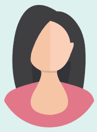
1 The employee turnover rate is calculated by the average number of employees during the Reporting Period.
2 Employee training data does not include those who resigned during the Reporting Period.

During the Reporting Period, we provided a total of **310.5** hours of different kinds of training to all of our employees, and each trained employee received about **2.3** hours of training on average.

Average training hours of employee, by gender:



2.3 hours



2.3 hours

Average training hours of employee, by employee category:

Senior management	2.1 hours
Administrative employees	4.4 hours
Other employees	2.3 hours

Employee Training

"Dreams Come True Programme"

"Dreams Come True Programme" provides higher education for a period of two and a half to five years for frontline workers of the new generation aged between 18 and 35, in a bid to improve their knowledge and work ability that would in turn benefit the economic development of the Guangdong Province as a whole. Therefore, we strongly encourage and support our employees to join and make good use of such continuous on-the-job education to develop themselves. During the Reporting Period, we already had 51 employees participating in the programme who studied subjects such as business administration, business English and finance and economics. Among them, 30 employees have already graduated by completing the programme.

The programme is jointly organised by the Huizhou Financial Bureau, the Huizhou Education Bureau, the Huizhou Municipal Human Resources and Social Security Bureau and the Huizhou Municipal Committee of the Communist Youth League, and funded by the government. We believe that this programme not only benefits the employees' personal growth and development, but also nurtures a good learning culture for the Group, which is in line with our sustainable development strategy.

Safeguarding the Rights and Interests of Employees

We have established policies for human resources management and strictly complied with laws and regulations in places where our business operates, including the Employment Ordinance (Cap. 57, Laws of Hong Kong) and the Labour Law of the PRC. For the purpose of protecting our employees, our policies set out relevant regulations on aspects like employment management, right of termination of labour relationship, social insurance fund, remuneration and benefits as well as leave days. We are open to accept differences among employees and their personal attributes, and believe that diversity can bring vitality and creativity to our operation. As an equal opportunity employer, our employees are not subject to discrimination or deprivation of relevant opportunities in any human resources processes due to their gender, nationality, race, age, religion, marital status, family status, sexual orientation, disability, pregnancy, political stance, social status or other discrimination factors prohibited by relevant laws and regulations.

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

Concern for Women's Rights

Female employees account for approximately 60% of our total workforce. Considering that female employees have to take up responsibilities of both work and family, we provide more special assistance to female employees, especially during special periods such as pregnancy, childbirth and lactation.

"Nursing-friendly space" is established with the aim to provide a private, comfortable and hygienic breastfeeding space for working mothers during the lactation period. The facility is also a rest space opened to pregnant employees if necessary.

In addition to statutory maternity leave, lactation leave and paternity leave, we also invite qualified medical professionals to provide regular free gynecological, premarital or prenatal check-ups for our female employees aged between 18 and 55 to safeguard their health in the long term, and occasionally offer women's healthcare classes to introduce common knowledge on women's health and raise their awareness towards healthcare knowledge.

Facilitating work-life balance

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

➢ The PRC Factories set up a "Nameson Radio Station" on online social media to provide news, weather report, life hacks and review of the Group's events.

➢ The PRC Factories regularly organise various types of interest classes, such as dancing and yoga classes, to provide our employees with multi-faceted and healthy learning opportunities.

➢ The PRC Factories also arrange employees to participate in external activities to facilitate communication and reinforce cohesion among the employees.

➢ Members of the labour union and the human resources and administration departments will team up to visit the employees residing at the staff quarters after work, taking the initiative to care for their colleagues.

➢ Various amenities and recreational facilities are set up in the factory sites, including: fitness equipment, cinema and library for our employees to relax and train for fitness after work.

➢ The PRC Factories and Vietnam Factories organise various types of recreational activities or meal gatherings regularly, for example: annual conference, festive celebrations or banquet, sports day, skill contests and birthday celebrations.

Staff activities in the Reporting Period

◀ Yoga class

▼ National Day Evening Gala

▲ Sports day

▶ 30th Anniversary Banquet

Supporting workers from different provinces in the PRC

It is common that our employees of the PRC Factories come from provinces and regions all over the country. In order to help them adapt to the working environment away from home more easily, we especially provide them with extensive support and care:

- ***Staff quarters:*** As we recognise that it is very important for employees to have a comfortable residence when working away from home, we give priority to providing accommodation for employees from other provinces.

- ***"Couple house":*** We provide married employees from other provinces and their spouses with family quarters to relieve their difficulties in finding accommodation away from home, so that they can devote themselves to their work and spend more time with their spouses. It is hoped that the number of couples living apart due to work could be reduced accordingly.

- ***Pick-up service in Lunar New Year:*** During Lunar New Year, we work together with the labour union to set up specialised drop-off points at Huizhou station to facilitate our employees' journey back to their home in other provinces. Before Lunar New Year holiday, we send the employees who want to go back to their hometowns to our drop-off points. When employees return to work after Lunar New Year holiday, we also arrange coaches to pick them up at these drop-off points 24-hours a day.

- ***Mental Care:*** We also set up a "psychological counseling corner" where qualified counsellors or consultants are in place to provide psychological counselling services to our employees as some of them may get homesick when working away from home.

Listening to the Voice of Employees

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

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

Occupational Health and Safety

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

Working Environment

- Smoking is prohibited in offices and factories to provide employees with a good working environment and mitigate potential safety risks arising from smoking and preventing the smoke detectors from being triggered accidentally.

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

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

- Machines and equipment are inspected regularly to prevent accidents.

- All offices and factory buildings are equipped with first-aid medical supplies and employees with first-aid certificates are stationed to take care of employees feeling unwell or suffering work injuries.

Employee Education

- Newly recruited factory workers receive trainings on occupational safety, hygiene and first-aid knowledge to familiarise themselves with the operational safety procedures required for their positions and raise their awareness of production safety.

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

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

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

A fire drill taking place at the Vietnam Factory

Epidemic Prevention Measures

In response to the outbreak of the novel coronavirus epidemic in early 2020, the PRC Factories have adopted a series of preventive measures and fully cooperated with the government to fight against the epidemic. Specific measures are as follows:

- The time to resume work is postponed in order to protect employees from cross infection until the epidemic has abated.

- Employees who have not yet resumed work at our factories and have developed symptoms such as flu, cough and fever were exempted from work temporarily, and were quarantined for 14 days at home under observation.

- Employees who either was in contact with people from Hubei Province or has been to Hubei Province before returning to factories were quarantined for 14 days in an isolated area set up by the Group under observation.

- All personnel are required to measure body temperature and be disinfected when entering and leaving the factory sites and must wear face masks within the factory sites. In addition, all personnel inside the factory sites are required to measure their body temperatures twice a day, i.e. in the morning and afternoon.

- Access control was enforced. Employees who resided at staff quarters, are prohibited to leave the factory sites once they have entered, unless there are good reasons to do so. As for local employees, the Group arranged them to work from home where possible, in order to minimise their risks of being exposed and infected.

- The entire areas in the factory sites, including working areas, living areas, public areas, elevators and toilets, are thoroughly disinfected three times a day, i.e. in the morning, afternoon and evening. Hand sanitisers are provided in all toilets to encourage employees to wash their hands frequently and observe good personal hygiene.

- Employees at work are not encouraged to communicate face to face but with telephones, WeChat and e-mails instead. Apart from that, employees are arranged to dine in batches to avoid clustering. Employees are also encouraged to take away their meal for consumption at staff quarters.

- Employees are prohibited to drop over within the staff quarters and gather in public area. The Group has assigned administrators to patrol regularly to make sure that our employees observe these requirements.

- We have put up posters and played videos on epidemic prevention in the factory sites to raise awareness of fighting the epidemic.

- In case of any suspected cases, the suspected patients will be sent to designated hospitals for further medical inspection.

The number of working days lost due to work injury recorded by the Group was 206 days during the Reporting Period, and there were no record of serious work injuries or death. The Group was not subject to any material administrative penalties or fines for any breach of laws or regulations relating to the provision of a safe working environment or the protection of employees against occupational hazards during the Reporting Period.

Child and Forced Labour

The Group strictly complies with relevant laws and regulations such as the Employment Ordinance of Hong Kong, the Labour Law of the PRC and 2012 Labour Code of Vietnam. Child and Forced Labour are strictly prohibited. As child and forced labour violate basic human rights and international labour law, our employees must be at least 16 years old. In our recruitment process, we strictly verify candidates' identity cards and household register in order to ensure their ages meet the legal employment standard.

We employ workers who are willing to work at the Group and will not tolerate any means of punishment, threat, coercion or deception to force any person to work involuntarily or overtime. We also encourage employees to report any non-compliance to the Group through an internal complaint mechanism. In case the complaints are substantiated, we will make appropriate arrangement for or inflict appropriate punishments on the relevant employee in accordance with the rules. During the Reporting Period, the Group did not find nor was involved in any non-compliance involving child or forced labour.

Anti-corruption

The Group believes that integrity is essential to the sustainable development of a business. We strictly follow relevant national laws and regulations, such as Prevention of Bribery Ordinance of Hong Kong, Criminal Law of the PRC and Regulations for Punishment for Corruption of the PRC and Law of Anti-corruption of the Socialist Republic of Vietnam. We are determined to oppose to any form of corruption like bribery, extortion, fraud and money laundering.

We specify ethical behaviour standards to be observed by our employees in the "Employees Handbook" and clearly explain the procedures in case of any conflict of interest in our "Conflict of Interest Policy". In addition, our employees can follow our established "Anti-fraud and Reporting Procedures" and make anonymous reports regarding bribery, fraud and corruption to the Internal Audit Department or the Audit Committee by means of an independent reporting channel.

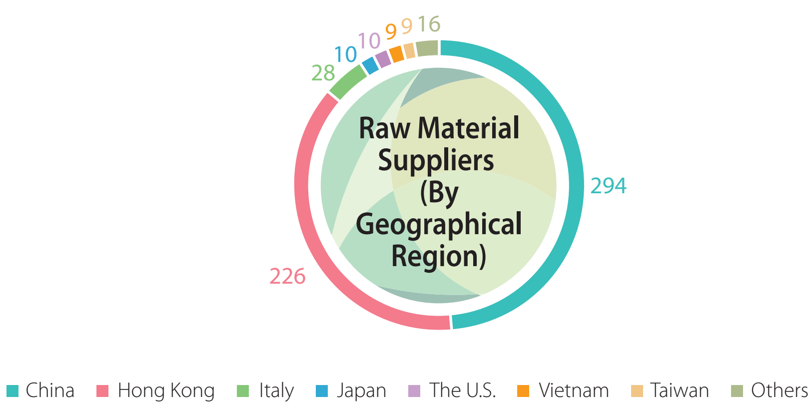
During the Reporting Period, the Group or our employees did not involve in any concluded legal proceedings related to material irregularities. However, during the Reporting Period, we discovered that some employees were suspected of committing violations by taking advantage of their positions, and such cases have been officially reported to the local law enforcement department for investigation. We have also conducted internal reviews and strengthened the implementation of internal control measures to avoid the reoccurrence of similar situations.

RESPONSIBLE PRODUCTION

We always believe that we cannot succeed without consistently upholding the philosophy of "Quality First, Customer Priority and Continuous Improvement". Therefore, we have been actively introducing advanced and highly automated production technologies and machineries to improve production capacity and product quality. We are also eager to learn the latest market trend and strive to launch innovative products to satisfy our customers' needs. We also ensure that our products are free from any potential health and safety risk so that customers may rest assured working with us.

Supply Chain Management

Our major raw materials used in production is yarn. Other than yarn, we also purchase other materials such as buttons, zippers and washing materials from our suppliers. The distribution of our raw material suppliers[3] by geographical region is as follows:



[3] Data of Suppliers does not include accessories suppliers.

We maintain our relationships with suppliers based on the principle of "Arm's length negotiation, Mutual Benefits and Mutual Gains". We persist in establishing long-term strategic partnership only with suppliers which have good reputations and provide quality products and services. To ensure quality and timely supply of raw materials, when we select suppliers, we have established a set of strict criteria to assess the suitability of suppliers, which include pricing, services, scale, technical capability, reputation, quality of raw materials and their ability to assure timely delivery. However, for certain customers, we may be required to purchase raw materials from specified suppliers. After internal assessment of a supplier, we will make a purchase in small quantity from it to ensure the quality of the raw materials supplied is up to our standard before we proceed with bulk purchases and officially put the supplier on the list of qualified suppliers.

In addition, all of our suppliers are generally subject to our annual evaluation, which includes assessments of their abilities and performances in different areas such as services, product quality, production costs and product delivery time. When necessary, we also require suppliers to provide certificates or inspection reports on the quality of raw materials, and closely monitor the supply of raw materials. Moreover, our major suppliers are required to sign a "Letter of Undertaking on Social Responsibilities" in fulfilling various requirements for social responsibilities such as environmental protection, anti-discrimination and not employing child labour in their operation.

Sustainability of Materials

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

Supporting Better Cotton Initiative

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

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

2. to reduce consumption of water and pesticides which impacts human health and the environment;

3. to improve the soil health and biodiversity;

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

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

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

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

Ethical Standards of Suppliers

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

Ensuring safe and reliable supply chain management

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

Obtaining certificates for organic contents

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

Meeting the Global Recycled Standard for Textiles

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

The Woolmark Certificate

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

Responsible Wool Standard

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

Product Quality Assurance and Liability

Our knitwear products are categorised as follows:

Menswear, womenswear, knitted upper for footwear and other products

We emphasise product quality which we believe is the key to the Company's success. Hence, we set up a stringent quality monitoring system throughout the entire production process and thoroughly monitor such process to ensure the quality of our products.

Our production quality management system has been certified as an ISO 9001:2015 quality management system to ensure we meet its production requirements for knitwear products, knitted upper for footwear and knitted upper shoes. The entire quality control system is meticulous in every detail throughout the process, ranging from the procurement of raw materials, manufacturing, checking to delivery, in a bid to ensure our products meet national and industrial standards and achieve the Group's quality objective, i.e., a pass rate of over 98% in the inspection of finished products.

Our measures of quality control include:

Suppliers and Subcontractors

- We conduct quality assessments of suppliers and subcontractors based on a number of stringent internal standards, and a rating will be given to them after inspections and assessments of their business sites or production bases.

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

TESTEX AG, SWISS TEXTILE TESTING INSTITUTE
GOTTHARDSTRASSE 61
POSTFACH 2156
8002 ZÜRICH, SWITZERLAND

OEKO-TEX®
INSPIRING CONFIDENCE

CERTIFICATE

The company

Huizhou Nanxuan Knitting Factory Limited
7/F, Block 5, Nanxuan Industrial Center
Shuikou Administr., Huicheng District,
Huizhou City, Guangdong, 536255
China

OEKO-TEX® STANDARD 100 SHGO 057675 TESTEX

is granted authorisation according to STANDARD 100 by OEKO-TEX® to use the STANDARD 100 by OEKO-TEX® mark, based on our test report **SH020 156797.1**

for the following articles:

Knitted cap, gloves and scarf, cardigan, sweater, suspender skirt and slacks (dyed) made of CO, CO/wool, CO/lambswool and/or mixed with PES, PA, rayon, TENCEL®, silk, linen, ramie, merinowool, mohair, alpaca, modal, viscose, angora, cashmere, metallic yarn, with/without polyamide/spandex, including garment washing, including accessories (PES buttons, PES tapes & cords, CO ribbons & tapes, PES/rubber elastic band, zipper, PES sewing thread, PES woven labels and printed labels (including security label))(based on partly material pre-certified according to STANDARD 100 by OEKO-TEX®)

The results of the inspection made according to STANDARD 100 by OEKO-TEX®, Annex 4, **product class II** have shown that the above mentioned goods meet the human-ecological requirements of the STANDARD 100 by OEKO-TEX® presently established in Annex 4 for products with direct contact to skin.

The certified articles fulfil requirements of Annex XVII of REACH (incl. the use of azo colourants, nickel release, etc.), the American requirement regarding total content of lead in children's articles (CPSIA; with the exception of accessories made from glass) and of the Chinese standard GB 18401:2010 (labelling requirements were not verified).

The holder of the certificate, who has issued a conformity declaration according to ISO 17050-1, is under an obligation to use the STANDARD 100 by OEKO-TEX® mark only in conjunction with products that conform with the sample initially tested. The conformity is verified by audits.

The certificate SHGO 057675 is valid until 31.05.2020

Zurich, 12.08.2019

i.V.

Matz Bachmann
Managing Director

Mary Rose Egloff
Customer Service Ecology Manager

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

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

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

SUPIMA
WORLD'S FINEST COTTONS

This is to certify that

Nameson Group Limited

is authorized to use the SUPIMA® trademark and name as governed by Supima. The company is a member and licensee of Supima and has agreed to uphold the highest standards of quality and distribution of all Supima cotton textile products.

This also certifies that said licensee is purchasing, consuming or using yarn or fabric made from American Pima cotton that is grown in the United States of America by a Supima member in good-standing.

Marc A. Lewkowitz, President and C.E.O.

Effective: January 1, 2020 – December 31, 2020
Licensed Product: Apparel > Men, Women, Children > Sweaters
License Number: HKG00067
Member Since: 2009

Use of Premium Extra-Long Staple Cotton

- We have been a member of the Supima organisation since 2009, proving that we use premium quality American Supima cotton as raw material for some of our products.

- Compared with other regular cotton, Supima cotton is characterised by its thinner and longer fiber length, which can reduce wear and tear and the problem of pilling thus extending the products' useful life. With higher fiber strength, products made by Supima cotton are soft, elastic and comfortable to wear. Its good colour fastness means that colour of the products is less likely to fade and can last for many years.

- The Supima organisation is very strict in terms of authorisation, therefore apparel factories that use Supima cotton are well qualified, and many top apparel brands also promote their products by stating the use of Supima cotton.

Testing Centre

PRC Factories — Testing Centre

- Prior to acceptance of raw materials, samples of the raw materials are tested for colour fastness to ensure the fading of the dye used on the yarn under different conditions, such as sun exposure, rubbing, washing and ironing, meets our internal requirements before we make bulk purchase.

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

- If it is concern that certain chemicals may be harmful to consumers or hazardous to the environment, we will appoint an authoritative independent third-party organisation to conduct tests. During the Reporting Period, we engaged Bureau Veritas to test and certify that we achieved "Zero Discharge of Hazardous Chemicals" in one of our PRC Factories.

- We will add more testing instruments based on customers' requirements so that our testing method can meet our customers' demands.

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

SGS FIELD SOLUTION CONSULTANCY SERVICE CERTIFICATE

This Certificate has been granted to

Nameson Testing Centre (Nameson Group)

LANDS' END

Awards This Certificate of Accreditation to:

Huizhou Nanxuan Knitting Factory Limited

UNIQLO

LABORATORY ACCREDITATION CERTIFICATE

This certificate has been awarded to

NAMESON TESTING CENTRE(NAMESON GROUP)

and indicates that the personnel named below has been found entitled to carry out the stated tests accurately and reliably in accordance with UNIQLO testing methods.

Certificate issued 1st January, 2020

Valid until 31st December, 2020

Signed Shuichi Nakajima

Perry Ellis International

awards

Laboratory Certification

to

Nameson Testing Center (Nameson Group)

7/F, Block 5, Nanxuan Industrial Center, Shuikou, Huizhou, Guangdong Province, China

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

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

Signed on behalf of PEI:

AKRAM SUHOOD
Vice President of Global Quality Assurance
Perry Ellis International

Date of Issue: 1st -Sep-2019
Expiration Date: 31-Aug-2020

Production Team

▲ Embroidery and its inspection

◀ Quality Control — Lighting Inspection

- Automated production equipment and computerised precision embroidery technology are used together with manual inspection procedures to ensure product quality is maintained at a high level.
- Regarding the orders of new products or new styles, we hold meetings and conduct relevant production and quality training for production teams. We also conduct stringent tests on the first finished product. Mass production will be carried out only after the tests are passed.
- Our quality control department carries out various quality inspection procedures at all major stages of the production process, such as the inspection of knitted panels after linking and stitching, inspection of semi-finished products after washing, size inspection, inspection after steam ironing and lighting inspection. For the production of knitted upper for footwear and knitted upper shoes, we check notches and perform other test procedures such as checking of size and pattern to ensure no substandard products will proceed to the next process.
- Our quality control staff conduct random checks on semi-finished products and finished products according to the international standard AQL2.5. Our in-house inspection standards are generally more stringent than customers' quality requirements to ensure our products are of high quality.
- All of our finished products are subject to final inspection and needle inspection to ensure the products do not contain any broken needles or ferrous metallic foreign objects.

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

Customers

- Our products are mainly sold to retailers of international apparel brands, therefore we must follow the codes of conduct and quality standards set by individual customers.

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

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

Product Returns

The Group strictly adheres to the laws and regulations on product liability in the places where it operates so as to protect consumers' interest. Due to our original equipment manufacturer ("OEM") operating model, we mainly carry out production based on the requirements of our customers, while end consumers are usually unaware of the manufacturer of these products. They will only claim compensation against the retail brand selling the products. Therefore, our risk exposure of assuming the obligation or compensation for personal injuries or loss of properties caused by the usage of our products by the end consumers is relatively low, yet we still face a certain degree of potential compensation risk.

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

Data Protection and Privacy

The Group strictly abides by the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and keeps the personal information of stakeholders collected confidential. We have implemented an Information Secrecy Policy to protect the confidential information of our employees, customers, business partners and the Group. The employees are directed to handle customer data cautiously, and can only request data from the customers when necessary. Notices are posted in the sample development units, display rooms and workshop areas of our factories, reminding the employees that no photography is allowed. Moreover, the computers used for storing sizes and original patterns drawings of our knitted upper shoes business are protected with security measures which block access to the Internet and computer ports to prevent divulgence of confidential information and copyright infringement. We, as requested by our customers, burn the remaining brand labels and shoe-making samples to ashes in the presence of our customers at the end of each year, in order to avoid misappropriation of the labels and samples. We are committed to collecting and using the customer data in a responsible, fair and equal manner, and all customer data can only be used for the purposes set out in the customer contracts.

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

Intellectual Property

The Group registered 5 domain names significant to the Group's business and 6 trademarks in the PRC. Besides, the Group also registered 8 domain names significant to the Group's business and 4 trademarks in Hong Kong. During the Reporting Period, we were not involved in any material proceedings in respect of intellectual property rights, and as far as we know, there was no claim for infringement of any intellectual property rights that had been made, in which we may either be involved as a claimant or respondent.

ENVIRONMENTAL PROTECTION

The Group adheres to the new industrialisation orientation with high technological content, low resource consumption and good environmental and economic benefits, and strives to become a "resource-saving and environmentally-friendly" enterprise. Therefore, we actively promote the concept of environmental protection to our employees, and continue to optimise production equipment and processes, implement cleaner production, minimise and control the negative impact on the environment within acceptable limits, and enhance our green competitiveness.

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

Environmental Data

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

Indicators	2020	2019
Air emissions		
Nitrogen oxides (NO_x) (tonnes)	41	42
Sulfur oxides (SO_x) (tonnes)	17	22
Particulate matter (PM) (tonnes)	17	19[4]
Greenhouse gases		
Total emissions (Scope 1, Scope 2 and Scope 3) (tonnes of CO_2e)	**92,222**	**94,717**
Greenhouse gas intensity (kg of CO_2e/production unit)	2.16	2.18
Scope 1 (tonnes of CO_2e)	49,086	54,452
Scope 2 (tonnes of CO_2e)	43,055	40,211
Scope 3[5] (tonnes of CO_2e)	165	138
Total emissions of greenhouse gases reduced by planting trees (tonnes of CO_2e)	84	84

4 Particulate matter for 2019 have been restated to reflect the actual amount of emissions.

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

Indicators	2020	2019
Direct or indirect energy		
Total energy consumption (MWh)	**260,878**	**266,745**
Energy consumption intensity (kWh/production unit)	6.10	6.13
Direct energy		
Coal consumption (MWh)	93,016	123,440
Unleaded gasoline consumption (MWh)	1,656	1,819
Diesel consumption (MWh)	2,011	1,925
Town gas consumption (MWh)	2	3
Liquefied petroleum gas consumption (MWh)	953	1,026
Natural gas consumption (MWh)	89,736	67,458
Indirect energy		
Electricity consumption (MWh)	73,449	71,025
Steam consumption (MWh)	55	49
Water resources		
Total water consumption ('000 m^3)	**3,039**	**3,261**
Water consumption intensity (m^3/production unit)	0.07	0.07
Hazardous waste		
Total volume (tonnes)	2	2
Hazardous waste intensity (g/production unit)	0.04	0.05
Non-hazardous waste[6]		
Generated and disposed volume (tonnes)	**4,456**	**4,634[7]**
Generated and disposed non-hazardous waste intensity (g/production unit)	104.16	106.49
Packaging materials used for finished products		
Total volume (tonnes)	**1,824**	**2,232**
Packaging materials used for finished products per production unit (g/production unit)	42.64	51.30
Plastic bags (tonnes)	392	601
Cartons (tonnes)	1,432	1,631

6 As non-hazardous waste from staff dormitory in Hong Kong is not significant, thus is omitted in the total volume of non-hazardous waste.

7 As the total amount of sludge generated by our PRC Factories in 2019 had not reach the required treatment level and no recycling treatment is required, the total volume of non-hazardous waste in 2019 does not include the sludge generated by our PRC Factories.

Exhaust Gas Treatment

We strictly follow the relevant emission laws and regulations of the places where we operate and manage exhaust gas emissions in a responsible manner so as to reduce environmental pollution. Our main emissions include nitrogen oxides, sulfur oxides and particulate matter (including smoke and dust), which are generated by the operation of boilers, use of gas stoves in canteen and travelling of vehicles and vessels.

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

In line with the carbon reduction strategy promulgated by the PRC government, we have decided to apply low-carbon clean energy and more energy-efficient natural gas boilers after careful consideration. Due to the low nitrogen and sulfur content of natural gas, the carbon dioxide (CO_2), sulfur dioxide (SO_2) and nitrogen oxides (NO_x) released during combustion will be relatively less. Moreover, natural gas can easily mix with air that natural gas boilers do not require the atomisation process which is necessary for coal boilers, while achieving better burning efficiency and overall energy utilisation. The energy saver and condenser of natural gas boiler can control the temperature of the emitted smoke, collect the residual heat and the heat of vaporisation of the smoke, enhancing the thermal efficiency of the boiler. Apart from the above advantages, the existing gas boilers we use are also applying the following technologies:

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

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

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

Sewage Treatment

We attach great importance to water resources protection and sewage treatment, and strictly abide by relevant local laws and standards, including the "Discharge Limits of Water Pollutants" issued by the Guangdong Environmental Protection Bureau and the "National Technical Regulation on Industrial Wastewater" stipulated by the Ministry of National Resources and Environment in Vietnam. Our sewage is primarily generated in daily life and washing materials used in the manufacturing process of knitwear, such as degreaser, derusting water and dyeing resistants. We have adopted a variety of measures to treat production wastewater and domestic sewage in an all-round manner. We have also developed sewage discharge and treatment procedures and established sewage treatment systems to disinfect and purify the collected wastewater from production and domestic sewage with separate pipelines, so that the amount of pollutants in wastewater is reduced to the level required by the local regulations before it is discharged to the sewage treatment centre. For one of the sewage treatment systems in the PRC Factories, the Environmental Monitoring Station adopts a remote monitoring system in the clear water pool and carries out anion tests before the wastewater is discharged, to ensure conformity to the sewage discharge standards of the places where we operate. If there is any problem with the sewage treatment systems, the sewage will be discharged to the storage tank first and treated after the problem has been resolved.

In both the PRC Factories and the Vietnam Factories, we regularly engage independent third-party professional agencies recognised by the respective countries to conduct tests on sewage discharged to ensure its compliance with the relevant laws and regulations of the places where we operate. During the Reporting Period, we appointed independent third-party inspection and testing agencies recognised by the respective countries to carry out the tests on our industrial wastewater in accordance with the national standards. The test items include Chemical Oxygen Demand, Five-day Biochemical Oxygen Demand and Hexavalent Chromium.

Sewage treatment facilities

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

Energy and Resources Management

Energy consumption is closely related to greenhouse gas emissions. Therefore, we are committed to reducing the Group's energy consumption, including electricity, fuel for the boilers, liquefied petroleum gas used in canteens, diesel oil and unleaded gasoline used in vehicles, etc. As a knitwear manufacturer, water is also an essential resource for our operation. Our water mainly comes from the water plant of the places where we operate, we have not encountered any problem in sourcing water. The Group strictly follows the relevant laws and regulations in relation to energy and resources consumption of the places where we operate, such as the "Energy Conservation Law of the PRC", the "Water Law of the PRC" and the "2015 Environmental Protection Act of Vietnam", and adopted the following environmental protection measures during the Reporting Period:

- Furnishing energy measuring instruments to measure the energy consumption by various installations, systems, processes and major equipment at the production workshops.
- Posting reminder notes on energy saving and water in prominent positions.
- Keeping the air conditioning temperature in the range of 22 to 25 degrees Celsius.
- Communicating information on the environmental protection and emission reduction to the employees by means of broadcasting, videos, training programs and bulletin boards.
- Working with the Ministry of Industry and Trade of Vietnam every year to prepare the energy saving reports and jointly studying plans for the emission reduction and energy saving.
- Providing lighting with reference to the sunshine hours.
- Implementing the water and electricity welfare system and waiving the water and electricity charges within a designated usage in the staff quarters in order to encourage the employees to conserve resources.

Waste Management

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

Non-hazardous Waste

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

Domestic Solid Waste

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

Non-hazardous Industrial Solid Waste

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

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

Hazardous Waste

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

Packaging Materials

The packaging materials used by the Group are primarily plastic bags and cartons, of which the sizes are determined according to the requirements of different customers and size of the products. Despite the significance of packaging materials to every product, we make every effort to enhance the utilisation rate of the resources. Old cartons are reused by the Group internally and the remaining plastic bags after packaging are recycled into plastic pellets for making plastic bags of other sizes. During the Reporting Period, we adopted thinner plastic bags for packaging with the consent of our customers, and improved the folding method of some products to reduce the size of plastic bags for the purpose of plastic reduction. Due to the principle of materiality, details of the product label as specified by our customers and required to be used in the export destinations are not included in the Report.

The Environment and Natural Resources

Product Sampling

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

Green Factories

The Group aims to create an environmentally friendly community by increasing greenery of the environment. This also allows employees to work and live in a high-quality and comfortable place, which is conducive to the healthy development of their body and mind. The design of our factory sites balances the ecological and aesthetic aspects with an emphasis on planting. Greenery occupies more than 40% of the Group's factory area in Huizhou, therefore employees can enjoy the beauty of nature around every corner.

In addition to greenery, our PRC Factories have reserved space for organic farming to grow seasonal fruits and vegetables, providing organic food to be consumed at our staff canteens.

Organic farming area in the PRC Factories

Food Waste Treatment

The food waste of the Group comes from leftovers produced by the food and beverage department in the course of offering catering services to our employees and visitors. Staff of our food and beverage department would clean up the garbage in the kitchen in a timely manner to avoid the breeding of pathogenic bacteria. Landfill treatment of food waste would create greenhouse gases, speed up global warming and affect the ecological environment. Therefore, our factories cooperate with swine farms in food waste recycling, under which the farms would feed the pigs they raise with the processed food waste. This measure can help to reduce the amount of waste and the burden of processing waste. Using food waste as pig feeds can save cost and achieve a win-win situation.

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

CONTRIBUTIONS TO THE SOCIETY

The development of the Group relies on the resources and support from all sectors of the society. Therefore, we have been committed to integrating with the society, actively devoting ourselves to various public welfare activities, giving back to the community, and fulfilling our responsibility as a member of the community.

▲ Donations to impoverished households from Vietnam Factories

Over the years, we contributed to public welfare activities in order to build a better society. During the Reporting Period, we won the seventh place in the "Top Donors (最高籌款機構)" awarded by The Community Chest of Hong Kong, together with sponsorships and donations to other non-profit organisations and the amount exceeded HK$1.4 million. Our factories in the PRC and Vietnam also assisted local impoverished households and elderly people by donating materials and sending greetings, so as to dedicate love and deliver positive energy. We are fully committed to continue the effort in joining different charitable activities and contributing to our community.

In addition to community work, we also attach great importance to environmental conservation. Therefore, we joined the Low-carbon Operation Programme (LOOP +) organised by World Wildlife Fund to create a "green office" and reduce the greenhouse gas emissions generated from office operations.

By encouraging employees to actively participate in volunteer activities and cultivate their interest in public welfare, we hope to organise a volunteer force to help people in need at any time. During the Reporting Period, the total number of volunteer hours was approximately 38 hours.

After the outbreak of the new coronavirus epidemic, we joined two other enterprises at the end of March 2020 to donate one million face masks to the Huizhou United Front and Education Front (惠州市統一戰線和教育戰線), half of which were used to support the resumption of classes for primary and secondary schools in Huizhou, and the other half were used to help our compatriots in Hong Kong, Macau and Taiwan to fight against the epidemic.

Face mask donation to Huizhou Municipal Government by Mr. Wong Ting Chung, chairman of the Group

FUTURE PROSPECTS

We hope that all stakeholders can gain a better understanding of the Group's operating philosophy and situation in sustainable development through this Report. We would like to take this opportunity to express our sincere gratitude for the support and trust of our stakeholders.

Despite the increasingly difficult business environment in the future, as a company and a member of the society, we will bear in mind our responsibility to work hard for sustainable development and environmental protection. Therefore, we will continue to maintain a high standard in corporate governance to ensure stable business development, and strive to provide customers with premium products and services, while creating an ideal and comfortable working environment for our employees. In terms of community work, apart from our commitment to actively participate in charity and community activities, we will continue to optimise resource-saving management, promote environmental conservation, strive to make greater contributions to the community and the betterment of the society.

Independent Auditor's Report

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

OPINION

What we have audited

The consolidated financial statements of Nameson Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 108 to 183, which comprise:

- the consolidated balance sheet as at 31 March 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Impairment of intangible assets of V. Success Group, knitted upper for footwear and knitted upper shoes segment; and
- Tax provision

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of intangible assets of V. Success Group, knitted upper for footwear and knitted upper shoes segment	
Refer to notes 4(b), 7 and 18 to the consolidated financial statements. Based on the results of management's impairment assessment, impairment charges of HK$55,096,000 have been made by management on the intangible assets within the V. Success Group. Under Hong Kong Accounting Standard ("HKAS") 36 Impairment of Assets, the Group is required to perform impairment assessment annually to consider whether there is any indication that intangible assets may be impaired. In carrying out the impairment assessment of intangible assets of V. Success Group, management determined the recoverable amount based on the value in use calculations using cash flow. The process of impairment assessment was complex and involved significant judgement and estimates which included assumptions such as expected future market and economic conditions. The directors assessed the recoverable amount of intangible assets of V. Success Group with reference to the valuation performed by an external independent professional valuer. We focused on this area as the impairment assessment of intangible assets of V. Success Group required significant judgements and estimates by management.	Our procedures in relation to management's impairment assessment included: We have assessed the competence, independence and objectivity of the external independent professional valuer. We involved our internal valuation specialist in assessing the appropriateness and consistency of methodologies used and certain key assumptions applied, we further evaluated the key assumptions applied in the valuation by comparing the data inputs such as revenue growth rate, gross profit margin and discount rate used in the valuation model to market data, historical financial data of V. Success Group and our knowledge of the business and industry. We discussed with management and challenged the underlying key assumptions used in the cash flow forecasts (including revenue growth rate and gross profit margin used), taking into account market developments. We evaluated the discount rate used in the calculations by comparing with the relevant industry and market data. We reconciled the cash flow forecasts to management's approved budgets and assessed reasonableness of these budgets by comparing historical information and business plan. We tested the mathematical accuracy of the underlying value-in-use calculations.

Key Audit Matter	How our audit addressed the Key Audit Matter
	We evaluated the sensitivity analysis performed by management around the key assumptions applied to the value-in-use calculation in order to assess the potential impact of a range of possible outcomes. Based on the procedures performed, we found the judgements and estimates applied in the impairment assessment to be supportable by available evidence.
Tax provision	
Refer to note 4(a) and 12 to the consolidated financial statements. The Group's current income tax provision covers the current and potential obligations in relation to the respective income tax positions across different jurisdictions. The Group operates mainly in Hong Kong, the Mainland China and Vietnam which are subject to different types of cross-border arrangements, laws and regulations, government practices, interpretation of tax rules by respective tax authorities, tax concession schemes of different jurisdictions which may result in different approaches and timing of recording transactions. Significant management judgements are therefore required in assessing the income tax provisions for different potential obligations across different jurisdictions in particular on the Group's intercompany transactions and cross-border business arrangements. Where the final tax outcome is different from the amounts that were initially estimated, such differences will impact the income tax provisions in the period in which such determination is made.	Our procedures in relation to management's assessment on tax provision included: We evaluated management's income tax provisions assessments and the processes by which they have been performed, by examining relevant documents supporting their conclusion, which was primarily based on the factual cross-border business arrangements, recent practice of local tax authorities, market practice for local companies, tax returns and computations as well as the advice from the Group's external independent tax advisor. We evaluated the appropriateness and consistency of the basis that management used in the current income tax provision assessments. We discussed with management to understand their interpretation of the relevant tax rules and regulations. We obtained management's current income tax provision calculations and checked their accuracy by testing the underlying calculations and tracing the inputs to the relevant tax rules and regulations. We obtained explanations and reviewed corroborative evidence from management, including management communications with local tax authorities and the tax advice issued by the Group's external independent tax advisor, regarding the tax treatments applied to the income tax provisions assessments. We evaluated management judgements with the involvement of our tax specialists based on our understanding of the relevant tax rules and regulations. Based on the procedures performed, we found the judgements made by management in relation to the current income tax provision were supportable by available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 June 2020

Consolidated Income Statement

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	**4,480,708**	4,359,050
Cost of sales	7	**(3,790,582)**	(3,686,670)
Gross profit		**690,126**	672,380
Other income	6	**14,714**	16,332
Other gains, net	8	**29,018**	10,625
Selling and distribution expenses	7	**(46,049)**	(44,584)
General and administrative expenses	7	**(392,347)**	(363,065)
Impairment loss on intangible assets	18	**(55,096)**	(521,577)
Net impairment losses on financial assets	7	**(3,996)**	–
Operating profit/(loss)		**236,370**	(229,889)
Share of post-tax profit/(loss) of a joint venture	29	**825**	(496)
Finance income	10	**5,728**	4,205
Finance expenses	10	**(68,572)**	(48,863)
Finance expenses, net		**(62,844)**	(44,658)
Profit/(loss) before income tax		**174,351**	(275,043)
Income tax expenses	12	**(22,817)**	(25,425)
Profit/(loss) for the year		**151,534**	(300,468)
Profit/(loss) for the year attributable to:			
— Owners of the Company		**157,045**	(298,511)
— Non-controlling interests		**(5,511)**	(1,957)
		151,534	(300,468)
Earnings/(loss) per share attributable to the owners of the Company during the year			
— Basic and diluted (HK cents per share)	13	**6.89**	(13.10)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Profit/(loss) for the year		**151,534**	(300,468)
Other comprehensive loss, net of tax:			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
— Currency translation differences		**(34,225)**	(114,965)
— Share of other comprehensive loss of a joint venture	29	**–**	(213)
Other comprehensive loss for the year, net of tax		**(34,225)**	(115,178)
Total comprehensive income/(loss) for the year		**117,309**	(415,646)
Total comprehensive income/(loss) for the year attributable to:			
— Owners of the Company		**125,193**	(413,736)
— Non-controlling interests		**(7,884)**	(1,910)
		117,309	(415,646)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Land use rights	16	–	108,976
Property, plant and equipment	15	**1,515,721**	2,087,863
Right-of-use assets	16	**996,899**	–
Investment properties	17	**1,918**	2,014
Intangible assets	18	–	64,747
Interest in a joint venture	29	**8,064**	6,309
Financial assets at fair value through profit or loss	19	**167,295**	155,543
Prepayments, deposits, other receivables and other assets	22	**94,424**	113,368
Deferred income tax assets	27	**608**	557
		2,784,929	2,539,377
Current assets			
Inventories	20	**806,451**	1,110,733
Trade receivables	21	**163,977**	141,188
Derivative financial instruments	28	–	937
Prepayments, deposits, other receivables and other assets	22	**340,045**	404,046
Tax recoverable		**17,835**	12,472
Cash and cash equivalents	23	**713,128**	414,844
		2,041,436	2,084,220
Total assets		**4,826,365**	4,623,597
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	30	**22,794**	22,794
Reserves	31	**1,951,166**	1,921,168
Capital and reserves attributable to the owners of the Company		**1,973,960**	1,943,962
Non-controlling interests		**122,654**	103,005
Total equity		**2,096,614**	2,046,967

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet (continued)

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	24	**1,136,100**	648,122
Lease liabilities	25	**288,713**	–
Finance lease obligations	25	**–**	276,745
Provision for reinstatement costs	26(b)	**659**	–
Deferred income tax liabilities	27	**2,562**	11,364
		1,428,034	936,231
Current liabilities			
Trade and bills payables	26(a)	**390,416**	312,635
Accruals and other payables	26(b)	**158,593**	162,541
Current income tax liabilities		**183,174**	159,419
Bank borrowings	24	**371,619**	862,391
Lease liabilities	25	**197,915**	–
Finance lease obligations	25	**–**	143,413
		1,301,717	1,640,399
Total liabilities		**2,729,751**	2,576,630
Total equity and liabilities		**4,826,365**	4,623,597
Net current assets		**739,719**	443,821

The financial statements on pages 108 to 183 were approved by the Board of Directors on 26 June 2020 and were signed on its behalf.

Wong Ting Chung
Chairman, Chief Executive Officer and Executive Director

Wong Wai Yue
Vice-Chairman and Executive Director

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to the owners of the Company				
	Share capital (Note 30) HK$'000	Reserves (Note 31) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 April 2019	**22,794**	**1,921,168**	**1,943,962**	**103,005**	**2,046,967**
Profit for the year	**–**	**157,045**	**157,045**	**(5,511)**	**151,534**
Other comprehensive loss:					
— Currency translation differences	**–**	**(31,852)**	**(31,852)**	**(2,373)**	**(34,225)**
Total comprehensive income	**–**	**125,193**	**125,193**	**(7,884)**	**117,309**
Transactions with owners					
— Capital contribution from non-controlling interests	**–**	**–**	**–**	**27,533**	**27,533**
Share option scheme:					
— Equity-settled share-based compensation (Note 32)	**–**	**2,819**	**2,819**	**–**	**2,819**
Dividends (Note 14)	**–**	**(98,014)**	**(98,014)**	**–**	**(98,014)**
As at 31 March 2020	**22,794**	**1,951,166**	**1,973,960**	**122,654**	**2,096,614**
As at 1 April 2018	22,794	2,425,008	2,447,802	–	2,447,802
Loss for the year	–	(298,511)	(298,511)	(1,957)	(300,468)
Other comprehensive loss:					
— Currency translation differences	–	(115,012)	(115,012)	47	(114,965)
— Share of other comprehensive loss of a joint venture	–	(213)	(213)	–	(213)
Total comprehensive loss	–	(413,736)	(413,736)	(1,910)	(415,646)
Transactions with owners					
— Capital contribution from non-controlling interests	–	–	–	104,915	104,915
Share option scheme:					
— Equity-settled share-based compensation (Note 32)	–	5,630	5,630	–	5,630
Dividends (Note 14)	–	(95,734)	(95,734)	–	(95,734)
As at 31 March 2019	22,794	1,921,168	1,943,962	103,005	2,046,967

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**958,470**	64,018
Interest paid		**(66,422)**	(49,157)
Income tax paid		**(15,777)**	(23,541)
Net cash generated from/(used in) operating activities		**876,271**	(8,680)
Cash flows from investing activities			
Loan to a joint venture		**(930)**	–
Purchases of property, plant and equipment		**(307,912)**	(322,880)
Acquisitions of financial assets at fair value through profit or loss		**(5,893)**	–
Acquisitions of land use rights		**–**	(12,501)
Proceeds from disposals of property, plant and equipment	33(b)	**490**	1,018
Interest received		**5,728**	4,205
Net cash used in investing activities		**(308,517)**	(330,158)
Cash flows from financing activities			
Proceeds from new bank borrowings	33(d)	**1,868,979**	2,507,168
Repayments of bank borrowings	33(d)	**(1,871,773)**	(2,586,586)
Repayments of lease liabilities	33(d)	**(191,683)**	–
Repayments of finance lease obligations	33(d)	**–**	(168,280)
Dividends paid		**(98,014)**	(95,734)
Capital contribution from non-controlling interests		**27,533**	104,915
Net cash used in financing activities		**(264,958)**	(238,517)
Net increase/(decrease) in cash and cash equivalents		**302,796**	(577,355)
Cash and cash equivalents at beginning of the year		**414,844**	1,009,477
Exchange difference on cash and cash equivalents		**(4,512)**	(17,278)
Cash and cash equivalents at end of the year	23	**713,128**	414,844

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 August 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

The Group has applied the following new and amended standards, and interpretations for the first time for the financial year beginning 1 April 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015–2017 Cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16 Leases ("HKFRS 16"). The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in Note 2.2. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

The following new and amended standards have been issued but are not effective for the Group's financial year beginning 1 April 2019 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Hedge Accounting	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group is in process of making an assessment of the impact of these new and amended standards upon initial application, and has concluded on a preliminary basis that the adoption of these new and amended standards is not expected to have a significant impact on the Group's results of operations or financial position.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the adoption of HKFRS 16 are therefore recognised in the opening consolidated balance sheet on 1 April 2019. The new accounting policies are disclosed in Note 2.24.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(i) Practical expedients applied

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 as an alternative to performing an impairment review — there were no onerous contracts as at 1 April 2019;
- 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 excluding initial direct costs for the measurement of the right-of-use asset 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".

(ii) Measurement of lease liabilities

	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)
Less: 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(iii) Measurement of right-of-use assets

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.

(iv) Adjustments recognised in the consolidated balance sheet on 1 April 2019

The change in accounting policy affected the following items in the consolidated 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

(v) Lessor accounting

- The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2.3 Subsidiaries

2.3.1 Consolidation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.2 Separate financial statements

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

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

2.4 Joint arrangements

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

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

2.4.1 Equity accounting

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets

(a) Goodwill

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

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

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

(b) Technical knowhow

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

2.8 Property, plant and equipment

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment *(Continued)*

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

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

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

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

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

2.9 Land use rights (included in right-of-use assets)

From 1 April 2019, the date of initial application of HKFRS 16, land use rights are accounted for as right-of-use assets (refer to Note 2.2).

Until 31 March 2019, land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 30–50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of leases.

2.10 Investment property

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

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

Leasehold land	the remaining lease term
Buildings	2.1%

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of non-financial assets

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

2.12 Financial assets

(a) Classification

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

(c) Measurement *(Continued)*

Debt instruments

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

(i) Amortised cost

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

(ii) FVOCI

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

(iii) FVTPL

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

Equity instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

(d) Impairment

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

2.13 Offsetting financial instruments

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

2.14 Derivative financial instruments

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

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

2.15 Inventories

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

2.16 Trade and other receivables

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

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

2.17 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Share capital

Ordinary shares are classified as equity.

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

2.19 Trade and other payables

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

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

2.20 Borrowings

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

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

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

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

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attribute to temporary differences and to unused tax losses.

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax

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

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

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

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

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

2.22 Employee benefits

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

(a) Pension obligations

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(b) Termination benefits

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

(c) Employee leave entitlements

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

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

2.23 Provisions

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

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

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

2.24 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 March 2019, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (Note 25). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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 property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 34(a)). Payments made under operating leases (net of any incentives received from the lessor) 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 right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases *(Continued)*

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases *(Continued)*

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all 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. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 17). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.25 Revenue and income recognition

(a) Sales of goods

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue and income recognition *(Continued)*

(a) Sales of goods *(Continued)*

Contract assets, if any, are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

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

(b) Interest income

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

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

(c) Rental income

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

2.26 Dividend distribution

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

2.27 Government subsidies

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to RMB and US$ since a considerable portion of its operating expenses are denominated in RMB while most of the sales are denominated in US$. Since HK$ is pegged with US$, management is of the opinion that the foreign exchange risk arising from US$ is insignificant. The Group did not have any outstanding forward foreign currency contracts as at 31 March 2020.

As at 31 March 2020, if HK$ has weakened/strengthened by 5% against RMB, with all other variables held constant, the profit before tax for the year would have been approximately HK$3,767,000 higher/lower (2019: loss before tax for the year would have been approximately HK$3,230,000 lower/higher), mainly as a result of net foreign exchange gains/losses on translation of RMB denominated trade receivables (Note 21), cash and cash equivalents (Note 23), lease liabilities (Note 25) and trade and bills payables (Note 26).

(b) Cash flow interest-rate risk

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

As at 31 March 2020, if the interest rates on bank borrowings had been 50 basis points higher/lower, with all other variables held constant, the profit before tax for the year would have been approximately HK$7,546,000 lower/higher (2019: loss before tax for the year would have been approximately HK$7,751,000 higher/lower), mainly as a result of higher/lower interest expense on floating-rate bank borrowings.

(c) Credit risk

(i) Risk Management

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

As at 31 March 2020, the majority of the bank balances as detailed in Note 23 are held with major financial institutions located in Hong Kong, Mainland China and Vietnam which the directors believe are of high credit quality. For deposits, other receivables and other financial assets at amortised cost, management has policies in place to monitor the exposures to these credit risks on an on-going basis. The directors do not expect any losses arising from non-performance by these counterparties.

The Group's credit sales are generally on credit terms within 60 days. Normally the Group does not require collaterals from trade debtors. As at 31 March 2020, the Group's largest debtor accounted for 14% (2019: 13%) of the Group's total trade receivables. The existing debtors have no significant default in the past.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

(ii) Impairment of financial assets

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

— trade receivables

— other financial assets at amortised cost

Trade receivables

For trade receivables, the Group measures the expected credit losses on a combination of both individual and collective basis.

Measurement of expected credit loss on individual basis

For trade receivables relating to accounts which are overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment.

Measurement of expected credit loss on collective basis

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

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

The Group categorises its trade receivables, except those individually assessed, based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 March 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

As at 31 March 2020, the Group has made provision for impairment for trade receivables assessed individually of approximately HK$1,737,000 (2019: Nil) (Note 21) whilst the loss allowance for trade receivables assessed collectively is not material (2019: same).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

(ii) ***Impairment of financial assets*** *(Continued)*

Other financial assets at amortised cost

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

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

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

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

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment/repayable demanded. During the year, impairment loss on other receivables of HK$2,259,000 was recognised in profit or loss (2019: Nil) (Note 22).

(d) Liquidity risk

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

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk *(Continued)*

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

	Less than 1 year HK$'000	**Between 1 and 2 years** HK$'000	**Between 2 and 5 years** HK$'000	**Total** HK$'000
At 31 March 2020				
Trade and bills payables	**390,416**	**–**	**–**	**390,416**
Accruals and other payables	**81,481**	**–**	**–**	**81,481**
Short-term bank borrowings	**26,785**	**–**	**–**	**26,785**
Long-term bank borrowings	**384,640**	**900,207**	**277,025**	**1,561,872**
Lease liabilities	**205,144**	**190,126**	**104,208**	**499,478**
	1,088,466	**1,090,333**	**381,233**	**2,560,032**
At 31 March 2019				
Trade and bills payables	312,635	–	–	312,635
Accruals and other payables	83,511	–	–	83,511
Short-term bank borrowings	635,497	–	–	635,497
Long-term bank borrowings	252,107	295,669	379,213	926,989
Finance lease obligations	149,470	157,154	124,708	431,332
	1,433,220	452,823	503,921	2,389,964

(e) Price risk

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation

The carrying amounts of the Group's current financial assets including bank balances and cash, deposits, receivables and other assets, and current financial liabilities including payables, bank borrowings and lease liabilities approximate their fair values due to their short maturities. The carrying amounts of non-current financial liabilities including bank borrowings and lease liabilities are assumed to approximate their fair values as the amounts bear interest at commercial rates.

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

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

The following table presents the Group's financial assets that are measured at fair values at 31 March 2020 and 2019.

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 March 2020				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investments	**–**	**–**	**167,295**	**167,295**
As at 31 March 2019				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investments	–	–	155,543	155,543
Derivative financial instruments	–	937	–	937
	–	937	155,543	156,480

There were no transfers among levels 1, 2 and 3 and no change in valuation during the year ended 31 March 2020 (2019: same).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation *(Continued)*

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

For the changes in level 3 instruments for the years ended 31 March 2020 and 2019, please refer to Note 19.

These unlisted investments in level 3 represent unlisted key management insurance policies. Their fair value is determined by reference to the expected returns from such policies which are primarily based on the financial performance and market price of the underlying portfolio taking into consideration the respective guaranteed minimum returns. Consideration is also placed on the pattern of crystallising the contracts and surrender charges, if any.

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions to shareholders, issue new shares or sell assets.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including lease liabilities/finance lease obligations) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet, plus net debt.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Capital risk management *(Continued)*

The gearing ratios at 31 March 2020 and 2019 were as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Total borrowings	**1,994,347**	1,930,671
Less: cash and cash equivalents	**(713,128)**	(414,844)
Net debt	**1,281,219**	1,515,827
Total equity	**2,096,614**	2,046,967
Total capital	**3,377,833**	3,562,794
Gearing ratio	**37.93%**	42.55%

The decrease in gearing ratio from 42.55% as at 31 March 2019 to 37.93% as at 31 March 2020 was primarily due to the increase in cash and cash equivalents and equity as a result of profit recorded with less impairment provision made on the intangible assets (Note 18).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

(a) Current and deferred income tax provision

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group's inter-company transactions and cross-border business arrangements during the ordinary course of business may impose inherent uncertainty over the Group's profit allocation and its respective tax position across different jurisdictions. The Group also recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes may be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax provision in the period in which such determination is made.

Deferred income tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(b) Impairment of non-financial assets

Non-financial assets including intangible assets, property, plant and equipment and right-of-use assets (2019: land use rights) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to disposal. These calculations require the use of judgements and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the profit or loss.

(c) Useful lives, residual values and depreciation of property, plant and equipment and right-of-use assets

Management of the Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment and right-of-use assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and right-of-use assets of similar nature and functions. Management will revise the depreciation where useful lives or residual values are different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation in the future periods.

5 SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors and senior management of the Company led by the Group's chief executive officer, being the Group's chief operating decision-maker ("CODM"), which are used for the purposes of assessing performance and making strategic decisions. The Group's operating segments are structured and managed separately according to the nature of their operations, 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 has two operating segments during the years ended 31 March 2020 and 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 segments based on a measure of gross profit at each segment.

5 SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 March 2020

	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	4,295,437	191,825	4,487,262
Inter-segment revenue	–	(6,554)	(6,554)
Revenue from external customers	4,295,437	185,271	4,480,708
Results			
Segment profit	656,833	33,293	690,126
Other income			14,714
Other gains, net			29,018
Selling and distribution expenses			(46,049)
General and administrative expenses			(392,347)
Impairment loss on intangible assets			(55,096)
Net impairment losses on financial assets			(3,996)
Share of post-tax profit of a joint venture			825
Finance income			5,728
Finance expenses			(68,572)
Profit before income tax			174,351
Income tax expenses			(22,817)
Profit for the year			151,534

5 SEGMENT INFORMATION *(Continued)*

For the year ended 31 March 2019

	Manufacturing of knitwear products HK$'000	Manufacturing of knitted upper for footwear and knitted upper shoes HK$'000	Consolidated HK$'000
Revenue			
Total segment revenue	4,164,337	199,446	4,363,783
Inter-segment revenue	–	(4,733)	(4,733)
Revenue from external customers	4,164,337	194,713	4,359,050
Results			
Segment profit	649,348	23,032	672,380
Other income			16,332
Other gains, net			10,625
Selling and distribution expenses			(44,584)
General and administrative expenses			(363,065)
Impairment loss on intangible assets			(521,577)
Share of post-tax loss of a joint venture			(496)
Finance income			4,205
Finance expenses			(48,863)
Loss before income tax			(275,043)
Income tax expenses			(25,425)
Loss for the year			(300,468)

Segments results represent profit earned by each segment without allocating other income, other gains, selling and distribution expenses, general and administrative expenses, impairment loss on intangible assets, net impairment losses on financial assets, 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.

5 SEGMENT INFORMATION *(Continued)*

(a) Revenue by location of goods delivery

	2020 HK$'000	2019 HK$'000
Japan	**1,492,617**	1,660,551
North America	**674,888**	717,917
Europe	**731,157**	714,304
Mainland China	**1,050,383**	694,038
Other countries	**531,663**	572,240
	4,480,708	4,359,050

(b) Non-current assets

	2020 HK$'000	2019 HK$'000
Hong Kong	**58,706**	59,648
Mainland China	**772,344**	799,208
Vietnam	**1,672,090**	1,433,299
Myanmar	**105,822**	20,066
	2,608,962	2,312,221

The non-current asset information above is based on the location of the assets and excludes intangible assets, interest in a joint venture, financial assets at fair value through profit or loss and deferred income tax assets.

(c) Major customers

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

	2020 HK$'000	2019 HK$'000
Customer A	**2,487,093**	2,729,404

The five largest customers accounted for approximately 73.7% (2019: 79.2%) of revenue for the year ended 31 March 2020.

(d) Disaggregation of revenue from contracts with customers

For the years ended 31 March 2020 and 2019, the revenue of the Group was recognised at a point in time.

5 SEGMENT INFORMATION *(Continued)*

(e) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	31 March 2020 HK$'000	1 April 2019 HK$'000
Contract liabilities — receipts in advance (Note 26(b))	**9,642**	4,814

Contract liabilities for sales of goods contracts have increased by HK$4,828,000 (2019: HK$2,581,000) due to an increase in overall contract activities.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**3,654**	1,826

6 OTHER INCOME

	2020 HK$'000	2019 HK$'000
Rental income from investment properties	**932**	792
Rental income from properties occupied by employees	**899**	630
Government subsidies	**4,624**	8,572
Others	**8,259**	6,338
	14,714	16,332

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and net impairment losses on financial assets are analysed as follows:

	2020 HK$'000	2019 HK$'000
Advertising and promotion expenses	**7,723**	4,436
Amortisation of land use rights (Note 16)	**–**	1,086
Auditor's remuneration		
— audit services	**2,849**	2,770
— non-audit services	**651**	630
Depreciation		
— owned property, plant and equipment (Note 15)	**141,005**	91,997
— property, plant and equipment held under finance leases (Note 15)	**–**	94,257
— right-of-use assets (Note 16)	**78,965**	–
Depreciation of investment properties (Note 17)	**96**	134
Amortisation of technical knowhow (Note 18)	**9,651**	13,664
Employment benefit expenses (including directors' emoluments) (Note 9)	**915,267**	919,885
Raw materials and consumables used	**2,130,835**	2,317,646
Changes in inventories of finished goods and work in progress	**190,167**	(194,056)
Provision for impairment of inventories	**30,796**	6,836
Provision for impairment of prepayment (Note 22)	**4,835**	–
Provision for impairment of property, plant and equipment (Note 15)	**25,197**	–
Provision for impairment of trade receivables (Note 21)	**1,737**	–
Provision for impairment of other receivables (Note 22)	**2,259**	–
Subcontracting charges	**297,870**	431,247
Agency and commission expenses	**3,493**	4,633
Transportation charges	**35,160**	36,286
Sample charges	**22,365**	23,809
Donations	**1,394**	1,953
Expense related to short-term leases (Note 16(b))	**501**	–
Operating lease rental in respect of land and buildings	**–**	6,145
Utilities expenses	**99,661**	91,009
Others	**230,497**	239,952
Total cost of sales, selling and distribution expenses, general and administration expenses and net impairment losses on financial assets	**4,232,974**	4,094,319

7 EXPENSES BY NATURE *(Continued)*

Note:

Following the outbreak of the novel coronavirus ("COVID-19") pandemic since late January 2020, the Group's management acknowledged that it was becoming extremely difficult to continue to deploy heavy resources to run its knitted uppers for footwear and knitted upper shoes business as an independent business under the current market condition and global economic environment.

Therefore, the Group has started to restructure and streamline this business and incurred costs and expenses totalling approximately HK$86,252,000 which are directly and indirectly related to the restructuring and streamlining of this business for the year ended 31 March 2020. All of these costs and expenses are charged to the consolidated income statement for the year ended 31 March 2020, comprising impairment loss on intangible assets of HK$55,096,000, provision for impairment of property, plant and equipment of HK$22,864,000, provision for impairment of inventories of HK$4,296,000, provision for impairment of trade receivables of HK$1,737,000 and provision for impairment of other receivables of HK$2,259,000.

For the year ended 31 March 2020, provision for impairment of property, plant and equipment of HK$22,864,000 and provision for impairment of inventories of HK$4,296,000 have been respectively charged to "general and administrative expenses" and "cost of sales" in the consolidated income statement. Moreover, provision for impairment of trade receivables of HK$1,737,000 and provision for impairment of other receivables of HK$2,259,000 have been charged to "net impairment losses on financial assets" in the consolidated income statement.

8 OTHER GAINS, NET

	2020 **HK$'000**	2019 HK$'000
Net foreign exchange gains	**23,501**	8,904
Net gains on financial assets at fair value through profit or loss (Note 19)	**5,859**	5,467
Net gains on disposals of property, plant and equipment (Note 33(b))	**375**	600
Unrealised gains from derivative financial instruments (Note 28)	**–**	937
Net realised losses from derivative financial instruments	**(717)**	(5,283)
	29,018	10,625

9 EMPLOYMENT BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

Employment benefit expenses, including directors' emoluments, consist of:

	2020 HK$'000	2019 HK$'000
Wages, salaries, commissions, allowances, bonuses, welfare and other benefits	**845,758**	853,835
Equity-settled share-based compensation	**2,819**	5,630
Pension costs — defined contribution plans	**66,690**	60,420
	915,267	919,885

(a) Pension costs — defined contribution plans

The Group has no material obligation for post-retirement benefits beyond contributions to the Mandatory Provident Fund Scheme managed by an independent trustee in Hong Kong and the staff retirement schemes managed by local government authorities in accordance with the relevant rules and regulations in Mainland China and Vietnam.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2020 include four (2019: four) directors whose emoluments are reflected in Note 36 to the consolidated financial statements. The emoluments payable to the remaining one (2019: one) individual during the year are as follows:

	2020 HK$'000	2019 HK$'000
Wages, salaries, commissions, allowances, welfare and other benefits	**1,690**	1,560
Pension costs — defined contribution plans	**18**	18
Bonus	**360**	300
	2,068	1,878

The emoluments fell within the following bands:

	2020	2019
Emolument band		
HK$1,500,001–HK$2,000,000	**–**	1
HK$2,000,001–HK$2,500,000	**1**	–

No directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or compensation for loss of office.

10 FINANCE EXPENSES, NET

	2020 HK$'000	2019 HK$'000
Finance income		
Interest income from:		
— Bank deposits	**5,728**	4,205
Finance expenses		
Interest expenses on:		
— Bank borrowings	**(60,132)**	(40,937)
— Finance lease obligations	**–**	(7,926)
— Lease liabilities	**(8,440)**	–
	(68,572)	(48,863)
Finance expenses, net	**(62,844)**	(44,658)

11 SUBSIDIARIES

The following are details of the principal subsidiaries at 31 March 2020:

Company Name	Place of incorporation and type of legal entity	Issued/registered and paid up capital	Principal activities/ place of operation	Effective interest held (%) The Company 2020	The Company 2019	The non-controlling interest 2020	The non-controlling interest 2019
Directly owned:							
Nameson Group Limited	The British Virgin Islands ("BVI"), limited liability company	US$10	Investment holding, Hong Kong	**100%**	100%	**–**	–
Indirectly owned:							
Nameson Industrial Limited	Hong Kong, limited liability company	HK$3,000,000	Manufacturing of knitwear products, Hong Kong	**100%**	100%	**–**	–
Kingmax Industrial Limited	Hong Kong, limited liability company	HK$60,000	Manufacturing of knitwear products, Hong Kong	**100%**	100%	**–**	–
Winner Way Industrial Limited	Hong Kong, limited liability company	HK$60,000	Manufacturing of knitwear products, Hong Kong	**100%**	100%	**–**	–
First Team (HK) Limited	Hong Kong, limited liability company	HK$1	Manufacturing of knitwear products, Hong Kong	**100%**	100%	**–**	–
First Team (Vietnam) Garment Limited	Vietnam, limited liability company	US$130,000,000	Manufacturing of knitwear products, Vietnam	**100%**	100%	**–**	–

11 SUBSIDIARIES *(Continued)*

Company Name	Place of incorporation and type of legal entity	Issued/registered and paid up capital	Principal activities/ place of operation	Effective interest held (%) The Company 2020	The Company 2019	The non-controlling interest 2020	The non-controlling interest 2019
Indirectly owned: (Continued)							
Huizhou Nanxuan Knitting Fty. Ltd.	The People's Republic of China ("the PRC"), wholly foreign owned enterprise	US$30,000,000	Manufacturing of knitwear products, the PRC	**100%**	100%	**–**	–
Huizhou Nanguan Knitting Fty. Ltd	The PRC, wholly foreign owned enterprise	US$1,000,000	Manufacturing of knitwear products, the PRC	**100%**	100%	**–**	–
S. Power (Vietnam) Textile Limited	Vietnam, limited liability company	US$8,000,000	Manufacturing of knitting fabric, Vietnam	**100%**	100%	**–**	–
V. Success Limited	BVI, limited liability company	US$100	Investment holding, Hong Kong	**100%**	100%	**–**	–
V. Success (HK) Limited	Hong Kong, limited liability company	HK$1	Manufacturing of knitted upper for footwear and knitted upper shoes, Hong Kong	**100%**	100%	**–**	–
V. Success (HZ) Knitting Limited	The PRC, wholly foreign owned enterprise	HK$180,000,000	Manufacturing of knitted upper for footwear and knitted upper shoes, the PRC	**100%**	100%	**–**	–
V. Success (Vietnam) Knitting Company Limited	Vietnam, limited liability company	US$22,759,317	Manufacturing of knitted upper for footwear and knitted upper shoes, Vietnam	**100%**	100%	**–**	–
Hebei Nanguan Technology Co., Ltd.	The PRC, limited liability company	RMB200,000,000 (2019: RMB159,000,000)	Manufacturing of cashmere yarn, the PRC	**55%**	55%	**45%**	45%

12 INCOME TAX EXPENSES

For the year ended 31 March 2020, Hong Kong profits tax has been provided for at the rate of 16.5% (2019:16.5%) on the estimated assessable profit for the year and the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2019: 25%) on estimated assessable profits. However, three 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 certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is within the second year of 50% reduction in the BIT rate, whereas, the other two subsidiaries have no assessable profit for the year, and hence no BIT is provided.

	2020 **HK$'000**	2019 HK$'000
Hong Kong profits tax	**1,150**	421
China corporate income tax	**29,435**	30,695
Vietnam business income tax	**1,084**	–
Deferred taxation (Note 27)	**(8,852)**	(5,691)
	22,817	25,425

The difference between the actual income tax charged to the consolidated income statement and the amounts which would result from applying the enacted tax rates to profit/(loss) before income tax can be reconciled as follows:

	2020 **HK$'000**	2019 HK$'000
Profit/(loss) before income tax	**174,351**	(275,043)
Tax calculated at domestic tax rates applicable to profits/(loss) in the respective jurisdictions	**51,391**	(34,298)
Income not subject to tax	**(423,560)**	(278,480)
Expenses not deductible for tax purposes	**394,116**	339,080
Others	**870**	(877)
Income tax expenses	**22,817**	25,425

13 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share for the years ended 31 March 2020 and 2019 are calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit/(loss) attributable to the owners of the Company (HK$'000)	**157,045**	(298,511)
Weighted average number of ordinary shares in issue ('000)	**2,279,392**	2,279,392
Basic earnings/(loss) per share (HK cents)	**6.89**	(13.10)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings/(loss) per share for the years ended 31 March 2020 and 2019 equals basic earnings/(loss) per share as the exercise of the outstanding share options would be anti-dilutive.

14 DIVIDENDS

At the board meeting held on 26 November 2018, the Board of Directors declared an interim dividend for the year ended 31 March 2019 of 3.6 HK cents per share amounting to a total of HK$82,058,000 and paid on 28 December 2018.

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

At the board meeting held on 22 November 2019, the Board of Directors declared an interim dividend for the year ended 31 March 2020 of 4.3 HK cents per share amounting to a total of HK$98,014,000 and paid on 24 December 2019.

At the board meeting held on 26 June 2020, the Board of Directors did not recommend the payment of final dividend for the year ended 31 March 2020.

15 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and other equipment HK$'000	Motor vehicles and yacht HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 2018							
Cost	877,469	34,448	2,456,553	45,259	60,198	650	3,474,577
Accumulated depreciation	(300,247)	(25,910)	(1,155,391)	(21,397)	(28,190)	–	(1,531,135)
Net book amount	577,222	8,538	1,301,162	23,862	32,008	650	1,943,442
Year ended 31 March 2019							
Opening net book amount	577,222	8,538	1,301,162	23,862	32,008	650	1,943,442
Additions	8,029	–	280,696	3,607	3,220	127,918	423,470
Disposals	–	–	(418)	–	–	–	(418)
Transfers	–	–	–	245	–	(245)	–
Exchange difference	(26,866)	(595)	(63,697)	(1,002)	(196)	(21)	(92,377)
Depreciation (Note 7)	(27,477)	(654)	(141,348)	(9,977)	(6,798)	–	(186,254)
Closing net book amount	530,908	7,289	1,376,395	16,735	28,234	128,302	2,087,863
At 31 March 2019							
Cost	858,632	33,853	2,673,134	48,109	63,222	128,302	3,805,252
Accumulated depreciation	(327,724)	(26,564)	(1,296,739)	(31,374)	(34,988)	–	(1,717,389)
Net book amount	530,908	7,289	1,376,395	16,735	28,234	128,302	2,087,863
Year ended 31 March 2020							
Opening net book amount	**530,908**	**7,289**	**1,376,395**	**16,735**	**28,234**	**128,302**	**2,087,863**
Effect on adoption of HKFRS 16 (Note 2.2)	**–**	**–**	**(1,040,560)**	**–**	**–**	**–**	**(1,040,560)**
Opening net book amount, as restated	**530,908**	**7,289**	**335,835**	**16,735**	**28,234**	**128,302**	**1,047,303**
Additions	**13,808**	**309**	**137,907**	**18,213**	**3,857**	**148,186**	**322,280**
Disposals	**–**	**–**	**–**	**(10)**	**(105)**	**–**	**(115)**
Transfers	**23,067**	**–**	**55,134**	**–**	**–**	**(78,201)**	**–**
Reclassification (Note 16)	**–**	**–**	**328,184**	**–**	**–**	**–**	**328,184**
Exchange difference	**(5,574)**	**(176)**	**(9,334)**	**(112)**	**(10)**	**(523)**	**(15,729)**
Depreciation (Note 7)	**(28,160)**	**(636)**	**(97,300)**	**(8,875)**	**(6,034)**	**–**	**(141,005)**
Impairment (Note 7)	**–**	**–**	**(20,265)**	**(2,599)**	**–**	**(2,333)**	**(25,197)**
Closing net book amount	**534,049**	**6,786**	**730,161**	**23,352**	**25,942**	**195,431**	**1,515,721**
At 31 March 2020							
Cost	**889,933**	**33,986**	**2,036,169**	**59,313**	**64,466**	**195,431**	**3,279,298**
Accumulated depreciation and impairment	**(355,884)**	**(27,200)**	**(1,306,008)**	**(35,961)**	**(38,524)**	**–**	**(1,763,577)**
Net book amount	**534,049**	**6,786**	**730,161**	**23,352**	**25,942**	**195,431**	**1,515,721**

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	2020 HK$'000	2019 HK$'000
Depreciation charged in consolidated income statement:		
— Cost of sales	**115,383**	161,969
— General and administrative expenses	**25,622**	24,285
	141,005	186,254

As at 31 March 2019, the net book value of plant and machinery under finance leases amounted to approximately HK$1,040,560,000. From 1 April 2019, plant and machinery under finance leases are presented as right-of-use assets in the consolidated balance sheet (Note 16). Refer to Note 2.2 for details about the changes in accounting policy.

During the year ended 31 March 2020, the Group reclassified from right-of-use assets with an aggregate net book value of HK$328,184,000 to property, plant and equipment at the time of expiry of lease.

Land and buildings are primarily situated in Mainland China and Vietnam.

During the year ended 31 March 2020, management reviewed the carrying amount of property, plant and equipment and impairment losses of HK$25,197,000 (2019: Nil) had been identified and recognised in the consolidated income statement of which impairment of HK$22,864,000 was related to the restructuring of V. Success Group.

16 RIGHT-OF-USE ASSETS/LAND USE RIGHTS

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to right-of-use assets/land use rights:

	Plant and machinery (Note i) HK$'000	Leased properties HK$'000	Land use rights (Note ii) HK$'000	Total HK$'000
Year ended 31 March 2020				
Opening net book amount at 1 April 2019	–	–	–	–
Effect on adoption of HKFRS 16 (Note 2.2)	**1,040,560**	**43,860**	**108,976**	**1,193,396**
Opening net book amount, as restated	**1,040,560**	**43,860**	**108,976**	**1,193,396**
Additions	**197,076**	**685**	**10,064**	**207,825**
Lease modification	–	**1,283**	**4,195**	**5,478**
Reclassification (Note 15)	**(328,184)**	–	–	**(328,184)**
Depreciation (Note 7)	**(58,749)**	**(19,075)**	**(1,141)**	**(78,965)**
Exchange differences	**(1,476)**	**(771)**	**(404)**	**(2,651)**
Closing net book amount at 31 March 2020	**849,227**	**25,982**	**121,690**	**996,899**

16 RIGHT-OF-USE ASSETS/LAND USE RIGHTS *(Continued)*

(a) Amounts recognised in the consolidated balance sheet *(Continued)*

	Land use rights (Note ii) HK$'000
Year ended 31 March 2019	
Opening net book amount at 1 April 2018	95,781
Additions	17,859
Amortisation (Note 7)	(1,086)
Exchange differences	(3,578)
Closing net book amount at 31 March 2019	108,976

Notes:

(i) In the previous year, the Group only recognised leased assets and leased liabilities in relation to leases which were classified as 'finance leases' under HKAS 17 Leases. These assets were presented in property, plant and equipment. For the adjustments recognised on the adoption of HKFRS 16 on 1 April 2019, please refer to Note 2.2.

(ii) As at 31 March 2019, the Group's interests in land use rights represent prepaid operating lease payments. From 1 April 2019, the date of initial application of HKFRS 16, the land use rights, as prepayments of lease payments, are accounted for as right-of-use assets under HKFRS 16. The carrying amounts of these prepayments were reclassified to right-of-use assets on 1 April 2019 (Note 2.2).

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2020 HK$'000	2019 HK$'000
Depreciation of right-of-use assets (Note 7)	**78,965**	–
Interest expense (Note 10)	**8,440**	–
Expense relating to short-term leases (Note 7)	**501**	–
	87,906	–

The total cash outflow for leases for the year ended 31 March 2020 was HK$200,624,000.

16 RIGHT-OF-USE ASSETS/LAND USE RIGHTS *(Continued)*

(c) 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, but may have extension and termination options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(d) Extension and termination options

Extension and termination options are included in a number of land leases and property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

17 INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At cost		
Beginning net book amount of the year	**2,014**	2,148
Depreciation (Note 7)	**(96)**	(134)
End of the year	**1,918**	2,014
Cost	**4,640**	4,640
Accumulated depreciation	**(2,722)**	(2,626)
Net book amount	**1,918**	2,014

The fair values of the Group's investment properties as at 31 March 2020 were HK$24,500,000 (2019: HK$25,200,000), as determined by an independent professional valuation firm, RHL Appraisal Limited, on an open market basis.

Investment properties are situated in Hong Kong.

Depreciation of approximately HK$96,000 (2019: HK$134,000) for the year ended 31 March 2020 has been included in "general and administrative expenses".

Outgoings in respect of the investment properties amounted to HK$168,000 (2019: HK$37,000) for the year ended 31 March 2020.

The investment properties are leased to tenants under operating leases with rentals payable monthly.

For minimum lease payments receivable on leases of investment properties, refer to Note 34(b).

18 INTANGIBLE ASSETS

	Goodwill	Technical knowhow	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2018			
Cost	493,910	110,208	604,118
Accumulated amortisation	–	(4,130)	(4,130)
Net book amount	493,910	106,078	599,988
Year ended 31 March 2019			
Opening net book amount	493,910	106,078	599,988
Amortisation charge (Note 7)	–	(13,664)	(13,664)
Impairment loss	(493,910)	(27,667)	(521,577)
Closing net book amount	–	64,747	64,747
At 31 March 2019			
Cost	493,910	110,208	604,118
Accumulated amortisation	–	(17,794)	(17,794)
Accumulated impairment loss	(493,910)	(27,667)	(521,577)
Net book amount	–	64,747	64,747
Year ended 31 March 2020			
Opening net book amount	**–**	**64,747**	**64,747**
Amortisation charge (Note 7)	**–**	**(9,651)**	**(9,651)**
Impairment loss	**–**	**(55,096)**	**(55,096)**
Closing net book amount	**–**	**–**	**–**
At 31 March 2020			
Cost	**493,910**	**110,208**	**604,118**
Accumulated amortisation	**–**	**(27,445)**	**(27,445)**
Accumulated impairment loss	**(493,910)**	**(82,763)**	**(576,673)**
Net book amount	**–**	**–**	**–**

For the year ended 31 March 2020, amortisation of HK$9,651,000 (2019: HK$13,664,000) has been charged to "general and administrative expenses" in the consolidated income statement.

18 INTANGIBLE ASSETS *(Continued)*

Impairment test of intangible assets

Goodwill and technical knowhow were acquired through the acquisition of V. Success Limited ("V. Success") and its subsidiaries ("V. Success Group") and have been allocated to the cash-generating unit (the "CGU") for impairment testing. The recoverable amount of the CGU is determined based on a value-in-use calculation which uses the cash flow projection based on financial budgets of V. Success Group covering a five-year period, and a pre-tax discount rate of 15.8% (2019: 15.4%) per annum.

The financial model assumes a decline of 51.6% in revenue for the financial year ending 31 March 2021 and annual growth rate of 5.5% in the following four years (2019: an average growth rate of 8.4% for five-year period budgets). The terminal growth rate is assumed to be 3.0% (2019: 3.0%) per annum beyond the five-year period, taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors assessed the recoverable amount of the CGU with reference to the valuation performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer. As at 31 March 2020, the recoverable amount of the CGU determined based on the value-in-use calculations was lower than the carrying amount of the CGU, and resulting in a provision for impairment of technical knowhow of HK$55,096,000 for the year ended 31 March 2020 (2019: provisions for impairment of goodwill and technical knowhow of HK$493,910,000 and HK$27,667,000 respectively).

As at 31 March 2020, if the sales growth rate is increased by 1% or the pre-tax discount rate used is decreased by 1%, the total provision for impairment of technical knowhow would be reduced by HK$11 million and HK$9 million respectively.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **HK$'000**	2019 HK$'000
Financial assets at fair value through profit or loss		
— Unlisted investments, at fair value (Note)	**167,295**	155,543

Note:

Unlisted investments represent unlisted key management insurance contracts which are debt instruments classified as financial assets at FVTPL. Minimum returns are guaranteed under these contracts with upside variable returns and the respective fixed and determinable returns are recognised as part of "Other gains, net". The portion allocated as insurance premium is recognised as prepayment and is amortised to the consolidated income statement based on the estimated years that the Group intends to hold such contracts.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Certain bank borrowings of the Group are secured by financial assets at FVTPL with a total carrying amount of HK$6,100,000 (2019: HK$73,376,000) as at 31 March 2020 (Note 24).

Movement of the financial assets at FVTPL is as follows:

	HK$'000
Opening balance at 1 April 2018	150,076
Fair value gains on unlisted investments at FVTPL recognised in other gains, net (Note 8)	5,467
Closing balance at 31 March 2019	155,543
Additions	5,893
Fair value gains on unlisted investments at FVTPL recognised in other gains, net (Note 8)	5,859
Closing balance at 31 March 2020	167,295

Information about the Group's exposure to price risk is provided in Note 3.1. For information about the methods and assumptions used in determining fair value, refer to Note 3.2.

Financial assets at fair value through profit or loss are denominated in US$.

20 INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**238,376**	351,461
Work-in-progress	**458,022**	691,789
Finished goods	**110,053**	67,483
	806,451	1,110,733

The cost of inventories recognised as expense and included in "cost of sales" in the consolidated income statement amounted to HK$2,351,798,000 (2019: HK$2,130,426,000) for the year ended 31 March 2020.

21 TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**165,714**	141,188
Less: Provision for impairment of trade receivables	**(1,737)**	–
	163,977	141,188

The carrying amounts of trade receivables are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
US$	**81,919**	69,966
RMB	**82,058**	71,222
	163,977	141,188

The credit periods granted by the Group to its customers generally ranging from 0 to 60 days. As at 31 March 2020 and 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	2020 HK$'000	2019 HK$'000
Up to three months	**143,478**	132,969
Three to six months	**13,082**	6,398
Over six months	**9,154**	1,821
	165,714	141,188

Movements of provision for impairment of trade receivables are as follows:

	2020 HK$'000	2019 HK$'000
As at 1 April	**–**	–
Provision for impairment of trade receivables (Note 7)	**1,737**	–
As at 31 March	**1,737**	–

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in Note 3.1(c).

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group did not hold any collateral as security.

22 PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 HK$'000	2019 HK$'000
Prepayments for property, plant and equipment	**70,880**	86,330
Prepayments for subcontracting charges	**19,502**	34,718
Prepayments to raw materials suppliers (Note)	**264,768**	277,549
Other prepayments	**13,460**	13,739
Prepaid insurance premium for the key management insurance	**26,729**	26,404
	395,339	438,740
Less: Provision for impairment of prepayment (Note 7)	**(4,835)**	–
	390,504	438,740
Deposits	**3,123**	5,672
Other receivables	**41,421**	71,322
Other assets	**1,680**	1,680
Less: Provision for impairment of other receivables (Note 7)	**(2,259)**	–
	43,965	78,674
	434,469	517,414
Less: Non-current portion	**(94,424)**	(113,368)
Current portion	**340,045**	404,046

Note: As at 31 March 2020, prepayments, deposits, other receivables and other assets includes prepayments for raw materials to a related company of approximately HK$263,889,000 (2019: HK$270,345,000) (Note 35(b)).

Movements in the Group's provision for impairment of prepayment and other receivables are as follows:

	2020 HK$'000	2019 HK$'000
As at 1 April	**–**	–
Provision for impairment	**7,094**	–
As at 31 March	**7,094**	–

23 CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash and cash equivalents	**713,128**	414,844

Cash and cash equivalents are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
US$	**405,623**	154,171
HK$	**138,659**	104,480
RMB	**157,676**	146,921
Vietnamese Dong ("VND")	**7,988**	6,925
Others	**3,182**	2,347
	713,128	414,844

24 BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
Current		
Short-term bank borrowings, unsecured	**26,215**	632,938
Portion of long-term bank borrowings, secured, due for repayment within one year	**1,033**	4,376
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**3,183**	–
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**341,188**	220,911
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	**–**	4,166
	371,619	862,391
Non-current		
Bank borrowings, unsecured	**1,136,100**	648,122
Total bank borrowings	**1,507,719**	1,510,513

The weighted average effective interest rate as at 31 March 2020 is 2.94% (2019: 2.67%).

24 BANK BORROWINGS *(Continued)*

The bank borrowings are due for repayment as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**368,436**	858,225
Between one and two years	**874,166**	246,188
Between two and five years	**265,117**	406,100
	1,507,719	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 clause.

The carrying amounts of bank borrowings approximate their fair values and are denominated in the following currencies:

	2020 **HK$'000**	2019 HK$'000
HK$	**1,492,174**	1,506,137
US$	**15,545**	4,376
	1,507,719	1,510,513

The following borrowings were drawn by the Group under secured banking facilities:

	2020 **HK$'000**	2019 HK$'000
Bank borrowings	**4,216**	4,376

As at 31 March 2020, the Group's certain bank borrowings are secured by financial assets at FVTPL with a total carrying amount of HK$6,100,000 (2019: HK$73,376,000) (Note 19).

25 LEASE LIABILITIES/FINANCE LEASE OBLIGATIONS

The Group's lease liabilities/finance lease obligations are analysed as follows:

	2020 HK$'000	2019 HK$'000
Current		
Lease liabilities/finance lease obligations due for repayment within one year	**197,915**	143,413
Non-current		
Lease liabilities/finance lease obligations due for repayment after one year:		
Between one and two years	**186,211**	153,411
Between two and five years	**102,502**	123,334
	288,713	276,745
Total lease liabilities/finance lease obligations	**486,628**	420,158

The weighted average effective interest rate as at 31 March 2020 is 1.79% (2019: 1.68%).

As at 1 April 2019, finance lease obligations were reclassified to lease liabilities in the process of adopting the new leasing standard. Please refer to Note 2.2 for further information about the change in accounting policy for leases.

The lease liabilities/finance lease obligations are due for repayment as follows:

	2020 HK$'000	2019 HK$'000
Gross lease liabilities/finance lease obligations — minimum lease payments:		
Within one year	**205,144**	149,470
Between one and two years	**190,126**	157,154
Between two and five years	**104,208**	124,708
	499,478	431,332
Future finance charges on leases	**(12,850)**	(11,174)
Present value of lease liabilities/finance lease obligations	**486,628**	420,158

As at 31 March 2020, the carrying amounts of lease liabilities are denominated in US$, RMB, HK$ and VND (2019: finance lease obligations are denominated in US$).

26 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

(a) Trade and bills payables

Trade and bills payables are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
US$	**191,381**	146,278
HK$	**20,913**	31,172
RMB	**178,104**	135,185
Others	**18**	–
	390,416	312,635

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

Note: As at 31 March 2020, trade and bills payables includes trade payables to related companies of approximately HK$134,688,000 (2019: HK$74,945,000) (Note 35(b)).

The ageing analysis of the trade and bills payables based on invoice date is as follows:

	2020 HK$'000	2019 HK$'000
Within one month	**211,392**	191,442
One to two months	**77,134**	111,970
Two to three months	**8,640**	7,193
Over three months	**93,250**	2,030
	390,416	312,635

26 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES *(Continued)*

(b) Accruals and other payables

	2020 HK$'000	2019 HK$'000
Accrued subcontracting charges	**10,145**	5,897
Accrued salaries	**54,891**	65,886
Contract liabilities (Note 5(e))	**9,642**	4,814
Other accrued expenses	**24,955**	14,618
Other payables (Note)	**58,960**	71,326
Provision for reinstatement costs	**659**	–
	159,252	162,541
Less: Non-current portion	**(659)**	–
Current portion	**158,593**	162,541

Note: As at 31 March 2019, accruals and other payables includes other payable to a related company of approximately HK$1,661,000 (Note 35(b)).

27 DEFERRED INCOME TAX

The analysis of deferred tax assets/(liabilities) is as follows:

	2020 HK$'000	2019 HK$'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	**608**	557
	608	557
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	**(2,562)**	(11,364)
	(2,562)	(11,364)
Deferred tax liabilities, net	**(1,954)**	(10,807)

27 DEFERRED INCOME TAX *(Continued)*

The net movement on the deferred income tax account is as follow:

	2020 HK$'000	2019 HK$'000
As at 1 April	(10,807)	(16,498)
Credited to consolidated income statement (Note 12)	8,852	5,691
Exchange difference	1	–
As at 31 March	(1,954)	(10,807)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax (liabilities)/assets:

	Accelerated tax depreciation HK$'000	Recognition of technical knowhow HK$'000	Right-of-use assets HK$'000	Total HK$'000
As at 1 April 2018	(3,075)	(13,982)	–	(17,057)
Credited to consolidated income statement	289	5,404	–	5,693
As at 31 March 2019	(2,786)	(8,578)	–	(11,364)
Effect on adoption of HKFRS 16 (Note 2.2)	–	–	(5,537)	(5,537)
As at 1 April 2019, as restated	(2,786)	(8,578)	(5,537)	(16,901)
Credited/(charged) to consolidated income statement	224	8,578	(4,905)	3,897
Exchange difference	–	–	90	90
As at 31 March 2020	(2,562)	–	(10,352)	(12,914)

27 DEFERRED INCOME TAX *(Continued)*

Deferred income tax (liabilities)/assets: *(Continued)*

	Decelerated tax depreciation HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 April 2018	559	–	559
Charged to consolidated income statement	(2)	–	(2)
As at 31 March 2019	557	–	557
Effect on adoption of HKFRS 16 (Note 2.2)	–	5,537	5,537
As at 1 April 2019, as restated	**557**	**5,537**	**6,094**
Credited/(charged) to consolidated income statement	**(43)**	**4,998**	**4,955**
Exchange difference	**–**	**(89)**	**(89)**
As at 31 March 2020	**514**	**10,446**	**10,960**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$14,278,000 (2019: HK$13,897,000) in respect of accumulated tax losses amounting to HK$75,969,000 (2019: HK$71,890,000) as at 31 March 2020, that can be carried forward against future taxable income. As at 31 March 2020, the accumulated tax losses amounting to HK$64,464,000 (2019: HK$28,931,000) will expire in five years. There is no expiry period for the other tax losses.

As at 31 March 2020, deferred income tax liabilities of approximately HK$2,130,000 (2019: HK$3,503,000) have not been recognised for the withholding taxation that would be payable on the unremitted earnings of subsidiaries in Mainland China of approximately HK$42,604,000 (2019: HK$70,077,000), as the management considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed in the foreseeable future.

28 DERIVATIVES FINANCIAL INSTRUMENTS

	2020 HK$'000	2019 HK$'000
Forward foreign currency contracts	–	937

As at 31 March 2020, the Group did not have any outstanding forward foreign currency contracts. As at 31 March 2019, the notional principal amounts of the outstanding contracts underlying the derivative financial assets were approximately HK$46,500,000.

29 INTEREST IN A JOINT VENTURE

Movements in the investment in a joint venture are as follows:

	2020 HK$'000	2019 HK$'000
Beginning of the year	6,309	7,018
Loan to a joint venture	930	–
Share of post-tax profit/(loss)	825	(496)
Share of other comprehensive loss	–	(213)
	8,064	6,309

Nature of interest in a joint venture as at 31 March 2020:

Name of joint venture	Place of incorporation	Place of operation	Equity interest attributable to the Group		Proportion of voting power held		Principal activities
			2020	2019	2020	2019	
Directly held:							
SML & FT (HK) Limited	Hong Kong	Hong Kong	30%	30%	50%	50%	Investment holding
Indirectly held:							
SML & FT (Vietnam) Limited	Vietnam	Vietnam	30%	30%	50%	50%	Manufacturing of labels and hang tags

29 INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information for joint venture

Set out below is the summarised financial information for SML & FT (HK) Limited and its subsidiary which is accounted for using the equity method.

Summarised balance sheet

	2020 HK$'000	2019 HK$'000
Current		
Total current assets	12,695	5,580
Total current liabilities	(22,602)	(16,601)
Non-current		
Total non-current assets	10,287	8,651
Net assets/(liabilities)	380	(2,370)

Summarised statement of comprehensive income

	2020 HK$'000	2019 HK$'000
Revenue	13,143	2,831
Profit/(loss) for the year	2,749	(1,652)
Other comprehensive loss	–	(711)
Total comprehensive income/(loss)	2,749	(2,363)

29 INTEREST IN A JOINT VENTURE *(Continued)*

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture

	2020 HK$'000	2019 HK$'000
Reconciled to the Group's interest in the joint venture		
Gross amounts of net assets/(liabilities) of the joint venture	**380**	(2,370)
Group's effective interest	**30%**	30%
	114	(711)
Loan to a joint venture (Note)	**7,950**	7,020
Group's share of interest in the joint venture	**8,064**	6,309

Note: Loan to a joint venture represents a loan advanced which is unsecured, interest-free and to be repaid on a date mutually agreed between the Company and the joint venture.

30 SHARE CAPITAL

	2020		2019	
	Number of shares	**Nominal value HK$**	Number of shares	Nominal value HK$
Authorised:				
Ordinary shares at HK$0.01 each as at 31 March	**5,000,000,000**	**50,000,000**	5,000,000,000	50,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each as at 1 April and 31 March	**2,279,392,000**	**22,793,920**	2,279,392,000	22,793,920

31 RESERVES

	Attributable to the owners of the Company				
	Other reserves (Note) 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 year	**–**	**–**	**–**	**157,045**	**157,045**
Other comprehensive loss:					
— Currency translation difference	**–**	**(31,852)**	**–**	**–**	**(31,852)**
Total comprehensive income	**–**	**(31,852)**	**–**	**157,045**	**125,193**
Transactions with owners					
Share option scheme:					
Equity-settled share-based compensation (Note 32)	**–**	**–**	**2,819**	**–**	**2,819**
Dividends (Note 14)	**–**	**–**	**–**	**(98,014)**	**(98,014)**
	–	**–**	**2,819**	**(98,014)**	**(95,195)**
As at 31 March 2020	**1,586,311**	**54,864**	**19,412**	**290,579**	**1,951,166**
As at 1 April 2018	1,586,311	201,941	10,963	625,793	2,425,008
Loss for the year	–	–	–	(298,511)	(298,511)
Other comprehensive loss:					
— Currency translation difference	–	(115,012)	–	–	(115,012)
— Share of other comprehensive loss of joint venture	–	(213)	–	–	(213)
	–	(115,225)	–	–	(115,225)
Total comprehensive loss	–	(115,225)	–	(298,511)	(413,736)
Transactions with owners					
Share option scheme:					
Equity-settled share-based compensation (Note 32)	–	–	5,630	–	5,630
Dividends (Note 14)	–	–	–	(95,734)	(95,734)
	–	–	5,630	(95,734)	(90,104)
As at 31 March 2019	1,586,311	86,716	16,593	231,548	1,921,168

Note: Other reserves represent mainly 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.

32 SHARE-BASED PAYMENTS

Movements of the share options under the share option scheme during the year ended 31 March 2020 are as follows:

Date of Grant	Exercise Price HK$	Exercise Period	Number of share options: As at 1 April 2019	Granted during the year	Exercised during the year	Cancelled during the year	As at 31 March 2020
Directors							
29 August 2016	1.394	29 August 2017 to 28 August 2026	**7,000,000**	–	–	–	**7,000,000**
28 August 2017	1.462	28 August 2018 to 27 August 2027	**11,000,000**	–	–	–	**11,000,000**
20 April 2018	1.700	20 April 2019 to 19 April 2028	**1,500,000**	–	–	–	**1,500,000**
Other employees of the Group							
29 August 2016	1.394	29 August 2017 to 28 August 2026	**13,856,000**	–	–	**(652,000)**	**13,204,000**
28 August 2017	1.462	28 August 2018 to 27 August 2027	**40,000,000**	–	–	**(3,700,000)**	**36,300,000**
Total			**73,356,000**	–	–	**(4,352,000)**	**69,004,000**

Movements of the share options under the share option scheme during the year ended 31 March 2019 are as follows:

Date of Grant	Exercise Price HK$	Exercise Period	Number of share options: As at 1 April 2018	Granted during the year	Exercised during the year	Cancelled during the year	As at 31 March 2019
Directors							
29 August 2016	1.394	29 August 2017 to 28 August 2026	8,000,000	–	–	(1,000,000)	7,000,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	13,000,000	–	–	(2,000,000)	11,000,000
20 April 2018	1.700	20 April 2019 to 19 April 2028	–	1,500,000	–	–	1,500,000
Other employees of the Group							
29 August 2016	1.394	29 August 2017 to 28 August 2026	15,042,000	–	–	(1,186,000)	13,856,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	46,400,000	–	–	(6,400,000)	40,000,000
Total			82,442,000	1,500,000	–	(10,586,000)	73,356,000

32 SHARE-BASED PAYMENTS *(Continued)*

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

Share options	Vesting period	Exercise period
Granted on 29 August 2016		
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2017	29 August 2017 to 28 August 2026
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2018	29 August 2018 to 28 August 2026
9,366,668 share options	29 August 2016 to 28 August 2019	29 August 2019 to 28 August 2026
Granted on 28 August 2017		
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2018	28 August 2018 to 27 August 2027
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2019	28 August 2019 to 27 August 2027
19,933,334 share options	28 August 2017 to 27 August 2020	28 August 2020 to 27 August 2027
Granted on 20 April 2018		
500,000 share options	20 April 2018 to 19 April 2019	20 April 2019 to 19 April 2028
500,000 share options	20 April 2018 to 19 April 2020	20 April 2020 to 19 April 2028
500,000 share options	20 April 2018 to 19 April 2021	20 April 2021 to 19 April 2028

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 measured as at the date of grant was approximately in a range of HK$0.478 to HK$0.482 for each of the three tranches, taking into account various factors, variables and assumptions which include the following:

	Date of grant		
	29 August 2016	**28 August 2017**	**20 April 2018**
Risk-free interest rate	1.01%	1.50%	1.50%
Expected volatility	40.28%	39.02%	39.02%
Expected annual dividend yield	3.95%	3.83%	3.83%

The total expense of HK$2,819,000 (2019: HK$5,630,000) for the share options granted to the directors and employees was recognised as "employment benefit expenses" for the year ended 31 March 2020.

33 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit/(loss) before income tax to cash generated from operations:

	2020 HK$'000	2019 HK$'000
Profit/(loss) before income tax	**174,351**	(275,043)
Finance income	**(5,728)**	(4,205)
Finance expenses	**68,572**	48,863
Depreciation of property, plant and equipment	**141,005**	186,254
Depreciation of right-of-use assets	**78,965**	–
Depreciation of investment properties	**96**	134
Net gains on financial assets at fair value through profit or loss	**(5,859)**	(5,467)
Net gains on disposals of property, plant and equipment	**(375)**	(600)
Provision for impairment of inventories	**30,796**	6,836
Provision for impairment of prepayments	**4,835**	–
Provision for impairment of property, plant and equipment	**25,197**	–
Provision for impairment of trade receivables	**1,737**	–
Provision for impairment of other receivables	**2,259**	–
Impairment loss on intangible assets	**55,096**	521,577
Amortisation of land use rights	**–**	1,086
Amortisation of technical knowhow	**9,651**	13,664
Equity-settled share-based compensation	**2,819**	5,630
Unrealised gains from derivative financial instruments	**–**	(937)
Share of post-tax (profit)/loss of a joint venture	**(825)**	496
Exchange difference	**(24,833)**	(14,507)
Changes in working capital:		
Inventories	**272,830**	(305,397)
Trade receivables	**(23,611)**	10,058
Prepayments, deposits, other receivables and other assets	**59,937**	(244,063)
Trade and bills payables	**78,918**	112,798
Accruals and other payables	**11,700**	264
Derivative financial instruments	**937**	6,577
Cash generated from operations	**958,470**	64,018

33 CASH GENERATED FROM OPERATIONS *(Continued)*

(b) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2020 **HK$'000**	2019 HK$'000
Net book amount (Note 15)	**115**	418
Net gains on disposals of property, plant and equipment recognised in consolidated income statement	**375**	600
Proceeds from disposals of property, plant and equipment	**490**	1,018
Proceeds from disposals of property, plant and equipment included in consolidated cash flow statement:		
— Cash flows from investing activities	**490**	1,018
	490	1,018

(c) Significant non-cash transactions:

Additions of right-of-use assets of HK$213,303,000 for the year ended 31 March 2020 were made under certain lease agreements (Note 25).

Purchases of plant and machinery of HK$140,078,000 for the year ended 31 March 2019 were made under finance lease arrangement (Note 25).

(d) Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK$'000	**Finance lease obligations/ lease liabilities** HK$'000
As at 1 April 2018	1,589,931	448,360
Cash outflow	(79,418)	(168,280)
Non-cash changes	–	140,078
As at 31 March 2019	1,510,513	420,158
As at 1 April 2019	1,510,513	420,158
Effect on adoption of HKFRS 16 (Note 2.2)	–	49,208
As at 1 April 2019, as restated	1,510,513	469,366
Cash outflow	(2,794)	(191,683)
Non-cash changes	–	208,945
As at 31 March 2020	1,507,719	486,628

34 COMMITMENTS

(a) Operating lease commitments

The Group leases various land and properties, plant and machinery under non-cancellable operating leases. From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases, please refer to Note 2.2 and Note 16 for further information.

As at 31 March 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings as follows:

	2019 HK$'000
Within one year	12,575
Later than one year and not later than five years	20,370
	32,945

(b) Operating lease arrangements

At 31 March 2020, the aggregate future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's investment properties are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**320**	132

(c) Capital commitments

At 31 March 2020, the capital expenditure contracted but not yet incurred is as follows:

	2020 HK$'000	2019 HK$'000
Property, plant and equipment contracted but not provided for	**80,080**	82,575

35 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following is a summary of significant related party transactions which, in the opinion of the directors, are entered into the ordinary course of business between the Group and its related parties, and the balances arising from related party transactions.

Name of related parties	**Relationship with the Group**
Hanyi Investments Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director) , Mr. Wong Ting Chun (Executive Director) and Mr. Wong Ting Kau (Non-executive Director)
Huizhou Lijia Clothing Company Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director), Mr. Wong Ting Chun (Executive Director), Mr. Wong Wai Wing, Raymond (Executive Director, 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

35 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant transactions

	Note	2020 HK$'000	2019 HK$'000
Continuing transactions:			
Hotel services fee charged by Huizhou Gangsheng Property Co., Ltd	(i), (v)	**1,541**	1,792
Rental charged by Huizhou Lixin Technology Company Limited	(i), (v)	**–**	75
Rental charged by Huizhou Lijia Clothing Company Limited	(ii), (v)	**5,514**	6,669
Rental charged by Hanyi Investments Limited	(iii), (v)	**2,988**	2,988
Rental charged by Hebei Yuteng Cashmere Products Co., Ltd	(iv), (v)	**9,428**	–
Purchase of cashmere from Hebei Yuteng Cashmere Products Co., Ltd	(i), (v)	**486,853**	220,167
Subcontracting fee charged by Hebei Rongcang Warehousing Service Co., Ltd	(i), (v)	**4,315**	1,501
Purchase of labels and hang tags from SML & FT (Vietnam) Limited	(i)	**12,792**	2,806
Non-recurring transactions:			
Purchase of yarn and spinning equipment from Hebei Meixian Cashmere Textile Technology Co., Ltd.	(i), (v)	**–**	55,379
Purchase of consumables from Hebei Rongcang Warehousing Service Co., Ltd	(i), (v)	**371**	–
Purchase of yarn from Hebie Meixian Cashmere Textile Technology Co., Ltd	(i), (v)	**103**	–

Notes:

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

(ii) Before 1 April 2019, the Group has entered into an operating lease agreement with Huizhou Lijia Clothing Company Limited on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK$7,677,000 and HK$2,195,000 at 1 April 2019 and 31 March 2020 respectively. The lease payments to this related company under this agreement for the year ended 31 March 2020 was HK$5,514,000.

(iii) Before 1 April 2019, the Group has entered into an operating lease agreement with Hanyi Investments Limited on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK$5,831,000 and HK$2,915,000 at 1 April 2019 and 31 March 2020 respectively. The lease payments to this related company under this agreement for the year ended 31 March 2020 was HK$2,988,000.

(iv) Before 1 April 2019, the Group entered into a lease agreement with Hebei Yuteng Cashmere Products Co., Ltd. in respect of properties on terms mutually agreed by both parties. The Group recognised a right-of-use asset of HK$27,269,000 and HK$17,674,000 at 1 April 2019 and 31 March 2020 respectively. The lease payments to this related company under this agreement for the year ended 31 March 2020 was HK$9,428,000.

(v) These related party transactions also fall under the definition of continuing connected transactions or connected transactions in Chapter 14A of the Listing Rules. The Company has compiled with the requirements in accordance with Chapter 14A of the Listing Rules.

35 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Year end balances

	Note	2020 HK$'000	2019 HK$'000
Prepayment to Hebei Yuteng Cashmere Products Co., Ltd.	(i)	**263,889**	270,345
Trade payable to SML & FT (Vietnam) Limited	(ii)	**3,174**	2,100
Trade payable to Hebei Meixian Cashmere Textile Technology Co., Ltd.	(ii)	**6,104**	53,718
Trade payable to Hebei Yuteng Cashmere Products Co., Ltd.	(ii)	**125,410**	19,127
Other payable to Hebei Meixian Cashmere Textile Technology Co., Ltd.	(ii)	**–**	1,661
Lease liabilities due to Huizhou Lijia Clothing Company Limited		**2,237**	–
Lease liability due to Hanyi Investments Limited		**2,953**	–
Lease liability due to Hebei Yuteng Cashmere Products Co., Ltd		**17,908**	–

Notes:

(i) Prepayment was presented in the consolidated balance sheet within "Prepayments, deposits, other receivables and other assets" (Note 22).

(ii) Payables were presented in the consolidated balance sheet within "Trade and bills payables, accruals and other payables" (Note 26).

(c) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2020 HK$'000	2019 HK$'000
Salaries, pension costs and other short-term employee benefits	**16,202**	19,336
Bonuses	**5,192**	2,950
Equity-settled share-based compensation	**1,826**	2,956
	23,220	25,242

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

The remuneration of each director and the chief executive officer for the year ended 31 March 2020 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings						
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Equity-settled share-based compensation HK$'000	Total HK$'000
Executive directors:							
Mr. Wong Ting Chung (Chairman and chief executive officer) (Note (v))	120	2,400	1,800	–	18	120	4,458
Mr. Wong Wai Yue (Vice Chairman) (Note (v))	120	1,200	700	–	18	–	2,038
Mr. Wong Wai Wing, Raymond (Note (i) & (v))	80	840	70	–	18	120	1,128
Mr. Wong Ting Chun (Note (v))	120	1,800	1,750	–	18	120	3,808
Mr. Li Po Sing (Note (v))	120	1,800	950	24	18	279	3,191
Non-executive directors:							
Mr. Tam Wai Hung, David	300	–	–	–	–	199	499
Mr. Wong Ting Kau (Note (v))	120	840	70	–	18	–	1,048
Independent non-executive directors:							
Ms. Fan Chiu Fun, Fanny	300	–	–	–	–	120	420
Mr. Kan Chung Nin, Tony	300	–	–	–	–	120	420
Mr. Ong Chor Wei	300	–	–	–	–	120	420
Mr. Fan Chun Wah, Andrew	300	–	–	–	–	120	420
Ms. Lee Bik Kee, Betty	300	–	–	–	–	120	420
Mr. Ip Shu Kwan, Stephen (Note (iv))	300	–	–	–	–	213	513
	2,780	8,880	5,340	24	108	1,651	18,783

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(Continued)*

The remuneration of each director and the chief executive officer for the year ended 31 March 2019 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings						
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Equity-settled share-based compensation HK$'000	Total HK$'000
Executive directors:							
Mr. Wong Ting Chung (Chairman and chief executive officer) (Note (v))	120	2,900	900	–	18	129	4,067
Mr. Wong Wai Yue (Vice Chairman) (Note (v))	120	1,450	350	–	18	–	1,938
Mr. Wong Wai Wing, Raymond (Note (v))	120	1,260	150	5	18	129	1,682
Mr. Wong Ting Chun (Note (v))	120	2,129	1,200	–	18	129	3,596
Mr. Li Po Sing (Note (v))	120	1,800	750	24	18	301	3,013
Ms. Chan Mei Hing, Aurora (Note (ii) & (v))	70	821	147	–	11	329	1,378
Non-executive directors:							
Mr. Tam Wai Hung, David	300	–	–	–	–	215	515
Mr. Wong Ting Kau (Note (v))	120	1,210	120	–	24	–	1,474
Mr. Lau Ka Keung (Note (iii))	–	–	–	–	–	–	–
Independent non-executive directors:							
Ms. Fan Chiu Fun, Fanny	300	–	–	–	–	129	429
Mr. Kan Chung Nin, Tony	300	–	–	–	–	129	429
Mr. Ong Chor Wei	300	–	–	–	–	129	429
Mr. Fan Chun Wah, Andrew	300	–	–	–	–	129	429
Ms. Lee Bik Kee, Betty	300	–	–	–	–	129	429
Mr. Ip Shu Kwan, Stephen (Note (iv))	288	–	–	–	–	416	704
	2,878	11,570	3,617	29	125	2,293	20,512

36 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(Continued)*

Notes:

(i) Mr. Wong Wai Wing, Raymond resigned as an Executive Director with effect from 30 November 2019.

(ii) Ms. Chan Mei Hing, Aurora resigned as an Executive Director with effect from 31 October 2018.

(iii) Mr. Lau Ka Keung resigned as a Non-executive Director with effect from 16 April 2018.

(iv) Mr. Ip Shu Kwan, Stephen was appointed as an Independent Non-executive Director with effect from 16 April 2018.

(v) The remuneration shown above included remuneration received from the Group by the directors in their capacity as employees of the subsidiaries during the years ended 31 March 2020 and 2019.

(vi) No remunerations were paid or receivable in respect of accepting office as directors during the year ended 31 March 2020 (2019: Nil).

(vii) No directors waived any emoluments during the year ended 31 March 2020 (2019: Nil).

(a) Directors' retirement benefits

There were no retirement benefits paid to directors during the year ended 31 March 2020 (2019: Nil) by a defined benefit pension plan operated by the Group in respect of the service as a director of the Company and its subsidiaries.

(b) Directors' termination benefits

During the year ended 31 March 2020, there was no board resolution to early terminate of the directors' appointment in office (2019: Nil).

(c) Consideration provided to third parties for making available of directors' services

No consideration was provided to third parties for making available of directors' services during the year ended 31 March 2020 (2019: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There was no arrangement in relation to loans, quasi-loans and other dealings between the Group and the directors, subsisted at the end of the year or at any time during the year ended 31 March 2020 (2019: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Saved as disclosed in Note 35, there are no significant transactions, arrangements and contracts in relation to Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 March 2020 and 2019.

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current asset			
Interest in a subsidiary		**623,000**	623,000
Current assets			
Prepayments, deposits, other receivables and other assets		**243**	280
Amounts due from subsidiaries		**2,164,044**	1,470,714
Cash and cash equivalents		**22,317**	4,415
		2,186,604	1,475,409
Total assets		**2,809,604**	2,098,409
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**22,794**	22,794
Reserves	(a)	**1,869,711**	1,874,287
Total equity		**1,892,505**	1,897,081
LIABILITIES			
Non-current liability			
Bank borrowings		**705,000**	200,000
Current liabilities			
Accruals and other payables		**–**	450
Amounts due to subsidiaries		**67,099**	878
Bank borrowings		**145,000**	–
		212,099	1,328
Total liabilities		**917,099**	201,328
Total equity and liabilities		**2,809,604**	2,098,409

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Reserve movement of the Company

	Other reserves HK$'000	Share option reserve HK$'000	Retained Earnings/ (Accumulated losses) HK$'000	Total HK$'000
As at 31 March 2018 and 1 April 2018	1,866,583	10,963	3,943	1,881,489
Profit for the year	–	–	82,902	82,902
Dividends (Note 14)	–	–	(95,734)	(95,734)
Share option scheme:				
— Equity-settled share-based compensation (Note 32)	–	5,630	–	5,630
As at 31 March 2019	1,866,583	16,593	(8,889)	1,874,287
Profit for the year	–	–	90,619	90,619
Dividends (Note 14)	–	–	(98,014)	(98,014)
Share option scheme:				
— Equity-settled share-based compensation (Note 32)	–	2,819	–	2,819
As at 31 March 2020	1,866,583	19,412	(16,284)	1,869,711

Financial Summary

RESULTS

	Year ended 31 March				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**4,480,708**	4,359,050	3,446,415	2,797,193	2,775,345
Cost of sales	**(3,790,582)**	(3,686,670)	(2,734,273)	(2,134,571)	(2,171,417)
Gross profit	**690,126**	672,380	712,142	662,622	603,928
Profit/(loss) before income tax	**174,351**	(275,043)	376,949	380,614	271,414
Income tax expenses	**(22,817)**	(25,425)	(49,981)	(52,483)	(39,527)
Profit/(loss) for the year	**151,534**	(300,468)	326,968	328,131	231,887
Profit/(loss) for the year attributable to:					
Owners of the Company	**157,045**	(298,511)	326,968	328,131	231,887
Non-controlling interests	**(5,511)**	(1,957)	–	–	–
	151,534	(300,468)	326,968	328,131	231,887

ASSETS AND LIABILITIES

	As at 31 March				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Non-current assets	**2,784,929**	2,539,377	2,857,296	1,459,837	1,085,097
Current assets	**2,041,436**	2,084,220	2,126,305	1,272,224	726,530
Total assets	**4,826,365**	4,623,597	4,983,601	2,732,061	1,811,627
Total equity	**2,096,614**	2,046,967	2,447,802	1,569,996	657,293
Capital and reserves attributable to:					
Owners of the Company	**1,973,960**	1,943,962	2,447,802	1,569,996	657,293
Non-controlling interests	**122,654**	103,005	–	–	–
	2,096,614	2,046,967	2,447,802	1,569,996	657,293
Non-current liabilities	**1,428,034**	936,231	852,400	381,279	170,960
Current liabilities	**1,301,717**	1,640,399	1,683,399	780,786	983,374
Total liabilities	**2,729,751**	2,576,630	2,535,799	1,162,065	1,154,334
Total equity and liabilities	**4,826,365**	4,623,597	4,983,601	2,732,061	1,811,627
Net current assets/(liabilities)	**739,719**	443,821	442,906	491,438	(256,844)