南旋控股有限公司

Nameson Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1982

2022
Annual Report

About **Nameson**

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

About the Annual Report Design

Financial Year 2022 has been a year full of all kinds of challenges. The Annual Report design depicts our working together with customers and suppliers especially those who resonate in business ethics, financial health, and the agility to adjust together to swiftly changing market conditions. The interests of all stakeholders must also be taken into consideration and aligned for the sustainable and healthy development in the industry. They include but are not limited to customers, suppliers, employees and participants in the community. Hand-in-hand, we build solid foundation to grow together in the years to come.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Wai Yue *(Chairman)*
Mr. Man Yu Hin *(Chief Executive Officer)*
Mr. Wong Ting Chun
Mr. Li Po Sing

Non-executive Director

Mr. Tam Wai Hung, David[(1)]

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny, *GBM, GBS, JP*
Mr. Kan Chung Nin, Tony, *SBS, JP*
Mr. Ong Chor Wei[(1)]
Mr. Fan Chun Wah, Andrew, *JP*
Ms. Lee Bik Kee, Betty[(1)]
Mr. Ip Shu Kwan, Stephen, *GBS, JP*

BOARD COMMITTEES

Audit Committee

Mr. Ong Chor Wei *(Chairman)*[(2)]
Mr. Fan Chun Wah, Andrew, *JP (Chairman)*[(3)]
Mr. Tam Wai Hung David[(4)]
Mr. Kan Chung Nin, Tony, *SBS, JP*
Mr. Ip Shu Kwan, Stephen, *GBS, JP*

Remuneration Committee

Mr. Kan Chung Nin, Tony, *SBS, JP (Chairman)*
Mr. Wong Wai Yue
Mr. Ong Chor Wei[(4)]
Mr. Ip Shu Kwan, Stephen[(5)], *GBS, JP*

Nomination Committee

Mr. Wong Wai Yue *(Chairman)*
Mr. Man Yu Hin[(4)]
Mr. Kan Chung Nin, Tony, *SBS, JP*
Mr. Ong Chor Wei[(4)]
Ms. Lee Bik Kee, Betty[(4)]
Ms. Fan Chiu Fun, Fanny[(5)], *GBM, GBS, JP*

Executive Committee

Mr. Wong Wai Yue *(Chairman)*
Mr. Man Yu Hin
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

Notes:

(1) Resigned as Director with effect from 12 April 2022
(2) Ceased to be Chairman with effect from 12 April 2022
(3) Redesignated as Chairman with effect from 12 April 2022
(4) Ceased to be member with effect from 12 April 2022
(5) Appointed as member with effect from 12 April 2022

HONG KONG SHARE REGISTRAR

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

AUDITOR

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

LEGAL ADVISER

Chiu & Partners
40/F, Jardine House
1 Connaught Place
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
United Overseas Bank Limited

STOCK CODE

1982

WEBSITE OF THE COMPANY

http://www.namesonholdings.com

Chairman's Statement

We have learned that swiftness to adapt to change is conducive to our Group's sustainable development and our ability to minimise negative impacts when required. Our dedicated team of management reacts quickly and our agility in dealing with changes will enable us to continue to grow with our customers.

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 2022 ("Financial Year 2022").

MARKET REVIEW

There have been lots of obstacles in the market conditions for the year ended 31 March 2022 mostly caused by the evolving situations due to the novel coronavirus (COVID-19) pandemic. Whilst there has been a temporary rebound in the consumption sentiment, the supply side faced immense hindrances due to the pandemic in Southeast Asian countries in the first half of Financial Year 2022, followed by power rationing in the People's Republic of China ("Mainland China") and the logistics congestion that impacted the global supply chain in the second half of Financial Year 2022.

We were carving our learning path by resolving challenges and threats by cooperating with quality customers and suppliers who resonate in business ethics, financial health, and have the agility to adapt together to the swiftly changing market conditions. We have fostered tighter working relationships with our customers and suppliers, as well as our employees and the community, which we believe that such will lay a solid foundation for us to grow stronger in the years to come.

Mainland China's manufacturing status remained robust especially in the first half of Financial Year 2022 while other South-east Asian manufacturing countries suffered from the impacts brought by COVID-19. Mainland China's total export value recorded a growth of 23.1% in Financial Year 2022, as compared to last financial year, while Mainland China's total export value of knitwear (including knitted products and crochet products, knitted or crocheted clothing and accessories) grew impressively by 36.4% as compared to last financial year.

Vietnam's exports increased notably in the second half of Financial Year 2022 as the country gradually lifted restrictions on COVID-19 containment and moving towards more normalised levels of productivity. As such, Vietnam's export value for its textile and garments revived to a ten-year high, growing 14.5% in Financial Year 2022 as compared to last financial year.

Our Group's strategy of maintaining presence in both prominent manufacturing hubs in Mainland China and Vietnam, as well as our dedicated and tactful management have favoured us in effectively managing through turbulent macro-environment in the past few years.

Nonetheless, Financial Year 2022 continued to be a year where we were required to manage our production allocation dynamically to respond to the fluid situation in Vietnam and Mainland China, optimise with customers on shifts from end-market sales sentiment, work diligently with suppliers on providing raw materials and managing as much as possible on costs and schedule for production and delivery.

BUSINESS REVIEW

Our Group's meticulous efforts in enhancing the operational efficiency in our Vietnam production base have enabled us a head start in Financial Year 2022. However, the fluctuating entailments brought by COVID-19 pandemic in the later months impacted not only the productivity, but also logistics and delivery schedules, as well as some of our customers' end-market sales sentiment.

Our dedicated team of management reacted instantly by prioritising our staff's health and strictly observing the COVID-19 pandemic regulations in our places of operations. Through vigorous and stringent efforts in pandemic control, we complied with these regulations, and our Vietnam production base managed to remain in operation throughout Financial Year 2022. We worked with customers on re-shuffled delivery schedules while re-allocating some orders to be produced in our production base in Mainland China. Under a tight labour market and power rationing, we vividly adapted to change and re-arranged production schedules to facilitate the revised delivery schedules with our customers after tacit and mutual understanding considering our long-term partnership.

During the second half of Financial Year 2022, productivity of our Vietnam production base was resuming to more normalised levels resulting from the local government's decision to uplift COVID-19 restrictions. Nevertheless, our Group deliberately became less aggressive in receiving new orders, particularly quick orders, after careful evaluation of the potential for further productivity and logistics impacts as a result of the reeling effects from the previous COVID-19 restrictions. As such, the sales volume of our men's and women's knitwear products declined slightly by 6.5% to 29.0 million pieces for Financial Year 2022, as compared to last financial year.

Even though the sales volume of higher-priced cashmere sweaters slightly declined in Financial Year 2022, the average selling price of men's and women's knitwear products still managed to increase by 1.8% to HK$110.4 per piece, demonstrating our uncompromised quality even during such testing times. Contributed by an increase in cashmere yarn and fabric sales, our Group's total revenue increased by 5.0% to HK$4,040.5 million for Financial Year 2022.

While our Group places relentless focus on continuing to improve operational efficiency, we faced inevitable cost pressures during Financial Year 2022. For example, there was an increase in labour costs due to offering more incentives to staff who continued to actively work in our Vietnam production base even during lockdowns, an increase in subcontracting charges to accelerate production progress and secure delivery based on re-shuffled and hence tighter schedules with customers, a surge in utility costs due to Mainland China's power rationing, as well as an increase in other production overhead costs. The margin decline was partially offset by the higher revenue and gross profit margin contribution from our cashmere yarn sales. Our Group's gross profit was 0.7% higher as compared to last financial year, and gross profit margin dropped slightly from 18.2% in last financial year to 17.5% in Financial Year 2022.

With the additional costs for COVID-19 pandemic prevention and control measures at all our production bases, as well as the added costs incurred with the new fabric business during Financial Year 2022, our Group's operating profit declined by 7.7% to HK$339.4 million. Nonetheless, the drop in market interest rate during Financial Year 2022 together with the exercising of effective financial management strategies by our Group led to a lower finance costs.

Despite the many imminent challenges faced during Financial Year 2022, our Group's net profit declined prudently by 7.6% to HK$275.6 million for Financial Year 2022 as compared to last financial year. Net profit margin declined from 7.8% in last financial year to 6.8% in Financial Year 2022.

Our Group will continue its prudent cash management directives and become more selective in future investments for growth. In view of our Group's healthy cash flow, the Board has recommended the payment of a final dividend of 1.5 HK cents per share to the Company's shareholders. Including the interim dividend of 4.2 HK cents per share, the annual dividend represents an increase in the dividend payout ratio during Financial Year 2022, in appreciation for our shareholders' trust and support during these difficult times.

FUTURE STRATEGIES AND PROSPECTS

Our Group envisions that the coming year will still be full of uncertainties. Amid the global inflationary pressures, rising food and energy prices, supply chain disruptions as well as global political issues being extended from contentious trade relations between Mainland China and the United States of America to the conflict between Russia and Ukraine, these uncertainties exacerbated the supply and demand tensions, intensified currency fluctuations, and the further outbreak or resurgence of the COVID-19 pandemic across various markets still poses threats to the speed and path of recovery for overall consumer sentiment and global economy.

In the first few months after Financial Year 2022, the local COVID-19 cases resurged in Mainland China and has negatively impacted logistics and thus raw materials for production. Supported by our Vietnam production base, which has been gradually reviving to its normal productivity levels, we have learnt that swiftness to adapt to change is conducive to our Group's sustainable development and its ability to minimise negative impacts. It is expected that the production volume of our Vietnam production base will revive to a level exceeding our production base in Mainland China in the coming year, in line with our strategy to increase offshore productions.

Despite the very challenging environment and tight capacity, our Group was able to secure a prominent new customer which focuses on material functionality to grow hand-in-hand with us. Meanwhile, we continue to envision positive response to our WHOLEGARMENT products. We remain very confident that our dedication in innovation, and collaborative endeavours with customers will continue to help us reach new breakthroughs in product development and tap new customers or markets in response to the multi-faceted and quickly changing customers' preferences.

As Vietnam is continuing to build its prominence in the manufacturing landscape, it currently still relies heavily on imports for raw materials. Even though our new fabric business is still in the early stage and is adjusting to learn and fit customers' preferences, we are confident that this new business will positively contribute to our Group's development in the years to follow.

On the other hand, the development of our Group's Myanmar production base was decelerated while we continue to carefully monitor the situation. We expect trial production in the Myanmar production base to be delayed. With Mainland China's position in trade preference being lessened, and the significantly lower labour costs in Myanmar, we see Myanmar in an advantageous position enjoying tariff concessions exporting to Mainland China, Japan and Europe. Our ultimate goal is to further increase overseas production capacity ratio in response to the changing customer procurement preferences.

As an industry leader and a responsible global citizen acting in response to Mainland China's advocate to energy conservation, we have actively embarked on bringing renewable energy to our manufacturing facilities to achieve greater efficiencies on our energy usage. We strive to continue to grow while taking care of the environment and we took early actions hoping to inspire other businesses to start contributing to energy conservation.

We will also continue to be open-minded to accomplish other breakthroughs on innovation, lean manufacturing and digitisation where appropriate. We will continue our paths to further enhance our product design with function, material development ability, and cater to the diverse range of customers' preferences to be in line with the quickly evolving end-market preferences.

Despite the challenges ahead, we have accumulated experience in dealing with situations with an adaptable mindset and balance our energetic team with experience, we remain focused on generating greater returns to our shareholders even during oscillating times.

I would hereby like to express my heartfelt gratitude to our customers, suppliers, shareholders and staff for their unwavering support and trust in our Group , as well as for their contributions and efforts towards our Group's continuous development. Together, we will be able to overcome any challenge and I believe the better is yet to come.

Wong Wai Yue
Chairman and Executive Director
24 June 2022

Management Discussion & Analysis

FINANCIAL REVIEW

	Year ended 31 March	
	2022	2021
	HK$'000	HK$'000
Revenue	**4,040,472**	3,848,554
Cost of sales	**(3,334,374)**	(3,147,112)
Gross profit	**706,098**	701,442
Other income	**20,509**	17,072
Other (losses)/gains, net	**(979)**	31,007
Selling and distribution expenses	**(38,223)**	(40,969)
General and administrative expenses	**(347,966)**	(342,658)
Reversal of impairment losses on financial assets	**–**	1,737
Operating profit	**339,439**	367,631
Share of post-tax profit of a joint venture	**762**	60
Finance income	**2,687**	2,861
Finance expenses	**(23,862)**	(35,885)
Finance expenses, net	**(21,175)**	(33,024)
Profit before income tax	**319,026**	334,667
Income tax expenses	**(43,422)**	(36,309)
Profit for the year	**275,604**	298,358
Profit for the year attributable to:		
— Owners of the Company	**263,302**	313,677
Less:		
Net realised and unrealised gains from derivative financial instruments	**(2,211)**	(8,213)
Adjusted net profit	**261,091**	305,464

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2022 mainly represented revenue from sales of knitwear products, including womenswear, menswear and other products such as cashmere yarns, knitted upper for footwear, childrenswear, scarfs, hats and gloves, to our customers.

The Group's revenue increased by 5.0% to HK$4,040.5 million for the year ended 31 March 2022 from HK$3,848.6 million for the year ended 31 March 2021. The increase was mainly attributable to the increase in sales revenue of cashmere yarns, while there was a slight decrease in total sales revenue of men's and women's knitwear products.

The decrease in the total sales revenue of men's and women's knitwear products was due to the decrease in sales volume. The Group's sales volume of men's and women's knitwear products decreased by 6.5% from 31.0 million pieces for the year ended 31 March 2021 to 29.0 million pieces for the year ended 31 March 2022, while the average selling price of the Group's men's and women's knitwear products increased by 1.8% from HK$108.4 per piece for the year ended 31 March 2021 to HK$110.4 per piece for the year ended 31 March 2022.

Consistent with the Group's geographical market distribution for the year ended 31 March 2021, Japan, Mainland China and Europe remained as the top three markets of the Group for the year ended 31 March 2022. The revenue attributable to the Japanese market, Chinese market and European market accounted for 27.2%, 28.4% and 17.2% respectively of the Group's total revenue for the year ended 31 March 2022.

Cost of Sales

For the year ended 31 March 2022, the Group incurred cost of sales of HK$3,334.4 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 2022, the Group recorded gross profit of HK$706.1 million and gross profit margin of 17.5% as compared to the gross profit of HK$701.4 million and gross profit margin of 18.2% for the year ended 31 March 2021.

The decline in gross profit margin for the year ended 31 March 2022 was mainly due to (i) the increase in total direct labour costs and subcontracting charges as we incurred additional costs to handle the impacts caused by the operational disruption in our Vietnam production base as a result of the escalation of confirmed COVID-19 cases in Vietnam during the middle of year 2021; and (ii) higher labour wages and energy costs in our China production base. The margin decline was partially offset by the higher revenue and gross profit margin contributions from our cashmere yarn sales.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidies, income from claims settled and income from scraps sales. The other income of the Group increased by HK$3.4 million from HK$17.1 million for the year ended 31 March 2021 to HK$20.5 million for the year ended 31 March 2022. Such increase was mainly due to the income from claims settled of HK$6.3 million and the increase in income from scraps sales, which was partially offset by the decrease in government subsidies.

Other (Losses)/Gains, Net

Other (losses)/gains, net 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 (losses)/gains, net changed from net gains of HK$31.0 million for the year ended 31 March 2021 to net losses of HK$1.0 million for the year ended 31 March 2022. Such change was primarily attributable to (i) the turnaround in net foreign exchange gains from HK$15.6 million for the year ended 31 March 2021 to net foreign exchange losses of HK$9.7 million for the year ended 31 March 2022; and (ii) the decrease in net realised and unrealised gains from derivative financial instruments by HK$6.0 million from HK$8.2 million for the year ended 31 March 2021 to HK$2.2 million for the year ended 31 March 2022.

In summary, other (losses)/gains, net for the year ended 31 March 2022 mainly represented net realised and unrealised gains from derivative financial instruments of HK$2.2 million, net gains on financial assets at fair value through profit or loss of HK$5.7 million and net foreign exchange losses of HK$9.7 million.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses decreased by HK$2.8 million, from HK$41.0 million for the year ended 31 March 2021 to HK$38.2 million for the year ended 31 March 2022. Such decrease was largely in line with the decrease in the Group's sales volume of men's and women's knitwear products.

General and Administrative Expenses

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

The Group's general and administrative expenses increased by HK$5.3 million from HK$342.7 million for the year ended 31 March 2021 to HK$348.0 million for the year ended 31 March 2022. Such increase was mainly due to (i) the increase in staff costs as a result of the growth in our cashmere yarn and fabric businesses; and (ii) the increase in other incidental office expenses (e.g. travelling and entertainment expenses) as our Group has dedicated more marketing efforts to promote its products in face of the more competitive market conditions, such increase was partially offset by the absence of provision for impairment of property, plant and equipment during the year ended 31 March 2022. The Group provided an impairment provision of HK$21.9 million for some under-utilised machineries during the year ended 31 March 2021.

Reversal of Impairment Losses on Financial Assets

No reversal of impairment losses on financial assets for the year ended 31 March 2022.

Reversal of impairment losses on financial assets for the year ended 31 March 2021 represented reversal of provision for impairment of trade receivables of HK$1.7 million.

Finance Expenses, Net

Net finance expenses mainly consisted of interest expenses on bank borrowings and lease liabilities, 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 decreased by HK$11.8 million from HK$33.0 million for the year ended 31 March 2021 to HK$21.2 million for the year ended 31 March 2022. The decrease in net finance expenses was mainly due to the drop in market interest rates and using prudent and effective financial management strategies during the year ended 31 March 2022.

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 2022 and 2021 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 ("CIT") at a rate of 25% on the estimated assessable profits for the years ended 31 March 2022 and 2021. However, two 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 fourth year of 50% reduction in the BIT rate, whereas, the other two subsidiaries in Vietnam have no assessable profit for the year ended 31 March 2022, and hence no BIT is provided.

The Group's effective tax rates based on the net profit were 13.6% and 10.8% for the years ended 31 March 2022 and 2021 respectively.

Profit for the Year Attributable to the Owners of the Company

As a result of the foregoing, the Group recorded profit attributable to the owners of the Company of HK$263.3 million and HK$313.7 million for the years ended 31 March 2022 and 2021 respectively.

The Group's profit declined by HK$50.4 million from HK$313.7 million for the year ended 31 March 2021 to HK$263.3 million for the year ended 31 March 2022. It was mainly due to the margin squeeze resulting from (i) the increase in total direct labour costs and subcontracting charges as we incurred additional costs to handle the impacts caused by the operational disruption in our Vietnam production base as a result of the escalation of confirmed COVID-19 cases in Vietnam during the middle of year 2021; and (ii) higher labour wages and energy costs in our China production base. Such margin decline was partially offset by the higher revenue and profit margin contributions from our cashmere yarn sales.

Adjusted Net Profit

Adjusted net profit is a non-HKFRS financial measure and it is derived from profit attributable to the owners of the Company for the year after excluding realised and unrealised (gains)/losses from derivative financial instruments. We believe that 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 declined by HK$44.4 million from HK$305.5 million for the year ended 31 March 2021 to HK$261.1 million for the year ended 31 March 2022. The adjusted net profit margin declined from 7.9% for the year ended 31 March 2021 to 6.5% for the year ended 31 March 2022.

Dividend

An interim dividend of 4.2 HK cents per share was paid on 22 December 2021.

At a meeting held on 24 June 2022, the Board recommended a final dividend of 1.5 HK cents per share amounting to a total of HK$34,191,000. The proposed dividends are not reflected as a dividend payable in these consolidated financial statements and will be reflected as appropriation of retained earnings for the year ending 31 March 2023.

Consolidated Cash Flow Statement

	Year ended 31 March	
	2022	2021
	HK$'000	HK$'000
Net cash generated from operating activities	**243,957**	849,338
Net cash used in investing activities	**(90,412)**	(270,276)
Net cash used in financing activities	**(337,696)**	(509,157)
Net (decrease)/increase in cash and cash equivalents	**(184,151)**	69,905
Cash and cash equivalents at beginning of the year	**793,201**	713,128
Exchange difference on cash and cash equivalents	**1,668**	10,168
Cash and cash equivalents at end of the year	**610,718**	793,201

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 March 2022 was HK$244.0 million, primarily due to profit before income tax of HK$319.0 million, adjusted for depreciation of HK$226.2 million and decreases in trade and bills payables of HK$101.5 million and accruals and other payables of HK$65.0 million, which was partially offset by the increase in inventories of HK$443.7 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 March 2022 was HK$90.5 million, primarily due to the purchase of property, plant and equipment of HK$150.3 million, which was partially offset by the proceeds from disposals of property, plant and equipment of HK$53.0 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the year ended 31 March 2022 was HK$337.7 million, which was mainly attributable to the net decrease in the Group's total bank borrowings and lease liabilities of HK$220.6 million and the dividend payments of HK$123.1 million.

Cash and Cash Equivalents

For the year ended 31 March 2022, the Group's cash and cash equivalents decreased by HK$184.2 million and the exchange gain was HK$1.7 million. The net decrease in the Group's cash and cash equivalents was from HK$793.2 million as at 31 March 2021 to HK$610.7 million as at 31 March 2022.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the year ended 31 March 2022, 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 23.1% as at 31 March 2021 to 21.3% as at 31 March 2022.

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

As at 31 March 2022, the Group's cash and cash equivalents, amounting to HK$610.7 million, were denominated in US dollars ("US$") (47.7%), HK$ (26.2%), Chinese Renminbi ("RMB") (25.2%), Vietnamese Dong ("VND") (0.5%) and other currencies (0.4%).

As at 31 March 2022, the Group's total bank borrowings and lease liabilities were due for repayment as follows:

	2022 **HK$'000**	2021 HK$'000
Within one year	**328,447**	1,061,464
Between one and two years	**451,383**	218,144
Between two and five years	**533,326**	239,731
	1,313,156	1,519,339

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 2022, the Group's total bank borrowings and lease liabilities were denominated in HK$(90.9%), US$(8.6%) and RMB(0.5%). 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 2022 were 1.75% and 1.80% respectively.

(c) As at 31 March 2022, 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$6.5 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, Mainland China and Vietnam with majority of the transactions settled in HK$, RMB and US$. Foreign currency risk arises when future business transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group's foreign currency risk exposure is primarily with respect to RMB and US$ since a considerable portion of our operating expenses are denominated in RMB while most of the sales are denominated in US$. As HK$ is pegged with US$, the foreign currency risk exposure in respect of US$ is considered minimal.

During the year ended 31 March 2022, the Group entered into some forward foreign currency contracts to mitigate its exposures of RMB against US$ in light of the appreciation of RMB during the year. The Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

(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 2022 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 2022, substantially all of the Group's bank balances and deposits were held with major financial institutions in Hong Kong, Mainland China and Vietnam which the directors of the Company (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$168.4 million for the year ended 31 March 2022, which were mainly related to the purchase of machinery and equipment for our factories and the construction of a new production base in Myanmar. These capital expenditures were fully financed by internal resources and bank borrowings.

Capital Commitments

The Group's capital commitments as at 31 March 2022 amounted to approximately HK$62.7 million which were mainly related to the purchase of machinery and equipment for our factories and the construction of a new production base in Myanmar.

Charge on Assets

As at 31 March 2022, the Group's right-of-use assets with a total carrying amount of HK$14.3 million, land and buildings and leasehold improvements with a total carrying amount of HK$162.0 million and financial assets at fair value through profit or loss with a total carrying amount of HK$6.5 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 2022.

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 2022 is set out on page 57 of this annual report.

Significant Investments, Acquisitions and Disposals

The Group had no significant investments, acquisitions and disposals during the year ended 31 March 2022.

Events after Balance Sheet Date

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

Financial Instruments

As at 31 March 2022, the Group had outstanding forward foreign currency contracts with a total notional principal amount of HK$62.0 million (2021: Nil).

Operating Segment Information

The Group's revenue and results for the years ended 31 March 2022 and 2021 were derived from manufacturing of knitwear products, which is considered as a single operating segment 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 2022, the Group had a total of approximately 14,100 full-time employees in Mainland China, Vietnam and Hong Kong. For the year ended 31 March 2022, the total staff costs, including the directors' emoluments, amounted to HK$907.3 million.

The Group's emolument policies are formulated based on the performance and experience of individual employee and are 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, 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.

Care for
Employees and the Community

Displaying care for our employees and the community at all our locations:

— Awarded 5-year and 10-year "**Caring Company**", reflecting our care for employees and communities

10 years+ 商界展關懷 caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

— Actively **promotes diversity** in staff gender ratio (1.7 : 1 women: men ratio), women's rights in the workplace and work-life balance

— 42 hours of **professional development** and anti-bribery trainings were arranged for all staff

Total donations made to non-profit making organisations exceeded **HK$1 million**, and was named a diamond sponsor for **Community Chest of Hong Kong**

Material donations made to **Huizhou** and **Vietnam** to support local communities

Biographical Details of Directors and Members of Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Wai Yue (王槐裕), aged 40, has been our Director since 30 August 2015. He was re-designated as executive Director and vice chairman with effect from 27 November 2017 and then re-designated as chairman with effect from 1 April 2021. He is primarily responsible for overseeing and managing the Board and formulating the corporate strategy. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group Limited, First Team (HK) Limited, Nameson Industrial Limited, Kingmax Industrial Limited and Winner Way Industrial Limited. From January 2007 to January 2015, Mr. Wong served as a director of Nameson Group Limited, 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 Wai Yue is the son of Mr. Wong Ting Chung, the brother-in-law of Mr. Man Yu Hin (an executive Director) and the nephew of Mr. Wong Ting Chun (an executive Director) and Mr. Wong Ting Kau. As Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust (which is a controlling shareholder of the Company), and Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust, Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau are therefore controlling shareholders of the Company.

Mr. Man Yu Hin (文宇軒), aged 34, has been appointed as the executive Director and chief executive officer since 1 April 2021. He is primarily responsible for major corporate decisions, strategic management of operations and resources, as well as planning and implementing the strategic direction of the Group. Currently, Mr. Man assumes various directorships in the Group, including Hebei Nanguan Technology Co., Ltd. and Top Galaxy (Myanmar) Apparel Limited. Mr. Man served as the vice president of Nameson Group Limited from June 2019 to March 2021, responsible for operational management. Prior to joining the Group, he has held managerial positions in the financial sector, including serving as the manager of Winnermax Management Limited from June 2016 to May 2019 and team head of priority banking of Standard Chartered Bank (Hong Kong) Limited from October 2010 to May 2016. Mr. Man received his bachelor's degree of Business in Banking and Finance from Monash University in September 2010. Mr. Man has also served as the vice chairman of Hong Kong Woollen & Synthetic Knitting Manufacturers' Association Limited since June 2020, the president of Hong Kong Industrial & Commercial Association-Youth Link since January 2018, honorary president of Junior Police Call Shatin District Hong Kong since January 2017 and a committee member of the Chinese People's Political Consultative Conference Haizhu District Guangzhou (中國人民政治協商會議廣州市海珠區委員會) since September 2019. Mr. Man Yu Hin is the son-in-law of Mr. Wong Ting Chung, the brother-in-law of Mr. Wong Wai Yue (an executive Director) and the nephew-in-law of Mr. Wong Ting Chun (an executive Director) and Mr. Wong Ting Kau. As Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust (which is a controlling shareholder of the Company), and Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust, Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau are therefore controlling shareholders of the Company.

Mr. Wong Ting Chun (王庭真), aged 56, 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 Limited 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, 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 (an executive Director) and uncle-in law of Mr. Man Yu Hin (an executive Director). As Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust (which is a controlling shareholder of the Company), and Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust, Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau are therefore controlling shareholders of the Company.

Mr. Li Po Sing (李寶聲), aged 57, 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 DIRECTOR

Mr. Tam Wai Hung, David (譚偉雄), aged 72, had been our Director since 30 August 2015 and resigned from his position with effect from 12 April 2022. 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 an independent non-executive director of Dah Sing Financial Holdings Limited (stock code: 440) from December 2018 to June 2021. Mr. Tam has also been an independent non-executive director of Xinyi Glass Holdings Limited (stock code: 868) since December 2012 and Dah Sing Banking Group Limited (stock code: 2356) since June 2021. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Fan Chiu Fun, Fanny (范椒芬), *GBM, GBS, JP*, aged 69, 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. Ms. Fan is an independent non-executive director of CLP Holdings Limited (stock code: 0002), China Unicom (Hong Kong) Limited (stock code: 0762), Minmetals Land Limited (stock code: 0230) and China Taiping Insurance Holdings Company Limited (stock code: 0966). Ms. Fan was also an external director of China Resources (Holdings) Co., Ltd until June 2022. 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 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, the United States of America 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 71, 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. 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 52, had been our Director since 29 January 2016 and resigned from his position with effect from 12 April 2022. 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 24 June 2022:

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

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
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 April 2022	Man Wah Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1999)	Production and sales of sofas	Non-executive director redesignated to independent non-executive director	Board oversight and providing independent judgement
April 2010 to October 2020	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 October 2020	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
December 2017 to present	Smart Globe Holdings Limited whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1481)	Provision of printing products	Independent non-executive director	Board oversight and providing independent judgement
January 2022 to present	GBA Holdings Limited whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 261)	Properties	Non-executive director redesignated to executive director, chairman and chief executive officer and then resigned from his position as chief executive officer	Strategic planning and major decision making

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 43, 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 24 June 2022:

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 May 2021	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
June 2017 to November 2020	Omnibridge Holdings Limited, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8462)	Human resources outsourcing and recruitment services	Independent non-executive Director	Board oversight and independent management
December 2017 to 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 August 2020	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 October 2020	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
May 2022 — present	Sing Tao News Corporation Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1105)	Publishing and distribution of newspapers, magazines and books to readers in Hong Kong, Canada, the United States of America, Europe and Australia, and sales of respective content of such publications in China (including Hong Kong)	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 71, had been our Director since 29 January 2016 and resigned from her position with effect from 12 April 2022. 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 70, 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 is currently an independent non-executive director of six other 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, Million Cities Holdings Limited (stock code: 2892) since June 2018 and C-MER Eye Care Holdings Limited (stock code: 3309) since November 2020.

SENIOR MANAGEMENT

Mr. Tao Chi Keung (陶志強), aged 51, 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 51, 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.

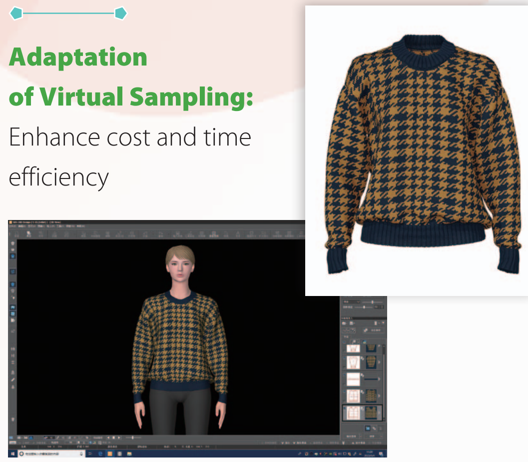
Mr. Lin Guoxin (林國新), aged 51, is the assistant general manager of our PRC factory. He is primarily responsible for the production management in our PRC factory. Mr. Lin joined our Group as a plant manager at Nanxuan Knitting Factory Limited in November 1995, where he was responsible for overseeing and 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 (an executive Director) and Mr. Wong Ting Kau.

Mr. Mo Erjin (莫二金), aged 54, 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).

Quest for
Innovation, Quality & Sustainable Development

Innovation:
In progress of applying two innovation patents, displaying our capability in merging design and function

Adaptation of Virtual Sampling:
Enhance cost and time efficiency



Caring for the Environment:
Infusing sustainable materials in product development

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, the Company has complied with all the mandatory code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2022.

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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 2022.

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 2022.

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 and four 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 Wai Yue *(Chairman)*
Mr. Man Yu Hin *(Chief Executive Officer)*
Mr. Wong Ting Chun
Mr. Li Po Sing

Non-executive Director

Mr. Tam Wai Hung, David *(Resigned with effect from 12 April 2022)*

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny
Mr. Kan Chung Nin, Tony
Mr. Ong Chor Wei *(Resigned with effect from 12 April 2022)*
Mr. Fan Chun Wah, Andrew
Ms. Lee Bik Kee, Betty *(Resigned with effect from 12 April 2022)*
Mr. Ip Shu Kwan, Stephen

Except for the family relationship between Mr. Wong Wai Yue, Mr. Wong Ting Chun and Mr. Man Yu Hin 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 2022, 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 Director

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 2022, 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 2021; (ii) the quarterly results of the Group for the three months ended 30 June 2021; (iii) the interim results and report of the Group for the six months ended 30 September 2021; and (iv) the quarterly results of the Group for the nine months ended 31 December 2021.

The attendance records of individual Directors at the aforementioned Board meetings and at the Company's annual general meeting held on 27 August 2021 are set out below:

	Attendance/Number of meetings	
Name of Director	**(Board meetings)**	**(Annual general meeting)**
Executive Directors		
Mr. Wong Wai Yue *(Chairman)*	4/4	1/1
Mr. Man Yu Hin *(Chief Executive Officer)*	4/4	1/1
Mr. Wong Ting Chun	4/4	1/1
Mr. Li Po Sing	4/4	1/1
Non-executive Director		
Mr. Tam Wai Hung, David *(Resigned with effect from 12 April 2022)*	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 *(Resigned with effect from 12 April 2022)*	4/4	1/1
Mr. Fan Chun Wah, Andrew	4/4	1/1
Ms. Lee Bik Kee, Betty *(Resigned with effect from 12 April 2022)*	4/4	1/1
Mr. Ip Shu Kwan, Stephen	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wong Wai Yue serves as the chairman of the Company and Mr. Man Yu Hin serves as the chief executive officer of the Company. The chairman is responsible for the overall business management and formation of corporate strategy of the 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. The chairman is also 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. The chief executive officer is primarily responsible for making major corporate decisions, strategic management of operations and resources, as well as planning and implementing the strategic direction of the Group.

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 not limited to) (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. For the year ended 31 March 2022, the executive committee comprises all executive Directors, namely, Mr. Wong Wai Yue (Chairman of the executive committee), Mr. Man Yu Hin (Chief Executive Officer), 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 the code provision 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 the Group, to oversee the audit process, to develop and review our accounting policies and to perform other duties and responsibilities as assigned by the Board. For the year ended 31 March 2022, the audit committee consists of one non-executive Director, Mr. Tam Wai Hung, David (resigned with effect from 12 April 2022), 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) (resigned with effect from 12 April 2022), Mr. Kan Chung Nin, Tony, Mr. Fan Chun Wah, Andrew (redesignated as chairman of the audit committee with effect from 12 April 2022) 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 2022. 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 2021 and unaudited interim results for the six months ended 30 September 2021; (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) (Resigned with effect from 12 April 2022)*	2/2
Mr. Kan Chung Nin, Tony	2/2
Mr. Tam Wai Hung, David *(Resigned with effect from 12 April 2022)*	2/2
Mr. Fan Chun Wah, Andrew *(Redesignated as chairman of the audit committee with effect from 12 April 2022)*	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 24 June 2022 to consider and review, among other things, the Group's annual results and annual report for the year ended 31 March 2022. It was attended by Mr. Fan Chun Wah, Andrew, Mr. Kan Chung Nin, Tony, 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 the code provision of the CG Code. The primary duties of the remuneration committee include (but not limited to): (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 2022, the remuneration committee consists of one executive Director, Mr. Wong Wai Yue, and two independent non-executive Directors, Mr. Kan Chung Nin, Tony (chairman of the remuneration committee) and Mr. Ong Chor Wei (resigned with effect from 12 April 2022). The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

The remuneration committee held one physical meeting during the year ended 31 March 2022. In the meeting, the remuneration committee discussed and reviewed, among other things, the remuneration packages of the Directors and senior management.

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

Name of remuneration committee member	**Attendance/ Number of Meeting**
Mr. Kan Chung Nin, Tony *(Chairman)*	1/1
Mr. Wong Wai Yue	1/1
Mr. Ong Chor Wei *(Resigned with effect from 12 April 2022)*	1/1

Nomination Committee

The nomination committee of the Board was established with written terms of reference in compliance with the code provision 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 2022, the nomination committee consists of two executive Directors, Mr. Wong Wai Yue (chairman of the nomination committee) and Mr. Man Yu Hin (resigned with effect from 12 April 2022), and three independent non-executive Directors, Mr. Kan Chung Nin, Tony, Mr. Ong Chor Wei (resigned with effect from 12 April 2022) and Ms. Lee Bik Kee, Betty (resigned with effect from 12 April 2022). The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

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

— Reputation for integrity;

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

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

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

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

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

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

The nomination committee held one physical meeting during the year ended 31 March 2022. In the meeting, the nomination committee discussed and reviewed, among other things, (i) the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the Group's business and is in compliance with the requirements of the Listing Rules; (ii) the recommendation on re-election of retiring Directors at the forthcoming annual general meeting; and (iii) the changes in composition of the Board committees.

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

Name of nomination committee member	**Attendance/ Number of Meeting**
Mr. Wong Wai Yue *(Chairman)*	1/1
Mr. Man Yu Hin *(Resigned with effect from 12 April 2022)*	1/1
Mr. Kan Chung Nin, Tony	1/1
Mr. Ong Chor Wei *(Resigned with effect from 12 April 2022)*	1/1
Ms. Lee Bik Kee, Betty *(Resigned with effect from 12 April 2022)*	1/1

Board Diversity

The Company recognises and embraces the importance and benefit achieving diversity on the Board has on corporate governance and board effectiveness. During the year ended 31 March 2022, 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 annually.

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 for the year ended 31 March 2022 including the review of interim financial information for the six months ended 30 September 2021 amounted to HK$2.9 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 (re-numbered as C.1.4 since 1 January 2022) 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 (re-numbered as C.1.4 since 1 January 2022) of the CG Code for the year ended 31 March 2022 and they participated in the following types of continuous professional development:

Name of Director	**Type of continuous professional development**
Executive Directors	
Mr. Wong Wai Yue *(Chairman)*	(I), (II)
Mr. Man Yu Hin *(Chief Executive Officer)*	(I), (II)
Mr. Wong Ting Chun	(I), (II)
Mr. Li Po Sing	(I), (II)
Non-executive Director	
Mr. Tam Wai Hung, David *(Resigned with effect from 12 April 2022)*	(I), (II)
Independent non-executive Directors	
Ms. Fan Chiu Fun, Fanny	(I), (II)
Mr. Kan Chung Nin, Tony	(I), (II)
Mr. Ong Chor Wei *(Resigned with effect from 12 April 2022)*	(I), (II)
Mr. Fan Chun Wah, Andrew	(I), (II)
Ms. Lee Bik Kee, Betty *(Resigned with effect from 12 April 2022)*	(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 2022, 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 2022 under the section headed "Management Discussion and Analysis" of this annual report.

INTERNAL CONTROLS AND RISK MANAGEMENT

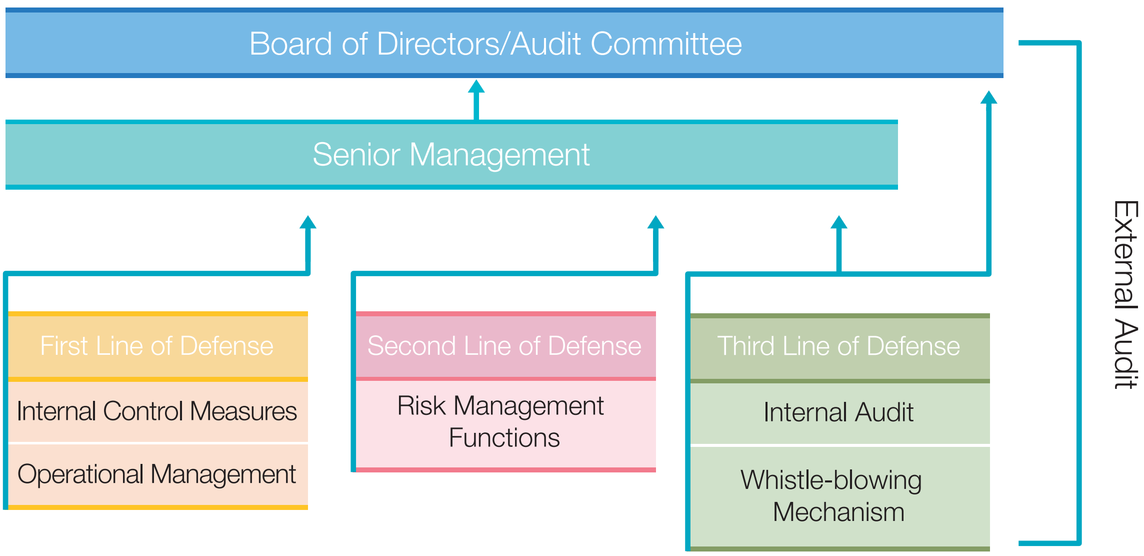
The Group has an internal control system which plays an important role in maintaining and improving accountability and transparency in the conduct of the Group's business, safeguarding the interests of the Company's shareholders and the assets of the Group and enhancing investor confidence. On the other 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 internal 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

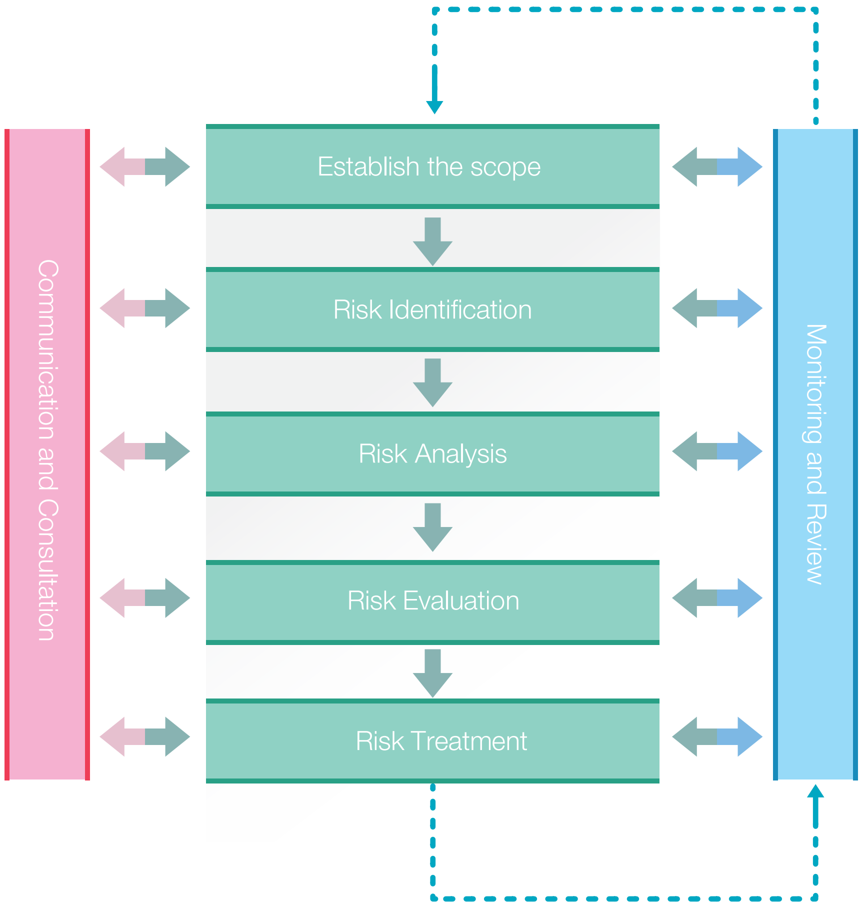
The Group's risk governance framework is guided by the "Three Lines of Defense" model, with the objective to achieve risk management by means of internal control measures, operational management, risk management functions, internal audit and whistle-blowing mechanism.



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 and 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

- Although our knitwear products are capital intensive due to high degree of mechanisation and automation, we still rely heavily on skilled workers. Any shortage of manpower or increase in labor costs will affect our profitability.

- Changes in uncontrollable factors such as US-China trade policies, international political environment, market trade policies, import and export tariff policies and exchange rate fluctuations may affect our business operations, and geopolitical tension and instability may increase downside risks.

- Due to the recurrence of the COVID-19 pandemic, the recovery trend of the global economy is slower than expected. If our customers fail to avoid the operational risks arising therefrom, it will affect their operations and the turnover of cash and increase the bad debts risk of our receivables.

- We have concentrated customer base as major sales orders are attributable to our five largest customers. Any changes in the five largest customers' decisions to purchase products from us may have an impact on our business and financial condition.

- Due to the outbreak of the COVID-19 pandemic and US-China trade friction, shortage of global shipping containers and reduction of flights led to soaring freight rates and delays. 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. Moreover, changeable weather and unexpected weather changes in recent years could affect our delivery schedules. 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 turning 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.

- As a company listed on the Stock Exchange, we have to comply with the Securities and Futures Ordinance and the Listing Rules. Also, we are governed by the laws and regulations of the jurisdictions in which we operate. Failure to be informed of and comply in a timely manner with any additional or amended laws and regulations of the local and relevant authorities in relation to environmental, social, governance, taxation and foreign exchange control and other economic matters may have an adverse effect on our business.

- Our factories in China and Vietnam have not yet fully resumed their operation due to the impact of the ever-changing COVID-19 pandemic. If China's lockdown measures due to the pandemic continue to be prolonged, it may lead to logistics and supply chain issues, which may in turn affect the global industry chain. Our business may be affected to a certain extent by our failure to implement responsive measures promptly and effectively.

- At present, Myanmar is affected by the COVID-19 pandemic, recession and political instability. In addition, significant fluctuations in the foreign exchange rates in Myanmar and other factors may cause our new factory in Myanmar to fall short of our expectations or budgets, which could negatively affect our business and financial condition.

Measures to Enhance the Group's Internal Control System

On the other hand, we have also 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) 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 audit manager and one internal auditor are appointed to oversee our internal controls in Hong Kong, PRC and Vietnam and to ensure the Group's ongoing 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 2022 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 the 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 confidentiality 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 2022 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 107 to 110 of this annual report.

GOING CONCERN

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

SENIOR MANAGEMENT REMUNERATION BY BANDS

The remuneration of the Company's senior management, whose biographies are set out on page 24 of this annual report, for the year ended 31 March 2022 is set out below:

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

Directors' Report

The board (the "Board") of directors (the "Directors") of Nameson Holdings Limited (the "Company") is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2022.

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. 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 2022.

BUSINESS REVIEW

A business review of the Group for the year ended 31 March 2022 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 16 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2022 are set out in the consolidated income statement on page 111 of this annual report.

An interim dividend of 4.2 HK cents per share was paid on 22 December 2021 to the shareholders. The Board has resolved to declare a final dividend of 1.5 HK cents per share for the year ended 31 March 2022. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company, the final dividend of 1.5 HK cents is expected to be payable on or about Tuesday, 20 September 2022 to the shareholders whose names are recorded on the register of members of the Company at the close of business on Wednesday, 7 September 2022. The Company's register of members will be closed from Monday, 5 September 2022 to Wednesday, 7 September 2022 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Friday, 2 September 2022.

DONATIONS

Charitable and other donations made by the Group for the year ended 31 March 2022 amounted to approximately HK$1.0 million (2021: HK$3.1 million).

RESERVES AND DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in the reserves of the Group and the Company during the year ended 31 March 2022 are set out in note 30 and note 36 to the consolidated financial statements respectively.

As at 31 March 2022, 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$2,059.4 million (2021: HK$1,865.5 million).

DIVIDEND POLICY

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

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

PROPERTY, PLANT AND EQUIPMENT

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

BORROWINGS

Details of the bank borrowings and lease liabilities of the Group as at 31 March 2022 are set out in note 23 and note 24 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 2022 are set out in note 29 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 2022 attributable to the Group's major customers and suppliers are as follows:

Revenue from sales of goods attributable to:	
— the largest customer	44.7%
— five largest customers in aggregate	66.6%
Purchases attributable to:	
— the largest supplier	33.0%
— five largest suppliers in aggregate	60.5%

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 2022.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2022 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 2022 and up to the date of this annual report are as follows:

Executive Directors

Mr. Wong Wai Yue *(Chairman)*
Mr. Man Yu Hin *(Chief executive officer)*
Mr. Wong Ting Chun
Mr. Li Po Sing

Non-executive Director

Mr. Tam Wai Hung, David *(Resigned with effect from 12 April 2022)*

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny
Mr. Kan Chung Nin, Tony
Mr. Ong Chor Wei *(Resigned with effect from 12 April 2022)*
Mr. Fan Chun Wah, Andrew
Ms. Lee Bik Kee, Betty *(Resigned with effect from 12 April 2022)*
Mr. Ip Shu Kwan, Stephen

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

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 34 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 2022.

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 2022 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 for the year ended 31 March 2022 under Chapter 14A of the Listing Rules.

The Group entered into the following agreements with connected persons:

Hebei Lease Agreement

(i) On 22 March 2019, Hebei Yuteng Cashmere Products Co., Ltd. ("Hebei Yuteng") (as lessor) and Hebei Nanguan Technology Co., Ltd. ("Nanguan Tech") (as lessee) entered into the lease agreement (the "Hebei 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. The annual caps of the transactions contemplated under the Hebei Lease Agreement for each of the three years from 1 April 2019 to 31 March 2022 is RMB8.5 million; and

Raw Materials Purchase Agreement

(ii) On 29 March 2021, Hebei Yuteng (as seller) and Nanguan Tech (a non-wholly owned subsidiary of the Company), Huizhou Nanxuan Knitting Factory Limited and Huizhou Nanguan Knitting Factory Limited (both being the Company's wholly owned subsidiaries) (as purchasers) entered into the raw materials purchase agreement (the "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 2021 to 31 March 2022. The annual cap of the transactions contemplated under the Raw Materials Purchase Agreement for the year ending 31 March 2022 is RMB650.0 million.

On 25 January 2022, the Company issued an announcement to revise the annual cap of the Raw Materials Purchase Agreement for the year ending 31 March 2022 from RMB650.0 million to RMB850.0 million.

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, which is an associate of such directors. In addition, Hebei Yuteng is a substantial shareholder of Nanguan Tech. Consequently, Hebei Yuteng, the associate of two of our directors of Nanguan Tech, is a connected person of the Company at the subsidiary level under the Listing Rules.

For details on the Hebei Lease Agreement, the Raw Materials Purchase Agreement and the revision of annual cap of the Raw Materials Purchase Agreement, please refer to the Company's announcements dated 22 March 2019, 29 March 2021 and 25 January 2022, respectively.

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

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

(i) have not been approved by the Board;

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

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

(iv) have exceeded the relevant annual caps.

The 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 2022 is contained in note 34 to the consolidated financial statements.

On the other hand, the Group entered into the following agreements with certain connected persons on 28 March 2022 and 30 March 2022, respectively:

Fabric Purchase Agreement

(i) On 28 March 2022, Sumtex Industrial Limited and Xinyixin (Huizhou) Trading Co., Ltd. (as sellers) (both being the Company's wholly owned subsidiaries) and Sunicon Apparel Limited and Huizhou Jiayu Clothing Co., Ltd. (as purchasers) entered into the fabric purchase agreement (the "Fabric Purchase Agreement") in respect of the sale of fabric by the sellers to the purchasers for a term of one year from 1 April 2022 to 31 March 2023. The annual cap of the transactions contemplated under the Fabric Purchase Agreement for the year ending 31 March 2023 is USD3.0 million.

Each of the purchasers is ultimately beneficially owned as to 35% by Mr. Wong Ting Chung, Mr. Wong Ting Chun (an executive Director) and Mr. Wong Ting Kau together and as to 40% by Mr. Shum Ho Chi (being a director of each of the sellers). As such, each of the purchasers is a connected person of the Company under the Listing Rules. Accordingly, the Fabric Purchase Agreement constitutes a continuing connected transaction for the Company under Chapter 14 of the Listing Rules.

New Raw Materials Purchase Agreement and New Hebei Lease Agreement

(i) On 30 March 2022, Hebei Yuteng (as seller) and Nanguan Tech, Huizhou Nanguan and Huizhou Nanguan (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 2022 to 31 March 2023. The New Raw Materials Purchase Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and the annual cap of the transactions contemplated under the New Raw Materials Purchase Agreement for the year ending 31 March 2023 is RMB850.0 million; and

(ii) On 30 March 2022, Hebei Yuteng (as lessor) and Nanguan Tech (as lessee) entered into the lease agreement (the "New Hebei 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 2022 to 31 March 2025. The New Hebei Lease Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and the monthly rent under the New Hebei Lease Agreement is RMB722,448/RMB662,796 (value added tax inclusive/exclusive).

For details on the Fabric Purchase Agreement, the New Raw Materials Purchase Agreement and the New Hebei Lease Agreement, please refer to the Company's announcements dated 28 March 2022 and 30 March 2022, respectively.

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

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

Save as disclosed below, as at 31 March 2022, 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 interests	Number of ordinary shares/ underlying shares held or interested in	Approximate percentage of the issued share capital of the Company(8)
Mr. Man Yu Hin (1)	Interest of spouse	700,000	0.03%
Mr. Wong Ting Chun (2)(3)	Beneficiary of a trust	1,500,000,000	65.81%
	Beneficial owner	1,500,000	0.07%
Mr. Li Po Sing (4)	Beneficial owner	3,500,000	0.15%
Mr. Tam Wai Hung, David (5)*	Beneficial owner	2,500,000	0.11%
Ms. Fan Chiu Fun, Fanny (6)	Beneficial owner	1,500,000	0.07%
Mr. Kan Chung Nin, Tony (6)	Beneficial owner	1,500,000	0.07%
Mr. Ong Chor Wei (6)*	Beneficial owner	1,500,000	0.07%
Mr. Fan Chun Wah, Andrew (6)	Beneficial owner	1,500,000	0.07%
Ms. Lee Bik Kee, Betty (6)*	Beneficial owner	1,500,000	0.07%
Mr. Ip Shu Kwan, Stephen (7)	Beneficial owner	1,500,000	0.07%

* Resigned with effect from 12 April 2022

Note 1: Mr. Man Yu Hin is deemed to be interested in 700,000 shares held by his spouse as his spouse has a beneficial interest in the share options granted to her on 29 August 2016 and 28 August 2017 under the Share Option Scheme (as defined below) and which, if exercised in full, would result in the issue of 700,000 shares to her.

Note 2: Mr. Wong Ting Chun 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.

Note 3: 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 4: 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 5: 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 6: 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 7: 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 8: The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2022.

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 2022 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 2022, 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 2022, each of the Company's controlling shareholders has 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 Company's prospectus dated 30 March 2016; 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 the 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 the 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 (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 2022, 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 2022 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 2021**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Balance as at 31 March 2022**
Mr. Wong Ting Chung#	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 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 March 2022
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	14,504,000	–	–	(2,500,000)	–	12,004,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	35,300,000	–	–	(4,600,000)	–	30,700,000
Total				67,804,000	–	–	(8,600,000)	–	59,204,000

\# Resigned as an executive Director with effect from 1 April 2021.

* Resigned as a non-executive Director with effect from 12 April 2022

@ Resigned as an independent non-executive Director with effect from 12 April 2022

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 31 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 2022, 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/ underlying shares held or interested in	Approximate percentage of issued share capital of the Company [8]
Nameson Investments Limited [1]	Beneficial owner	1,500,000,000	65.81%
Happy Family Assets Limited [1]	Interest in a controlled corporation	1,500,000,000	65.81%
East Asia International Trustees Limited [1]	Trustee of a trust	1,500,000,000	65.81%
Mr. Wong Ting Chung [2][3]	Beneficiary of a trust Beneficial owner	1,500,000,000 200,000,000	65.81% 8.77%
Ms. Wang Kam Chu [4]	Interest of spouse	1,700,000,000	74.58%
Mr. Wong Ting Kau [5]	Beneficiary of a trust	1,500,000,000	65.81%
Ms. Tsoi Suet Ngai [6]	Interest of spouse	1,501,500,000	65.87%
Ms. Chan Ka Wai [7]	Interest of spouse	1,500,000,000	65.81%

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) 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.

(3) 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.

(4) 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.

(5) Mr. Wong Ting Kau 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.

(6) 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.

(7) 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.

(8) The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2022.

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 2022 or subsisted as at 31 March 2022.

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 2022.

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

For the year ended 31 March 2022, 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 Company's prospectus dated 30 March 2016. Use of net proceeds from the Listing Date to 31 March 2022 is set out as follows:

	Proportion % (approximately)	Planned use of the total net proceeds HK$ million (approximately)	Actual utilised amount during the year ended 31 March 2022 HK$ million (approximately)	Utilised amount up to 31 March 2022 HK$ million (approximately)	Unutilised balance as at 31 March 2022 HK$ million (approximately)	Expected timeline for unutilised net proceeds
Construction of factory buildings and purchase of machinery for the second phase of our factory in Vietnam	59%	378.1	–	378.1	–	
Repayment of part of our bank loans	14%	93.2	–	93.2	–	
Enhancing design and product development capabilities	9%	54.7	3.7	22.8	31.9	30 September 2023
Enhancing the existing enterprise resource planning system	9%	54.7	2.1	18.8	35.9	30 September 2023
Working capital and general corporate purposes	9%	54.7	–	54.7	–	
Total	100%	635.4	5.8	567.6	67.8	

The unused balance of HK$67.8 million was placed in the bank accounts of several reputable commercial banks in Hong Kong as the Group's bank deposits.

As at the date of this annual report, the Board has no intention to change the planned use of the net proceeds as disclosed in the prospectus and above. The expected timeline for using the unutilised net proceeds is based on the best estimation of the business market situations made by the Board. It might be subject to changes based on the market conditions. Further announcement(s) and/or disclosure in the Company's annual report(s) in respect of change in timeline, if any, will be made by the Company in accordance with the requirements of the Listing Rules as and when appropriate to update its shareholders and potential investors.

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
21 September 2021	Three-year term loan facility of up to HK$250,000,000	(i) Mr. Wong Ting Chung and his family collectively owns more than 60% share interests in the Company; and (ii) Mr. Wong Ting Chung and his family maintain the majority of the management control of the Company
11 August 2021	Three-year term loan facility of up to HK$300,000,000	Mr. Wong Ting Chung and/or his family members shall maintain not less than 50% shareholdings in the Company
11 August 2021	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
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
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

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 18 to 24 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 2022.

For details of the Corporate Governance Report, please refer to pages 26 to 42 of this annual report.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption to which the shareholders of the Company are entitled by reason of their holding of the shares of the Company.

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 2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") for the year ended 31 March 2022 is scheduled to be held on Friday, 26 August 2022. 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 the Group may incur extra 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 2022, 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 Wai Yue
Chairman and Executive Director
24 June 2022

Actions for the Planet

Target to Reduce Carbon Emission by **10.5%**[1] and reduce energy consumption by **4.3%**[1] before 2031

Ongoing initiatives include:

- Total volume of hazardous waste ↓ **72.7%**
- Packaging materials used for finished products ↓ **7.5%**
- Water recycling: **~60%** reuse of water resources

Embarked on **solar panel installation** at Huizhou production facility, targets approximately 8,200 tons of reduced carbon emission per year

Attained 6 ISO certification at four production facilities

Greenery at Factory:
40%[2] of the factories' area is planted with trees

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

Higg Index Assessment:[2]
score of **87.4%** in Facility Social & Labor Module
score of **65%** in Facility Environmental Module

1 Yearly target compared to FY2021 figures
2 Applicable to Huizhou Factories

Environmental, Social and Governance Report

ABOUT THE REPORT

Scope of the Report

Nameson Holdings Limited (the "Company") is pleased to present the 2022 Environmental, Social and Governance Report (the"Report"). The purpose of the Report is to enable the stakeholders to understand the business performance of the Company and its subsidiaries (collectively, the "Group" or "we") integrating environment, society and governance, as well as our sustainable development strategies and policies.

Unless otherwise stated, the Report covers the overall performance in two main aspects, namely environment and society, of our eight subsidiaries engaged in the production of knitwear products 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 2021 to 31 March 2022 (the"Reporting Period" or the "Year"). Those subsidiaries include: Huizhou Nanxuan Knitting Factory Limited and Huizhou Nanguan Knitting Factory Limited (collectively the "Huizhou Factories"), as well as Hebei Nanguan Technology Co., Ltd. (the "Hebei Factory") (collectively, the "PRC Factories"), and Nameson Industrial Limited, Kingmax Industrial Limited, Winner Way Industrial Limited, First Team (HK) Limited (collectively, the "Hong Kong Offices"), as well as First Team (Vietnam) Garment Limited (the "Vietnam Factory"). The scope of the Report is consistent with that of last year.

Basis of the Report

The content of the Report is prepared according to standards in "Environmental, Social and Governance Reporting Guide" (the "ESG Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") 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 "mandatory disclosure requirements" and the provision of "comply or explain" in the ESG Guide.

Principles of the Report

The preparation of the Report implements 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 "Stakeholders' Engagement" section in the Report.

Balance

We are committed to present to our stakeholders our performance in our sustainable development 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 in the Report for the change and difference between the methodologies as well as explain the effects on the Report.

Availability of and Feedback on the Report

Stakeholders may obtain the Report from the website of the Stock Exchange and the Company's website at http://www.namesonholdings.com. We value every stakeholder's feedback on the Report, you can contact us by the Company's email at enquiry@namesonholdings.com.

ABOUT THE GROUP

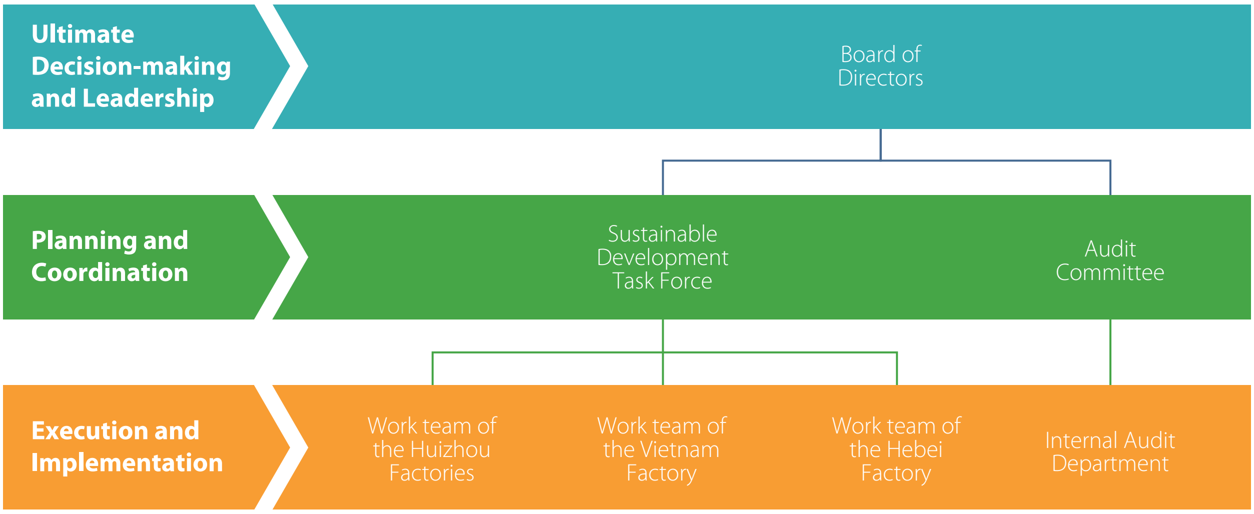
The Group was established in 1990. It has provided customers with one-stop services including raw material development and procurement, product design, sample development, quality production, quality control and on-time delivery over the years. Now it is one of the top-notch knitwear product manufacturers in the PRC. The Group's operations and headquarters are located in Hong Kong and Huizhou, Guangdong Province, the PRC, while our production bases are located in Huizhou, Guangdong Province, the PRC; Ho Chi Minh City, Vietnam; as well as Xingtai City, Hebei Province, the PRC to recruit different talents and introduce advanced and highly-automated production equipment. The Group has established a good corporate reputation and has maintained good cooperative relations with international well-known clothing brands and retailers for many years, providing customers with holistic services and quality products. In order to achieve sustainable development. We have always committed to drive our business development, research and develop new products and explore new markets, while maintaining the competitive advantages of our business in the industry.

Vision and Mission

As one of the top-notch knitwear product manufacturers in the PRC, we always commit to our responsibilities of "maximising 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, foster talents and help employees build up their self-worth. In regard to our corporate development, we strive to achieve sustainable development. Apart from maintaining the core advantages of our business even amidst the challenging operating environment, we also fulfill our corporate social responsibilities by regarding "learning, innovation, green, low-carbon, warmth, fraternity, harmony" as our operating philosophy to promote and support actions that are beneficial to the community on an ongoing basis.

Sustainable Development Governance Framework

The Group understands that sound governance with clear responsibilities lays a solid foundation for sustainable development and can enhance the effectiveness of our management and supervision of sustainable development strategies. Therefore, the Group has established the following sustainable development governance structure:



The board of directors is the highest level decision-making unit that supervises matters related to sustainable development, and is ultimately responsible for the formulation of governance, strategies and policies for sustainable development. Meanwhile, it is also responsible for providing strategic guidance to the management team to identify and examine environmental, social and Governance ("ESG") and corporate governance matters related to the Group. The members of the board of directors will also receive training on ESG and corporate governance when necessary, so as to keep abreast of the latest regulatory and disclosure requirements.

Our Sustainable Development Task Force ("Task Force") was established under the authorisation of the board of directors in 2021. It is mainly responsible for assisting the board of directors in identifying, evaluating, implementing and managing ESG related matters. At the same time, Task Force are required to work with the respective work team at each factory of the Group to determine the practical implementation plans and measures, as well as to propose such business improvement proposals incorporating the sustainable development concepts to the work teams in course of their day-to-day operations. The work teams at each factory of the Group will implement such proposals and report the progress and results to the Task Force on a regular basis. The Task Force, as the bridge between the work teams and the board of directors, actively communicate the board of directors' guideline on a top-down basis, monitoring the implementation of the sustainable development, and reporting the progress of the plans and ESG goals on a bottom-up basis.

The Audit Committee is responsible for assisting the board of directors in developing, monitoring and evaluating ESG related risk management mechanisms, to ensure these risk management and internal control systems are effective while meeting the Company's current operation model. The Internal Audit Department under the Audit Committee is responsible for collecting the information and data required for the preparation of the Report to ensure its accuracy and completeness, and reports regularly to the Audit Committee on the effectiveness of the ESG risk management and the internal control system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RELATED RISK MANAGEMENT

The Group has established a comprehensive and effective risk management and internal control mechanism, and has been promoting a risk-awareness culture and implemented a risk-prevention accountability system across the Group. The risk management team, which consists of Executive Directors, the Internal Audit Department and various department heads, collects relevant data in a bottom-up manner every six months to identify and analyze risks including ESG and climate change, and processes various risks and develops risk response strategies according to priorities. The risk management team also needs to continuously monitor and regularly review the changes in production and operation process, market, strategy, environment and regulations, and communicate risk management results. For more details on risk management and internal control, please refer to the sections in the "Corporate Governance Report" of the Group's 2022 annual report.

Sustainable Development Strategies

The core principle of the Group's sustainable development strategies is making products that are "safe, quality, and environmentally sustainable". The board of directors is responsible for formulating a series of appropriate risk management and internal control measures (including operation management, internal control and whistle-blowing mechanisms) in response to the ESG risks we have identified (such as emissions requirements, labour demand in places where our business operates, climate change and public health crisis etc.), so as to avoid or mitigate the negative impact of such potential risks. We engage professional legal advisers when necessary to provide us with professional advice on the ESG-related laws and regulations in places where the Group operates, so as to ensure that the Group continues to comply with relevant laws and regulations. As all sectors of society and stakeholders pay more and more attention to the sustainable development performance of enterprises, we will continuously review the adequacy and scalability of our disclosures in the Report.

We have always strived to balance and meet the expectations of our internal and external stakeholders. In addition to driving our business capacity, we will closely monitor the potential environmental and social impacts of our production processes, and strive to produce higher quality knitwear products in an environmentally and socially responsible manner through proactive and innovative designs, market-oriented business strategies, and state-of-the-art production technologies and equipment. In response to environmental protection, we have developed a series of strategies in relation to energy saving, waste separation and recycling as well as environmental protection. In order to support and connect with the needs of the communities where we operate, we continuously invest more resources in public welfare activities, hoping to work with all sectors of society to promote sustainable development and make meaningful contributions to the society.

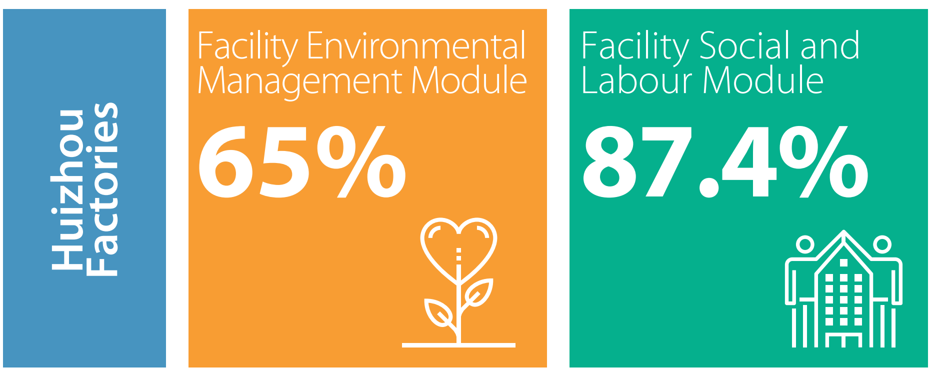
In the coming year, we will continue the active plan for communicating closely with our major customers or government authorities to fully understand their requirements on ESG aspects and national carbon reduction policies, and to monitor the feasibility and accuracy of ESG targets setting continuously. We will continuously update and review our carbon footprint in the future with reference to international best practices and standards, and adjust relevant objectives if necessary to ensure the applicability of the targets and the consistency with the development of the Group, so as to promote the practice of sustainable development goals.

Higg Index Self-Assessment Tool

During the Reporting Period, our Huizhou Factories used the Higg Facility Tools — the Industrial Sector, a standardised sustainability self-assessment tool published by the Sustainable Apparel Coalition (the "SAC"), to review and rate the 7 and 9 different environmental and social responsibility factors respectively, so as to assess our sustainability performance and impact at each of our production processes, thereby identifying room for sustainable improvement in the relevant areas.

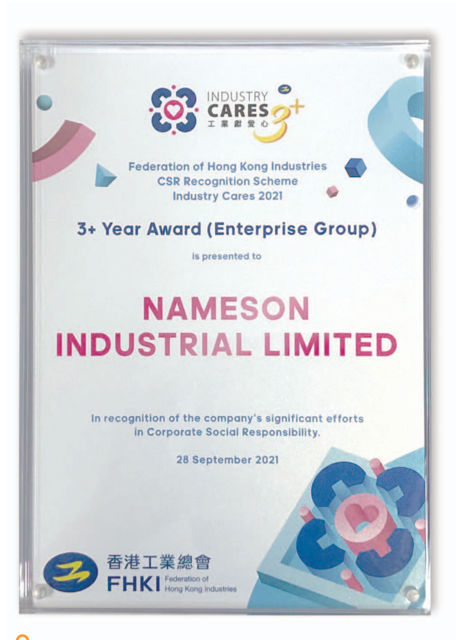
Upon completion of the self-assessment, we have engaged an independent third party validator accredited by SAC to validate the information we submitted to enhance the credibility of the ratings. This rating tool is widely used internationally, and we are happy to share this information with our partners and customers to enhance their understanding of and confidence in our system. In addition, we compare our performance with the benchmark ratings of our peers, to ensure that our performance is on par with or above the peer standards, thus demonstrating our focus on environmental management and social responsibility and to maintain our competitiveness within the industry.

The following are the validated Higg Index scores obtained by the Huizhou Factories during the Reporting Period:



AWARDS AND RECOGNITIONS IN THE YEAR

Accredited the "Caring Company" logo by The Hong Kong Council of Social Service for more than 5 consecutive years in recognition of the Company's contribution to the community, employees and the environment.



Accredited the "3+ Year Award (Enterprises Group)" under the CSR Recognition Scheme — Industry Cares 2021 by The Federation of Hong Kong Industries

Accredited the "Caring Company" logo by The Hong Kong Council of Social Service for more than 10 consecutive years since 2010, the Group will continuously build an inclusive society with various sectors.

STAKEHOLDERS' ENGAGEMENT

We understand that undoubtedly, all stakeholders have different expectations for the sustainable development of the Group. Therefore, we maintain close communication and contact with stakeholders who have influence on our business, mainly including shareholders and investors, customers, employees, suppliers, other business partners and the community, through the following open and transparent channels. We hope that by developing ESG strategies and decisions consistent with stakeholders' expectations and concerns, we can foster a good relationship with the stakeholders to build mutual trust while earnestly fulfilling our social responsibilities, so as to ensure that our business activities meet the expectations of various stakeholders.

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 • Staff representative meetings • General Manager'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

As the stakeholders' expectations and concerns may vary as the ever-changing business environment evolves, we regularly collect quantitative data as the basis for materiality analysis and identify the issues that are stakeholders' primary concern and most influential to the business operations, so as to review and formulate and improve the sustainable development strategies. Major steps of materiality analysis for the Reporting Period are summarised as follows:

Step 1: The Group concluded that there are 30 issues applicable to the Group with reference to the analysis of materiality and results of communication with existing and previous stakeholders, industry trend and Stock Exchange's ESG Guide.

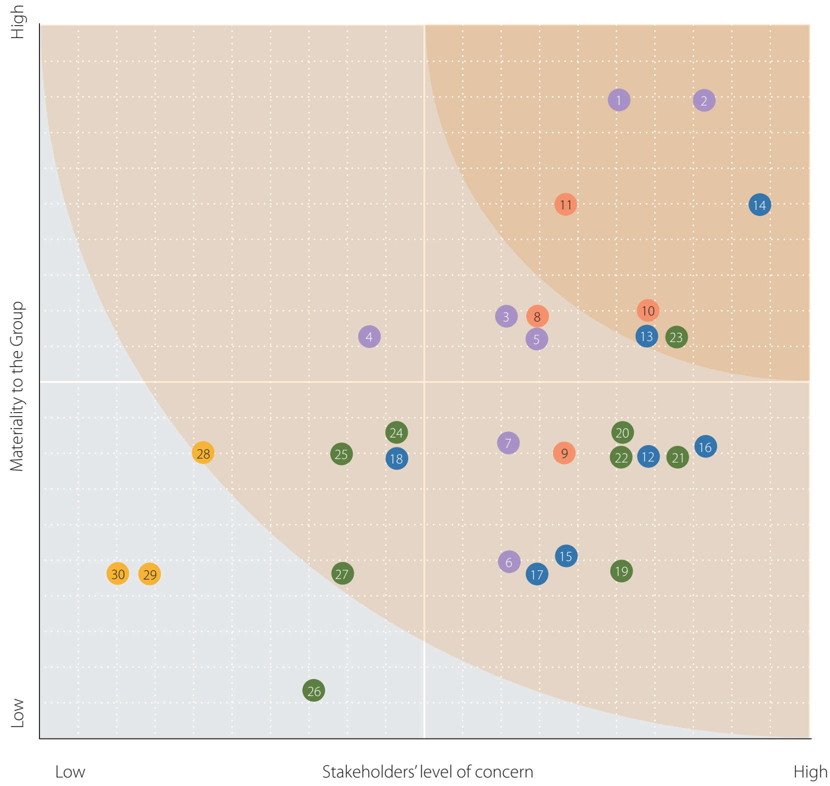
Step 2: We invited stakeholders to respond anonymously to online questionnaires and collected their comments and expectations about the Group's achievement in environment, social and governance in order to initially identify the materiality of the above 30 issues.

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

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

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

Materiality Matrix



Product and Service Liabilities

1) Product and service quality
2) Product safety
3) Customers' services and level of satisfaction
4) Management of intellectual property rights
5) Marketing and advertising authenticity
6) Sustainability and traceability of raw materials
7) Research and development

Operational Practices

8) Supplier management
9) Social Responsibility of Supply Chain
10) Emergency response under disasters
11) Anti-fraud and anti-corruption

Practices in Working Environment

12) Employees' interests, benefits and recreational activities
13) Equal opportunities, diversity and anti-discrimination
14) Occupational safety and health
15) Employees' development and training
16) Employment Compliance
17) Employment relations and communication
18) Employees' turnover rate

Environmental Protection and Green Operation

19) Exhaust air emissions
20) Waste disposal
21) Carbon emissions and energy
22) Water consumption
23) Sewage discharge
24) Packaging material consumption
25) Risk of climate change
26) Green procurement
27) The impact of the supply chain on the environment

Contribution to the Community

28) Community investment
29) Participating in charitable events
30) Charitable donations

The matrix shows the materiality of the 30 issues. The top right corner of the chart shows the issues considered by stakeholders and the Group to be of utmost importance, while the bottom left corner shows the issues of less importance. The top three material issues for the Year are (2) Product safety, (1) Product and service quality, and (14) Occupational safety and health. Same as last year, product and service quality as well as occupational safety and health remain as the key concerns for stakeholders, while product safety has gained materiality during the Year, reflecting the growing concerns of various stakeholders on the safety of product materials to be used. We will continuously pay attention to and strengthen the monitoring in this regard in the future.

THE PEOPLE, OUR WEALTH

We regard our employees as a valuable asset to create long-term business value, which is also the foundation of enterprise competitiveness and corporate development. Therefore, the Group is committed to providing a harmonious and inclusive working environment for its employees. By integrating the people-oriented concept into its management policies and operating principles, the Group has created a platform for employees to give full play to their strengths. As an employer responsible to employees and society, we strictly comply with the employment regulations in each respective place of operation, such as the "Labour Law of the PRC", the "Labour Contract Law of the PRC", the "Regulations on Work-Related Injury Insurance of the PRC", the "Employment Ordinance (Cap. 57, Laws of Hong Kong)" of Hong Kong and the "Labour Law" 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. Our established internal referral program also effectively encourages employees to recommend more suitable positions or recommend talents from all aspects to join us, providing more development opportunities for employees. We always support and respect diversity and equal opportunities. Therefore, we will never allow factors unrelated to the job applicant's working ability to affect the selection and recruitment results.

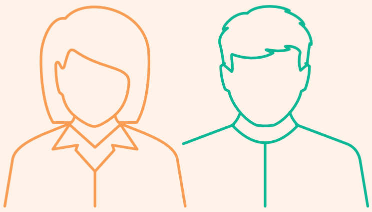
In order to attract and retain talents, we provide competitive salaries that are no less than the local statutory requirements, benefits and comfortable working environment, to ensure that the Group has sufficient human resources to maintain its competitive advantages. In addition, we have set up an established promotion mechanism and regularly evaluate the employees' performance to examine different objective factors such as employees' competence, 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 to reflect the Company's recognition of employees' contribution to the Group. We have also formulated a reward and punishment system for our employees to enhance their motivation. For example, there are special contribution awards, outstanding employee awards and innovation awards for our PRC Factories, and full attendance awards and discipline awards for the Vietnam Factory, as well as "three-on-site" bonuses during the Year to recognise employees who have contributed to the Group during the Year.

Employee Distribution (As of 31 March 2022)

Total number of employees:

Full-time employees	**13,629**
Part-time employees	**N/A**

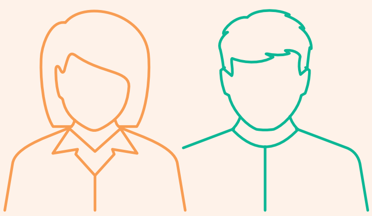
Current year



Female	**Male**
8,594	**5,035**

By gender

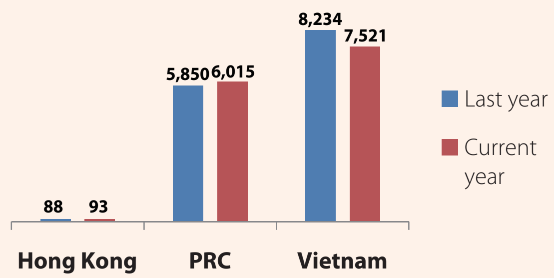
Last year



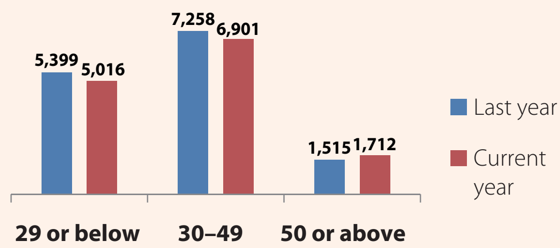
Female	**Male**
9,095	**5,077**

By gender

By region (person)



By age group (person)



By employees' category (person)

The Human Resources Department will conduct interviews with outgoing employees to understand their specific reasons for leaving their jobs, and obtain relevant suggestions from them for the Group, which enable us to continuously optimise our talent management strategy so as to maintain the employee turnover rate at an acceptable level and help the Group's staffers to accumulate professional expertise and experience in a more effective manner. During the Reporting Period, the Group's employee turnover rate[1] was 20%, 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	PRC	Vietnam
22	19	19	21	20	19	32	11

Safeguarding the Rights and Interests of Employees

The Group strictly complied with laws and regulations in places where our business operates, including the "Employment Ordinance (Cap. 57, Laws of Hong Kong)", the "Labour Law of the PRC" and the "Labour Law" of Vietnam. At the same time, we have established effective policies in relation to human resources management to standardise the practices of employment management, right of termination of labour relationship, social insurance fund, remuneration and benefits as well as leave days. As an employer who advocates equal opportunities, we adhere to the policy of pluralism and integration and the principle of equality for all to ensure that our employees are not subject to discrimination, disturbance 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 factors prohibited by relevant laws and regulations.

We adhere to the principle of "effort-based remuneration" and never deduct wages unlawfully or coerce our employees into working overtime. We arrange reasonable work schedule for employees based on the applicable laws and regulations in the place where we operate. The employees of the PRC Factories and the Vietnam Factory generally work 8 hours a day, and have at least one day-off per week, so as to ensure reasonable treatment and adequate rest for the employees. Apart from providing employees with 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.

1 The employee turnover rate is calculated by the number of employees at the end of the Year.

Concern for Women's Rights

Female employees account for approximately 60% of our total workforce. Considering the dual roles of female employees in both work place and family, we have formulated a series of family friendly policies to provide additional support and care to female employees such as pregnancy, childbirth and lactation. We set up the "mothers' relaxation hut" 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 open 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 promote the popularisation of women's health knowledge.

The mothers' relaxation hut

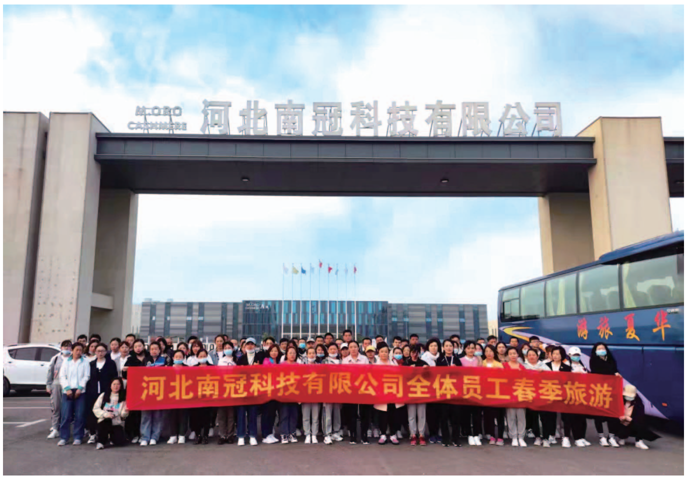
Facilitating work-life balance

We strive to create a harmonious, warm and friendly working environment. While encouraging employees to work hard, we also arrange recreational and cultural activities for them from time to time to promote work-life balance, as well as to enhance sense of belonging of our employees towards the Group and further reinforce cohesion within the Group. The following are the employee activities of the Year:

- The Huizhou Factories set up a "Nameson Radio Station" on online social media to provide news, weather reports, 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 diversified learning opportunities which are beneficial to body and mind.
- 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 the Vietnam Factory 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 for employees.

Basketball competition

Fitness training



The PRC Factories' labour union also organises staff tours to thank the staff.

Supporting workers from different provinces in the PRC

It is very common that our employees of the PRC Factories came from provinces and regions all over the country. In order to help these employees to adapt to the working environment away from home more easily, our Huizhou Factories 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. Such employees can devote themselves to their work and spend more time with their spouses, so as to effectively help couples separated by work.

- **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 "Psychological Counseling Corner" where qualified psychological consultants or counsellors are stationed to provide psychological counselling services to our employees as some of them may get homesick when working away from home.

Psychological Counseling Corner

Listening to the Voice of Employees

We value our employees' opinions towards us. By attentively listen to our employees' opinions through transparent and open communication channels, we understand employees' needs. The Group has developed a comprehensive complaint and suggestion mechanism for employees. The labour unions are responsible for understanding, investigating and handling complaints with an independent, open and fair approach as the important communication channels between us and our employees. The identity of the complainants and substance of complaints are kept confidential. The labour unions hold regular staff representative meetings to collect, listen to and timely respond to employees' appeals so as to handle and solve potential dispute and conflicts through amicable negotiation and thereby maintain a harmonious working atmosphere. Besides, the labour unions also provide 24-hour hotline and WeChat Official Account and General Manager's mailbox set up in the factories for employees to lodge their complaints and express their opinions. As we receive opinions from employees, we would proactively respond to their expectation and demands. In case the complaints are substantiated, we will make appropriate arrangement in accordance with the rules of the Group, and implement measures for follow-up, rectification and precautions.

Professional and personal development

The Group adheres to the philosophy to develop and excel ourselves together with our employees. When assisting employees to acquire skills and professional knowledge, it can also cultivate talents for the Group and enhance productivity. Therefore, we actively encourage our employees to participate in various trainings in their spare time for self-enhancement and strengthening business capabilities, providing induction training and continuous internal training for employees at all levels. We believe that a systematic training mechanism can enable employees to improve their professional skills in a more effective way, while helping them to adapt to the ever-changing business environment through lifelong learning. During the Reporting Period, 43%[2] of our employees received training, and are categorised as follows:

By gender[2](%)		By employee category[2](%)		
Male	Female	Senior management	Administrative employees	General employees
39.45	60.55	0.24	1.43	98.33

Anti-corruption Training

Factory regulation and discipline training

2 With reference to the calculation of social KPIs as stipulated in "How to Prepare an ESG Report" published by the Stock Exchange, the training data of employees are based on the number of employees as of the end of the Reporting Period and the employees who have resigned during the Reporting Period are not included to illustrate the ratio of employees to trained employees by category.

Senior Management

Development and Information Update Training

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

Administrative Employees

Professional Training

- Trainings on accounting system, financial knowledge and PRC taxation, with an objective to further enhance the job knowledge of the employees
- Programmes in relation to safety and first aid
- Anti-corruption training

General Employees

Continuing Training

- Work safety
- Environmental protection seminars and training to promote awareness towards conservation
- First-aid
- Workplace etiquette
- Psychological health and emotion management
- Factory regulation and discipline training
- Anti-corruption training

During the Reporting Period, we provided a total of 42 hours[3] of different kinds of training to all of our employees, and each employee received approximately 5.98 hours[3] of training on average.

Average training hours of employee[3], by gender:

6.61 hours

5.60 hours

Average training hours of employee[3], by employee category:

Senior management
2.40 hours

Administrative employees
2.53 hours

General employees
6.00 hours

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3 With reference to the calculation of social KPIs as stipulated in "How to Prepare an ESG Report" published by the Stock Exchange and employees' training data and based on the number of employees as of the end of the Reporting Period, and does not include employees who left during the Reporting Period to illustrate the average number of hours of training for employees by category.

OCCUPATIONAL HEALTH AND SAFETY

We are concerned about the physical and mental health and well-being of our employees. Adhering to "Safety First, Prevention as Priority" to maintain our safety awareness, we are committed to creating a safe and comfortable working and living environment. 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, offices and dormitories to take precaution and prevent the occurrence of accidents. We have also 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 programs on production safety and training for the purpose of strengthening the safety awareness of employees, so as to reduce and prevent incidents of work injuries. In addition, our Hebei Factory has also obtained ISO45001:2018 certification for occupational health and safety management system, recognising our efforts in protecting the occupational health and safety of our employees. In order to enhance the Group's ability to respond to occupational health and safety incidents, our emergency notification procedures for the PRC Factories have included emergency response plans for hazardous material spills, fires, earthquakes, food poisoning and other incidents. The number of working days lost due to work injury recorded by the Group was 126.5 day during the Reporting Period, and there were no record of serious work injuries or death in the past three years (including the Reporting Period). 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. 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 in offices and factories is banned so as to provide a smoke-free and healthy working environment for employees, as well as to mitigate potential safety risks arising from smoking.
- As required by local regulations in each of its places of business, we have installed fire prevention and detection systems, and arranged regular inspections and functional tests of the systems to ensure system availability. Fire prevention system approved by the relevant authorities has also been connected to the front desk of the office to ensure that timely alert can be given and the fire communication center can be notified in the event of a fire, so that emergency measures such as firefighting and evacuation can be carried out as soon as possible.
- Nationally qualified independent third party agencies have been engaged to conduct dust, toxic chemical and noise tests for the PRC Factories and the Vietnam Factory. Relevant qualification certificates have been obtained to ensure that the environment of the factories meets the occupational health standards.
- Production machines and equipment are inspected and maintained regularly to prevent accidents.
- The PRC Factories and the Vietnam Factory are equipped with labor protection equipment to protect employees' safety during work.
- 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 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 first-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 professional training and put on proper protective gears before they can start working.
- The Huizhou Factories have strict rules and regulations for liquefied natural gas stations, which list the responsibilities of operators, notices for entering the stations, safety operation rules and safety management regulations for tanker unloading and storage tanks, in order to ensure that employees are aware of their responsibilities and safety requirements.
- Training seminars on fire prevention and fire drills are organised regularly to enhance employees' awareness of fire prevention.

Fire drill in the PRC Factories

Combating the novel coronavirus epidemic ("COVID-19")

Since the outbreak of COVID-19, global public health and safety are at great risk. In line with the global environment, the impact of the outbreak on the Group has continued into the Year and is far from over. As the COVID-19 epidemic has entered a stage of normalisation, we continuously monitor the news of the epidemic and strictly implement epidemic prevention measures to protect the health of our frontline staff who are still sticking to their jobs for the Group under the epidemic. In response to the anti-epidemic arrangements in the places where we operate, a series of measures were introduced to strengthen epidemic prevention, including the following measures:

- Employees who have not yet resumed work at our factories and have developed symptoms such as flu, cough and fever are required to delay resumption of work, and to be placed under home quarantine for 14 days.
- 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 and office areas. 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 is enforced. Resident employees at staff quarters are encouraged to stay in the factory sites once they have entered. As for local employees, the Group arranges 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 at least two times a day. Hand sanitisers are provided in all toilets to encourage employees to wash their hands frequently and observe good personal hygiene.
- Employees at work are encouraged to communicate with telephones, WeChat and emails instead of face-to-face conversation. Production lines are also repositioned to ensure a certain safety distance between employees.
- Employees are arranged to have staggered meal breaks to avoid clustering. We have installed separation panels in the cafeteria to keep a certain distance between employees during meals. At the same time, we also encourage employees to take away their meals for consumption at staff quarters, and even provide lunch boxes to employees in the Vietnam Factory.
- Employees are prohibited from gathering in public area and staff quarters. The Group has assigned administrators to regularly check on the employees' compliance with these requirements.
- We put up posters and play videos on epidemic prevention at prominent places in the factory sites to enhance the awareness of epidemic prevention.
- In case of any suspected cases, we will notify the emergency center in a timely manner to arrange a special vehicle to transport the suspected patients to the designated hospital for examination, isolation and treatment.
- The Huizhou Factories have counted the number of unvaccinated employees, arranged vaccination stations within the factory sites, and encouraged employees to get vaccinated to reduce the chance of contracting COVID-19 and suffering from severe cases.
- The Huizhou Factories implement "two inspections in three days" nucleic acid testing for all employees, and arrange nucleic acid testing stations within the factory sites to detect suspected infection cases as soon as possible.
- During a period of the Year, the Vietnam Factory implemented the "three-on-site" policy (on-site production, on-site dining and on-site accommodation) according to the local government's epidemic prevention requirements. According to official guidelines, no employees shall leave the factory sites unless there are sufficient and reasonable reasons to do so.




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 the "Labour Law" of Vietnam. Child and forced labour is strictly prohibited. We strictly verify candidates' identity cards and household registration documents in our recruitment process to ensure that their ages meet the relevant legal age to work in our places of operation, and sign labor contracts with employees under the principle of voluntary equality to eliminate all non-compliance involving child or forced labour. We will not tolerate any means of punishment, threat, coercion or deception to force any person to work involuntarily or overtime.

In order to effectively communicate the policy of prohibiting child labor and forced labor to all employees, our recruitment clauses, factory regulations, supplier code of conduct and labor contracts contain relevant provisions. The factory regulations and supplier code of conduct provided by customers are also posted on the PRC Factories and the Vietnam Factory for reminder. We also conduct special meetings and trainings for recruiters, managers of various departments and management to allow them to understand the relevant policies and enhance their ability to manage labor practices. We encourage all employees to understand and report any non-compliance through the general manager's mailbox, labor unions, employee seminars, telephone hotline, free legal advice provided by us and other complaint channels, implementing a supervision mechanism for all staff. If any child labour or forced labour is being discovered or relevant complaints are being received, our designated management will arrange for investigation and confirmation in a timely manner to be carried out by the human resources department. If the relevant situation is found to be true, we will take appropriate action against the relevant employee in accordance with the rules, and refer to relevant government authorities for follow-up on such matters in accordance with the local regulations when necessary. 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 the cornerstone of sustainable business development. We strictly follow relevant national laws and regulations, such as the "Prevention of Bribery Ordinance" of Hong Kong, the "Criminal Law of the PRC" and the "Regulations for Punishment for Corruption of the PRC" and the "Law of Anti-corruption of Socialist Republic of Vietnam". We are determined to oppose to any form of corruption such as bribery, extortion, fraud and money laundering.

We have been promoting a corporate culture of honesty and integrity among our employees. We clearly specify ethical behaviour standards to be met by our employees in the "Employees Handbook" and explain the procedures in case of any conflict of interest in our "Conflict of Interest Policy". Meanwhile, our risk management and internal control mechanism also includes regular identification and assessment of fraud risks, as well as anti-fraud training and ethics education for our directors and employees from time to time, in order to improve risk control management and anti-corruption awareness to reduce the chance of fraud. During the Year, we have provided anti-corruption training seminars to 200 employees, including directors and senior management, covering common corruption risks in the private sector, corruption prevention measures and corporate code of conduct. In accordance with our "Anti-fraud and Reporting Procedures", employees can also make anonymous reports to the independent Internal Audit Department or the Audit Committee by phone or email when they become aware of any conduct involving or suspected of bribery, fraud or corruption.

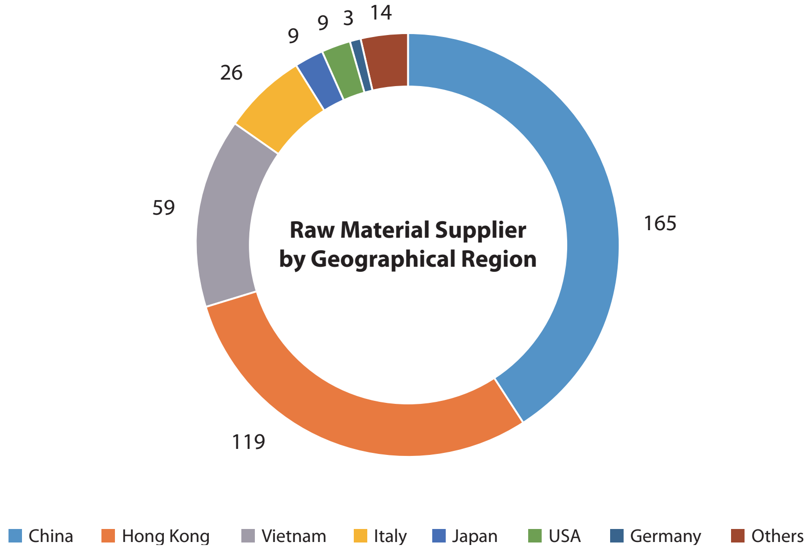
During the Reporting Period, the Group recorded one case of violation of the Group's "Conflict of Interest Policy". In the last year, we found that employees were suspected of taking advantage of their positions to commit irregularities. The case was formally reported to the law enforcement authority of local government and an investigation was initiated. The relevant case was adjudicated during the Reporting Period. The court ruled that the employees involved were convicted of embezzlement and sentenced them to fixed-term imprisonment and fines, and ordered to refund all the illegal money involved in the case to the Group. Even though there was no significant impact on the Group's finance or operation, we still disclosed the case closure to all employees through internal notice as a warning.

RESPONSIBLE PRODUCTION

We have been upholding the philosophy of "Quality First, Customer Priority and Continuous Improvement". Through strict procurement management to highly automated production technology and machines, we have always strived to improve production efficiency and product quality to meet customers' needs as our responsibility. In addition to always paying attention to market trends and pursuing product innovation, we have also invested a lot of resources to obtain a number of material and product certifications to ensure that all products do not have any health and safety problems and to achieve the greatest confidence of our customers in cooperation with us.

Supply Chain Management

The major raw material used in production is yarn. Besides, we also purchase other materials such as buttons, zippers and washing materials from our suppliers. The distribution of our raw material suppliers[4] by geographical region is as follows



We adhere to the tenet of "Arm's Length Negotiation, Win-Win with Mutual Benefits" to cooperate with suppliers. We only establish 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, we have incorporated a set of strict criteria in the selection process to assess the suitability of suppliers, in respect of pricing, services, scale, technical capability, reputation, quality of raw materials and their ability to assure timely delivery. During the evaluation process, we will require suppliers to provide valid certificates and product certifications that demonstrate their appropriate operating qualifications for us to assess their environmental and social risks and to ensure the safety of the products provided by them. We will give priority to suppliers who are able to implement social and environmental sustainability and ethical business practices in their operations, and establish requirements for supplier code of conduct and green procurement policies as a reference for procurement staff during evaluation.

4 Data of suppliers do not include accessories suppliers.

In order to strengthen the promotion of environmental protection, in addition to the assessment of product certification, we also prioritise environmentally friendly materials that meet our requirements for cost, quality, performance and durability under fair competition. The raw materials and other equipment's impacts and benefits on energy and water, as well as their toxicity and recyclability, will also be considered during the assessment. Single-use disposables is avoided to be purchased whenever possible. After a new supplier has passed an internal assessment, we will make a small purchase and conduct quality inspections to ensure that the quality of the raw materials supplied meets the requirements before making a bulk purchase, and the supplier will be included in the list of qualified suppliers. However, under the original equipment manufacturer model, we may be required to purchase raw material from suppliers designated by individual customers at their request, rather than based on our internal assessment.

In addition to strict product safety and quality control, we also encourage suppliers to continuously improve their environmental and social sustainability performance and require major suppliers to sign a "Letter of Undertaking of Social Responsibilities" to commit to the relevant requirements of the Business Social Compliance Initiative ("BSCI") in fulfilling various requirements for social responsibilities such as environmental protection, safety, anti-discrimination, non-employment of child labor, prohibition of forced labor and compliance with relevant national laws and regulations in their operations. Once a breach of commitment is found, corrective measures must be taken within the prescribed period. During the Year, the Group cooperated with 404 major suppliers and implemented the above supplier management measures for all major suppliers.

In addition, all of our suppliers are subject to our annual performance evaluation, which includes assessments of their abilities and performances in different areas, such as services, product quality, price 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. Furthermore, our risk management team assesses the Group level's environmental and social risks in supply chain through a semi-annual risk assessment exercise, and reports to the management in a timely manner for supervision purpose.

Sustainability of Materials

We are concerned about the sustainability of product materials. Therefore, we participate in a number of certification audits, as well as taking 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. During the Reporting Period, we have obtained the following internationally renowned certifications in the textile industry, which fully demonstrates the recognition of our sustainable development in materials and supply chain management, and ensures that we are able to provide quality and reliable products to our customers and strengthen their confidence in us.

Supporting Better Cotton Initiative

We have been a member of the Better Cotton Initiative ("BCI") since 2016. As a member, we undertake to abide by the Code of Practice established by BCI, adopt the best environmental, social and economic management in the supply chain, and continuously promote and develop the production and use of sustainable cotton together with BCI and its members, so as to reduce negative impacts on environment, society and economy. Meanwhile, we are also committed to promoting and cooperating with the six long-term goals advocated by BCI:

1. to demonstrate the inherent benefits of "Better Cotton" production, particularly the financial profitability, for cotton farmers;
2. to reduce consumption of water and impact of pesticides on human health and the environment;
3. to improve the soil health and biodiversity;
4. to promote decent work for the cotton-farming communities and plantation workers;
5. to facilitate the global knowledge exchange on sustainable cotton production; and
6. to increase the traceability along the cotton supply chain.

Complying with International Ethical Standards of Suppliers

Supplier Ethical Data Exchange ("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 recognise that we comply with the stringent business ethical standards of Sedex.

Ensuring Safe Supply Chain Management

As a member of the Global Security Verification ("GSV") recognised by Intertek, the security operation and anti-terrorism management in our supply chain management, covering storage and distribution, shipment information controls, records and documentation, contractor controls, personnel security, transparency in supply chain, physical security, information access controls and export logistics, 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 safer supply of products and speed up cargo handling.

Complying with the International Recognition Level for Contents of Organic Raw Materials

We have been accredited by Control Union Certifications under the Organic Content Standard 3.0, which is an internationally applicable textile product certification standard developed by the Textile Exchange, certificating the organic planting material contents labelled in some of our organic knitwear products are the same as the organic raw materials used in the production.

Meeting the Global Recycled Standard for Textiles

We are certified by Control Union Certifications, an authorised certification agency, under the Global Recycled Standard 4.0 ("GRS"), a Textile Exchange Certification Standard, in recognition of compliance with global third party product certification standards for environmentally and socially responsible behavior in our production and recycled content of obsolete textiles. As some of our products contain recyclable fibre, to ensure traceability of recyclable fibre, reduce harms to social 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.

Complying with the International Standard for Wool Content

We have obtained the Pure New Wool certification 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-users in our products.

Responsible Wool Standard

We have been audited by Control Union Certifications, an authorised certification agency, in accordance with the Textile Exchange Certification Standards for our wool suppliers' plantation and are certified to meet the Responsible Wool Standard and the Responsible Mohair Standard, evidencing the wools we use come from sheep raised in a humane manner and our suppliers adopt progressive approach to manage the land of their plantations. Therefore, the source of wools used in our products can gain confidence from customers and end-users.

Sustainable Viscose Chain of Custody Standard

Some of our products are made from viscose fibers (i.e. artificial fibers) derived primarily from wood. After being examined by Control Union Certifications, we have been awarded the Sustainable Viscose Chain of Custody Standard certification issued by it, certificating that our products containing viscose fibers come from well-managed forests and that the products involved in our trading, weaving, manufacturing, washing, packaging, and inventory and distribution processes meet the requirements of the relevant inspection or certification standards.


CERTIFICATE

Certificate of Sustainable Viscose Chain of Custody Standard

Product Quality Assurance and Liability

Our products mainly include: menswear, womenswear and other knitwear products

Product quality and safety are the keys to success, and rank the highest priority in our business. The Group strictly abides by relevant laws and regulations, including but not limited to the health and safety laws of products and services such as the "Product Quality Law of the PRC" and the "Consumer Protection Law of the PRC". As a responsible manufacturer, we set up a stringent quality monitoring system throughout the entire production process which is subject to multiple levels of close control to ensure the highest quality of our products. Our production quality management system of the PRC Factories and the Vietnam Factory has been certified as an ISO 9001:2015 quality management system to ensure we meet its production requirements for knitwear products. 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 or even exceed 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.


SGS
惠州南旋毛织厂有限公司
ISO 9001:2015

Huizhou Nanxuan ISO 9001:2015
Quality Management System Certification


SGS
惠州南冠织造有限公司
ISO 9001:2015

Huizhou Nanguan ISO 9001:2015
Quality Management System Certification


SGS
创汇添(越南)针织有限公司
ISO 9001:2015

First Team (Vietnam) ISO 9001:2015
Quality Management System Certification


认证证书
兹证明
河北南冠科技有限公司
ISO 9001:2015

Hebei Nanguan ISO 9001:2015
Quality Management System Certification

Our quality control measures include:

Suppliers and Subcontractors

- We conduct quality assessment 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 manufactured by the Group passed 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, such as formaldehyde, heavy metal, phenols, azo colorant, plasticiser, human carcinogen and allergen dye, or those with known hazards to health but not yet expressly regulated by laws demonstrating that the yarn we use 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.
- 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 and plastic pellets, we require the suppliers to provide relevant safety data sheets and test reports to ensure that 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.
- The principal material for our self-made packaging plastic bags is plastic pellets. Hence, during the purchasing process we require the suppliers to confirm whether the plastic pellets to be provided comply with the "National Food Safety Standards for Plastic Resins Used in Food-contact".

TESTEX AG, SWISS TEXTILE TESTING INSTITUTE
GOTTHARDSTRASSE 61
8002 ZURICH, SWITZERLAND

OEKO-TEX®
INSPIRING CONFIDENCE

CERTIFICATE

The company

First Team (Vietnam) Garment Limited
Lot A1,
Road 787
An Hoa, Trang BangThanh Thanh Cong IZ
Tay Ninh 840000
Viet Nam

OEKO-TEX® CONFIDENCE IN TEXTILES STANDARD 100
SH020 151133 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 197122.1

for the following articles:

Knitted cap, beanie, gloves, scarf, head band, snood, pants, cardigan and sweater, dress, suspender skirt and slacks made of CO and/or mixed with polyester, polyamide, cashmere, merino wool, Tencel®, Silk, wool, cotton, lambswool, alpaca, Lyocell, Linen, Modal, Viscose, Rayon, Ramie, Metallic yarn, with/without polyamide/spandex, including garment washing processing, including accessories (shell button, urea button, real horn button in color black, PES & metal buttons, woven PES & CO tapes or ribbons, metal accessories, zipper, PES/rubber or PA/rubber elastic band, PES sewing thread and embroidery thread, PES woven labels and printed labels, white CO embroidery backing interlining)
(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 I 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 baby articles.

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 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 SH020 151133 is valid until 15.03.2023

Zurich, 03.02.2022

Matz Bachmann
Managing Director

Faisal Rizal
Ecology Team Leader

OEKO-TEX® Association | Genferstrasse 23 | CH-8002 Zurich

OEKO-TEX Certificate

Use of Premium Extra-Long Staple Cotton

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

SUPIMA®
WORLD'S FINEST COTTONS

NAMESON GROUP LIMITED

This document acknowledges the aforementioned company is an approved licensee of Supima per the term defined below, and is authorized to use the SUPIMA® trademark and name as governed by Supima for the licensed products listed. As a licensee of Supima, this company has agreed to uphold the highest standards of quality, distribution, and authenticity of all Supima cotton textile products.

Supima hereby recognizes that said licensee has provided sufficient evidence of purchasing, consuming, and/or using yarn or fabric made from American Pima cotton that is grown in the United States of America from a Supima member in good standing.

Effective: January 1, 2022 - December 31, 2022
License Number: MHP48N3M
Member Since: 2009
Licensed Products: Apparel > Men, Women, Children > Sweaters

SUPIMA® CORPORATE SEAL ARIZONA 1954 WORLD'S FINEST COTTONS

SUPIMA Certificate

Testing Centre and Material Monitoring

Our PRC Factories have testing centres for exclusive use. These testing centres have been granted with SGS Field Solution Consultancy Services Certificates by different operating branches of SGS-CSTC Standard Technical Service, an international certification organisation, authorising our testing centres in the Huizhou Factories and the Hebei Factory to conduct 30 and 20 physical and chemical quality tests on yarn and knitwear products. Meanwhile, our testing centres are also certificated by Intertek, in recognition of the 9 testing methods adopted in our laboratories. Moreover, some of our customers, including UNIQLO, Perry Ellis and Lands' End, also issued accreditation certificates to the testing centre after review and authorised us to conduct certain quality tests on their products.

In addition, each factory has its own quality control department to carry out the following quality control measures on raw materials and production accessories:

- Prior to the purchase 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, the quality control department carries 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 material mainly used for our knitwear products, we will test its colour fastness to washing, water and perspiration etc. For the production of cashmere yarn, our tests will be focused on its physical indicators such as abrasion resistance, colour fastness to perspiration and water as well as pilling.

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

PEI

Perry Ellis International

Laboratory Accreditation
awarded to

Nameson Testing Centre (Nameson Group)
Nanxuan Industrial Center, Shuikou, Huicheng District, 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
ICI Pilling	BS EN ISO 12945-1
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: 1 -Sep-2021
Expiration Date: 31-Aug-2022

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.

ASSOCIATE NAME WINNIE KAM / YANYIN LO / IVAN LUO

TEST METHOD	REFERENCE
< COLOR FASTNESS TESTS >	
JIS L 0844 Method A-2	Colorfastness to Washing
JIS L 0848	Colorfastness to Perspiration
JIS L 0849 Type II	Colorfastness to Rubbing
Daimaru Method	Colorfastness to Bleeding
JIS L 0860	Colorfastness to Dry Cleaning
JIS L 0884 Method A	Colorfastness to Chlorinated water
< PHYSICAL & SAFETY TESTS >	
JIS L 1930 Method C4M	Change in dimension
JIS L 1096	Weight (per square meter)
JIS L 1096 Method A	Bursting strength
JIS L 1076 Method A	Pilling
GB/T 7573-2009	pH Value
JIS L 1041 Acetylacetone Method	Free Formaldehyde Content

Certificate issued 1st January,2022

Valid until 31st December,2022

Signed Shuichi Nakajima

Laboratory certification documents issued by our customers

Production Team

- Automated production equipment and computer-aided 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 batch of finished products. 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 production process, such as the inspection on knitted panels after linking and stitching, post-washing inspection, post-measurement inspection, post-ironing inspection and lighting inspection on semi-finished products. For the production of cashmere yarn, we clean the machine and equipment during the drying, bagging and combing process to prevent different-coloured yarns from being stained. In addition, we also conduct physical tests such as colour fastness, strength, cotton density and pilling resistance of semi-finished and finished yarns to ensure no substandard products will proceed to the next process.

- Our quality control staff conduct random inspections 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 own examinations for quality assurance before conducting quality inspections on their products that we produce.

Customers

- Our products are mainly sold to retailers of international apparel brands, so we are also required to comply with the code of conduct and quality requirements standards set by individual customers.

- We are also subject to inspection by our customers from time to time in terms of regulations, product quality as well as environmental and labor standards.

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

- We sign sales contracts with designated customers, which specify the product content, quality standards, delivery methods and acceptance standards, etc., to ensure the quality of products and services.

- We have not involved in any major violation of laws and regulations related to the health and safety of the products and services provided during the Reporting Period.

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. Our business operation model is mainly original equipment manufacturer ("OEM"). We carry out production based on the requirements of our customers. End consumers are usually unaware of the manufacturer of these products. They will only claim compensation against the retail brand selling the products. Therefore, the directors consider that the risk exposure of assuming the obligation or compensation for personal injuries or loss of properties arising from using of our products by end consumers is relatively low, yet we still face a certain degree of potential compensation risk. 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. Nevertheless, we have developed a comprehensive product returns policy. Upon receiving complaint from retail brands in respect of defective products, if it is determined after internal investigation that such defects are caused by our mistakes, we will accept the product repair, replacement, return and bear the expenses arising from the return as appropriate. In case the defect is determined to be the liability of raw material suppliers or subcontractors, we would seek reasonable compensation from them, re-evaluate the relevant supplier or subcontractor and reconsider the possibility of cooperation with them in the future.

Intellectual Property Rights, Data Protection and Privacy

We are committed to collecting, processing and using the customer data in a responsible and unbiased manner. The Group strictly abides by the relevant laws and regulations in respect of the "Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong)", the "Trademarks Ordinance (Cap. 559 of the Laws of Hong Kong)", and the "Trademark Law of the PRC", and keeps the personal information collected confidential. While we strive to protect our own intellectual property rights, we also respect the intellectual property rights owned by third parties.

The Group requires its employees to keep all sensitive information of the Company confidential and to handle customer information with care as stated in the "Employees Handbook", and also strictly observes the use of customer information and confidentiality obligations stipulated in the contracts with customers. Notices are posted in the sample development units, display rooms and workshop areas of our factories, reminding the employees that no photography is allowed to prevent divulgence of confidential information of the Group or customers. In addition, computers used for storing sizes and original patterns drawings of our knitwear products are protected with security measures by the Technical Center which block access to the Internet and computer ports. In order to prevent divulgence of confidential information and copyright infringement, application for approval of downloading and using such information during the working process is required.

We, as requested by our customers, burn the remaining brand labels to ashes in the presence of our customers at the end of each year, in order to avoid misuse or misappropriation of the labels. During the Reporting Period, we have strictly complied with the terms of the agreements stipulated in our customers' contracts in relation to the Group's handling of customers' brand labels. In addition, the Group registered 23 domain names which are significant to the Group's business and 6 trademarks in the PRC. Besides, the Group also registered 8 domain names which are significant to the Group's business and 4 trademarks in Hong Kong. Prior to using the intellectual property rights of third parties (e.g., supplier/customer/partner brand logos) for business purpose, we will first obtain written authorisation from such third parties.

To the best of our knowledge, during the Reporting Period, there were neither irregularities nor data leakage, and we had not received complaints from external parties or regulatory authorities in respect of the Group's failure to protect customer privacy or safeguard customer data. As OEM is the major operating model of the Group, product promotion or advertising is not significant to the Group. 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 involved us either as a claimant or respondent.

ENVIRONMENTAL PROTECTION

The Group adheres to the concept of promoting environmental protection, carbon reduction, energy conservation and water conservation, continues to promote cleaner production through optimising production equipment and processes, and transforms into a "resource-saving and environmentally-friendly" enterprise. On the other hand, we also actively promote the concept of environmental protection to our employees, minimise and control the negative impact on the environment within acceptable limits, and enhance our green competitiveness.

In the course of operation and production, the Group complies with the relevant laws and regulations regarding environmental protection in places where it operates, such as the "Environmental Protection Law of the PRC", the "PRC Law on Prevention and Control of Water Pollution", the "Law of the PRC on Soil and Water Conservation", the "PRC Law on Prevention and Control of Air Pollution" and the "National Technical Regulations for Industrial Sewage" of Vietnam. Our factory in Hebei has obtained ISO14001:2015 environmental management system certification, which promotes sustainable development by systematically planning and preventing negative environmental impacts of production. In recent years, we have also seen increasingly stringent environmental regulations, with a focus on environmental issues, such as China's announcement to achieve carbon neutrality by 2060. Hence, besides regular review to ensure compliance of environmental protection laws and regulations, we also explore and apply new equipment and technology for energy saving and emission reduction, so as to fulfill our responsibility for environmental protection. To the best of our knowledge, during the Reporting Period, our production and operation activities complied with the laws and regulations in relation to environmental 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 current year and last year are as follows:

Indicators	Current year	Last year
Air emissions[5]		
Nitrogen oxides (NO_x) (tonnes)	44	39
Sulfur oxides (SO_x) (tonnes)	17	16
Particulate matter (PM) (tonnes)	17	15
Greenhouse gases[6, 7, 8]		
Total emissions (Scope 1, Scope 2 and Scope 3) (tonnes of CO_2e)	**94,229**	**91,721**
Greenhouse gas intensity[10] (kg of CO_2e/production unit)	2.47	2.35
Scope 1 (tonnes of CO_2e)	50,407	46,403
Scope 2 (tonnes of CO_2e)	43,911	45,383
Scope 3[9] (tonnes of CO_2e)	20	23
Total emissions of greenhouse gases reduced by planting trees (tonnes of CO_2e)	109	88
Energy consumption		
Total energy consumption (MWh)	**263,858**	**252,718**
Energy consumption intensity[10] (kWh/production unit)	6.93	6.47
Direct energy		
Coal consumption (MWh)	88,708	83,332
Unleaded gasoline consumption (MWh)	628	725
Diesel consumption (MWh)	1,890	1,926
Town gas consumption (MWh)	1	3
Liquefied petroleum gas consumption (MWh)	616	753
Natural gas consumption (MWh)	93,542	92,739
Wood pellet consumption (MWh)	5,519	–
Indirect energy		
Electricity consumption (MWh)	72,954	73,240

5 Our disclosures on air and greenhouse gases (GHG) emissions have been prepared based on the requirements stipulated in "How to Prepare an ESG Report" published by the Stock Exchange and "GHG Protocol: Corporate Accounting and Reporting Standard (Revised Edition)" published by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

6 GHG emissions data is presented in terms of carbon dioxide equivalent. The data of Scope 1 (direct emissions) includes operations that are direct controlled or managed by the Group. The data of Scope 2 (indirect emissions) takes into consideration the "energy indirect" GHG emissions caused by the indirect electricity, heat, refrigerants and steam consumed by the Group (purchased or sourced from external parties).

7 The data of total GHG emissions of the last year (including the direct emissions of scope 1 and the total GHG emissions intensity) have been adjusted to reflect the actual situation.

8 With reference to national emissions coefficient of the PRC in "How to Prepare an ESG Report" published by the Stock Exchange, the total GHG emissions of the last year have been restated (including scope 2 indirect emissions and GHG emissions intensity).

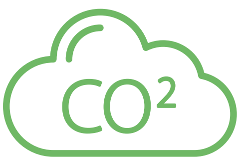
9 Scope 3 emissions data include indirect GHG emissions from business trips of air travel of employees, calculated by the Carbon Emissions Calculator of International Civil Aviation Organisation, a United Nations agency.

10 The environmental data density of the Group is calculated as the number of products based on reasonable assumptions of individual products of the Group as a unified unit.

Indicators	Current year	Last year
Water resources		
Total water consumption ('000 m^3)	**3,134**	**2,928**
Water consumption intensity[10] (m^3/production unit)	0.08	0.07
Hazardous waste		
Total volume (tonnes)	**3**	**11**
Hazardous waste intensity[10] (g/production unit)	0.07	0.27
Non-hazardous waste[11]		
Total generated and disposed volume (tonnes)	**5,608**	**4,807**
Generated and disposed non-hazardous waste intensity[10] (g/production unit)	147.18	123.09
Packaging materials used for finished products		
Total volume (tonnes)	**1,399**	**1,513**
Packaging materials used for finished products per production unit[10] (g/production unit)	36.73	38.74
Plastic bags (tonnes)	284	321
Cartons (tonnes)	1,115	1,192

Targets and Indicators

The Group has always been highly concerned with sustainability issues and is committed to reducing energy consumption and carbon emissions, and has been making continuous efforts to achieve our targets over the years. During the Year, we engaged external professional consultants to provide us with a more accurate estimate of our future carbon emissions and energy consumption data, and to adjust our carbon emissions target and set energy savings target in line with our planned sustainable development strategies. We will achieve the following targets[12, 13] on or before financial year 2031 against the baseline in financial year 2021:



Total carbon emissions reduced by **10.5%**

Total energy consumption reduced by **4.3%**

11 As non-hazardous waste from staff dormitory in Hong Kong is not significant, it is excluded from the total volume of non-hazardous waste.

12 The environmental targets we have formulated are based on the financial year 2021, and only cover Hong Kong Offices, the PRC Factories and the Vietnam Factory in financial year 2021.

13 The total carbon emission target only covers the direct (scope 1) and indirect (scope 2) GHG emission targets.

Huizhou Factories

Energy management direction was further established during the Year:

Compliance with laws and regulations, cleaner production, energy efficiency improvement, full participation, whole process control and continuous improvement. Promote energy management to a new level.

Vietnam Factory

The "Environmental Management Strategy for 2019-2024" has been formulated to match the Group's objectives, formulate short-term and long-term strategic plans in respect of energy, waste, use of water, exhaust gas and emissions, and effectively implement and continuously evaluate them.

Hebei Factory

Energy management direction was further established during the Year:

Clean and lean production, "three wastes" discharge up to standard; promotion of energy conservation and consumption reduction, and increase sources of income and reduce expenditure.

In addition, we expect to strengthen the implementation of digital management and continuously reduce the use of paper in the next few years. In terms of water usage, our factories have established reclaimed water recycling stations as a key water-saving measure. We expect the reclaimed water recycling stations in the Huizhou Factories and the Vietnam Factory to maintain a daily sewage treatment capacity of 2,000 cubic meters and 300 cubic meters respectively. Our Huizhou Factories conducts a comprehensive self-examination on the responsibility evaluation of energy-saving objectives every year. The assessment indicators score the "energy-saving objectives" and "energy-saving measures", including the annual energy consumption intensity reduction, the annual total energy consumption control, the organisation and leadership, energy-saving management, the progress of energy-saving technology and the implementation of energy-saving related laws and regulations, and review the energy-saving objectives and progress every year.

Progress during the Year

Total carbon emissions[13]

↑ **2.76%**

Target of financial year 2031:

↓ **10.5%**

Total energy consumption

↑ **4.41%**

Target of financial year 2031:

↓ **4.3%**

During the Year, our total carbon emissions increased by approximately 2.76% as compared to the baseline, and our energy consumption increased by approximately 4.41% as compared to the baseline. Our energy-saving project is a large-scale project which involves complex construction, local government approvals, long construction time and subsequent facility management. Therefore, the photovoltaic power generation energy-saving project carried out during the Year has not been put into service during the same period. If everything goes as planned, it is expected that certain results will be achieved in the next financial year.

We will continue to expand the combination of renewable energy and zero carbon emission energy, and strive to achieve the targets of emission reduction and energy conservation in the financial year 2031 according to current energy conservation targets in future.

Exhaust Gas Treatment

The air pollutants emissions such as nitrogen oxides, sulfur oxides and particulate matter (including smoke and dust) generated by the Group mainly come from the operation of boilers, use of gas stoves in canteen and travelling of vehicles and vessels. We manage responsibly and monitor closely our emissions to ensure strict compliance with the relevant emission laws and regulations in the places where we operate. 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 Factory. The Group regularly engages independent third-party professional agencies recognised by the respective countries to conduct compliance tests on exhaust gas emissions from 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 exhaust gas detection standard set out in the "Emission Standard of Air Pollutants for Boiler" promulgated by the Guangdong Environmental Protection Bureau, the "National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts" promulgated by the Ministry of Natural Resources and Environment of Vietnam and the "Emission Standard of Air Pollutants for Boiler" promulgated by Hebei Provincial Department of Ecological Environment.

In line with the carbon reduction strategy promulgated by the PRC government, our PRC Factories have switched to more energy-efficient natural gas boilers. Due to the low content of nitrogen and sulfur in 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 so 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 hazardous 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 performance tests on boilers on a regular basis to ensure that they are in good operating condition to reduce wear and tear.

Sewage Treatment

Our sewage is primarily generated from water for daily life and washing materials used in the manufacturing process of knitwear products, such as degreasers, rust removers and reserving agents. Sewage treatment is a major concern in our treatment and discharge. We strictly abide by relevant local laws and standards of the places where we operate, including the "Discharge Limits of Water Pollutants" issued by the Guangdong Environmental Protection Bureau of the PRC and the "National Technical Regulation on Industrial Wastewater" stipulated by the Ministry of National Resources and Environment of Vietnam. We have developed sewage discharge and treatment procedures, and all of our factories are equipped with sewage treatment systems to disinfect and purify the wastewater collected from production and domestic sewage with separate pipelines, so that the amount of pollutants in wastewater is reduced to the level required by regulations of the places where we operate before it is discharged to the local sewage treatment centre. We have also established an environmental protection monitoring station in the clear water pool of one of the sewage treatment systems in the PRC and carried out anion tests before the wastewater is discharged, so as to remotely monitor whether the drainage meets the relevant sewage discharge standards. In the event of a sewage system failure, we will first discharge the sewage to a storage tank and then re-run the treatment and filtering process after the system has been repaired.

Sewage treatment facilities

All factories of the Group 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 engaged 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.

In 2019, the Ministry of Ecology and Environment of the PRC has publicly solicited comments on the revision of water pollutant discharge standards applicable to the textile industry, and the revision (first draft of the consultation draft) of the "Pollutant Discharge Standard for Urban Sewage Treatment Plants" and the preparation instructions were prepared in 2022, showing that the PRC intends to tighten up the regulation of effluent discharge applicable to the textile industry in the future. As such, we would actively explore cleaner production technologies such as bio-enzyme washing, ultra-filtration to concentrate lanolin and more advanced wastewater treatment technologies to enable timely response to more stringent emission requirements in the future.

Energy and Resources Management

We are deeply aware of the importance of energy and resource management to sustainable development. Therefore, we are committed to reducing the Group's energy consumption, including the standardisation and institutionalisation of energy management, so as to strive to make the energy consumption level in the forefront of the industry. Our Huizhou Factories has developed the "Energy Measurement Management System" to more reliably track and monitor the energy consumption level and energy-saving results. During the Reporting Period, our Huizhou Factories also conducted self-examination and third-party review on energy-saving performance to examine and improve energy efficiency. Our Vietnam Factory has also revised the "Environmental Protection Management Policy", promising to continuously save energy and improve to minimise energy consumption.

In order to achieve the management policy of clean energy production, the Huizhou Factories has carried out the construction of photovoltaic ("PV") power generation during the Reporting Period, and installed photovoltaic power generation facilities with a total capacity estimated to exceed 7.5 MW on the roof of the Huizhou offices and the Huizhou Factories, so as to increase energy cleanliness and the use of renewable energy, and reduce the dependence on fossil energy. We plan that the photovoltaic power generation project will be carried out in two phases, with an overall investment of more than RMB36 million. The roof areas of the PV panels in these two phases are approximately 25,000 square meters and 36,000 square meters respectively, totaling 61,000 square meters. It is estimated that the average annual power generation is 5.40 million kWh and 2.97 million kWh respectively, with a total of 8.37 million kWh. The annual carbon dioxide emission reduction is expected to be approximately 5,300 tonnes and 2,900 tonnes respectively, totaling 8,200 tonnes, which demonstrates the Group's determination to control energy consumption and promote clean energy production.

Phase I of the photovoltaic power generation facilities of the Huizhou Factories

Our Hong Kong Offices participated in the "Electrical Equipment Upgrade Scheme" of CLP Power last year to conduct energy audit and evaluate the energy consumption model, and was successfully funded during the Year. The brochure of CLP Power also features the Group as a case study. Under the "Electrical Equipment Upgrade Scheme", we replaced 410 more energy-efficient LED tubes for the Hong Kong Offices, further reducing the energy consumption of office operations, and demonstrating our determination to promote energy conservation.

Electrical Equipment Upgrade Scheme — Sharing of successful funded case

As a knitwear manufacturer, water is also considered as an essential resource for our operations. As the water we used 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 "Environmental Protection Act of Vietnam", and adopted the following environmental protection measures during the Reporting Period:

Energy Saving

- Energy measuring devices are in place to measure the energy consumption of installations, systems, processes and major equipment in the production plant.
- Air-conditioning temperature is maintained in the range of 22°C to 25°C.
- Information on environmental and emission reduction is shared with staff by way of audio and video announcements, video projections, training and bulletins.
- We work with the Ministry of Industry and Commerce of Vietnam to prepare annual energy saving reports and study emission reduction and energy saving plans. We also arrange annual energy saving inspections by a third party at our factory in Vietnam.
- Provision of lighting to match daylight hours.
- Regular maintenance of machines and equipment to ensure they are in normal operation and to avoid energy wastage due to poor operation.

Water Saving

- Reminders for energy and water saving are posted in conspicuous spots.
- A subsidised water and electricity system is in place to provide a fixed amount of free water and electricity in staff quarters to encourage staff to conserve resources.
- Regular maintenance checks are carried out on water pipes to avoid wastage of water due to wear and tear problems such as clogs and leaks.

Recycling of Production Effluent — Water Reclamation Station

We have water reclamation stations at the Huizhou Factories and the Vietnam Factory, effectively reusing about 60% of the water resources used in production. We treat the effluent from production by using the biochemical treatment technology and softening system of the water reclamation system to further remove the organic pollutants from the effluent. The treated effluent is reused in the flushing system, washing of factory roads and plant irrigation. Our Huizhou Factories and the Vietnam Factory are equipped with water reclamation stations with a capacity of 2,000 cubic metres and 300 cubic metres per day respectively.

Packaging Materials

The packaging materials used by the Group are mainly plastic bags and carton boxes, the sizes of which are determined according to the requirements of different customers and size of the products. As packaging is an integral part of product manufacturing, we can only try our best to maximise the utilisation of our resources. Firstly, we reuse the old cartons which are in good condition internally. Secondly, the leftover clear plastic bags after packaging are recycled into plastic pellets and then remade into plastic bags of different sizes. Details of product labelling required by our customers and the export destinations are not covered in the Report due to the principle of materiality.

WASTE MANAGEMENT

Waste disposal is one of the key environmental issues. Therefore, we have established relevant environmental protection policies and waste disposal procedures, and set out measures for the management and supervision of waste during the production process to ensure that the waste and by-products generated are properly disposed and discharged to minimise their negative impact on the environment. Our waste can be broadly classified into the following three main categories:

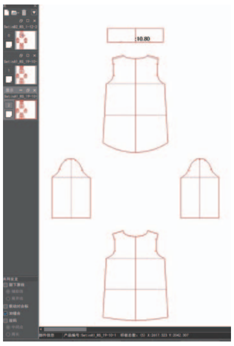
Non-hazardous waste	Municipal solid waste	• Waste is collected daily from the factory dormitories and offices and transported to a designated storage area for proper disposal by our service provider. • To facilitate the separation of domestic waste, we have implemented waste classified collection measures by classifying domestic waste into three categories: "recyclable", "non-recyclable but degradable" and "non-recyclable and non-degradable", and encouraging our staff to dispose of them separately. • In order to promote environmental protection, our Vietnam Factory minimises the purchase of bottled drinking water to reduce plastic waste. The amount of bottled water purchased during the Year decreased by approximately 18% compared to the last year. • We encourage our staff to develop good paper usage habits to conserve paper and to centralise the recycling and reuse of waste paper.
	Non-hazardous industrial solid waste	• Waste cardboard, waste yarn and waste yarn bobbins: We will sort and collect them before selling them to recycling service providers for appropriate disposal. To reduce the generation of non-hazardous waste, we work with some of our suppliers to arrange for the recycling of reused waste yarn bobbins to maximise material recovery. At the same time, we give priority to using surplus yarn for interlining in the production process without compromising product quality. • Remaining coal cinder from boiler: We will first conduct heavy metal index analysis and screen out the coal cinders with excessive metal content for proper disposal by a qualified recycling service provider. • Sludge generated during the purification of wastewater: The sludge will be stored in a designated collection area to avoid contamination before being handed over to a qualified recycling service provider for proper disposal.

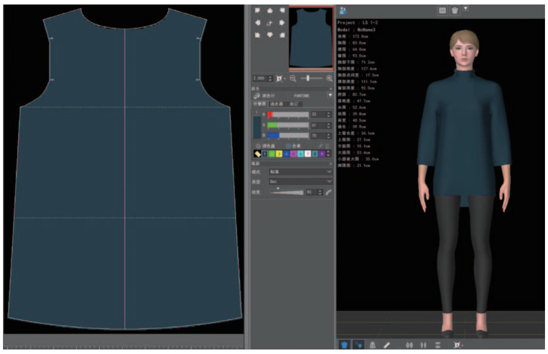
Hazardous waste	Containers used to store chemicals and substances containing heavy metals in the production process at the Vietnam Factory, e.g. fluorescent tubes, and waste resins, packaging bags of dyes and liquid waste at on yarns in the production process of cashmere yarn at the Hebei Factory	We have designated a special area in the factory for the temporary storage of hazardous waste. All hazardous waste generated during the production process is collected and stored in a centralised area, labelled with a hazardous waste label and managed according to the hazardous waste classification code. The Group strictly complies with the laws and regulations relating to hazardous waste under the Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Solid Waste Pollution, and Management of Waste & Discarded Materials: 38/2015/ND-CP of Vietnam and has entrusted qualified recycling service providers to properly dispose of such waste. Hebei Factory has also formulated the Prevention Measures and Emergency Plan for Hazardous Waste Pollution Accidents and the Hazardous Waste Management System to regulate the collection, storage, transfer, utilisation and disposal of hazardous waste. The material department is also responsible for collecting hazardous waste in domestic waste, supervising and managing waste concentration facilities, and submitting monitoring reports to the quality and safety department on a regular basis.

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 virtual 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 generated in the process.





Green Factories

By increasing the green space in the factory area, we hope to enable employees to work and live in a high-quality and comfortable place. While creating an environment-friendly community, it is also conducive to the physical and mental health development of employees. 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.

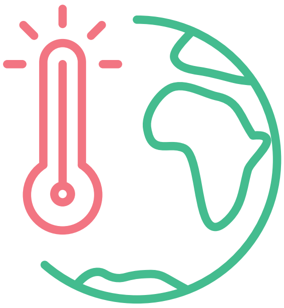
In addition to greenery, our Huizhou Factories have reserved space for organic farming to grow seasonal fruits and vegetables, providing organic food to be consumed at our staff canteens.

Food Waste Treatment

Our food waste mainly comes from leftovers generated by the food and beverage department in the course of offering catering services to our employees and visitors. In the aspect of food waste disposal, the staff of our food and beverage department regularly clean up the kitchen garbage every day to avoid the breeding of bacteria. We take waste reduction at the source as the major principle for the disposal of food waste. When arranging meal supply, the food and beverage department will purchase and prepare meals according to the number of visitors and employees without wasting food. It also calls on employees to cherish food and minimise the generation of food waste. In addition, considering that the landfill treatment of food waste will lead to the generation of greenhouse gases, speed up global warming and affect the ecological environment. In view of this, our Huizhou Factories cooperate with swine farms and our Hebei Factory cooperate with poultry farms to recycle our food waste. The farms are responsible for recycling our kitchen waste and feeding their pigs and poultry respectively after treatment. This can not only reduce the generation of waste, reduce the load of waste treatment, but also dispose of food waste in a more effective manner, thus achieving a win-win situation.

CLIMATE CHANGE

Global warming has been an important issue of great concern to the businesses sector and the general public in recent years. We also fully understand the urgency of incorporating the emission reduction and carbon reduction into the operation and sustainable development strategies. Therefore, we adopt a risk-based analytical approach to assess the impact of climate change on our business and identify the associated climate change risks in accordance with our enterprise risk management framework, so as to improve our ability to cope with extreme weather. The board of directors and the Sustainable Development Task Force would re-evaluate the level of risks associated with climate change on an annual basis. If there is a change in risk rating, the Group will adjust its response measures accordingly and review the effectiveness of such measures on an ongoing basis.



Due to global warming, we believe that consumers may reduce their demand for knitwear products, thus affecting our business development. During the Year, we focused on strengthening market research, actively developing knitwear products suitable for spring and summer, and expanding product coverage to attract more customers. Meanwhile, we also study the possibility of business diversification in many aspects, such as the development of weaving and printing and dyeing fabric business, to cope with the impact of global warming on our business. In addition, we also bear certain transformation risks in terms of policies and regulations. As a listed company of the Stock Exchange, if the Group fails to timely learn about or comply with the ESG guidelines or the local regulations on environmental emissions and the reporting amendment or update requirements in the future, it may have an impact on its business. In view of this, the Group will appoint professional legal advisers to provide advisory services when necessary, and arrange dedicated departments to pay close attention to local policy and regulatory updates to ensure that the Group can comply with the relevant regulations of the places where we operate.

CONTRIBUTIONS TO THE SOCIETY

As an enterprise with high civic awareness and social responsibility, the Group has spared no effort to support and participate in public welfare and charity activities for many years, and is committed to building a better society with our community. We follow the spirit of "being taken from the society, giving back to the society" and have been committed to reaching out to the community to give back to the community and fulfill our responsibilities as a member of the community. During the Reporting Period, we made sponsorships and donations of over HK$1 million in total to various non-profit and charitable organisations. Our factories around the world also donate materials and gifts to the local citizens affected by the pandemic and the nursing homes for the elderly, so as to contribute to the needy in the community and spread positive energy. We also hope to encourage our staff to participate in more volunteer activities to promote a positive culture of philanthropy and to promote voluntary participation in charitable activities for the needy in the community. During the Reporting Period, the total number of hours we spent on volunteer activities was approximately 32 hours, including visiting homes for the elderly, participating in supporting for quarantine during the pandemic, and conducting public fund-raising. We are committed to on-going participation in various charitable activities in the future to create a caring community.

FUND RAISING ACTIVITY FOR COMMUNITY CHEST

During the Year, the Group sponsored nearly HK$400,000 to the Community Chest of Hong Kong. With regard to the "Dress Casual Day" activity, the Group has been promoted from the silver sponsor of the last year to the diamond sponsor of the current year, and the Chairman of the Group, Mr. Wong Wai Yue, has served as the Chairman of the Organising Committee of the Dress Casual Day to personally support the fund-raising activities of the Community Chest.

The management and employees of the Group participated in the 2021 Dress Casual Day with the theme of "We We Wear Wear", and raised funds in casual clothes for the Community Chest of Hong Kong for its six major subsidised services, including children and youth services, elderly services, family and child welfare services, medical and health services, rehabilitation and aftercare services, and community development.


生命熱線
Certificate of Appreciation
OUR HEARTFELT APPRECIATION
FOR YOUR KIND SUPPORT TO
DON'T QUA CHARITY ACTION 2021
Nameson Holdings Limited
南旋控股有限公司
27/11/2021
DATE
VINCENT NG
EXECUTIVE DIRECTOR

DON'T QUA CHARITY ACTION

During the Year, the Group also participated in the "Don't Qua Charity Action 2021 (冬(Don't) 瓜慈善愛心大行動 2021)" organised by the Suicide Prevention Services to raise social concern about the mental health and suicide of the elderly. We sponsored a total of HK$40,000 for this event.

FUTURE PROSPECTS

During the Year, the continuous impact of the COVID-19 pandemic has brought us different challenges and tests. Even though there are many difficulties in the process of recovering from the COVID-19 pandemic, we will unswervingly fulfill our commitment to customers' high-quality products and services, create a harmonious and good working environment for our employees, continuously work hard for environmental protection and social sustainable development, and practice our responsibilities as a member of the society. Relying on the support and trust of various stakeholders over the years, we promise that in the future, in addition to more actively participating in public welfare, charity and community activities, we will continuously study measures to optimise energy efficiency and promote environmental conservation, so as to make greater contributions to the community. Finally, we hope that through this Report, we can deepen our stakeholders' understanding of our sustainable development business philosophy and ESG performance during the Year, and work with us to achieve sustainable development in the future and create long-term and positive value for the society. We would like to thank all stakeholders for their active participation and valuable advice during the Year.

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Nameson Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 111 to 183, comprise:

- the consolidated balance sheet as at 31 March 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, 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 matter identified in our audit is related to Tax provision.

Key Audit Matter	How our audit addressed the Key Audit Matter
Tax provision	
Refer to Notes 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 People's Republic of China (the " PRC") 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 assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated the outcome of prior period assessment of income tax provisions to assess the effectiveness of management's estimation process. We evaluated management's income tax provisions assessments 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 THE 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, actions taken to eliminate threats or safeguards applied.

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, 24 June 2022

Consolidated Income Statement

For the year ended 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	5	**4,040,472**	3,848,554
Cost of sales	7	**(3,334,374)**	(3,147,112)
Gross profit		**706,098**	701,442
Other income	6	**20,509**	17,072
Other (losses)/gains, net	8	**(979)**	31,007
Selling and distribution expenses	7	**(38,223)**	(40,969)
General and administrative expenses	7	**(347,966)**	(342,658)
Reversal of impairment losses on financial assets	7	**–**	1,737
Operating profit		**339,439**	367,631
Share of post-tax profit of a joint venture	28	**762**	60
Finance income	10	**2,687**	2,861
Finance expenses	10	**(23,862)**	(35,885)
Finance expenses, net		**(21,175)**	(33,024)
Profit before income tax		**319,026**	334,667
Income tax expenses	12	**(43,422)**	(36,309)
Profit for the year		**275,604**	298,358
Profit for the year attributable to:			
— Owners of the Company		**263,302**	313,677
— Non-controlling interests		**12,302**	(15,319)
		275,604	298,358
Earnings per share attributable to the owners of the Company during the year			
— Basic and diluted (HK cents per share)	13	**11.55**	13.76

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 2022

	Note	2022 HK$'000	2021 HK$'000
Profit for the year		**275,604**	298,358
Other comprehensive income, net of tax:			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
— Currency translation differences		**32,220**	49,867
— Share of other comprehensive income of a joint venture	28	**30**	173
Other comprehensive income for the year, net of tax		**32,250**	50,040
Total comprehensive income for the year		**307,854**	348,398
Total comprehensive income for the year attributable to:			
— Owners of the Company		**290,296**	353,608
— Non-controlling interests		**17,558**	(5,210)
		307,854	348,398

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

Consolidated Balance Sheet

As at 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**2,131,132**	1,770,817
Right-of-use assets	16(a)	**384,553**	830,109
Investment properties	17	**1,754**	1,836
Intangible assets		**–**	–
Interest in a joint venture	28	**4,919**	8,297
Financial assets at fair value through profit or loss	18	**178,830**	173,113
Prepayments, deposits, other receivables and other assets	21	**69,298**	84,499
Deferred income tax assets	26	**694**	691
		2,771,180	2,869,362
Current assets			
Inventories	19	**1,161,246**	721,606
Trade receivables	20	**146,193**	143,866
Derivative financial instruments	27	**34**	–
Prepayments, deposits, other receivables and other assets	21	**124,813**	124,605
Tax recoverable		**73**	2,970
Cash and cash equivalents	22	**610,718**	793,201
		2,043,077	1,786,248
Total assets		**4,814,257**	4,655,610
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	29	**22,794**	22,794
Reserves	30	**2,385,610**	2,218,397
		2,408,404	2,241,191
Non-controlling interests		**194,490**	174,944
Total equity		**2,602,894**	2,416,135

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

Consolidated Balance Sheet (continued)

As at 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	23	**935,637**	342,967
Loan from a non-controlling shareholder of a subsidiary	34	**3,976**	–
Lease liabilities	24	**47,954**	112,757
Provision for reinstatement costs	25(b)	**426**	381
Deferred income tax liabilities	26	**1,753**	2,355
		989,746	458,460
Current liabilities			
Trade and bills payables	25(a)	**415,942**	314,378
Accruals and other payables	25(b)	**240,062**	183,798
Current income tax liabilities		**236,048**	219,224
Bank borrowings	23	**254,471**	881,317
Lease liabilities	24	**75,094**	182,298
		1,221,617	1,781,015
Total liabilities		**2,211,363**	2,239,475
Total equity and liabilities		**4,814,257**	4,655,610
Net current assets		**821,460**	5,233

The financial statements on pages 111 to 183 were approved by the Board of Directors on 24 June 2022 and were signed on its behalf.

Wong Wai Yue
Chairman and Executive Director

Man Yu Hin
Chief Executive Officer 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 2022

	Attributable to the owners of the Company				
	Share capital (Note 29) HK$'000	Reserves (Note 30) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 April 2021	**22,794**	**2,218,397**	**2,241,191**	**174,944**	**2,416,135**
Profit for the year	**–**	**263,302**	**263,302**	**12,302**	**275,604**
Other comprehensive income:					
— Currency translation differences	**–**	**26,964**	**26,964**	**5,256**	**32,220**
— Share of other comprehensive income of a joint venture	**–**	**30**	**30**	**–**	**30**
Total comprehensive income	**–**	**290,296**	**290,296**	**17,558**	**307,854**
Transactions with owners					
— Capital contribution from non-controlling interests	**–**	**–**	**–**	**1,988**	**1,988**
Share option scheme					
— Equity-settled share-based compensation (Note 31)	**–**	**4**	**4**	**–**	**4**
Dividends (Note 14)	**–**	**(123,087)**	**(123,087)**	**–**	**(123,087)**
As at 31 March 2022	**22,794**	**2,385,610**	**2,408,404**	**194,490**	**2,602,894**
As at 1 April 2020	22,794	1,951,166	1,973,960	122,654	2,096,614
Profit for the year	–	313,677	313,677	(15,319)	298,358
Other comprehensive income:					
— Currency translation differences	–	39,758	39,758	10,109	49,867
— Share of other comprehensive income of a joint venture	–	173	173	–	173
Total comprehensive income/(loss)	–	353,608	353,608	(5,210)	348,398
Transactions with owners					
— Capital contribution from non-controlling interests	–	–	–	57,500	57,500
Share option scheme					
— Equity-settled share-based compensation (Note 31)	–	240	240	–	240
Dividends (Note 14)	–	(86,617)	(86,617)	–	(86,617)
As at 31 March 2021	22,794	2,218,397	2,241,191	174,944	2,416,135

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 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**294,260**	870,695
Interest paid		**(23,798)**	(35,800)
Income tax (paid)/refunded, net		**(26,505)**	14,443
Net cash generated from operating activities		**243,957**	849,338
Cash flows from investing activities			
Purchases of property, plant and equipment		**(150,251)**	(278,460)
Proceeds from disposals of property, plant and equipment	32(b)	**52,982**	5,323
Interest received		**2,687**	2,861
Repayment of loan from a joint venture	28	**4,170**	–
Net cash used in investing activities		**(90,412)**	(270,276)
Cash flows from financing activities			
Proceeds from new bank borrowings	32(d)	**1,490,008**	186,585
Repayments of bank borrowings	32(d)	**(1,524,184)**	(470,020)
Repayments of lease liabilities	32(d)	**(186,397)**	(196,605)
Dividends paid		**(123,087)**	(86,617)
Capital contribution from non-controlling interests		**1,988**	57,500
Proceeds from loan from a non-controlling shareholder of a subsidiary	32(d)	**3,976**	–
Net cash used in financing activities		**(337,696)**	(509,157)
Net (decrease)/increase in cash and cash equivalents		**(184,151)**	69,905
Cash and cash equivalents at beginning of the year		**793,201**	713,128
Exchange difference on cash and cash equivalents		**1,668**	10,168
Cash and cash equivalents at end of the year	22	**610,718**	793,201

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. 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) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for the financial year beginning 1 April 2021:

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions
HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform (Phase 2)
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use

The Group has early adopted HKAS 16 (Amendments) "Property, Plant and Equipment — Proceeds before Intended Use" retrospectively from 1 April 2021. The amendments prohibit an entity from deducting the proceeds from selling items produced by an asset before that asset is available for use from the cost of property, plant and equipment and require the entity to recognise the proceeds before intended use and related cost in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) Amended standards adopted by the Group *(Continued)*

Proceeds of approximately HK$37,101,000 and costs of approximately HK$35,213,000 relating to the items produced before certain assets were available for use have been recognised in revenue and cost in the consolidated income statement for the year ended 31 March 2022. There is no impact on the opening balance of equity at 1 April 2021.

Except for the HKAS 16 (Amendments) set out above, the adoption of the other amended standards did not result in the Group changing its accounting policies or making retrospective adjustments.

(b) New and amended standards, interpretation and accounting guideline not yet adopted by the Group

The following new and amended standards, interpretation and accounting guideline have been issued but are not effective for the Group's financial year beginning 1 April 2021 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual improvements projects	Annual Improvements to HKFRS 2018 to 2020	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

2.2.1 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

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.

2.2.2 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.

2.3 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 2.3.1), after initially being recognised at cost in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Joint arrangements *(Continued)*

2.3.1 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 2.9.

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.

2.4 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 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 (losses)/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)*

2.6 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.

(c) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

During the year ended 31 March 2022, the management concluded that no future economic benefits are expected from the goodwill and the technical knowhow acquired previously through business combination of the acquisition of V. Success Limited and its subsidiaries during the year ended 31 March 2018. Therefore, the goodwill with cost of HK$493,910,000 and accumulated impairment loss of HK$493,910,000 and the technical knowhow with cost of HK$110,208,000, accumulated amortisation of HK$27,445,000 and accumulated impairment loss of HK$82,763,000 are derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment

Land and buildings comprise mainly manufacturing factories and offices. Leasehold land classified as right-of-use assets 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.

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

Buildings	2.5% to 4%
Leasehold improvements	Over the term of the leases
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 2.9).

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

2.8 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%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Investment property *(Continued)*

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 2.9).

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

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life 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 tested 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.

2.10 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)*

2.10 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 instrument:

(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 (losses)/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 (losses)/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 (losses)/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 (losses)/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 (losses)/gains, net" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

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 ("HKFRS 9")", which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 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.

2.19 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 end of the reporting period 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

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.

2.20 Employee benefits

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

(a) Pension obligations

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

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

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

(b) Termination benefits

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

(c) Employee leave entitlements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 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.

2.22 Leases

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.

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.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Leases *(Continued)*

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.

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.

Payments associated with short-term leases 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 without a purchase option.

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 consolidated balance sheet based on their nature.

2.23 Revenue and income recognition

(a) Sales of goods

The Group manufactures and sells a range of knitwear products. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Revenue and income recognition *(Continued)*

(a) Sales of goods *(Continued)*

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.

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.

2.24 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.

2.25 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 Renminbi ("RMB") and United States dollar ("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 also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and has entered into certain foreign exchange contracts to manage foreign exchange risks. As at 31 March 2022, the Group had certain outstanding forward foreign currency contracts, details of which are further presented in Note 27.

As at 31 March 2022, 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$1,180,000 (2021: HK$103,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of RMB denominated deposits and other receivables (Note 21) and cash and cash equivalents (Note 22).

As at 31 March 2022, if US$ 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$110,000 (2021: HK$199,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents (Note 22).

As at 31 March 2022, if US$ has weakened/strengthened by 5% against Vietnamese Dong ("VND"), with all other variables held constant, the profit before tax for the year would have been approximately HK$957,000 (2021: HK$575,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US$ denominated trade receivables (Note 20) and cash and cash equivalents (Note 22).

(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 22. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings, details of which are disclosed in Note 23. 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 2022 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$6,036,000 (2021: HK$6,830,000) lower/higher, mainly as a result of higher/lower interest expense on floating-rate bank borrowings.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(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 2022, the majority of the bank balances as detailed in Note 22 are held with major financial institutions located in Hong Kong, the PRC 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 90 days. Normally the Group does not require collaterals from trade debtors. As at 31 March 2022, the Group's largest debtor accounted for 18% (2021: 9%) 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.

(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.

<u>Measurement of expected credit loss on individual basis</u>

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.

<u>Measurement of expected credit loss on collective basis</u>

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, taking into account the nature of the customer, its geographical location and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

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

Trade receivables (Continued)

Measurement of expected credit loss on collective basis (Continued)

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 past repayment history 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. The Group has identified the gross domestic product in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in this factor. Based on the Group's assessment, expected credit loss rate of trade receivables is close to zero.

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 2022, no provision for impairment for trade receivables assessed individually was made by the Group (2021: nil) (Note 20) whilst the loss allowance for trade receivables assessed collectively is not material (2021: same).

Other financial assets at amortised cost

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

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

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

(c) significant changes in the expected performance and 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 30 days past due in making a contractual payment/repayable demanded. During the year ended 31 March 2022, no impairment loss on other receivables was recognised in profit or loss (2021: nil) (Note 21).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk

The Group adopts a prudent liquidity risk management by 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, repayments of lease liabilities 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.

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 2022				
Trade and bills payables	**415,942**	**–**	**–**	**415,942**
Accruals and other payables	**151,556**	**–**	**–**	**151,556**
Bank borrowings	**272,142**	**421,466**	**534,123**	**1,227,731**
Loan from a non-controlling shareholder of a subsidiary	**–**	**–**	**3,976**	**3,976**
Lease liabilities	**76,763**	**46,089**	**2,366**	**125,218**
	916,403	**467,555**	**540,465**	**1,924,423**
At 31 March 2021				
Trade and bills payables	314,378	–	–	314,378
Accruals and other payables	100,741	–	–	100,741
Bank borrowings	896,440	150,138	198,476	1,245,054
Lease liabilities	186,118	72,708	42,348	301,174
	1,497,677	222,846	240,824	1,961,347

(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 2022 and 2021.

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 31 March 2022				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investments	**–**	**–**	**178,830**	**178,830**
Derivative financial instruments	**–**	**34**	**–**	**34**
	–	**34**	**178,830**	**178,864**
At 31 March 2021				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investments	–	–	173,113	173,113

There were no transfers among levels 1, 2 and 3 and no change in valuation during the year ended 31 March 2022 (2021: 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 2022 and 2021, please refer to Note 18.

These unlisted investments in level 3 represent unlisted key management insurance policies. The fair value of key management insurance contracts is determined using the discounted cash flow model with 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. The significant unobservable inputs used in the fair value measurement of the Group's key management insurance contracts are ages of life insured persons and the discount rate. While significant increase/(decrease) in the ages of life insured persons would result in a significantly higher/(lower) fair value measurement. While significant increase/(decrease) in the discount rate would result in a significantly (lower)/higher fair value measurement. Consideration is also placed on the pattern of crystallising the contracts and surrender charges, if any.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Capital risk management

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

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

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

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

The gearing ratios at 31 March 2022 and 2021 were as follows:

	As at 31 March	
	2022	2021
	HK$'000	HK$'000
Total borrowings	**1,313,156**	1,519,339
Less: cash and cash equivalents	**(610,718)**	(793,201)
Net debt	**702,438**	726,138
Total equity	**2,602,894**	2,416,135
Total capital	**3,305,332**	3,142,273
Gearing ratio	**21.25%**	23.11%

The decrease in gearing ratio from 23.11% as at 31 March 2021 to 21.25% as at 31 March 2022 was primarily due to the decrease of net debt as a result of net repayments of bank borrowings and lease liabilities during the year and the increase of total equity as a result of profit for the year.

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.

(b) Impairment of non-financial assets

Non-financial assets including intangible assets, property, plant and equipment and right-of-use assets 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 the higher of value-in-use calculations and 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 value in use; 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. 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 value-in-use calculations 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.

The Group has a production base under construction in Myanmar. As a result of recent incidents in Myanmar, the directors of the Company has carried out an impairment assessment on the cash-generating unit in Myanmar. Please refer to Note 15 for the details.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(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, which are used for the purposes of assessing performance and making strategic decisions.

During the years ended 31 March 2022 and 2021, the Group has been operating in a single operating segment, i.e. manufacturing of knitwear products.

The Board assess the performance of the operating segment based on a measure of gross profit.

(a) Revenue by location of goods delivery

	2022 **HK$'000**	2021 HK$'000
Japan	**1,097,146**	1,307,153
North America	**516,165**	535,357
Europe	**696,048**	708,818
Mainland China	**1,145,845**	916,227
Other countries	**585,268**	380,999
	4,040,472	3,848,554

5 SEGMENT INFORMATION *(Continued)*

(b) Non-current assets

	2022 **HK$'000**	2021 HK$'000
Hong Kong	**58,321**	32,797
Mainland China	**603,775**	703,166
Vietnam	**1,527,630**	1,635,424
Myanmar	**397,011**	315,874
	2,586,737	2,687,261

The non-current assets information above is based on the location of the assets and excludes intangible assets, interest in a joint venture, financial assets at fair value through profit or loss and deferred income tax assets.

(c) Major customers

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

	2022 **HK$'000**	2021 HK$'000
Customer A	**1,807,143**	2,025,804

The five largest customers accounted for approximately 66.6% (2021: 73.1%) of revenue for the year ended 31 March 2022.

(d) Disaggregation of revenue from contracts with customers

For the years ended 31 March 2022 and 2021, 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:

	2022 HK$'000	2021 HK$'000
Contract liabilities — receipts in advance (Note 25(b))	**12,244**	18,272

Contract liabilities for sales of goods contracts have decreased by HK$6,028,000 (2021: HK$8,630,000) due to a decrease in unfulfilled performance obligations as at year end date.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**17,008**	9,509

6 OTHER INCOME

	2022 HK$'000	2021 HK$'000
Rental income from investment properties	**720**	720
Rental income from properties occupied by employees	**908**	520
Government subsidies	**1,614**	9,786
Income from claims settled (Note)	**6,297**	–
Income from scraps sales	**6,157**	2,237
Others	**4,813**	3,809
	20,509	17,072

Note:

During the year ended 31 March 2022, the Group received an income of HK$6,297,000 from a customer on claims settled for the termination of purchase orders.

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and reversal of impairment losses on financial assets are analysed as follows:

	2022 HK$'000	2021 HK$'000
Advertising and promotion expenses	**5,298**	7,166
Auditor's remuneration		
— audit services	**2,944**	2,849
— non-audit services	**661**	651
Depreciation		
— owned property, plant and equipment (Note 15)	**146,327**	126,322
— right-of-use assets (Note 16)	**79,787**	89,692
Depreciation of investment properties (Note 17)	**82**	82
Employment benefit expenses (including directors' emoluments) (Note 9)	**907,256**	871,918
Raw materials used	**2,280,290**	1,861,087
Changes in inventories of finished goods and work in progress	**(339,074)**	42,176
Provision for impairment of inventories	**2,399**	5,570
Consumables	**94,909**	75,012
Provision for impairment of property, plant and equipment (Note 15)	**–**	21,916
Reversal of impairment of trade receivables (Note 20)	**–**	(1,737)
Subcontracting charges	**228,352**	169,328
Agency and commission expenses	**2,166**	1,407
Transportation charges	**34,031**	32,886
Sample charges	**14,638**	10,866
Donations	**1,015**	3,056
Short-term lease payments (Note 16(b))	**449**	764
Utilities expenses	**131,379**	93,626
Others	**127,654**	114,365
Total cost of sales, selling and distribution expenses, general and administration expenses and reversal of impairment losses on financial assets	**3,720,563**	3,529,002

8 OTHER (LOSSES)/GAINS, NET

	2022 HK$'000	2021 HK$'000
Net foreign exchange (losses)/gains	**(9,740)**	15,632
Net gains on financial assets at fair value through profit or loss (Note 18)	**5,717**	5,818
Net gains on disposals of property, plant and equipment (Note 32(b))	**826**	1,133
Net realised and unrealised gains from derivative financial instruments	**2,211**	8,213
Others	**7**	211
	(979)	31,007

9 EMPLOYMENT BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

Employment benefit expenses, including directors' emoluments, consist of:

	2022 HK$'000	2021 HK$'000
Wages, salaries, commissions, allowances, bonuses, welfare and other benefits	**821,891**	806,506
Equity-settled share-based compensation (Note 31)	**4**	240
Pension costs — defined contribution plans	**85,361**	65,172
	907,256	871,918

(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.

No forfeited contribution is available to reduce the contribution payable in future year.

9 EMPLOYMENT BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2022 include four (2021: four) directors whose emoluments are reflected in Note 35 to the consolidated financial statements. The emoluments payable to the remaining one (2021: one) individual during the year are as follows:

	2022 HK$'000	2021 HK$'000
Wages, salaries, commissions, allowances, bonuses, welfare and other benefits	**1,560**	1,560
Pension costs — defined contribution plans	**18**	18
Bonus	**400**	300
	1,978	1,878

The emoluments fell within the following band:

	2022	2021
Emolument band		
HK$1,500,001–HK$2,000,000	**1**	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

	2022 HK$'000	2021 HK$'000
Finance income		
Interest income from:		
— Bank deposits	**2,687**	2,861
Finance expenses		
Interest expenses on:		
— Bank borrowings	**(19,407)**	(28,372)
— Lease liabilities (Note 16(b))	**(4,455)**	(7,513)
	(23,862)	(35,885)
Finance expenses, net	**(21,175)**	(33,024)

11 SUBSIDIARIES

The following are details of the principal subsidiaries at 31 March 2022:

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 2022	The Company 2021	The non-controlling interest 2022	The non-controlling interest 2021
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%	**–**	–
Huizhou Nanxuan Knitting Fty. Ltd.	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%	**–**	–
Top Galaxy (Myanmar) Apparel Limited	Myanmar, limited liability company	US$53,215,500	Manufacturing of knitwear products, Myanmar	**100%**	100%	**–**	–
Sumtex Industrial Limited	Hong Kong, limited liability company	HK$70	Investment holding and trading of fabric, Hong Kong	**100%**	100%	**–**	–
Hebei Nanguan Technology Co., Ltd	The PRC, limited liability company	RMB200,000,000	Manufacturing of cashmere yarn, the PRC	**55%**	55%	**45%**	45%

11 SUBSIDIARIES *(Continued)*

(a) Non-controlling interests

During the year ended 31 March 2022, Huizhou Nanxuan Knitting Factory Limited, a subsidiary of the Group, and AY International Trading Limited, non-controlling interests ("NCI"), agreed to make capital contribution of HK$4,639,000 and HK$1,988,000 respectively to Huizhou Nanxuan New Energy Limited.

During the year ended 31 March 2021, South Champion Textiles Limited, a subsidiary of the Group, and Hebei Yuteng Cashmere Products Co., Ltd., NCI, agreed to make capital contribution of HK$70,278,000 and HK$57,500,000 respectively to Hebei Nanguan Technology Co., Ltd. Upon the completion of capital contribution, there is no change in equity interest in Hebei Nanguan Technology Co., Ltd. held by South Champion Textiles Limited and Hebei Yuteng Cashmere Products Co., Ltd.

Set out below is summarised financial information for a subsidiary that has NCI that is material to the Group. The amounts disclosed for the subsidiary are before inter-company eliminations.

Summarised income statement

	2022 **HK$'000**	2021 HK$'000
Revenue	**922,958**	516,042
Profit/(loss) for the year	**28,073**	(28,246)
Other comprehensive income	**9,955**	23,388
Total comprehensive income/(loss)	**38,028**	(4,858)
Profit/(loss) allocated to NCI	**12,632**	(12,711)
Other comprehensive income allocated to NCI	**4,480**	10,525
Total comprehensive income/(loss) allocated to NCI	**17,112**	(2,186)

Summarised balance sheet

	2022 **HK$'000**	2021 HK$'000
Current assets	**507,085**	276,960
Current liabilities	**(241,302)**	(70,169)
Current net assets	**265,783**	206,791
Non-current assets	**174,742**	193,866
Non-current liabilities	**(3,199)**	(1,358)
Non-current net assets	**171,543**	192,508
Net assets	**437,326**	399,299
Accumulated NCI	**(196,797)**	(179,685)

11 SUBSIDIARIES *(Continued)*

(a) Non-controlling interests *(Continued)*

Summarised cash flows

	2022 HK$'000	2021 HK$'000
Cash inflows/(outflows) from operating activities	**43,363**	(106,137)
Cash outflows from investing activities	**(8,447)**	(14,174)
Cash (outflows)/inflows from financing activities	**(13,001)**	115,263
Net increase/(decrease) in cash and cash equivalents	**21,915**	(5,048)

12 INCOME TAX EXPENSES

For the year ended 31 March 2022, Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2021: 25%) on estimated assessable profits. However, two (2021: two) of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15% after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment 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 is 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 fourth year of 50% reduction in the BIT rate, whereas, the other two subsidiaries in Vietnam have no assessable profit for the year ended 31 March 2022, and hence no BIT is provided.

	2022 HK$'000	2021 HK$'000
Current and deferred income tax		
— Hong Kong profits tax	**13,386**	14,311
— China corporate income tax	**29,090**	22,290
— Vietnam business income tax	**417**	–
— Deferred taxation (Note 26)	**(604)**	(292)
	42,289	36,309
Under provision in prior years		
— Vietnam business income tax	**1,133**	–
	43,422	36,309

12 INCOME TAX EXPENSES *(Continued)*

The difference between the actual income tax charged to the consolidated income statement and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	2022 **HK$'000**	2021 HK$'000
Profit before income tax	**319,026**	334,667
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**83,129**	74,280
Income not subject to tax	**(380,667)**	(362,973)
Expenses not deductible for tax purposes	**334,970**	322,872
Under provision in prior years	**1,133**	–
Others	**4,857**	2,130
Income tax expenses	**43,422**	36,309

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 March 2022 and 2021 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Profit attributable to the owners of the Company (HK$'000)	**263,302**	313,677
Weighted average number of ordinary shares in issue ('000)	**2,279,392**	2,279,392
Basic earnings per share (HK cents)	**11.55**	13.76

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the years ended 31 March 2022 and 2021 equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

14 DIVIDENDS

At the board meeting held on 26 November 2021, the Board of Directors declared an interim dividend for the year ended 31 March 2022 of 4.2 HK cents per share amounting to a total of HK$95,734,000 and paid on 22 December 2021.

At the board meeting held on 24 June 2022, the Board of Directors recommended a final dividend of 1.5 HK cents per share amounting to a total of HK$34,191,000. The proposed dividends are not reflected as a dividend payable in these consolidated financial statements and will be reflected as appropriation of retained earnings for the year ending 31 March 2023.

At the board meeting held on 20 November 2020, the Board of Directors declared an interim dividend for the year ended 31 March 2021 of 3.8 HK cents per share amounting to a total of HK$86,617,000 and paid on 22 December 2020.

At the board meeting held on 25 June 2021, the Board of Directors declared a final dividend for the year ended 31 March 2021 of 1.2 HK cents per share amounting to a total of HK$27,353,000 and paid on 21 September 2021.

15 PROPERTY, PLANT AND EQUIPMENT

	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 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
Year ended 31 March 2021							
Opening net book amount	534,049	6,786	730,161	23,352	25,942	195,431	1,515,721
Additions	–	144	84,710	12,452	2,800	186,702	286,808
Disposals	–	(191)	(3,138)	(326)	(535)	–	(4,190)
Transfers	–	–	2,885	3,167	261	(6,313)	–
Reclassification (Note 16)	–	–	88,361	–	–	–	88,361
Exchange differences	10,840	340	20,517	158	19	481	32,355
Depreciation (Note 7)	(28,596)	(637)	(82,378)	(9,398)	(5,313)	–	(126,322)
Impairment (Note 7)	–	–	(21,916)	–	–	–	(21,916)
Closing net book amount	516,293	6,442	819,202	29,405	23,174	376,301	1,770,817
At 31 March 2021							
Cost	861,952	33,884	2,110,036	76,846	65,113	376,301	3,524,132
Accumulated depreciation and impairment	(345,659)	(27,442)	(1,290,834)	(47,441)	(41,939)	–	(1,753,315)
Net book amount	516,293	6,442	819,202	29,405	23,174	376,301	1,770,817
Year ended 31 March 2022							
Opening net book amount	**516,293**	**6,442**	**819,202**	**29,405**	**23,174**	**376,301**	**1,770,817**
Additions	**4,587**	**9,104**	**55,693**	**4,671**	**1,431**	**78,550**	**154,036**
Disposals	**(1,261)**	**–**	**(50,772)**	**(123)**	**–**	**–**	**(52,156)**
Transfers	**146,186**	**10,549**	**2,212**	**1,142**	**–**	**(160,089)**	**–**
Reclassification (Note 16)	**–**	**–**	**386,001**	**–**	**–**	**–**	**386,001**
Exchange differences	**7,324**	**373**	**10,531**	**204**	**33**	**296**	**18,761**
Depreciation (Note 7)	**(30,701)**	**(1,224)**	**(100,171)**	**(9,301)**	**(4,930)**	**–**	**(146,327)**
Closing net book amount	**642,428**	**25,244**	**1,122,696**	**25,998**	**19,708**	**295,058**	**2,131,132**
At 31 March 2022							
Cost	**1,027,097**	**54,061**	**2,687,418**	**83,292**	**65,134**	**295,058**	**4,212,060**
Accumulated depreciation and impairment	**(384,669)**	**(28,817)**	**(1,564,722)**	**(57,294)**	**(45,426)**	**–**	**(2,080,928)**
Net book amount	**642,428**	**25,244**	**1,122,696**	**25,998**	**19,708**	**295,058**	**2,131,132**

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	2022	2021
	HK$'000	HK$'000
Depreciation charged in consolidated income statement:		
— Cost of sales	**126,568**	106,110
— General and administrative expenses	**19,759**	20,212
	146,327	126,322

During the year ended 31 March 2022, the Group assumed the ownership of right-of-use assets with an aggregate net book value of HK$386,001,000 (2021: HK$88,361,000) at the time of the expiry of leases in accordance with the terms of leases.

Buildings are primarily situated in Mainland China and Vietnam.

During the year ended 31 March 2021, management reviewed the carrying amount of property, plant and equipment and impairment losses of HK$21,916,000 had been identified and recognised in the consolidated income statement. The impairment of HK$21,916,000 for the year ended 31 March 2021 was made for certain machineries which no longer fit into the Group's overall production strategy.

As at 31 March 2022, the Group had certain property, plant and equipment, right-of-use assets, prepayments for property, plant and equipment and other operating assets in Myanmar with carrying amounts of approximately HK$349,773,000, HK$30,382,000, HK$16,856,000 and HK$1,107,000 (2021: HK$258,568,000, HK$29,237,000, HK$28,069,000 and nil) respectively which have been allocated to the cash-generating unit (the "Myanmar CGU") for impairment testing. Due to the incidents in Myanmar in recent years, the construction and development progress of the production base in Myanmar is affected. The directors of the Company have carried out an impairment assessment of these assets by using value-in-use method. The recoverable amount is determined by using cash flow projection based on the financial budgets covering a five-year period from the commencement date of full operation, and a pre-tax discount rate of 19.7% per annum.

The directors of the Company plan to allocate part of the Group's knitwear sales orders to Myanmar for production and the financial model assumes the Group's revenue of knitwear sales have an annual growth rate of 7.00% for financial years ending 31 March 2023 and 31 March 2024; have an annual growth rate of 2.50% for financial years ending 31 March 2025 to 31 March 2026 and have an annual growth rate of 1.25% for financial years ending 31 March 2027 to 31 March 2029. The terminal growth rate is assumed to be 3.00% per annum beyond the seven-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 Myanmar CGU with reference to the valuation performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer. As at 31 March 2022, the recoverable amount of the Myanmar CGU determined based on the value-in-use calculations was higher than the carrying amount of the Myanmar CGU of HK$31,437,000, and accordingly, no provision for impairment of property, plant and equipment, right-of-use assets, prepayments for property, plant and equipment and other operating assets has been made for the year ended 31 March 2022 (2021: same).

The Group has performed an sensitivity analysis for the recoverable amount of the Myanmar CGU as at 31 March 2022. An increase in discount rate by 0.5% or a decrease in gross margin by 0.4%, with all the variables taken in isolation, the estimated changes in recoverable amount are considered to be immaterial and would not result in impairment.

16 RIGHT-OF-USE ASSETS

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to right-of-use assets:

	Plant and machinery HK$'000	Leased properties HK$'000	Land use rights (Note i) HK$'000	Total HK$'000
Year ended 31 March 2021				
Opening net book amount	849,227	25,982	121,690	996,899
Additions (Note 32(c))	–	5,074	–	5,074
Lease modification	–	(973)	(642)	(1,615)
Reclassification (Note 15)	(88,361)	–	–	(88,361)
Depreciation (Note 7)	(72,250)	(16,297)	(1,145)	(89,692)
Exchange differences	6,085	907	812	7,804
Closing net book amount at 31 March 2021	694,701	14,693	120,715	830,109

	Plant and machinery HK$'000	**Leased properties HK$'000**	**Land use rights (Note i) HK$'000**	**Total HK$'000**
Year ended 31 March 2022				
Opening net book amount	**694,701**	**14,693**	**120,715**	**830,109**
Additions (Note 32(c))	**–**	**13,215**	**1,144**	**14,359**
Lease modification	**–**	**(159)**	**–**	**(159)**
Reclassification (Note 15)	**(386,001)**	**–**	**–**	**(386,001)**
Depreciation (Note 7)	**(62,208)**	**(16,126)**	**(1,453)**	**(79,787)**
Exchange differences	**4,992**	**240**	**800**	**6,032**
Closing net book amount at 31 March 2022	**251,484**	**11,863**	**121,206**	**384,553**

Note:

(i) As at 31 March 2022 and 2021, the Group's interests in land use rights represent prepaid operating lease payments and are located in Mainland China, Vietnam and Myanmar.

16 RIGHT-OF-USE ASSETS *(Continued)*

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2022 **HK$'000**	2021 HK$'000
Depreciation of right-of-use assets (Note 7)	**79,787**	89,692
Interest expense (Note 10)	**4,455**	7,513
Short-term lease payments (Note 7)	**449**	764
	84,691	97,969

The total cash outflow for leases for the year ended 31 March 2022 was HK$191,301,000 (2021: HK$204,882,000).

(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.

(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.

(e) Leases not yet commenced to which the lessee is committed

At 31 March 2022, the payments for leases that the Group has committed to but not commenced amounted to HK$28,748,000 (2021: HK$9,144,000). This amount has not been included in calculating the lease liabilities as at 31 March 2022.

17 INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
At cost		
Beginning net book amount of the year	**1,836**	1,918
Depreciation (Note 7)	**(82)**	(82)
End of the year	**1,754**	1,836
Cost	**4,640**	4,640
Accumulated depreciation	**(2,886)**	(2,804)
Net book amount	**1,754**	1,836

The fair values of the Group's investment properties as at 31 March 2022 were HK$26,300,000 (2021: HK$24,000,000), as determined by an independent professional valuation firm, RHL Appraisal Limited, on an open market basis.

Investment properties are situated in Hong Kong.

Depreciation of approximately HK$82,000 (2021: HK$82,000) for the year ended 31 March 2022 has been included in "general and administrative expenses".

Outgoings in respect of the investment properties amounted to HK$105,000 (2021: HK$97,000) for the year ended 31 March 2022.

For minimum lease payments receivable on leases of investment properties, refer to Note 33(a).

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Financial assets at fair value through profit or loss		
— Unlisted investments, at fair value (Note)	**178,830**	173,113

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 (losses)/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.

Certain bank borrowings of the Group are secured by financial assets at FVTPL with a total carrying amount of HK$6,526,000 (2021: HK$6,318,000) as at 31 March 2022 (Note 23).

Movement of the financial assets at FVTPL is as follows:

	HK$'000
Opening balance at 1 April 2020	167,295
Fair value gains on unlisted investments at FVTPL recognised in other (losses)/gains, net (Note 8)	5,818
Closing balance at 31 March 2021	173,113
Fair value gains on unlisted investments at FVTPL recognised in other (losses)/gains, net (Note 8)	5,717
Closing balance at 31 March 2022	178,830

Information about the Group's exposure to price risk is provided in Note 3.1(e). For information about the methods and assumptions used in determining fair value, refer to Note 3.2.

Financial assets at FVTPL are denominated in US$.

19 INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**333,923**	226,333
Work-in-progress	**659,261**	359,960
Finished goods	**168,062**	135,313
	1,161,246	721,606

The cost of inventories recognised as expense and included in "cost of sales" in the consolidated income statement amounted to HK$1,943,615,000 (2021: HK$1,908,833,000) for the year ended 31 March 2022.

20 TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**146,193**	143,866

The carrying amounts of trade receivables are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
US$	**109,788**	78,812
RMB	**36,405**	65,054
	146,193	143,866

The credit periods granted by the Group to its customers generally range from 0 to 90 days. As at 31 March 2022 and 2021, the ageing analysis of the trade receivables based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
Up to three months	**123,830**	109,788
Three to six months	**12,751**	23,799
Over six months	**9,612**	10,279
	146,193	143,866

Movements of impairment of trade receivables are as follows:

	2022 HK$'000	2021 HK$'000
As at 1 April	**–**	1,737
Reversal of impairment of trade receivables (Note 7)	**–**	(1,737)
As at 31 March	**–**	–

Information about the impairment of trade receivables and the Group's exposure to credit risk is set out in Note 3.1(c).

The maximum exposure to credit risk at the reporting date is the carrying value of receivables as set out above. The Group did not hold any collateral as security.

21 PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 HK$'000	2021 HK$'000
Prepayments for property, plant and equipment	**51,156**	64,762
Prepayments for subcontracting charges	**1,299**	7,281
Prepayments to raw materials suppliers (Note)	**25,747**	42,945
Other prepayments	**13,935**	19,881
Prepaid insurance premium for the key management insurance	**24,418**	25,573
	116,555	160,442
Less: Provision for impairment of prepayments	**(4,835)**	(4,835)
	111,720	155,607
Deposits (Note)	**6,994**	3,781
Other receivables	**74,468**	48,787
Other assets	**1,680**	1,680
Less: Provision for impairment of other receivables	**(751)**	(751)
	82,391	53,497
	194,111	209,104
Less: Non-current portion	**(69,298)**	(84,499)
Current portion	**124,813**	124,605

Note: As at 31 March 2022, prepayments, deposits, other receivables and other assets include prepayments for raw materials to a related company of approximately HK$19,959,000 (2021: HK$36,330,000) and deposits to a related company of approximately HK$48,000 (2021: HK$118,000) respectively (Note 34(b)).

Movements in the Group's provision for impairment of prepayments and other receivables are as follows:

	2022 HK$'000	2021 HK$'000
As at 1 April	**5,586**	7,094
Written off	**–**	(1,508)
As at 31 March	**5,586**	5,586

22 CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash and cash equivalents	**610,718**	793,201

Cash and cash equivalents are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
US$	**291,212**	398,001
HK$	**160,035**	182,348
RMB	**154,147**	199,614
VND	**2,825**	8,124
Others	**2,499**	5,114
	610,718	793,201

23 BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Current		
Portion of long-term bank borrowings, secured, due for repayment within one year which contain a repayment on demand clause	**1,033**	1,033
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**1,118**	2,151
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**252,320**	878,133
	254,471	881,317
Non-current		
Bank borrowings, unsecured	**935,637**	342,967
Total bank borrowings	**1,190,108**	1,224,284

The weighted average effective interest rate as at 31 March 2022 is 1.75% (2021: 1.57%).

23 BANK BORROWINGS *(Continued)*

The bank borrowings are due for repayment as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**253,353**	879,166
Between one and two years	**405,739**	147,333
Between two and five years	**531,016**	197,785
	1,190,108	1,224,284

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:

	2022 HK$'000	2021 HK$'000
HK$	**1,187,957**	1,221,100
US$	**2,151**	3,184
	1,190,108	1,224,284

The following borrowings were drawn by the Group under secured banking facilities:

	2022 HK$'000	2021 HK$'000
Bank borrowings	**2,151**	3,184

As at 31 March 2022, the Group's certain bank borrowings are secured by financial assets at FVTPL with a total carrying amount of HK$6,526,000 (2021: HK$6,318,000) (Note 18).

As at 31 March 2022, the Group's right-of-use assets with a total carrying amount of HK$14,339,000 (2021: HK$14,464,000) (Note 16), land and buildings and leasehold improvements with a total carrying amount of HK$162,034,000 (2021: HK$173,385,000) (Note 15) and financial assets at fair value through profit or loss with a total carrying amount of HK$6,526,000 (2021: HK$6,318,000) (Note 18) were pledged to banks to secure certain banking facilities granted to the Group.

24 LEASE LIABILITIES

The Group's lease liabilities are analysed as follows:

	2022 HK$'000	2021 HK$'000
Current		
Lease liabilities due for repayment within one year	75,094	182,298
Non-current		
Lease liabilities due for repayment after one year:		
Between one and two years	45,644	70,811
Between two and five years	2,310	41,946
	47,954	112,757
Total lease liabilities	123,048	295,055

The weighted average effective interest rate as at 31 March 2022 is 1.80% (2021: 1.78%).

The lease liabilities are due for repayment as follows:

	2022 HK$'000	2021 HK$'000
Gross lease liabilities — minimum lease payments:		
Within one year	76,763	186,118
Between one and two years	46,089	72,708
Between two and five years	2,366	42,348
	125,218	301,174
Future finance charges on leases	(2,170)	(6,119)
Present value of lease liabilities	123,048	295,055

As at 31 March 2022, the carrying amounts of lease liabilities are denominated in US$, RMB and HK$ (2021: same).

25 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

(a) Trade and bills payables

Trade and bills payables are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
US$	**300,573**	216,063
HK$	**38,684**	31,071
RMB	**71,990**	67,244
Others	**4,695**	–
	415,942	314,378

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

Note: As at 31 March 2022, trade and bills payables include trade payables to related companies of approximately HK$8,825,000 (2021: HK$7,640,000) (Note 34(b)).

The ageing analysis of the trade and bills payables based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
Within one month	**215,390**	151,750
One to two months	**71,319**	55,594
Two to three months	**72,358**	65,374
Over three months	**56,875**	41,660
	415,942	314,378

(b) Accruals and other payables

	2022 HK$'000	2021 HK$'000
Accrued subcontracting charges	**6,094**	3,839
Accrued salaries	**65,513**	58,581
Contract liabilities (Note 5(e))	**12,244**	18,272
Other accrued expenses	**16,940**	24,403
Other payables	**139,271**	78,703
Provision for reinstatement costs	**426**	381
	240,488	184,179
Less: Non-current portion	**(426)**	(381)
Current portion	**240,062**	183,798

Note: As at 31 March 2022, other payables include payables to a related company of approximately HK$82,647,000 (2021: nil) (Note 34(b)).

26 DEFERRED INCOME TAX

The analysis of deferred tax assets/(liabilities) is as follows:

	2022 **HK$'000**	2021 HK$'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	**694**	691
	694	691
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	**(1,753)**	(2,355)
	(1,753)	(2,355)
Deferred tax liabilities, net	**(1,059)**	(1,664)

The net movement on the deferred income tax account is as follow:

	2022 **HK$'000**	2021 HK$'000
As at 1 April	**(1,664)**	(1,954)
Credited to consolidated income statement (Note 12)	**604**	292
Exchange difference	**1**	(2)
As at 31 March	**(1,059)**	(1,664)

26 DEFERRED INCOME TAX *(Continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax (liabilities)/assets:

	Accelerated tax depreciation HK$'000	Right-of-use assets HK$'000	Total HK$'000
As at 1 April 2020	(2,562)	(10,352)	(12,914)
Credited to consolidated income statement	207	1,195	1,402
Exchange difference	–	(137)	(137)
As at 31 March 2021	**(2,355)**	**(9,294)**	**(11,649)**
Credited to consolidated income statement	**602**	**858**	**1,460**
Exchange difference	**–**	**(37)**	**(37)**
As at 31 March 2022	**(1,753)**	**(8,473)**	**(10,226)**

	Decelerated tax depreciation HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 April 2020	514	10,446	10,960
Credited/(charged) to consolidated income statement	8	(1,118)	(1,110)
Exchange difference	–	135	135
As at 31 March 2021	**522**	**9,463**	**9,985**
Charged to consolidated income statement	**(13)**	**(843)**	**(856)**
Exchange difference	**–**	**38**	**38**
As at 31 March 2022	**509**	**8,658**	**9,167**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$25,512,000 (2021: HK$20,247,000) in respect of accumulated tax losses amounting to HK$120,640,000 (2021: HK$96,485,000) as at 31 March 2022, that can be carried forward against future taxable income. As at 31 March 2022, the accumulated tax losses amounting to HK$97,626,000 (2021: HK$76,692,000) will expire in five years. There is no expiry period for the other tax losses.

As at 31 March 2022, deferred income tax liabilities of approximately HK$2,614,000 (2021: HK$2,131,000) have not been recognised for the withholding taxation that would be payable on the unremitted earnings of subsidiaries in Mainland China of approximately HK$52,278,000 (2021: HK$42,613,000), 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.

27 DERIVATIVE FINANCIAL INSTRUMENTS

	2022 HK$'000	2021 HK$'000
Forward foreign currency contracts	34	–

As at 31 March 2022, the Group had outstanding forward foreign currency contracts to sell US$4,000,000 for purchase RMB25,457,000 and sell RMB25,457,000 for purchase US$4,004,000. As at 31 March 2021, the Group did not have any outstanding forward foreign currency contracts.

28 INTEREST IN A JOINT VENTURE

Movements in the investment in a joint venture are as follows:

	2022 HK$'000	2021 HK$'000
Beginning of the year	8,297	8,064
Loan repayment	(4,170)	–
Share of post-tax profit	762	60
Share of other comprehensive income	30	173
	4,919	8,297

Nature of interest in a joint venture as at 31 March 2022 and 2021:

Name of joint venture	Place of incorporation	Place of operation	Equity interest attributable to the Group		Proportion of voting power held		Principal activities
			2022	2021	2022	2021	
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

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.

28 INTEREST IN A JOINT VENTURE *(Continued)*

Summarised balance sheet

	2022 HK$'000	2021 HK$'000
Current		
Total current assets	13,221	15,181
Total current liabilities	(17,727)	(22,944)
Non-current		
Total non-current assets	8,303	8,919
Net assets	3,797	1,156

Summarised statement of comprehensive income

	2022 HK$'000	2021 HK$'000
Revenue	11,592	11,515
Profit for the year	2,540	200
Other comprehensive income	100	577
Total comprehensive income	2,640	777

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture:

	2022 HK$'000	2021 HK$'000
Reconciled to the Group's interest in the joint venture		
Gross amounts of net assets of the joint venture	3,797	1,156
Group's effective interest	30%	30%
	1,139	347
Loan to a joint venture (Note)	3,780	7,950
Group's share of interest in the joint venture	4,919	8,297

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.

29 SHARE CAPITAL

	2022 Number of shares	2022 Nominal value HK$	2021 Number of shares	2021 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

	2022 Number of shares	2022 Nominal value HK$	2021 Number of shares	2021 Nominal value HK$
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

30 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 2021	**1,586,311**	**94,795**	**19,512**	**517,779**	**2,218,397**
Profit for the year	**–**	**–**	**–**	**263,302**	**263,302**
Other comprehensive income:					
— Currency translation differences	**–**	**26,964**	**–**	**–**	**26,964**
— Share of other comprehensive income of a joint venture	**–**	**30**	**–**	**–**	**30**
Total comprehensive income	**–**	**26,994**	**–**	**263,302**	**290,296**
Transactions with owners					
Share option scheme					
Equity-settled share-based compensation (Note 31)	**–**	**–**	**4**	**–**	**4**
Transfer of reserve upon forfeiture	**–**	**–**	**(1,268)**	**1,268**	**–**
Dividends (Note 14)	**–**	**–**	**–**	**(123,087)**	**(123,087)**
	–	**–**	**(1,264)**	**(121,819)**	**(123,083)**
As at 31 March 2022	**1,586,311**	**121,789**	**18,248**	**659,262**	**2,385,610**
As at 1 April 2020	1,586,311	54,864	19,412	290,579	1,951,166
Profit for the year	–	–	–	313,677	313,677
Other comprehensive income:					
— Currency translation differences	–	39,758	–	–	39,758
— Share of other comprehensive income of a joint venture	–	173	–	–	173
Total comprehensive income	–	39,931	–	313,677	353,608
Transactions with owners					
Share option scheme					
Equity-settled share-based compensation (Note 31)	–	–	240	–	240
Transfer of reserve upon forfeiture	–	–	(140)	140	–
Dividends (Note 14)	–	–	–	(86,617)	(86,617)
	–	–	100	(86,477)	(86,377)
As at 31 March 2021	1,586,311	94,795	19,512	517,779	2,218,397

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.

31 SHARE-BASED PAYMENTS

Movements of the share options under the share option scheme during the year ended 31 March 2022 are as follows:

Date of Grant	Exercise Price HK$	Exercise Period	Number of share options: As at 1 April 2021	Granted during the year	Exercised during the year	Cancelled during the year	As at 31 March 2022
Directors							
29 August 2016	1.394	29 August 2017 to 28 August 2026	**5,500,000**	**–**	**–**	**(1,500,000)**	**4,000,000**
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	**14,504,000**	**–**	**–**	**(2,500,000)**	**12,004,000**
28 August 2017	1.462	28 August 2018 to 27 August 2027	**35,300,000**	**–**	**–**	**(4,600,000)**	**30,700,000**
Total			**67,804,000**	**–**	**–**	**(8,600,000)**	**59,204,000**

Movements of the share options under the share option scheme during the year ended 31 March 2021 are as follows:

Date of Grant	Exercise Price HK$	Exercise Period	Number of share options: As at 1 April 2020	Granted during the year	Exercised during the year	Cancelled during the year	As at 31 March 2021
Directors							
29 August 2016	1.394	29 August 2017 to 28 August 2026	5,500,000	–	–	–	5,500,000
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	14,704,000	–	–	(200,000)	14,504,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	36,300,000	–	–	(1,000,000)	35,300,000
Total			69,004,000	–	–	(1,200,000)	67,804,000

31 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$4,000 (2021: HK$240,000) for the share options granted to the directors and employees was recognised as "employment benefit expenses" for the year ended 31 March 2022 (Note 9).

32 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations:

	2022 HK$'000	2021 HK$'000
Profit before income tax	**319,026**	334,667
Adjustments for:		
Finance income	**(2,687)**	(2,861)
Finance expenses	**23,862**	35,885
Depreciation of property, plant and equipment	**146,327**	126,322
Depreciation of right-of-use assets	**79,787**	89,692
Depreciation of investment properties	**82**	82
Net gains on financial assets at fair value through profit or loss	**(5,717)**	(5,818)
Fair value gains on derivative financial instruments	**(34)**	–
Net gains on disposals of property, plant and equipment	**(826)**	(1,133)
Provision for impairment of inventories	**2,399**	5,570
Provision for impairment of property, plant and equipment	**–**	21,916
Reversal of provision for impairment of trade receivables	**–**	(1,737)
Equity-settled share-based compensation	**4**	240
Share of post-tax profit of a joint venture	**(762)**	(60)
Gains on lease modification	**(7)**	(211)
Exchange difference	**10,715**	5,774
Changes in working capital:		
Inventories	**(443,691)**	80,355
Trade receivables	**(3,063)**	22,268
Prepayments, deposits, other receivables and other assets	**2,325**	219,648
Trade and bills payables	**101,544**	(71,481)
Accruals and other payables	**64,976**	11,577
Cash generated from operations	**294,260**	870,695

32 CASH GENERATED FROM OPERATIONS *(Continued)*

(b) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2022 HK$'000	2021 HK$'000
Net book amount (Note 15)	**52,156**	4,190
Net gains on disposals of property, plant and equipment recognised in consolidated income statement	**826**	1,133
Proceeds from disposals of property, plant and equipment	**52,982**	5,323
Proceeds from disposals of property, plant and equipment included in consolidated cash flow statement:		
— Cash flows from investing activities	**52,982**	5,323

(c) Significant non-cash transactions:

Additions of right-of-use assets of HK$14,359,000 (2021: HK$5,074,000) for the year ended 31 March 2022 were made under certain lease agreements (Note 16(a)).

(d) Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK$'000	Lease liabilities HK$'000	Loan from a non–controlling shareholder of a subsidiary HK$'000
As at 1 April 2020	1,507,719	486,628	–
Cash outflow	(470,020)	(196,605)	–
Cash inflow	186,585	–	–
Non-cash changes	–	5,032	–
As at 31 March 2021	1,224,284	295,055	–
As at 1 April 2021	1,224,284	295,055	–
Cash outflow	(1,524,184)	(186,397)	–
Cash inflow	1,490,008	–	3,976
Non-cash changes	–	14,390	–
As at 31 March 2022	1,190,108	123,048	3,976

33 COMMITMENTS

(a) Operating lease arrangements

As at 31 March 2022 and 2021, the aggregate future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's investment properties are as follows:

	2022 HK$'000	2021 HK$'000
Within one year	240	120

(b) Capital commitments

As at 31 March 2022 and 2021, the capital expenditure contracted but not yet incurred is as follows:

	2022 HK$'000	2021 HK$'000
Property, plant and equipment and right-of-use assets contracted but not provided for	62,734	95,528

34 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, resigned with effect from 1 April 2021), Mr. Wong Ting Chun# (Executive Director) and Mr. Wong Ting Kau# (Non-executive Director, resigned with effect from 1 April 2021)
Huizhou Lijia Clothing Company Limited	Controlled by Mr. Wong Ting Chung# (Chairman, Chief Executive Officer and Executive Director, resigned with effect from 1 April 2021), Mr. Wong Ting Chun (Executive Director) and Mr. Wong Ting Kau# (Non-executive Director, resigned with effect from 1 April 2021)
Huizhou Gangsheng Property Co., Ltd	Controlled by Mr. Wong Ting Chung# (Chairman, Chief Executive Officer and Executive Director, resigned with effect from 1 April 2021), Mr. Wong Wai Yue (Chairman and Executive Director), Mr. Wong Ting Chun# (Executive Director), Mr. Wong Ting Kau# (Non-executive Director, resigned with effect from 1 April 2021) and Mr. Lin Xiugao, the cousin of Mr. Wong Ting Chung# (Chairman, Chief Executive Officer and Executive Director, resigned with effect from 1 April 2021)
Huizhou Huaerkang Technology Co., Ltd.	Controlled by Mr. Wong Wai Yue (Chairman 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
Huizhou Chuang Ye Xing Property Management Co., Ltd	Controlled by Mr. Wong Ting Chung# (Chairman, Chief Executive Officer and Executive Director, resigned with effect from 1 April 2021)
SML & FT (Vietnam) Limited	Wholly owned subsidiary of a joint venture formed between the Group and an independent third party
Tongxiang Yuteng Cashmere Clothing Co., Ltd.	Wholly owned subsidiary of the non-controlling interests of a subsidiary of the Group
Sunicon Apparel Limited and Huizhou Jiayu Clothing Co., Ltd.*	Controlled by Mr. Wong Ting Chung# (Chairman, Chief Executive Officer and Executive Director, resigned with effect from 1 April 2021), Mr. Wong Ting Chun# (Executive Director), Mr. Wong Ting Kau# (Non-executive Director, resigned with effect from 1 April 2021) , Mr. Wong Wai Yue (Chairman and Executive Director), Ms. Wong Wai Ling, the sister of Mr. Wong Ting Chung# (Chairman, Chief Executive Officer and Executive Director, resigned with effect from 1 April 2021) and Mr. Shum Ho Chi (Director of two subsidiaries of the Group)

As Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust (which is a substantial shareholder of the Company), and Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust, Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau are therefore controlling shareholders of the Company.

* English translations of company name in Chinese for identification purposes only.

34 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant transactions

	Note	2022 HK$'000	2021 HK$'000
Continuing transactions:			
Hotel services fee charged by Huizhou Gangsheng Property Co., Ltd	(i), (vii)	**1,141**	1,406
Rental charged by Hanyi Investments Limited	(iii), (vii)	**2,988**	2,988
Rental charged by Hebei Yuteng Cashmere Products Co., Ltd	(iv), (vii)	**10,891**	9,711
Rental charged by Tongxiang Yuteng Cashmere Clothing Co., Ltd.	(v), (vii)	**913**	623
Rental charged by Huizhou Chuang Ye Xing Property Management Co., Ltd	(vi), (vii)	**414**	98
Purchase of cashmere from Hebei Yuteng Cashmere Products Co., Ltd	(i), (vii)	**784,787**	482,747
Purchase of mask and Covid-19 rapid test kit from Huizhou Huaerkang Technology Co., Ltd.	(i), (vii)	**1,217**	2,920
Purchase of labels and hang tags from SML & FT (Vietnam) Limited	(i)	**8,885**	10,845
Sales of knitted fabric to Sunicon Apparel Limited and Huizhou Jiayu Clothing Co., Ltd.*	(i), (vii)	**1,218**	–
Non-recurring transactions:			
Rental charged by Huizhou Lijia Clothing Company Limited	(ii), (vii)	**–**	2,247
Purchase of consumables from Hebei Rongcang Warehousing Service Co., Ltd	(i), (vii)	**–**	13
Purchase of yarn from Hebei Meixian Cashmere Textile Technology Co., Ltd	(i), (vii)	**–**	5

* English translations of company name in Chinese for identification purposes only.

34 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant transactions *(Continued)*

Notes:

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

(ii) The Group has entered into an operating lease agreement with Huizhou Lijia Clothing Company Limited on terms mutually agreed by both parties. No right-of-use asset was recognised at 31 March 2022 and 2021 as the right-of-use asset was fully depreciated during the year ended 31 March 2021 upon the expiry of the lease agreement. The lease payments to this related company under this agreement for the year ended 31 March 2021 was HK$2,247,000.

(iii) The Group has renewed 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$5,816,000 at 31 March 2022 (2021: No right-of-use asset was recognised at 31 March 2021 as the right-of-use asset was fully depreciated during the year ended 31 March 2021 upon the expiry of the lease agreement). The lease payments to this related company under this agreement for the year ended 31 March 2022 was HK$2,988,000 (2021: HK$2,988,000).

(iv) 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. No right-of-use asset was recognised at 31 March 2022 as the right-of -use asset was fully depreciated during the year ended 31 March 2022. The Group recognised a right-of-use asset of HK$10,358,000 at 31 March 2021. The lease payments to this related company under this agreement for the year ended 31 March 2022 was HK$10,891,000 (2021: HK$9,711,000). On 30 March 2022, the Group has renewed the lease agreement for a term of three years from 1 April 2022 to 31 March 2025 (Note 16(e)).

(v) The Group has entered into an operating lease agreement with Tongxiang Yuteng Cashmere Clothing Co., Ltd. on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK$1,114,000 at 31 March 2022 (2021: HK$1,959,000). The lease payments to this related company under this agreement for the year ended 31 March 2022 was HK$913,000 (2021: HK$623,000).

(vi) The Group has entered into an operating lease agreement with Huizhou Chuang Ye Xing Property Management Co., Ltd. on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK$713,000 at 31 March 2022 (2021: HK$1,094,000). The lease payments to this related company under this agreement for the year ended 31 March 2022 was HK$414,000 (2021: HK$98,000).

(vii) 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 complied with the requirements in accordance with Chapter 14A of the Listing Rules.

34 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Year end balances

	Note	2022 HK$'000	2021 HK$'000
Prepayment to Hebei Yuteng Cashmere Products Co., Ltd.	(i)	**19,959**	36,330
Deposit to Tongxiang Yuteng Cashmere Clothing Co., Ltd.	(i)	**48**	118
Trade payable to SML & FT (Vietnam) Limited	(ii)	**2,853**	1,809
Trade payable to Hebei Meixian Cashmere Textile Technology Co., Ltd.	(ii)	**5,972**	5,831
Other payable to Hebei Yuteng Cashmere Products Co., Ltd.	(ii)	**82,647**	–
Lease liabilities due to Hanyi Investments Limited		**5,870**	–
Lease liabilities due to Hebei Yuteng Cashmere Products Co., Ltd		**–**	10,612
Lease liabilities due to Tongxiang Yuteng Cashmere Clothing Co., Ltd.		**1,196**	2,019
Lease liabilities due to Huizhou Chuang Ye Xing Property Management Co., Ltd		**721**	1,096
Loan from a non-controlling shareholder of a subsidiary	(iii)	**3,976**	–

Notes:

(i) Prepayment and deposit were presented in the consolidated balance sheet within "Prepayments, deposits, other receivables and other assets" (Note 21).

(ii) Payables were presented in the consolidated balance sheet within "Trade and bills payables, accruals and other payables" (Note 25).

(iii) The loan from a non-controlling shareholder of a subsidiary is unsecured, interest-free, denominated in RMB and will mature in December 2026.

(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:

	2022 HK$'000	2021 HK$'000
Salaries, pension costs and other short-term employee benefits	**13,439**	13,759
Bonuses	**2,579**	1,239
Equity-settled share-based compensation	**4**	86
	16,022	15,084

35 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 2022 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 Wai Yue (Chairman) (Note (i) and (ii))	300	1,440	360	–	18	–	2,118
Mr. Man Yu Hin (Chief executive officer) (Note (i) and (iii))	300	1,440	360	–	18	–	2,118
Mr. Wong Ting Chun (Note (i))	300	1,800	450	–	18	–	2,568
Mr. Li Po Sing (Note (i))	300	1,800	800	–	18	–	2,918
Non-executive director:							
Mr. Tam Wai Hung, David	300	–	–	–	–	–	300
Independent non-executive directors:							
Ms. Fan Chiu Fun, Fanny	300	–	–	–	–	–	300
Mr. Kan Chung Nin, Tony	300	–	–	–	–	–	300
Mr. Ong Chor Wei	300	–	–	–	–	–	300
Mr. Fan Chun Wah, Andrew	300	–	–	–	–	–	300
Ms. Lee Bik Kee, Betty	300	–	–	–	–	–	300
Mr. Ip Shu Kwan, Stephen	300	–	–	–	–	4	304
	3,300	6,480	1,970	–	72	4	11,826

35 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 2021 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 (i) and (v))	120	2,400	–	–	18	–	2,538
Mr. Wong Wai Yue (Vice Chairman) (Note (i) and (ii))	120	1,200	–	–	18	–	1,338
Mr. Wong Ting Chun (Note (i))	120	1,800	–	–	18	–	1,938
Mr. Li Po Sing (Note (i))	120	1,800	700	–	18	–	2,638
Non-executive directors:							
Mr. Tam Wai Hung, David	300	–	–	–	–	–	300
Mr. Wong Ting Kau (Note (i) and (iv))	120	226	–	–	5	–	351
Independent non-executive directors:							
Ms. Fan Chiu Fun, Fanny	300	–	–	–	–	–	300
Mr. Kan Chung Nin, Tony	300	–	–	–	–	–	300
Mr. Ong Chor Wei	300	–	–	–	–	–	300
Mr. Fan Chun Wah, Andrew	300	–	–	–	–	–	300
Ms. Lee Bik Kee, Betty	300	–	–	–	–	–	300
Mr. Ip Shu Kwan, Stephen	300	–	–	–	–	86	386
	2,700	7,426	700	–	77	86	10,989

35 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) 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 2022 and 2021.

(ii) Mr. Wong Wai Yue was appointed as the Chairman with effect from 1 April 2021.

(iii) Mr. Man Yu Hin was appointed as the Chief executive officer with effect from 1 April 2021.

(iv) Mr. Wong Ting Kau resigned an Non-executive director with effect from 1 April 2021.

(v) Mr. Wong Ting Chung resigned as an Executive director, the Chairman and the Chief executive officer with effect from 1 April 2021.

(vi) No remunerations were paid or receivable in respect of accepting office as directors during the year ended 31 March 2022 (2021: Nil).

(vii) No directors waived any emoluments during the year ended 31 March 2022 (2021: Nil).

(a) Directors' retirement benefits

There were no retirement benefits paid to directors during the year ended 31 March 2022 (2021: 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 2022, there was no board resolution to early terminate of the directors' appointment in office (2021: 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 2022 (2021: 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 2022 (2021: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Saved as disclosed in Note 34, 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 2022 and 2021.

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current asset			
Interest in a subsidiary		**623,000**	623,000
Current assets			
Prepayments, deposits, other receivables and other assets		**229**	384
Amounts due from subsidiaries		**3,025,557**	2,067,009
Cash and cash equivalents		**4,932**	5,263
		3,030,718	2,072,656
Total assets		**3,653,718**	2,695,656
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**22,794**	22,794
Reserves	(a)	**2,059,443**	1,865,483
Total equity		**2,082,237**	1,888,277
LIABILITIES			
Non-current liability			
Bank borrowings		**788,970**	110,000
Current liabilities			
Accruals and other payables		**14**	-
Amounts due to subsidiaries		**616,472**	17,379
Bank borrowings		**166,020**	680,000
		782,506	697,379
Total liabilities		**1,571,476**	807,379
Total equity and liabilities		**3,653,713**	2,695,656

The Balance Sheet of the Company was approved by Board of Directors on 24 June 2022 and was signed on its behalf.

Wong Wai Yue
Chairman and Executive Director

Man Yu Hin
Chief Executive Officer and Executive Director

36 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 1 April 2020	1,866,583	19,412	(16,284)	1,869,711
Profit for the year	–	–	82,149	82,149
Dividends (Note 14)	–	–	(86,617)	(86,617)
Share option scheme:				
— Equity-settled share-based compensation (Note 31)	–	240	–	240
— Transfer of reserve upon forfeiture	–	(140)	140	–
As at 31 March 2021 and 1 April 2021	1,866,583	19,512	(20,612)	1,865,483
Profit for the year	–	–	317,043	317,043
Dividends (Note 14)	–	–	(123,087)	(123,087)
Share option scheme:				
— Equity-settled share-based compensation (Note 31)	–	4	–	4
— Transfer of reserve upon forfeiture	–	(1,268)	1,268	–
As at 31 March 2022	1,866,583	18,248	174,612	2,059,443

Financial Summary

RESULTS

	Year ended 31 March				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Revenue	**4,040,472**	3,848,554	4,480,708	4,359,050	3,446,415
Cost of sales	**(3,334,374)**	(3,147,112)	(3,790,582)	(3,686,670)	(2,734,273)
Gross profit	**706,098**	701,442	690,126	672,380	712,142
Profit/(loss) before income tax	**319,026**	334,667	174,351	(275,043)	376,949
Income tax expenses	**(43,422)**	(36,309)	(22,817)	(25,425)	(49,981)
Profit/(loss) for the year	**275,604**	298,358	151,534	(300,468)	326,968
Profit/(loss) for the year attributable to:					
Owners of the Company	**263,302**	313,677	157,045	(298,511)	326,968
Non-controlling interests	**12,302**	(15,319)	(5,511)	(1,957)	–
	275,604	298,358	151,534	(300,468)	326,968

ASSETS AND LIABILITIES

	As at 31 March				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Non-current assets	**2,771,180**	2,869,362	2,784,929	2,539,377	2,857,296
Current assets	**2,043,077**	1,786,248	2,041,436	2,084,220	2,126,305
Total assets	**4,814,257**	4,655,610	4,826,365	4,623,597	4,983,601
Total equity	**2,602,894**	2,416,135	2,096,614	2,046,967	2,447,802
Capital and reserves attributable to:					
Owners of the Company	**2,408,404**	2,241,191	1,973,960	1,943,962	2,447,802
Non-controlling interests	**194,490**	174,944	122,654	103,005	–
	2,602,894	2,416,135	2,096,614	2,046,967	2,447,802
Non-current liabilities	**989,746**	458,460	1,428,034	936,231	852,400
Current liabilities	**1,221,617**	1,781,015	1,301,717	1,640,399	1,683,399
Total liabilities	**2,211,363**	2,239,475	2,729,751	2,576,630	2,535,799
Total equity and liabilities	**4,814,257**	4,655,610	4,826,365	4,623,597	4,983,601
Net current assets	**821,460**	5,233	739,719	443,821	442,906