



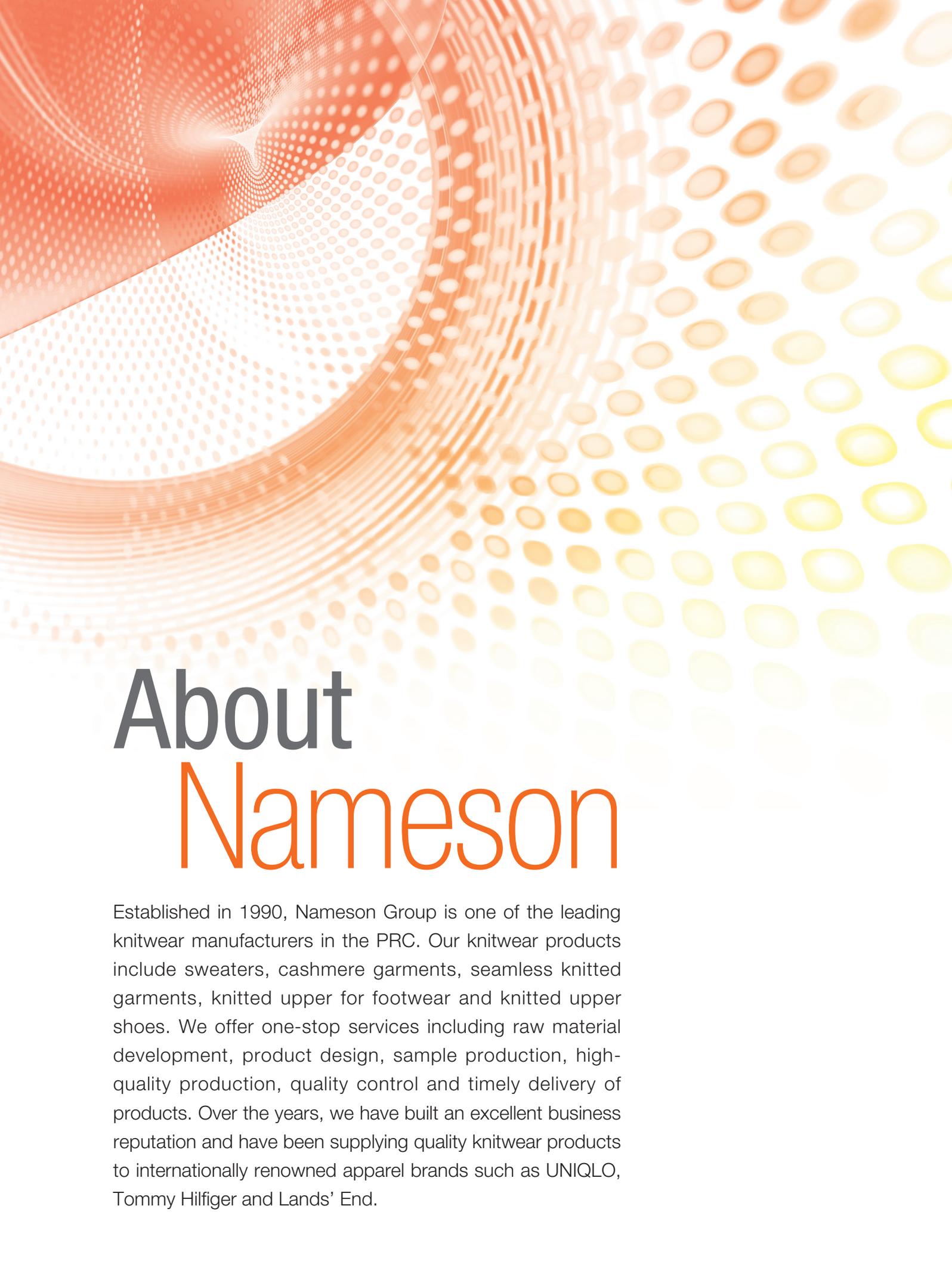
南旋控股有限公司 Nameson Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1982

Annual Report 2018





About Nameson

Established in 1990, Nameson Group is one of the leading knitwear manufacturers in the PRC. Our knitwear products include sweaters, cashmere garments, seamless knitted garments, knitted upper for footwear and knitted upper shoes. We offer one-stop services including raw material development, product design, sample production, high-quality production, quality control and timely delivery of products. 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.



Contents

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	8
Biographical Details of Directors and Members of Senior Management	19
Corporate Governance Report	30
Directors' Report	47
Environmental, Social and Governance Report	65
Independent Auditor's Report	97
Consolidated Income Statement	104
Consolidated Statement of Comprehensive Income	105
Consolidated Balance Sheet	106
Consolidated Statement of Changes in Equity	108
Consolidated Cash Flow Statement	110
Notes to the Consolidated Financial Statements	111
Financial Summary	184

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Executive Committee

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

COMPANY SECRETARY

Mr. Tao Chi Keung, *HKICPA, ACCA*

AUTHORISED REPRESENTATIVES

Mr. Wong Wai Wing, Raymond
Ms. Chan Mei Hing, Aurora

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

Corporate Information (continued)**AUDITOR**

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

LEGAL ADVISER

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

1982

WEBSITE OF THE COMPANY

<http://www.namesonholdings.com>

Chairman's Statement



Financial Year 2018 marked some important milestones for Nameson's growth — We were appointed by our key customer to develop industry breakthrough Whole Garment products, which is expected to grow with vast potential in the years to come. During the year, the second phase of our Vietnam Factory commenced production, enabling more flexibility for our customers. In additions, we expanded into the knitted upper for footwear business, enlarging our foothold in the knitwear industry. We are committed to spearheading the knitwear industry's sustainable development.

Chairman's Statement (continued)

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 2018 ("Financial Year 2018").

MARKET REVIEW

Despite signs of global economic recovery from the second half of 2017, the trade imbalance between China and the United States continuously impeded the global consumption value chain as a whole. Furthermore, the warming Chinese economy as well as the country's tighter monetary policy led to the appreciation of the Renminbi during the year, which presented further challenges to the Group's operations.

The business environment of the knitwear industry in China turned positive during the Financial Year 2018 with the economic recovery. According to China Customs statistics, the total export value of knitwear (including knitted products and crochet products, as well as knitted or crocheted clothing and accessories) from China rose by 2.5% to US\$89.3 billion in the Financial Year 2018, against a drop in the previous year. There was also a narrowed decline of the total export value of knitwear from China to Japan and Europe of 2.4% and 1.0% respectively while the total export value from China to the United States increased by 1.3%. In recent years, the total export value of textile and garments produced from South-eastern countries to Japan, Europe and the United States increased notably. In particular, the export value of textile and garments from Vietnam in the Financial Year 2018 surged by 10.5% to US\$26.87 billion, exports from Vietnam to Japan and the United States recorded an increase of 9.4% and 8.4% respectively. Building on its solid foundation and its vision of the industry development, the Group was amongst the first manufacturers to set up a production base in Vietnam. Its production facilities in Vietnam commenced full operation since the Financial Year 2018. As such, in spite of the global uncertainties mentioned, the Group is well-positioned to continue to provide timely solutions to its brand customers. If the United States were to rejoin the "Trans-Pacific Partnership Agreement", the Group will also be able to make flexible arrangements for its customers in its various production bases. Meanwhile, the Group will also continue to review the future market needs with an open attitude and pursue appropriate expansion opportunities as they arise.

Chairman's Statement (continued)

BUSINESS REVIEW

Amidst the continued consolidation in the global manufacturing industry, the Group's solid business foundation and scale in production capacity enabled it to secure more orders along with the market recovery. As an industry-leading knitwear manufacturer that possesses good reputation and proven track record, Nameson stands out from the rest, especially during times of industry consolidation when "technique" and "innovation" are key to success. The Group has spearheaded the deployment of advanced wholegarment knitting machines and streamlined the linking production process, catering to a large variety of customer demands, at the same time, reducing labour cost while producing more stylish product offerings. The Group's revenue in the Financial Year 2018 increased by 23.2% to HK\$3,446.4 million compared to last year, mainly due to the higher sales volume as well as higher average selling price resulting from, amongst others, changes in product mix. During the reporting year, the Group's revenue attributable to the European market increased significantly by 36.2% to HK\$638.5 million compared with the last year. The revenue attributable to the Chinese and Japanese markets grew by 45.8% and 20.2% respectively.

During the year, the Group continued to strengthen its technical foundation in its core knitwear business, enabling it to cater for fast-moving fashion trends and market needs, and deliver quality products to customers in a timely manner through its strong production capacity. Meanwhile, the Group continued to closely monitor the opportunities and explore business areas with growth potential to enhance its overall and long-term market competitiveness. Based on existing resources and technical advantages and in view of knitted footwear becoming a new fashion trend in recent years, the Group has successfully extended its reach to the knitted shoes upper and knitted footwear business in December 2017. In spite of the recent exacerbated competition in this industry, the Group believes that this business will benefit its overall business development driven by its growth potential and synergies with its knitwear business in the long run.

Nevertheless, the Renminbi appreciation coupled with a substantial increase of raw material prices in the second half of the Financial Year 2018 exerted pressure on the Group's operating costs. Despite achieving steady growth in revenue during the Financial Year 2018, the Group's gross profit increased by 7.5% to HK\$712.1 million and net profit decreased slightly by 0.3% to HK\$327.0 million respectively. The Board has recommended payment of a final dividend of 0.6 HK cent per share to our shareholders as a reward for their unwavering support to the Group.

Chairman's Statement (continued)**FUTURE STRATEGIES AND PROSPECTS**

Looking ahead, despite the uncertainties including the anticipated interest rate hikes in the United States and rising exchange rate of the Renminbi, the Group will leverage its first-mover advantage in Vietnam and strive to increase production utilisation, so as to strengthen the overall profitability by improving production and operational efficiencies and imposing stringent cost control measures.

Following the introduction of wholegarment knitting machines, the Group will create a wider variety of stylish knitwear product series with clients through its innovative design concepts and state-of-the-art production techniques. In order to tap the diverse needs of its customers, it will continue to devote resources to enhance product design, market research and analysis, develop innovative functional materials and product designs, and seek to further increase automation and improve the technical level of other knitting-related solutions. While building on the solid relationship with existing clients, the Group will also keep expanding its customer base.

Capitalising on its renowned knitwear production techniques, the Group has successfully expanded into the manufacturing business of knitted shoes upper and knitted footwear, with an aim to achieve diversity in its business and client base, while to further reinforce its leading presence in the knitwear industry. The Group will also actively explore opportunities in developing the upstream business, in order to achieve sustainability in material supply and costs. As an industry leader, the Group will make use of its advantages of economies of scale and combine its scalable production capacity with its advanced R&D to boost the overall profitability to strive for enhanced returns to shareholders.

I would like to take this opportunity to express my heartfelt gratitude to our customers, suppliers, shareholders and staff for their support of and trust in the Group, as well as for their contributions and efforts towards its development.

Wong Ting Chung

Chairman and Chief Executive Officer

22 June 2018

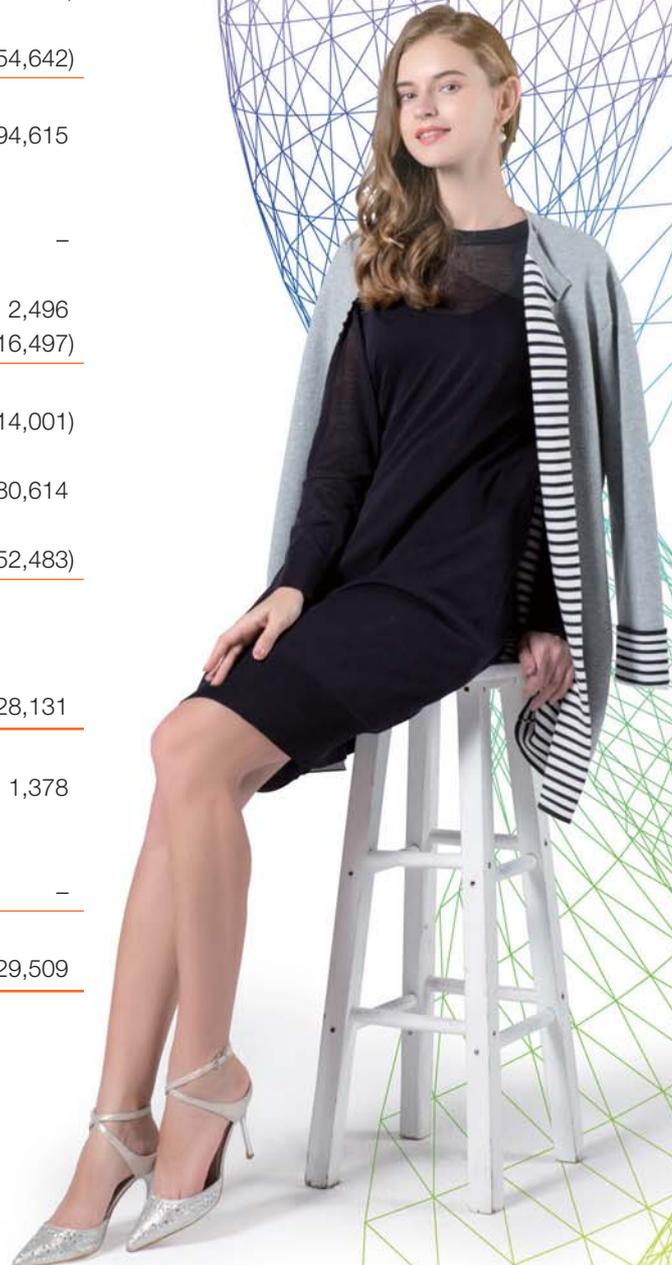
Management Discussion and Analysis



Management Discussion and Analysis (continued)

FINANCIAL REVIEW

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Revenue	3,446,415	2,797,193
Cost of sales	(2,734,273)	(2,134,571)
Gross profit	712,142	662,622
Other income	12,423	7,189
Other gains, net	35,243	19,921
Selling and distribution expenses	(50,385)	(40,475)
General and administrative expenses	(313,792)	(254,642)
Operating profit	395,631	394,615
Share of post tax loss of a joint venture	(2)	–
Finance income	4,263	2,496
Finance expenses	(22,943)	(16,497)
Finance expenses, net	(18,680)	(14,001)
Profit before income tax	376,949	380,614
Income tax expenses	(49,981)	(52,483)
Profit for the year attributable to the owners of the Company	326,968	328,131
Add: Listing expenses	–	1,378
Less: Unrealised gains from derivative financial instruments	(6,577)	–
Adjusted net profit	320,391	329,509



Management Discussion and Analysis (continued)

Revenue

The Group's revenue for the year ended 31 March 2017 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves, to our customers. As a result of the acquisition of V. Success Limited and its subsidiaries ("V. Success Group") which was completed in December 2017, the Group's revenue for the year ended 31 March 2018 also included the post-acquisition revenue of V. Success Group generated from sales of knitted upper for footwear and knitted upper shoes amounting to HK\$71.8 million.

The Group's revenue significantly increased by 23.2% to HK\$3,446.4 million for the year ended 31 March 2018 from HK\$2,797.2 million for the year ended 31 March 2017. The increase was primarily due to increase in both the average selling price of the Group's knitwear products and the sales volume of menswear, which was partially offset by the decrease in sales volume of womenswear. Such increase was mainly attributable to the increase in demand from our customers, enhanced customer penetration due to supplier consolidation and changes in product mix.

The increase in the Group's revenue generated from the sale of knitwear products was largely in line with the increase in both the average selling price and total sales volume. The average selling price of the Group's knitwear products increased by 14.1% from HK\$86.0 per piece for the year ended 31 March 2017 to HK\$98.1 per piece for the year ended 31 March 2018, while the Group's sales volume of knitwear products increased by 5.8% from 32.5 million pieces for the year ended 31 March 2017 to 34.4 million pieces for the year ended 31 March 2018.

Consistent with the Group's geographical market distribution for the year ended 31 March 2017, Japan, North America (mainly the United States of America) and Europe were still our top three markets for the year ended 31 March 2018. The revenue attributable to the Japan market, North America market and Europe market accounted for 39.1%, 18.7% and 18.5% of the Group's total revenue for the year ended 31 March 2018.

Cost of Sales

For the year ended 31 March 2018, the Group incurred cost of sales of HK\$2,734.3 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation of property, plant and equipment, electricity and water and production overhead costs.

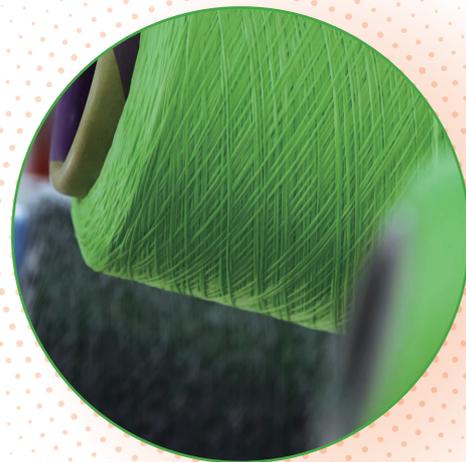
Gross Profit and Gross Profit Margin

During the year ended 31 March 2018, the Group recorded an increase in gross profit of HK\$49.5 million to HK\$712.1 million and a decrease in gross profit margin of 3.0 percentage points to 20.7% as compared to the gross profit of HK\$662.6 million and gross profit margin of 23.7% for the year ended 31 March 2017.

The decrease in gross profit margin for the year ended 31 March 2018 was mainly due to (i) continuous appreciation of RMB during the year; (ii) changes in product mix; and (iii) the substantial increase of raw material prices in the second half of the year.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidy and miscellaneous other income. The other income of the Group increased by HK\$5.2 million from HK\$7.2 million for the year ended 31 March 2017 to HK\$12.4 million for the year ended 31 March 2018. Such increase was mainly due to the increases in rental income from investment properties and miscellaneous other income.



Management Discussion and Analysis (continued)

Other Gains, Net

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

Other gains increased by HK\$15.3 million from other gains of HK\$19.9 million for the year ended 31 March 2017 to HK\$35.2 million for the year ended 31 March 2018. The increase is primarily due to the unrealised gains from derivative financial instruments of HK\$6.6 million as the Group entered into some forward foreign currency contracts in light of the appreciation of RMB during the year ended 31 March 2018. For the year ended 31 March 2017, the Group did not have any derivative financial instruments and did not incur any realised and unrealised gains/(losses) from derivative financial instruments. On the other hand, the Group disposed of some old machines during the year ended 31 March 2018 resulting in net gains on disposal of property, plant and equipment of HK\$17.3 million, which was higher than last year's amount of HK\$10.2 million by HK\$7.1 million.



In summary, the other gains for the year ended 31 March 2018 represented net gains on disposal of property, plant and equipment of HK\$17.3 million, unrealised gains from derivative financial instruments of HK\$6.6 million, net gains on investments of HK\$5.3 million and net foreign exchange gains of HK\$6.0 million.



Management Discussion and Analysis (continued)

Selling and Distribution Expenses

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

The Group's selling and distribution expenses increased by HK\$9.9 million, from HK\$40.5 million for the year ended 31 March 2017 to HK\$50.4 million for the year ended 31 March 2018. Such increase was mainly due to the increase in transportation cost and this is largely in line with the increase in the Group's revenue.

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\$59.2 million from HK\$254.6 million for the year ended 31 March 2017 to HK\$313.8 million for the year ended 31 March 2018. Such increase was mainly due to the increase in staff costs as a result of expansion of our administrative staff team and the annual salary increment of our administrative staff and the increase in non-production related depreciation.

Finance Expenses, Net

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

The Group's net finance expenses increased by HK\$4.7 million from HK\$14.0 million for the year ended 31 March 2017 to HK\$18.7 million for the year ended 31 March 2018. The increase in net finance expenses was mainly due to (i) the hike in market interest rates; and (ii) our increased average borrowings during the year ended 31 March 2018.

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 2018 and 2017 on the estimated assessable profits arising in or derived from Hong Kong during the relevant years.

The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax (the "CIT") at a rate of 25% on the estimated assessable profits for the years ended 31 March 2018 and 2017. However, two of the Group's subsidiaries in the PRC are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subjected to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No provision has been made for BIT as the Group's subsidiaries in Vietnam did not generate any taxable profit subject to BIT for the years ended 31 March 2018 and 2017.



Management Discussion and Analysis (continued)

The effective tax rates of the Group were 13.3% and 13.8% for the years ended 31 March 2018 and 2017 respectively.

Profit for the Year Attributable to Owners of the Company

As a result of the foregoing, the Group recorded profit attributable to the owners of the Company of HK\$327.0 million and HK\$328.1 million for the years ended 31 March 2018 and 2017 respectively.

The decrease in net profit for the year ended 31 March 2018 was primarily due to the decrease in gross profit margin which was mainly caused by (i) continuous appreciation of RMB during the year; (ii) changes in product mix; and (iii) the substantial increase of raw material prices in the second half of the year. However, such decrease was partially offset by the increase in the Group's revenue as a result of increase in both the average selling price and sales volume.

Adjusted Net Profit

Adjusted net profit means net profit for the year without taking into account realised and unrealised (losses)/gains from derivative financial instruments and listing expenses incurred in connection with the Company's listing on the Stock Exchange.

Based on the above, the Group's adjusted net profit decreased by HK\$9.1 million from HK\$329.5 million for the year ended 31 March 2017 to HK\$320.4 million for the year ended 31 March 2018. As a percentage of revenue, the adjusted net profit margin decreased from 11.8% for the year ended 31 March 2017 to 9.3% for the year ended 31 March 2018.

Dividend

An interim dividend of 5.0 HK cents per share was paid on 29 December 2017.

At the board meeting held on 22 June 2018, the Directors recommended the payment of a final dividend of 0.6 HK cent per share for the year ended 31 March 2018 to the shareholders whose names appear on the register of members of the Company on 5 September 2018. The final dividend, subject to approval by the shareholders at the annual general meeting to be held on 27 August 2018, will be paid on or about 18 September 2018.



Management Discussion and Analysis (continued)

Consolidated Cash Flow Statement

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Net cash generated from operating activities	164,719	485,673
Net cash used in investing activities	(292,204)	(329,994)
Net cash generated from financing activities	466,367	273,126
Net increase in cash and cash equivalents	338,882	428,805
Cash and cash equivalents at beginning of the year	643,197	221,637
Exchange difference on cash and cash equivalents	27,398	(7,245)
Cash and cash equivalents at end of the year	1,009,477	643,197

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 March 2018 was HK\$164.7 million, primarily due to profit before income tax of HK\$376.9 million, adjusted for income tax paid of HK\$27.6 million, depreciation of property, plant and equipment of HK\$162.8 million, decrease in trade receivables of HK\$77.7 million and increase in trade and bills payables of HK\$19.8 million, which was partially offset by the increases in inventories of HK\$382.7 million and prepayments, deposits, other receivables and other assets of HK\$28.7 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 March 2018 was HK\$292.2 million, primarily due to the purchase of property, plant and equipment of HK\$263.7 million and net payment for acquisitions of subsidiaries of HK\$94.3 million, which was partially offset by the decrease in short-term bank deposits of HK\$50.2 million and proceeds from disposals of property, plant and equipment of HK\$18.3 million.

Net Cash Generated From Financing Activities

The Group's net cash generated from financing activities for the year ended 31 March 2018 was HK\$466.4 million, which was mainly attributable to the net increase in the Group's borrowings of HK\$605.6 million, which was partially offset by the total dividend payments of HK\$145.4 million.

Cash and Cash Equivalents

For the year ended 31 March 2018, the Group's cash and cash equivalents increased by HK\$338.9 million and the exchange gain was HK\$27.4 million. The net increase in the Group's cash and cash equivalents was from HK\$643.2 million as at 31 March 2017 to HK\$1,009.5 million as at 31 March 2018.

Management Discussion and Analysis (continued)

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the year ended 31 March 2018, the Group’s cash and cash equivalents was mainly used in the Group’s business operations, the acquisition of V. Success Group, 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, borrowings and proceeds from the Company’s listing on the Stock Exchange. The Group’s gearing ratio increased from 8.8% as at 31 March 2017 to 29.6% as at 31 March 2018. Such increase was mainly due to (i) the increase in inventory level to cope with the production schedule after the year end date; and (ii) the Group acquired V. Success Group during the year ended 31 March 2018, the purchase consideration was satisfied by (i) cash consideration of HK\$206.0 million; and (ii) issuance of 200 million ordinary shares of the Company as consideration shares.

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

As at 31 March 2018, the Group’s cash and cash equivalents, amounting to HK\$1,009.5 million, were denominated in US dollar (“US\$”) (24.7%), HK\$ (45.3%), Chinese Renminbi (“RMB”) (27.7%), Vietnamese Dong (“VND”) (2.1%) and other currencies (0.2%).

As at 31 March 2018, the Group’s total borrowings (i.e. bank borrowings and finance lease obligations) were due for repayment as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	1,177,180	403,692
Between one and two years	367,238	199,215
Between two and five years	493,873	191,498
	2,038,291	794,405

Notes:

- (a) The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand rights.
- (b) As at 31 March 2018, the Group’s borrowings were denominated in HK\$ (77.4%) and US\$ (22.6%). All the Group’s borrowings were floating rate borrowings. The weighted average effective interest rates of the Group’s bank borrowings and finance lease obligations for the year ended 31 March 2018 were 2.13% and 1.70% respectively.
- (c) As at 31 March 2018, the Group’s certain borrowings are secured by available-for-sale financial assets with a total carrying amount of HK\$71.1 million.

Management Discussion and Analysis (continued)

Financial Risk Management Objectives and Policies

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

Foreign Currency Risk

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

During the year ended 31 March 2017, the Group did not use any financial instruments to hedge against foreign currency risk. However, 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 ended 31 March 2018. The Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

Interest Rate Risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk and 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 2018 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

Credit Risk

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

As at 31 March 2018, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong, the PRC and Vietnam which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

Liquidity Risk

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

Capital Expenditures

The Group incurred capital expenditures of approximately HK\$316.8 million for the year ended 31 March 2018, which were mainly related to the purchase of a parcel of industrial land in Vietnam and more advanced machinery for our factories. These capital expenditures were fully financed by internal resources and borrowings.

Management Discussion and Analysis (continued)

Capital Commitments

The Group's capital commitments as at 31 March 2018 amounted to approximately HK\$171.6 million which were mainly related to the purchase of machinery for our factories and the construction of a new production base in Vietnam.

Operating Lease Commitments

As at 31 March 2018, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately HK\$4.5 million, with approximately HK\$3.4 million due within one year and approximately HK\$1.1 million due later than one year and not later than five years.

Charge on Assets

As at 31 March 2018, the Group's land use rights with a total carrying amount of HK\$16.6 million, land and buildings and leasehold improvements with a total carrying amount of HK\$240.6 million and available-for-sale financial assets with a total carrying amount of HK\$71.1 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liability as at 31 March 2018.

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 2018 is set out on page 61 of this annual report.

Significant Investments, Acquisitions and Disposals

Other than the acquisitions of Champ Gear Investments Limited and V. Success Limited as disclosed the Company's announcements dated 3 April 2017 and 28 September 2017, respectively, the Group had no significant investments, acquisitions and disposals during the year ended 31 March 2018.

Events after Balance Sheet Date

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

Financial Instruments

As at 31 March 2018, the Group had outstanding forward foreign currency contracts to sell US\$ and purchase RMB with a notional principal amounts of HK\$108.5 million. The Group did not have any outstanding hedging contracts or financial derivatives as at and for the year ended 31 March 2017.

Operating Segment Information

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

Management Discussion and Analysis (continued)

Human Resources and Emolument Policy

As at 31 March 2018, the Group had a total of approximately 12,200 full-time employees in the PRC, Vietnam and Hong Kong. For the year ended 31 March 2018, the total staff costs, including the directors' emoluments, amounted to HK\$759.0 million.

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

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

Remuneration Policy

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

Biographical Details of Directors and Members of Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Ting Chung (王庭聰), *BBS, JP*, aged 56, has been our Director since 11 August 2015. He is one of our founders, the chairman and chief executive officer of our Group and is primarily responsible for overall management and formation of corporate strategy of our Group. Mr. Wong has over 30 years of working experience in knitting industry. He established his business through Hang Cheong Knitting Factory (恒昌織造廠), a factory engaged in the production of knitwear products, in 1982 and was responsible for overall management of the factory. Mr. Wong established our Group's business through Nameson Industrial Limited ("Nameson Industrial") in September 1990. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group Limited ("Nameson Group"), First Team (HK) Limited ("First Team (HK)"), Nameson Industrial, South Crown (H.K.) Limited ("South Crown"), Kingmax Industrial Limited ("Kingmax Industrial"), Senico Apparel Limited ("Senico Apparel"), Winner Way Industrial Limited ("Winner Way"), Senico Industrial Limited ("Senico Industrial"), Champ Gear Investments Limited ("Champ Gear"), V. Success Limited ("V. Success"), V. Success (HK) Limited ("V. Success (HK)"), V. Success (HZ) Knitting Limited ("V. Success Huizhou"). Mr. Wong is currently a delegate of the Hong Kong Special Administrative Region to the National People's Congress of the PRC (中國全國人民代表大會香港特別行政區代表) and the chairman of Hong Kong Industrial and Commercial Association General Chamber Executive Committee (香港工商總會會董會執行委員會). He graduated from Hong Kong Yee Tong Ye College (香港易通夜中學) in 1978. Mr. Wong is the brother of Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau and father of Mr. Wong Wai Yue. Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun are our executive Directors, while Mr. Wong Ting Kau is our non-executive Director.

Mr. Wong Wai Yue (王槐裕), aged 36, has been our Director since 30 August 2015 and was re-designated as executive Director and vice chairman with effect from 27 November 2017. He is primarily responsible for assisting the chairman to oversee and manage the Board and formulate the corporate strategy. Currently, Mr. Wong assumes various directorships in our Group, including V. Success and V. Success (HK). From January 2007 to January 2015, Mr. Wong served as a director of Nameson Group, responsible for investment management. Mr. Wong obtained his bachelor's degree of science in computer science and the master's degree of science in international management from University of Exeter, United Kingdom in July 2005 and June 2006 respectively. Mr. Wong has served as the executive director of Hong Kong United Youth Association since July 2009 and the president of Hong Kong Industrial & Commercial Association-Youth Link since May 2012. Mr. Wong is also a committee member of the Chinese People's Political Consultative Conference Guangzhou City Haizhu District Committee (中國人民政治協商會議廣州市海珠區委員會) since August 2013 and a committee member of the Chinese People's Political Consultative Conference Longgang District Shenzhen (中國人民政治協商會議深圳市龍崗區委員會) since September 2016. Mr. Wong is the son of Mr. Wong Ting Chung, our executive Director. Mr. Wong is also the nephew of Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau. Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun are our executive Directors, while Mr. Wong Ting Kau is our non-executive Director.

Biographical Details of Directors and Members of Senior Management (continued)

Mr. Wong Wai Wing, Raymond (王惠榮), aged 48, has been our Director since 11 August 2015. He is the chief operating officer of our Group and is primarily responsible for the operational management, research and development and sales strategy of our Group. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group, Nameson Industrial, Winner Way, Kingmax Industrial, Senico Industrial, Senico Apparel, South Crown, First Team (HK), Huizhou Nanxuan Knitting Factory Limited (“Nanxuan Knitting”), S. Power (HK) Limited (“S. Power (HK)”), Huizhou Jiaming Knitting Factory Limited (“Huizhou Jiaming”), Huizhou Liyun Knitting Factory Limited (“Huizhou Liyun”), Huizhou Lihao Fashion Limited (“Huizhou Lihao”) and Champ Gear. Mr. Wong has over 18 years of working experience in the garment and hotel industries. He joined Nameson Industrial as a senior merchandising manager in March 1998 and was responsible for marketing plan development and the execution of marketing strategy. From May 2000 to December 2004, he served as a general manager in Japan Winner Way Knitting Factory (日本力運針織廠), where he was primarily responsible for operational management of the factory. From January 2005 to August 2007, he served as a director in the human resources division of our Group, where he was primarily responsible for compensation and benefit, recruitment, training development and manpower management. From September 2007 to December 2014, he served as executive director in Kong Sing (H.K.) Limited (港昇(香港)有限公司), a company principally engaged in hospitality management, where he was primarily responsible for the management of Crowne Plaza Huizhou and Grand Square Hotel Wuhu. Since February 2012, Mr. Wong has served as a committee member of the Chinese People’s Political Consultative Conference in Huizhou City (中國人民政治協商會議惠州市委員會). Mr. Wong was awarded as the Young Industrialist in 2015. Mr. Wong received his bachelor’s degree in commerce from the University of Calgary in Canada in June 1996. He received his executive master’s degree of business administration from the City University of Hong Kong in October 2014. Mr. Wong is the brother of Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau and uncle of Mr. Wong Wai Yue. Mr. Wong Ting Chung, Mr. Wong Wai Yue and Mr. Wong Ting Chun are our executive Directors, while Mr. Wong Ting Kau is our non-executive Director.

Mr. Wong Ting Chun (王庭真), aged 52, has been our Director since 30 August 2015. He is the chief production officer of our Group and is primarily responsible for the production management of our PRC Factory and Vietnam Factory. He joined our Group as the production manager of Nameson Industrial in November 1990 and was responsible for overseeing production and operations management. Currently, Mr. Wong assumes various directorships in our Group, including Nanxuan Knitting, Huizhou Jiaming, Huizhou Liyun and Huizhou Lihao. Mr. Wong has over 30 years of working experience in knitting industry. He worked as a production technician in Hang Cheong Knitting Factory (恒昌織造廠) from August 1982 to October 1990. In April 2009, he received the award of Model Worker of Huicheng District in Huizhou (惠州市惠城區勞動模範) issued by Huizhou City Huicheng District Committee of Chinese Communist Party and Huizhou City Huicheng District People’s Government (中共惠州市惠城區委及惠州市惠城區人民政府). In January 2011, he received the award of Outstanding Individual of the Construction of Staff Library of Chinese Trade Unions (全國工會職工書屋建設先進個人) issued by All-China Federation of Labour (中華全國總工會). Mr. Wong is the brother of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Kau, uncle of Mr. Wong Wai Yue. Mr. Wong Ting Chung, Mr. Wong Wai Yue and Mr. Wong Wai Wing, Raymond are our executive Directors, while Mr. Wong Ting Kau is our non-executive Director.

Biographical Details of Directors and Members of Senior Management (continued)

Mr. Li Po Sing (李寶聲), aged 53, 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.

Ms. Chan Mei Hing, Aurora (陳美興), aged 42, has been our Director since 30 August 2015. She is the finance director of our Group and is primarily responsible for corporate financial planning and treasury management of our Group. Currently, Ms. Chan assumes various directorships in our Group, including Nameson Group, Nameson Industrial, Winner Way, Kingmax Industrial, Senico Industrial, Senico Apparel, South Crown, First Team (HK), S. Power (HK), V. Success (HK), Champ Gear and V. Success. Ms. Chan joined our Group as a finance manager in November 2002 and was promoted to the senior manager of finance department in April 2005 and the finance director of finance department in April 2007. Prior to joining our Group, Ms. Chan served as an accountant at KPMG, an audit and business advisory firm, from September 1999 to October 2002. Ms. Chan received her bachelor's degree in commerce from the University of British Columbia in Canada in May 1999 and her executive master's degree of business administration from the Chinese University of Hong Kong in November 2013.

Mr. Tam Wai Hung, David (譚偉雄), aged 68, has been our Director since 30 August 2015. He was a consultant of Nameson Group from June 2012 to March 2018 and was responsible for providing advice on various areas including financing, banking and risk management. Mr. Tam has more than 40 years of experience in commercial banking industry in Hong Kong and China. From January 1968 to March 1999, Mr. Tam worked in The Hongkong and Shanghai Banking Corporation and held various position including branch manager, district manager, manager in corporate banking and senior executive banking. From March 1999 to January 2012, Mr. Tam worked in Hang Seng Bank Limited and held various positions including assistant general manager, deputy general manager and chief risk officer. Mr. Tam was a director of Yantai Bank (煙台銀行), a city commercial bank in Yantai, Shandong Province, the PRC from December 2012 to June 2017. Mr. Tam is also an independent non-executive director of Xinyi Glass Holdings Limited, a company principally engaged in the production and sales of a wide range of glass products, listed on the main board of Stock Exchange (stock code: 868). 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.

Biographical Details of Directors and Members of Senior Management (continued)

Mr. Wong Ting Kau (王庭交), aged 56, has been our Director since 30 August 2015. He is one of the founders of our Group. Mr. Wong currently is the chief executive officer of V. Success (HK). Mr. Wong joined our Group as an executive director of Nameson Group in November 1990 and was promoted to the executive vice president in May 2002. He was further promoted to the managing director of Nameson Group in August 2006 and ceased to be the director in March 2013. Currently, Mr. Wong is the honorary chairman of Hong Kong Knitwear Innovation and Design Society (香港毛織創新及設計協會), the vice chairman of Hong Kong Footwear Association Limited (香港鞋業商會有限公司) and the vice president of The Federation of Hong Kong Footwear Limited (香港鞋業(1970)總會). Mr. Wong is the brother of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun and the uncle of Mr. Wong Wai Yue, all of them are executive Directors.

Ms. Fan Chiu Fun, Fanny (范椒芬), *GBM, GBS, JP*, aged 65, 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, a special adviser to the China-US Exchange Foundation and the chairman of the board of directors of the Hong Kong Science and Technology Parks Corporation. Ms. Fan joined the board of CLP Holdings Limited, a company listed in the main board of Stock Exchange (stock code: 0002), as an independent non-executive director in August 2011 and resigned in April 2012. She rejoined the board of CLP Holdings Limited in August 2012. Ms. Fan also joined China Unicom (Hong Kong) Limited, a company listed in the main board of Stock Exchange (stock code: 0762), as independent non-executive director in November 2012. Ms. Fan has also been the independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited), a company listed in the main board of Stock Exchange (stock code: 0620) since December 2015 and Minmetals Land Limited, a company listed in the main board of Stock Exchange (stock code: 0230) since April 2018. Prior to her retirement from the civil service in 2007, Ms. Fan was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years working experience in the government departments, Ms. Fan has held various positions in the government of Hong Kong Special Administrative Region, including the director of the office of chief executive designate, the Commissioner for Transport of the Transport Department of Hong Kong, the secretary and permanent secretary of Education and Manpower Bureau of Hong Kong. Ms. Fan graduated from the University of Hong Kong with a bachelor's degree in science in 1975. She received a master degree in public administration from Harvard University, US in 1990 and a master degree in education from the Chinese University of Hong Kong in 2005.

Mr. Kan Chung Nin, Tony (簡松年), *SBS, JP*, aged 67, 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, a company listed in the main board of Stock Exchange (stock code: 1999) since May 2013 and Hopewell Highway Infrastructure, a company listed in the main board of Stock Exchange (stock code: 0737) since April 2018. Mr. Kan has been the non-executive director as well as the chairman of Midland IC&I Limited, a company listed in the main board of Stock Exchange (stock code: 459) since October 2016. Mr. Kan was the non-executive director of Midland Holdings Limited, a company listed in the main board of Stock Exchange (stock code: 1200) between March 2014 and October 2016. 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.

Biographical Details of Directors and Members of Senior Management (continued)

Mr. Ong Chor Wei (王祖偉), aged 48, has been our Director since 29 January 2016. He has extensive experience in finance and accounting. Mr. Ong was, or has been, a director of the following listed companies in the last three years preceding 22 June 2018:

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

Biographical Details of Directors and Members of Senior Management (continued)

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

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

Biographical Details of Directors and Members of Senior Management (continued)

Mr. Fan Chun Wah, Andrew (范駿華), JP, aged 39, 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 November 2017. He has been the managing director of C.W. Fan & Co. Limited (泛華會計師事務所有限公司) since November 2013 and the partner of C.W. Fan & Co. (泛華會計師行) since January 2006. Mr. Fan was, or has been, a director of the following companies in the last three years preceding 22 June 2018:

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
March 2013 to July 2015	Milan Station Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1150)	Retail of handbags, fashion accessories and embellishments	Independent non-executive Director	Board oversight and independent management
January 2013 to present	Chuang's China Investments Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0298)	Property investment and development in Hong Kong and China	Independent non-executive Director	Board oversight and independent management
March 2013 to December 2016	LT Commercial Real Estate Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0112)	Property development, property investment, securities investment, and finance activities in Hong Kong, China, and the US	Independent non-executive Director	Board oversight and independent management
March 2014 to present	Sinomax Group Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1418)	Marketing, manufacture, and distribution of visco-elastic health and wellness products	Independent non-executive Director	Board oversight and independent management
October 2014 to present	Fulum Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1443)	Operation of fullservice restaurant chain serving Cantonese cuisine in Hong Kong and in China	Independent non-executive Director	Board oversight and independent management
April 2015 to present	Culturecom Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0343)	Publishing comic books and provision of media content in Hong Kong, China, and Macau	Independent non-executive Director	Board oversight and independent management

Biographical Details of Directors and Members of Senior Management (continued)

Period of Services	Name of the Companies	Principal business activities	Position	Responsibilities
July 2015 to May 2017	Hong Kong Resources Holdings Company Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2882)	Retail and franchise of gold and jewellery products in China, Hong Kong, and Macau	Independent non-executive Director	Board oversight and independent management
September 2015 to August 2016	On Real International Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8245)	Design and manufacturer of two-way radio product	Independent non-executive Director	Board oversight and independent management
June 2017 to present	Omnibridge Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8462)	Human resources outsourcing and recruitment services	Independent non-executive Director	Board oversight and independent management
December 2017 to present	Sanbase Corporation Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8501)	Provision of interior office fit-out management and solutions services	Independent non-executive Director	Board oversight and independent management
December 2017 to present	Space Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2448)	Provision of fitting-out works and building construction works in Macau	Independent non-executive Director	Board oversight and independent management
January 2018 to present	CNC Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8356)	Provision of civil engineering services for the public sector in Hong Kong and television broadcasting business in Asia-Pacific region	Independent non-executive Director	Board oversight and independent management

Biographical Details of Directors and Members of Senior Management (continued)

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 2008. 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 67, has been our Director since 29 January 2016. She has over 45 years of experience in apparel and textile industry. Ms. Lee joined Telemac (Hong Kong) Ltd., a company principally engaged in the production of outerwear, as an executive secretary and senior merchandiser from September 1970 to November 1977, where she was engaged in merchandising role on outerwear production. From December 1977 to July 1980, Ms. Lee was the merchandising manager of H.I.S Sportswear Ltd. and was responsible for sourcing and production. From June 1981 to April 1989, she worked as a merchandising manager, then promoted to a senior merchandising manager and a director and subsequently promoted to executive director in Murjani Industries (HK) Ltd., where she was responsible for the overall operational management. From May 1989 to July 1990, Ms. Lee served as an executive vice president in Bonaventure Textiles Ltd., where she was responsible for production management. From August 1991 to January 2013, Ms. Lee worked as an executive vice president in Mast Industries (Far East) Limited and MGF Sourcing Far East Limited, each a garment sourcing agent respectively, where she was responsible for apparel procurement and production management. Ms. Lee graduated from Maryknoll Convent School with a commercial diploma in June 1969.

Mr. Ip Shu Kwan, Stephen (葉樹堃), *GBS, JP*, aged 66, has been our Director since 16 April 2018. He was graduated from the University of Hong Kong with a degree in social sciences in 1973. Mr. Ip joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Hong Kong Government as a Principal Official from July 1997 to June 2007. Mr. Ip held certain senior positions which include Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services. Mr. Ip took up the position of Secretary for Economic Development and Labour in July 2002. His portfolio in respect of economic development covered air and sea transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. He was also responsible for labour policies including matters relating to employment services, labour relations and employees rights.

In his capacity as Secretary for Economic Development and Labour, Mr. Ip was a member of the Hong Kong Airport Authority Board, the Mandatory Provident Fund Schemes Authority Board, the Hongkong International Theme Parks Limited Board as well as the Chairman of the Logistics Development Council, Port Development Board, Maritime Industry Council and Aviation Development Advisory Committee. Mr. Ip retired from the Hong Kong Government in July 2007. Mr. Ip received the Gold Bauhinia Star award from the Hong Kong Government in 2001, and is an unofficial Justice of the Peace. Mr. Ip was an independent non-executive director of Synergis Holdings Limited from September 2008 to December 2017. Mr. Ip is currently an independent non-executive director of four 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 and Luk Fook Holdings (International) Limited (Stock Code: 590) since October 2011.

Biographical Details of Directors and Members of Senior Management (continued)

SENIOR MANAGEMENT

Mr. Tao Chi Keung (陶志強), aged 47, 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, where he was responsible for auditing. From March 1996 to May 1998, he was the accounting manager in FT Holdings International Limited, a company listed in the main board of Stock Exchange (stock code: 559), where he was responsible for accounting. From June 1998 to October 1999, Mr. Tao worked as an assistant manager in New World China Land Limited, a real estate company listed in the main board of Stock Exchange (stock code: 917), where he was responsible for several property development projects in the PRC. 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, a company listed in the main board of Stock Exchange (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 47, 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. Xie Mingqiang (謝明強), aged 47, is the assistant general manager of our PRC Factory. He is primarily responsible for the financial management and reporting, custom and government affairs in our PRC Factory. Mr. Xie joined our Group as an accounting manager of Nanxuan Knitting in February 1998 and responsible for accounting. Mr. Xie was promoted to the assistant general manager of the finance department in November 2005 and was responsible for financial management of PRC Factory. Prior to joining our Group, from September 1992 to January 1996, Mr. Xie worked in Meihua Oil Service Co., Ltd. (美華石油服務有限公司) as manager and Huihui Technological Development Co., Ltd. (輝卉科技開發有限公司) as financial manager from February 1996 to January 1998. Mr. Xie has been admitted as an accountant by Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in October 1995. Mr. Xie received his bachelor's degree in accounting from Sun Yat-Sen University (中山大學), Guangzhou in July 1992.

Biographical Details of Directors and Members of Senior Management (continued)

Mr. Lin Guoxin (林國新), aged 47, is the assistant general manager of our PRC Factory. He is primarily responsible for the production management in our PRC Factory. Mr. Lin joined our Group as a plant manager at Nanxuan Knitting in November 1995, where he was responsible for overseeing and managing the production process. He was promoted to assistant general manager of the production department in October 2005, where he was responsible for managing and supervising overall production operations in our PRC factory. Mr. Lin is the cousin of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau.

Mr. Mo Erjin (莫二金), aged 50, is the assistant general manager of our PRC Factory. He is primarily responsible for supervising sample development in our PRC Factory. Mr. Mo joined our Group as the chief of the technical centre in March 2003 and was further promoted to assistant general manager in January 2008 and was responsible for the management of the sample development in our PRC Factory. Prior to joining our Group, Mr. Mo served as a knitting technician at Foshan Zhangcha Knitting Factory (佛山張槎毛衫廠), from October 1986 to March 1989. From March 1989 to February 2002, he served as a knitting team leader at Laws Fashion Knitters Limited (羅氏針織有限公司).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code of corporate governance. In the opinion of the Directors, save for the deviation from code provision A.2.1 which is explained below, the Company has complied with all the mandatory code provisions set out in the CG Code for the year ended 31 March 2018.

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

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

DIRECTORS’ AND RELEVANT EMPLOYEES’ SECURITIES TRANSACTIONS

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

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company’s code of conduct throughout the year ended 31 March 2018.

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 2018.

Corporate Governance Report (continued)**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.

Corporate Governance Report (continued)

Composition of the Board

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

Board of Directors

Executive Directors

Mr. Wong Ting Chung (*Chairman and Chief Executive Officer*)

Mr. Wong Wai Yue (*Vice- Chairman*)

(Re-designated as Executive Director and Vice-Chairman with effect from 27 November 2017)

Mr. Wong Wai Wing, Raymond

Mr. Wong Ting Chun

Mr. Li Po Sing

Ms. Chan Mei Hing, Aurora

Non-executive Directors

Mr. Tam Wai Hung, David

Mr. Wong Ting Kau

Mr. Lau Ka Keung (*Resigned with effect from 16 April 2018*)

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny

Mr. Kan Chung Nin, Tony

Mr. Ong Chor Wei

Mr. Fan Chun Wah, Andrew

Ms. Lee Bik Kee, Betty

Mr. Ip Shu Kwan, Stephen (*Appointed with effect from 16 April 2018*)

Except for the family relationship between Mr. Wong Ting Chung, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond, Mr. Wing Ting Chun and Mr. Wong Ting Kau as disclosed in the section headed "Directors and 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 2018, 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.

Corporate Governance Report (continued)

Terms of Appointment of Directors

Executive Directors and Non-executive Directors

Each of the executive Directors and non-executive Directors of the Company has entered into a service contract for an initial fixed term of three years commencing on 1 February 2016. The appointment may be terminated by not less than three months' notice in writing served by either the relevant Director or the Company.

Independent non-executive Directors

Each of the independent non-executive Directors of the Company was appointed by the Company for an initial 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 on 29 January 2016 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.

Corporate Governance Report (continued)

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 2018, five 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 2017; (ii) the quarterly results of the Group for the three months ended 30 June 2018; (iii) the interim results and report of the Group for the six months ended 30 September 2017; (iv) quarterly results of the Group for the nine months ended 31 December 2017; and (v) the major and connected transactions in connection with the acquisition of V. Success Group.

The attendance records of individual Directors at the aforementioned Board meetings and at the Company's general meetings held on 28 August 2017 and 11 December 2017 are set out below:

Name of Director	Attendance/Number of Meetings		
	(Board meetings)	(Annual general meeting)	(Extra-ordinary general meeting)
Executive Directors			
Mr. Wong Ting Chung (<i>Chairman and Chief Executive Officer</i>)	5/5	1/1	1/1
Mr. Wong Wai Yue (<i>Vice-Chairman</i>)	5/5	1/1	1/1
Mr. Wong Wai Wing, Raymond	5/5	1/1	1/1
Mr. Wong Ting Chun	4/5	0/1	1/1
Mr. Li Po Sing	4/5	1/1	1/1
Ms. Chan Mei Hing, Aurora	5/5	1/1	1/1
Non-executive Directors			
Mr. Tam Wai Hung, David	5/5	1/1	1/1
Mr. Wong Ting Kau	4/5	0/1	1/1
Mr. Lau Ka Keung (<i>Resigned with effect from 16 April 2018</i>)	5/5	1/1	1/1
Independent non-executive Directors			
Ms. Fan Chiu Fun, Fanny	5/5	1/1	1/1
Mr. Kan Chung Nin, Tony	5/5	1/1	1/1
Mr. Ong Chor Wei	5/5	1/1	1/1
Mr. Fan Chun Wah, Andrew	5/5	1/1	1/1
Ms. Lee Bik Kee, Betty	4/5	1/1	1/1
Mr. Ip Shu Kwan, Stephen (<i>Appointed with effect from 16 April 2018</i>)	N/A	N/A	N/A

Corporate Governance Report (continued)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD COMMITTEES

Executive Committee

The executive committee of the Board was established since September 2017 with written terms of reference setting out its authority delegated by the Board. The primary duties of the executive committee include (but without limitation) (i) general management which includes, supervising the day-to-day management, performance and operations of the Group; (ii) assessing and making recommendations to the Board on major acquisitions of or investments in business or operations; and (iii) undertaking the role of risk management within the Company to minimise or mitigate major risks to the operations of the Group. The executive committee comprises all executive Directors, namely, Mr. Wong Ting Chung (Chairman of the executive committee), Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Li Po Sing, and Ms. Chan Mei Hing, Aurora. 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 on 29 January 2016 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by the Board. For the year ended 31 March 2018, the audit committee consists of one non-executive Director, Mr. Tam Wai Hung, David, and three independent non-executive Directors, namely, Mr. Ong Chor Wei (chairman of the audit committee who possesses the appropriate professional qualification or accounting or related financial management expertise), Mr. Kan Chung Nin, Tony, and Mr. Fan Chun Wah, Andrew. 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 2018. 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 2017 and unaudited interim results for the six months ended 30 September 2017; (ii) the work of the Group's internal audit department; and (iii) the effectiveness of the Group's risk management and internal control systems.

Corporate Governance Report (continued)

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 (<i>Chairman</i>)	2/2
Mr. Kan Chung Nin, Tony	2/2
Mr. Tam Wai Hung, David	2/2
Mr. Fan Chun Wah, Andrew	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 22 June 2018 to consider and review, among other things, the Group's annual results and annual report for the year ended 31 March 2018. It was attended by Mr. Ong Chor Wei, Mr. Kan Chung Nin, Tony, Mr. Tam Wai Hung, David, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen⁽¹⁾.

Note 1: Mr. Ip Shu Kwan, Stephen has been appointed as a member of the audit committee with effect from 16 April 2018.

Remuneration Committee

The remuneration committee of the Board was established on 29 January 2016 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the CG Code. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme of the Company. For the year ended 31 March 2018, the remuneration committee consists of one executive Director, Mr. Wong Ting Chung and two independent non-executive Directors, Mr. Kan Chung Nin, Tony (chairman of the remuneration committee) and Mr. Ong Chor Wei. The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

The remuneration committee held three physical meetings during the year ended 31 March 2018. In these three meetings, the remuneration committee discussed and reviewed, among other things, (i) the remuneration packages of the Directors and senior management; (ii) the grant of share options to eligible participants pursuant to the share option scheme of the Company; and (iii) the remuneration package of Mr. Wong Wai Yue for his re-designation from a non-executive Director to an executive Director and the vice chairman of the Board.

Corporate Governance Report (continued)

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

Name of remuneration committee member	Attendance/ Number of Meetings
Mr. Kan Chung Nin, Tony (<i>Chairman</i>)	3/3
Mr. Wong Ting Chung	3/3
Mr. Ong Chor Wei	3/3

Nomination Committee

The nomination committee of the Board was established on 29 January 2016 with written terms of reference in compliance with paragraph A5 of the CG Code. It is responsible for determining the policy for the nomination of directors, identifying and recommending to the Board appropriate candidates to serve as Directors, evaluating the structure and composition of the Board and developing, recommending to the Board and monitoring nomination guidelines for the Company. For the year ended 31 March 2018, the nomination committee consists of one executive Director, Mr. Wong Ting Chung (chairman of the nomination committee) and two independent non-executive Directors, Mr. Kan Chung Nin, Tony and Mr. Ong Chor Wei. The written terms of reference of this committee has been made available on the Company’s website at www.namesonholdings.com and on the website of the Stock Exchange.

The nomination committee held two physical meetings during the year ended 31 March 2018. 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) re-designation of Mr. Wong Wai Yue from a non-executive Director to an executive Director and the vice chairman of the Board.

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

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

Corporate Governance Report (continued)

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 2018, the Company monitored the Board composition with regard to its diversity policy which requires board appointments to be made on a merit basis with due regard for the benefits of the diversity of Board members. Selection of candidates will be based on a wide range of diversity perspectives, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The nomination committee has developed measurable objectives to implement the board diversity policy and would monitor the progress in achieving these objectives.

EXTERNAL AUDITOR'S REMUNERATION

The amount of fees charged by the Company's external auditor, PricewaterhouseCoopers, in respect of their audit and non-audit services including review interim financial information for the year ended 31 March 2018 and the non-audit services in connection the acquisition of V. Success Group amounted to HK\$3.1 million and HK\$1.6 million, respectively.

THE COMPANY SECRETARY

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' TRAINING

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

Corporate Governance Report (continued)

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code for the year ended 31 March 2018 and they participated in the following types of continuous professional development:

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

(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.

Corporate Governance Report (continued)

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

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

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

CONSTITUTIONAL DOCUMENTS

The amended and restated articles of association of the Company has been conditionally adopted on 29 January 2016 with effect from the date of listing of the Company on the Stock Exchange. During the year ended 31 March 2018, 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 2018 under the section headed "Management Discussion and Analysis" of this annual report.

INTERNAL CONTROLS AND RISK MANAGEMENT

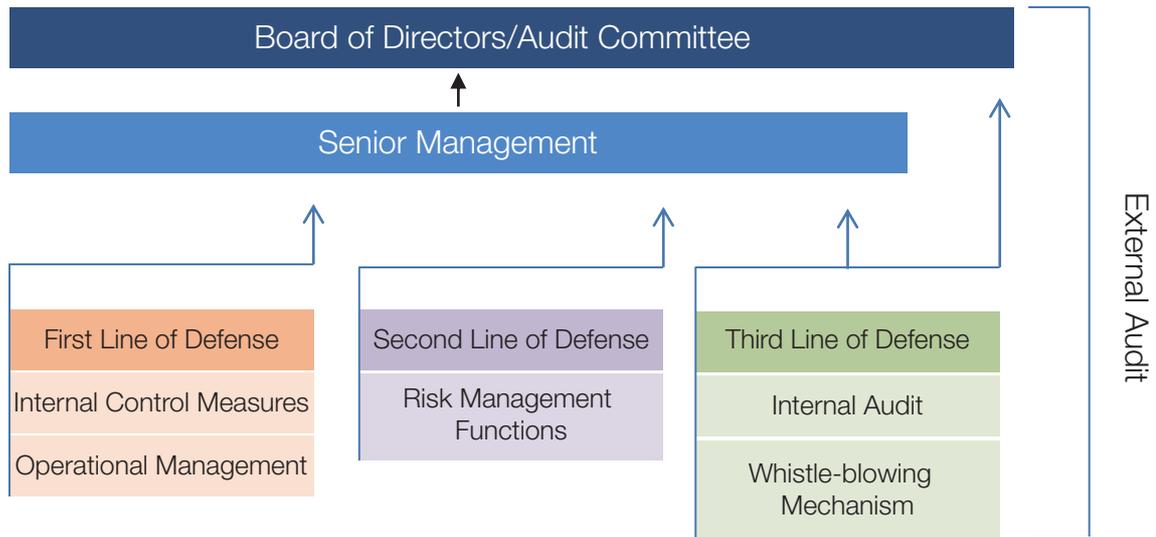
The Group has an internal control system which plays an important role in maintaining and improving accountability and transparency in the conduct of the Group's business, safeguarding the interests of the Company's shareholders and the assets of the Group and enhancing investor confidence. On the other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

Main Features of Risk Management and Internal Control Systems

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

Risk Governance Framework

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

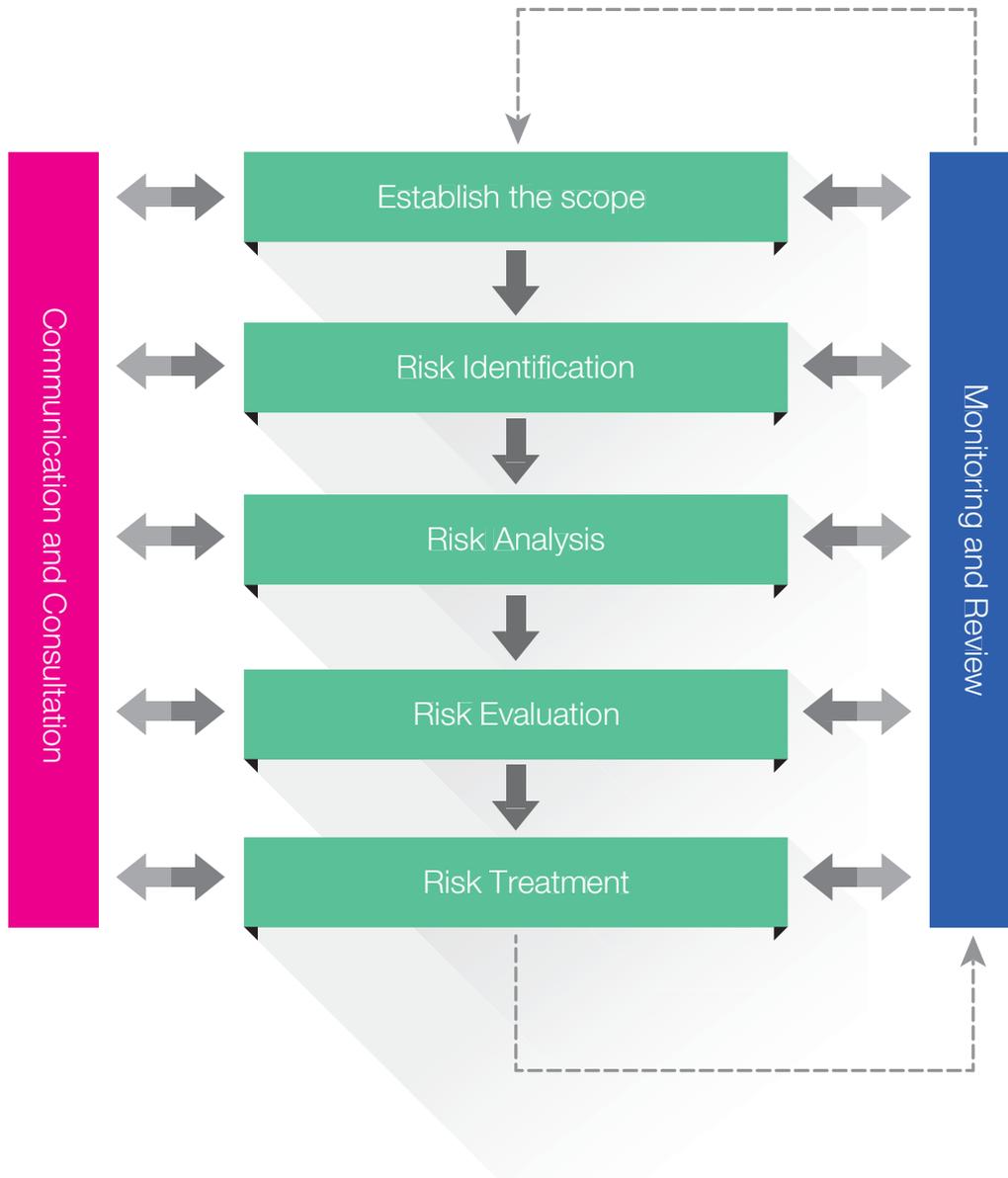


Being the first line of defense, the Group’s business unit is responsible for identifying, evaluating and monitoring the risks associated with each business or transaction, minimising the potential risks posed to business operations through various policies, procedures of operational management and internal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

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

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

Corporate Governance Report (continued)



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.

Corporate Governance Report (continued)

Risk Analysis

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

Risk Evaluation

- Evaluate the extent of identified risks using the assessment criteria established by the management; and
- Consider the impact of those risks on the business and the possibility of their occurrence.

Risk Treatment

- Prioritise risks by comparing the results of risk evaluation; and
- Risk management strategies and internal control procedures are established by operational management to prevent, avoid or mitigate risks through internal monitoring units.

Monitoring and Review

- Monitor risks on an ongoing and regular basis, and establish appropriate internal control procedures based on the production and operational process;
- In the event of any major changes in the production and operational process, review the risk management policy and revise the internal control procedures (if necessary); and
- Report the results of risk monitoring to the management, audit committee and Board on a regular basis.

Communication and Consultation

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

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

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

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

Corporate Governance Report (continued)

The Group's Significant Risks

- Due to the intense competition in the human capital market, our failure to recruit, replenish or retain key employees may impact the business development and the ability to achieve the Group's objectives.
- Given the uncertainty about the trade policy enforced by the government of the United States of America (the "United States"), we believe that the customer demand for knitwear products manufactured in Vietnam will continue to increase, thereby driving the demand for labour force in Vietnam, which will in turn lead to an upward pressure on labour costs.
- There is uncertainty about the trade policy enforced by the government of the United States, which may be detrimental to our current operations.
- Global economic uncertainties and climate warming hit the overall demand for knitwear products, which in turn affect our sales. These may have an impact on our business, financial condition and operating results.
- We have a concentrated customer base as sales attributable to the five largest customers account for over 80% of total sales. Any changes in the five largest customers' decisions to purchase products from us may have an impact on our business and financial condition.
- The drastic upsurge in raw material prices may result in failure to completely transfer the upward pressure to customers in a timely manner.
- In the knitted upper for footwear and knitted upper shoes business, with the increasingly keen competition in the industry, the average selling price and order volume of products may be subject to a downward pressure.
- Shipping and container spaces were in shortage after a large shipping company got into financial trouble in the middle of 2016 and the subsequent merger of several shipping companies. Moreover, changeable weather and unexpected weather changes in recent years could affect our delivery schedules. Thanksgiving Day from September to October every year in the United States results in intense demand for shipping spaces of cargo ships and aircrafts to the United States between June and August. Besides, as customers may change shipping methods suddenly, we may not be able to make reservations for shipping spaces of cargo ships or aircrafts and handle shipment in a timely manner. Delays in delivery schedules may have an impact on our business, reputation, financial condition and operating results.
- China is toning up restrictions and requirements for pollutant emissions so that machinery and equipment may not comply with the regulations if they are not upgraded or modified in a timely manner. Moreover, since we are governed by the regulations in different business locations, changes in regulations may render us unable to comply with the local regulations in a timely manner, giving rise to non-compliance risks.
- Since a considerable portion of our operating expenses are settled in Renminbi, fluctuations in the exchange rate of the US dollar against Renminbi will have certain impact on the Group's costs and operating margins. The Group's bank borrowings are at floating rates. If the current interest rate rises, the floating-rate borrowings will lead to an increase in finance costs.
- The increased number of cyberattacks may affect us.
- To align with the business development of the Group, we intend to develop an upstream textile business in Vietnam. Moreover, the management continues to look for potential growth opportunities arising from the diversification of the existing business scope so as to broaden the Group's revenue base and customer base.

Corporate Governance Report (continued)

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

Measures to Enhance the Group's Internal Control System

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

- (a) Reed Smith Richards Butler, our Hong Kong legal adviser, is appointed to advise us on Hong Kong laws and regulations and compliance matters in accordance with the Listing Rules;
- (b) VILAF, our Vietnamese legal adviser, is appointed to advise us on Vietnamese laws and regulations;
- (c) 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;
- (d) Mr. Xie Mingqiang, a member of our senior management, is appointed to monitor our on-going compliance with the social insurance plan and housing provident fund contribution regulations and other relevant PRC laws and regulations and to oversee the implementation of any necessary measures;
- (e) 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
- (f) an internal control manager is appointed to oversee our internal controls in Hong Kong, PRC and Vietnam and to ensure our Group's on-going compliance with the relevant legal and regulatory requirements.

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

The Company's Internal Audit Department performs internal audit function and the Board is responsible for overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group on an ongoing basis. The Board has conducted a review of the effectiveness of the Group's risk management and internal control systems and considered that they are adequate and effective.

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

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

Corporate Governance Report (continued)

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 circular of the Company dated 24 November 2017. Please refer to the circular for details.

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 2018 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 97 to 103 of this annual report.

GOING CONCERN

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

SENIOR MANAGEMENT REMUNERATION BY BANDS

The remuneration of the Company's senior management, whose biographies are set out on pages 28 to 29 of this annual report, for the year ended 31 March 2018 is set out below:

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

Directors' Report

The board (the "Board") of directors (the "Directors") of Nameson Holdings Limited (the "Company") is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018.

CORPORATE REORGANISATION AND INITIAL PUBLIC OFFERING

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

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are the manufacturing of knitwear products, knitted upper for footwear and knitted upper shoes. Particulars of the principal activities of the Company's subsidiaries are set out in note 11 to the consolidated financial statements of the Group. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2018, other than the additional principal activities being the manufacturing of knitted upper for footwear and knitted upper shoes as a result of the acquisition of V. Success Limited and its subsidiaries ("V. Success Group") in December 2017.

BUSINESS REVIEW

A business review of the Group for the year ended 31 March 2018 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 18 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated income statement on page 104 of this annual report.

An interim dividend of 5.0 HK cents per share was paid on 29 December 2017 to the shareholders. The Board has resolved to declare a final dividend of 0.6 HK cents per share for the year ended 31 March 2018. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company, the final dividend of 0.6 HK cents is expected to be payable on or about Tuesday, 18 September 2018 to the shareholders whose names recorded on the register of members of the Company at the close of business on Wednesday, 5 September 2018. The Company's register of members will be closed from Monday, 3 September 2018 to Wednesday, 5 September 2018 (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 Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Friday, 31 August 2018.

DONATIONS

Charitable and other donations made by the Group for the year ended 31 March 2018 amounted to approximately HK\$2.8 million (2017: HK\$4.0 million).

Directors' Report (continued)**RESERVES AND DISTRIBUTABLE RESERVES OF THE COMPANY**

Movements in the reserves of the Group and the Company during the year ended 31 March 2018 are set out in note 30 and note 37 to the consolidated financial statements respectively.

As at 31 March 2018, the Company's reserves available for distribution to equity shareholders in accordance with its articles of association and the laws of the Cayman Islands amounted to approximately HK\$1,881.5 million (2017: HK\$1,275.5 million).

PROPERTY, PLANT AND EQUIPMENT

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

BORROWINGS

Details of the borrowings of the Group as at 31 March 2018 are set out in 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 2018 are set out in note 29 to the consolidated financial statements.

Pursuant to the share transfer agreement dated 28 September 2017, the Company allotted and issued 200,000,000 ordinary shares of the Company as part of the consideration for the acquisition of V. Success Group. For details, please refer to the Company's announcement dated 28 September 2017 and the circular dated 24 November 2017.

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 2018 attributable to the Group's major customers and suppliers are as follows:

Revenue from sales of goods attributable to:

– the largest customer	62.4%
– five largest customers in aggregate	83.7%

Purchases attributable to:

– the largest supplier	23.4%
– five largest suppliers in aggregate	72.9%

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 2018.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2018 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 2018 and up to the date of this annual report are as follows:

Executive Directors

Mr. Wong Ting Chung (*Chairman and chief executive officer*)

Mr. Wong Wai Yue (*Vice-Chairman*)

(*Re-designated as Executive Director and Vice-Chairman with effect from 27 November 2017*)

Mr. Wong Wai Wing, Raymond

Mr. Wong Ting Chun

Mr. Li Po Sing

Ms. Chan Mei Hing, Aurora

Non-executive Directors

Mr. Tam Wai Hung, David

Mr. Wong Ting Kau

Mr. Lau Ka Keung (*Resigned with effect from 16 April 2018*)

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny

Mr. Kan Chung Nin, Tony

Mr. Ong Chor Wei

Mr. Fan Chun Wah, Andrew

Ms. Lee Bik Kee, Betty

Mr. Ip Shu Kwan, Stephen (*Appointed with effect from 16 April 2018*)

In accordance with article 84(1) and 83(3) of the Company's articles of association, Mr. Wong Ting Chung, Ms. Chan Mei Hing, Aurora, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Director and non-executive Director has entered into a service contract with the Company for an initial 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 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.

Directors' Report (continued)

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below and in note 36 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 2018.

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 2018 and up to the date of this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

- (1) On 1 February 2016, our Company entered into a master hotel services agreement (the "Master Hotel Services Agreement") with Huizhou Gangsheng Property Co., Ltd. ("Huizhou Gangsheng"), pursuant to which our Company agreed to engage Huizhou Gangsheng or its subsidiaries to provide hotel accommodation, catering and event hosting services to our Group, for a term commencing from 1 February 2016 to 31 March 2018.

Huizhou Gangsheng is owned as to 99.5% by Kong Sing (H.K.) Limited and 0.5% by Huizhou Yuefu Properties Company Limited. Kong Sing (H.K.) Limited is a wholly owned subsidiary of Brand Master Limited, which is a wholly owned subsidiary of Winnermax Management Limited and in turn wholly owned by our controlling shareholders. Huizhou Yuefu Properties Company Limited is owned as to 52.0% by Mr. Lin Guoxian, the cousin of Mr. Wong Ting Chung, an executive Director of our Company, and 48.0% by Ms. Wang Xiaoxia, an independent third party. As such, Huizhou Gangsheng is a connected person of our Company for the purpose of the Listing Rules and accordingly, the entering into the Master Hotel Services Agreement with our Company constituted a continuing connected transaction for our Company.

- (2) On 1 February 2016, our Company entered into a consultation service agreement (the "Consultation Service Agreement") with Mr. Tam Wai Hung, David ("Mr. Tam"), an non-executive Director of our Company, pursuant to which Mr. Tam agreed to provide advisory services in financing, banking and marketing areas to support our business expansion and development in Hong Kong, the PRC and Vietnam. The term of the Consultation Service Agreement is from 1 February 2016 to 31 March 2018.

As Mr. Tam is a non-executive Director of our Company, he is a connected person of our Company for the purpose of the Listing Rules and accordingly, the entering into the Consultation Service Agreement with our Company constituted a continuing connected transaction for our Company.

Directors' Report (continued)

- (3) On 1 January 2016, Nameson Industrial Limited, Kingmax Industrial Limited, Winner Way Industrial Limited and First Team (HK) Limited, the Company's wholly-owned subsidiaries, entered into a tenancy agreement (the "Tenancy Agreement") with Hanyi Investments Limited ("Hanyi Investments"), pursuant to which Hanyi Investments agreed to lease to us a property and carparks (the "Property") situated at Units A-C, 21/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong. The Property is for factory and ancillary office use. The Tenancy Agreement has a term commencing from 1 January 2016 to 31 March 2018 at an annual rent of HK\$2,785,200.

Hanyi Investments is a wholly-owned subsidiary of Winnermax Management Limited, which is in turn wholly owned by our controlling shareholders. As such, Hanyi Investments is a connected person of our Company for the purpose of the Listing Rules and accordingly, the entering into the Tenancy Agreement with the parties thereto constituted a continuing connected transaction for our Company.

- (4) On 3 April 2017, Nameson Group Limited ("Nameson Group"), a wholly-owned subsidiary of our Company, entered into a share transfer agreement (the "Share Transfer Agreement I") with Mr. Wong Ting Chung, pursuant to which Nameson Group agreed to acquire the entire issued share capital of Champ Gear Investments Limited held by Mr. Wong Ting Chung, at the consideration of HK\$6,900,000. Such acquisition was completed in April 2017.

Mr. Wong Ting Chung is the chairman, chief executive officer, an executive Director and a substantial shareholder of our Company. Mr. Wong Ting Chung is therefore a connected person of our Company for the purpose of the Listing Rules and accordingly, the entering into the Share Transfer Agreement I with Nameson Group constituted a connected transaction for our Company.

- (5) On 3 April 2017, Nameson Group, a wholly-owned subsidiary of our Company, entered into a share transfer agreement (the "Share Transfer Agreement II") with Mr. Wong Ting Chung, pursuant to which Nameson Group agreed to acquire the entire issued share capital of V. Success Limited held by Mr. Wong Ting Chung, at the consideration of HK\$550,000,000. Such acquisition was completed in December 2017.

As mentioned in paragraph 4 above, Mr. Wong is a connected person of our Company for the purpose of the Listing Rules and accordingly, the entering into the Share Transfer Agreement II with Nameson Group constituted a connected transaction for our Company.

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

The lessors to the Lease Agreements, Huizhou Lijia is held by Mr. Wong Ting Chun, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Kau, each an executive Director, and Mr. Lau Ka Keung, a non-executive Director of the Company (who has resigned with effect from 16 April 2018), and Huizhou Lixin is owned by Ms. Teresa Wong, the daughter of Mr. Wong Ting Chung, and hence Huizhou Lijia and Huizhou Lixin are connected persons of our Company for the purpose of the Listing Rules. Upon completion of the acquisition of V. Success Group as described in paragraph 5 above, V. Success Limited (which wholly owned V. Success Huizhou) became an indirect wholly-owned subsidiary of the Company. Accordingly, the entering into the Lease Agreements by the lessors with V. Success Huizhou constituted continuing connected transactions for our Company.

Directors' Report (continued)

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

The Company's auditor was engaged to review the continuing connected transactions contemplated under the Lease Agreements. The 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 set out in the announcement dated 28 September 2017.

The connected transactions and the continuing connected transactions disclosed above also constitute related party transaction 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 2018 is contained in note 36 to the consolidated financial statements.

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

For details on the Master Hotel Services Agreement, Consultation Service Agreement, Tenancy Agreement and Lease Agreements, please refer to the section headed "Connected Transactions" to the prospectus of the Company dated 30 March 2016 (the "Prospectus") and the Company's announcement dated 28 September 2017, respectively.

For details on the Share Transfer Agreement I and Share Transfer Agreement II, please refer to the Company's announcements dated 3 April 2017 and 28 September 2017, respectively.

FULFILLMENT OF PROFIT GUARANTEE

Pursuant to the Share Transfer Agreement II in connection with the acquisition of V. Success Limited, Mr. Wong Ting Chung as the vendor had provided a profit guarantee to Nameson Group as the purchaser to the effect that the consolidated net profits (after tax) of V. Success Group for the financial year ended 31 March 2018 should be no less than HK\$66.0 million. As disclosed in note 34 to the consolidated financial statements, the consolidated net profit of V. Success Group for the financial year ended 31 March 2018 amounted to HK\$77.5 million and therefore the aforementioned profit guarantee under the Share Transfer Agreement II has been fulfilled.

Directors' Report (continued)

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

Save as disclosed below, as at 31 March 2018, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long position in the Ordinary Shares of the Company

Name of Directors	Nature of interest	Number of ordinary shares held or interested in	Approximate percentage of issued share capital of the Company⁽⁹⁾
Mr. Wong Ting Chung ⁽¹⁾⁽²⁾	Beneficiary of a trust	1,500,000,000	65.8%
	Beneficial owner	201,500,000	8.9%
Mr. Wong Wai Wing, Raymond ⁽³⁾⁽⁴⁾	Beneficiary of a trust	1,500,000,000	65.8%
	Beneficial owner	1,500,000	0.1%
Mr. Wong Ting Chun ⁽³⁾⁽⁴⁾	Beneficiary of a trust	1,500,000,000	65.8%
	Beneficial owner	1,500,000	0.1%
Mr. Li Po Sing ⁽⁵⁾	Beneficial owner	3,500,000	0.15%
Ms. Chan Mei Hing, Aurora ⁽⁶⁾	Beneficial owner	3,500,000	0.15%
Mr. Tam Wai Hung, David ⁽⁷⁾	Beneficial owner	2,500,000	0.1%
Mr. Wong Ting Kau ⁽³⁾	Beneficiary of a trust	1,500,000,000	65.8%
Ms. Fan Chiu Fun, Fanny ⁽⁸⁾	Beneficial owner	1,500,000	0.1%
Mr. Kan Chung Nin, Tony ⁽⁸⁾	Beneficial owner	1,500,000	0.1%
Mr. Ong Chor Wei ⁽⁸⁾	Beneficial owner	1,500,000	0.1%
Mr. Fan Chun Wah, Andrew ⁽⁸⁾	Beneficial owner	1,500,000	0.1%
Ms. Lee Bik Kee, Betty ⁽⁸⁾	Beneficial owner	1,500,000	0.1%

Directors' Report (continued)

- Note 1: Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust and therefore he is deemed to be interested in the shares held by the Happy Family Trust under the SFO.
- Note 2: Mr. Wong Ting Chung beneficially owned 200,000,000 shares which were issued by the Company on 15 December 2017 as consideration shares pursuant to the acquisition of V. Success Group and has a beneficial interest in the share options granted to him on 29 August 2016 under the Share Option Scheme (as defined below) and which, if exercised in full, would result in the issue of 1,500,000 shares to him.
- Note 3: Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust and therefore they are deemed to be interested in the shares held by the Happy Family Trust under the SFO.
- Note 4: Each of Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun, has a beneficial interest in the share options granted to him on 29 August 2016 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to each of them.
- Note 5: Mr. Li Po Sing has a beneficial interest in the share options granted to him on 29 August 2016 and 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 3,500,000 shares to him.
- Note 6: Ms. Chan Mei Hing, Aurora beneficially owned 500,000 shares and has a beneficial interest in the share options granted to her 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 3,000,000 shares to her.
- Note 7: 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 8: 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 9: The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2018.

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 2018 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 2018, 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.

Directors' Report (continued)**DEED OF NON-COMPETITION**

For the year ended 31 March 2018, each of the Company's controlling shareholders have confirmed to the Company of his/its compliance with (i) the non-competition undertakings given by him/it to the Company under the deed of non-competition, as defined in the Prospectus; and (ii) the non-competition undertakings given by him/it to the Company with respect to the Group's knitted footwear business and/or footwear business and other footwear ancillary businesses as disclosed in the circular of the Company dated 24 November 2017.

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

SHARE OPTION SCHEME

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

(a) Purpose

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

- (i) motivate the eligible participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Eligible participants

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

(c) Maximum number of shares

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

- (i) the maximum number of shares may be renewed, with the approval of the shareholders in a general meeting, up to a maximum of 10% of the issued share capital of the Company at the date of such shareholders' approval, inclusive of the maximum number of shares in respect of which share options may be granted under another scheme, if any;
- (ii) the Company may obtain a separate approval from the Company's shareholders in a general meeting to permit the granting of share options which will result in the number of shares in respect of all the share options granted exceeding the then maximum number of shares provided that such share options are granted only to eligible participants specifically identified by the Company before shareholders' approval is sought (in which case such share options granted shall not be counted towards the then applicable maximum number of shares); and
- (iii) the total maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share options granted and yet to be exercised under another scheme shall not exceed 30% of the issued share capital of the Company from time to time.

Directors' Report (continued)

(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 an 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

An 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.

Directors' Report (continued)

(h) Ranking of shares

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

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

(i) Life of the Share Option Scheme

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

For the year ended 31 March 2018, the total number of share options the Company granted to the employees and some of the Directors amounted to 59,800,000 share options. As at the date of this annual report, the number of share options that could still be granted under the Share Option Scheme was 112,110,000 share options representing approximately 4.92% 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 2018 are as follows:

Grantee	Date of Grant (Note 1)	Exercise Price HK\$	Exercise Period (Note 2)	Number of Share Options					Balance as at 31 March 2018
				Balance as at 1 April 2017	Granted during the year	Exercised during the year (Note 4)	Cancelled during the year	Lapsed during the year	
Mr. Wong Ting Chung	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
Mr. Wong Wai Wing, Raymond	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
Mr. Wong Ting Chun	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
Mr. Li Po Sing	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	-	2,000,000	-	-	-	2,000,000
Ms. Chan Mei Hing, Aurora	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	(500,000)	-	-	1,000,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	-	2,000,000	-	-	-	2,000,000

Directors' Report (continued)

Grantee	Date of Grant (Note 1)	Exercise Price HK\$	Exercise Period (Note 2)	Number of Share Options					Balance as at 31 March 2018
				Balance as at 1 April 2017	Granted during the year	Exercised during the year (Note 4)	Cancelled during the year	Lapsed during the year	
Mr. Tam Wai Hung, David	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,000,000	-	-	-	-	1,000,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	-	1,500,000	-	-	-	1,500,000
Ms. Fan Chiu Fun, Fanny	28 August 2017	1.462	28 August 2018 to 27 August 2027	-	1,500,000	-	-	-	1,500,000
Mr. Kan Chung Nin, Tony	28 August 2017	1.462	28 August 2018 to 27 August 2027	-	1,500,000	-	-	-	1,500,000
Mr. Ong Chor Wei	28 August 2017	1.462	28 August 2018 to 27 August 2027	-	1,500,000	-	-	-	1,500,000
Mr. Fan Chun Wah, Andrew	28 August 2017	1.462	28 August 2018 to 27 August 2027	-	1,500,000	-	-	-	1,500,000
Ms. Lee Bik Kee, Betty	28 August 2017	1.462	28 August 2018 to 27 August 2027	-	1,500,000	-	-	-	1,500,000
Other employees of the Group (Note 3)	29 August 2016	1.394	29 August 2017 to 28 August 2026	19,600,000	-	(3,892,000)	(666,000)	-	15,042,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	-	46,800,000	-	(400,000)	-	46,400,000
Total				28,100,000	59,800,000	(4,392,000)	(1,066,000)	-	82,442,000

Notes:

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

Directors' Report (continued)

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

3. Employees working under employment contracts that were regarded as "continuous contracts" for the purpose of the Hong Kong Employment Ordinance.
4. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK\$2.591.
5. 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.

Directors' Report (continued)

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 2018, the following persons or corporations (other than our Directors and chief executive of our Company) who had interest and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in the ordinary shares of the Company

Name of substantial shareholders	Nature of interest	Number of ordinary shares held or interested in	Approximate percentage of issued share capital of the Company ⁽⁶⁾
Nameson Investments Limited ⁽¹⁾	Beneficial owner	1,500,000,000	65.8%
Happy Family Assets Limited ⁽¹⁾	Interest in a controlled corporation	1,500,000,000	65.8%
East Asia International Trustees Limited ⁽¹⁾	Trustee of a trust	1,500,000,000	65.8%
Ms. Wang Kam Chu ⁽²⁾	Interest of spouse	1,701,500,000	74.7%
Ms. Kwan Ying Tsi, Catherine ⁽³⁾	Interest of spouse	1,501,500,000	65.9%
Ms. Tsoi Suet Ngai ⁽⁴⁾	Interest of spouse	1,501,500,000	65.9%
Ms. Chan Ka Wai ⁽⁵⁾	Interest of spouse	1,500,000,000	65.8%

Notes:

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

Directors' Report (continued)

- (3) Ms. Kwan Ying Tsi, Catherine is the spouse of Mr. Wong Wai Wing, Raymond and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Wai Wing, Raymond under the SFO.
- (4) Ms. Tsoi Suet Ngai is the spouse of Mr. Wong Ting Chun and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Chun under the SFO.
- (5) Ms. Chan Ka Wai is the spouse of Mr. Wong Ting Kau and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Kau under the SFO.
- (6) The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2018.

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 2018 or subsisted as at 31 March 2018.

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 2018.

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

For the year ended 31 March 2018, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

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

The net proceeds from the listing of the Company amounted to approximately HK\$635.4 million. Such proceeds have been used according to the allocation set out in the Prospectus. Use of net proceeds from the date of listing to 31 March 2018 is set below as follows:

Items	Approximate utilised amount up to 31 March 2018 HK\$(million)
Construction of factory buildings and purchase of machinery for the second phase of our Vietnam Factory	378.1
Repayment of part of our bank loans	93.2
Enhancing design and product development capabilities	10.1
Enhancing existing enterprise resource planning system	10.2
General corporate purposes	54.7
Total	546.3

The unused balance of HK\$89.1 million was placed in the bank accounts of several reputable commercial banks in Hong Kong as the Group's bank deposits.

Directors' Report (continued)

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 19 to 29 of this annual report.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules. The Board is of the view that the Company is in compliance with the mandatory code provisions of the CG Code for the year ended 31 March 2018.

For details of the Corporate Governance Report, please refer to pages 30 to 46 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's issued shares for the year ended 31 March 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") for the year ended 31 March 2018 is scheduled to be held on Monday, 27 August 2018. A notice convening the AGM will be issued and disseminated to the Company's shareholders in due course.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Policies

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

Compliance with Laws and Regulations

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

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

During the year ended 31 March 2018, 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.

Directors' Report (continued)

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

Wong Ting Chung

Chairman and Chief Executive Officer

22 June 2018

Environmental, Social and Governance Report

ABOUT THE REPORT

As the second published Environmental, Social and Governance Report (the “Report”) of Nameson Holdings Limited (the “Company”), the Report highlights the policies and strategies to achieve sustainable development implemented by the Company and its subsidiaries (collectively, the “Group” or “we”) from 1 April 2017 to 31 March 2018 (the “Reporting Period”)¹. Unless otherwise stated, the Report mainly covers the sustainable development performance and actions of our eight subsidiaries that are engaged in the production of knitwear, knitted upper for footwear and knitted upper shoes, namely Huizhou Liyun Knitting Factory Limited, Huizhou Nanguan Knitting Factory Limited, Huizhou Jiaming Knitting Factory Limited, Huizhou Nanxuan Knitting Factory Limited, Huizhou Lihao Fashion Limited, V. Success (HZ) Knitting Limited (collectively, the “PRC Factories”) as well as First Team (Vietnam) Garment Limited and V. Success (Vietnam) Knitting Company Limited (collectively, the “Vietnam Factories”).

The data and information disclosed in the Report are collected from different communication channels and are coordinated, prepared and provided by the respective administration departments of the PRC Factories, the Vietnam Factories and the Hong Kong office of the Group. The data measurement techniques and calculation methods used are disclosed and indicated in appropriate circumstances. The content of the Report is in compliance with the applicable disclosure requirements of the “Environmental, Social and Governance Reporting Guide” as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Company Profile

The Group’s PRC Factories



¹ As the acquisition of V. Success Group was completed by the Group in December 2017, the Report only covers the environmental performance data of V. Success Group for the period from December 2017 to March 2018.

Environmental, Social and Governance Report (continued)

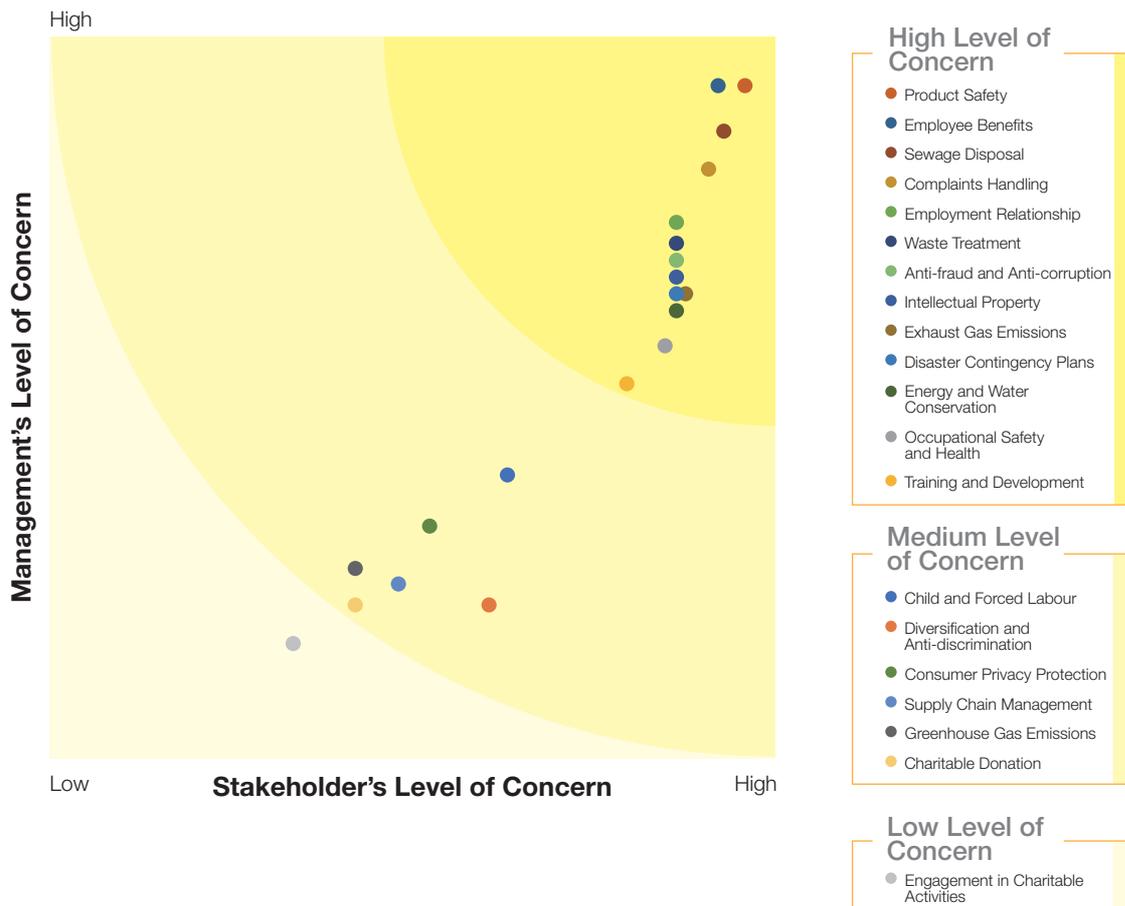
Established in 1990, the Group offers one-stop services from raw material development and procurement, innovative product design, sample development, production to timely delivery to our customers, aiming to provide customers with the highest quality products. We have been supplying quality knitwear products to internationally renowned apparel brands over the years. The product range extended from garments to knitted upper for footwear and knitted upper shoes during the Reporting Period. Currently, our production bases are located in Huizhou, Guangdong Province, the PRC and the outskirts of Ho Chi Minh City, Vietnam.

Vision, Mission and Sustainable Development Strategies

As one of the leading knitwear manufacturers in the PRC, we aim at offering quality products to our customers through innovative technologies and close communication as well as creating new ideas and trend by working hand in hand with customers. In the long run, we will keep pace with the times, continuously innovate and improve business management strategies, and proactively fulfill our corporate social responsibilities to contribute to the society. We hope to create long-term value for the community, investors, partners, employees and customers, leading the knitwear industry towards sustainable development.

Listening to our Stakeholders

We believe that maintaining effective communication with stakeholders can lay a solid foundation for the long-term growth and success of the Group. Therefore, we are committed to maintaining open and two-way communication with key stakeholders in different fields including our employees, customers, business partners, shareholders, suppliers and the entire community by establishing various communication channels, including the annual general meetings, the website and email of the Group, allowing them to express their views on our performance of sustainable development and future strategies. In order to comprehensively and objectively understand our performance in all aspects of the environment, society and governance, we collected valuable opinions from stakeholders in various aspects of the Report during the Reporting Period to identify issues that are important to the Group, and to ensure that the Report had fully covered the concerns of stakeholders.



Environmental, Social and Governance Report (continued)

To reinforce mutual trust and respect, we are committed to maintaining formal and informal communication channels with our stakeholders for better formulation of our business strategies, in order to satisfy the needs and expectation of our stakeholders. To enhance the sustainable development of the Group’s business in the future, we welcome any opinions and suggestions in regard to the Report. Please send your feedback via email at nameson_sprg@sprg.com.hk.

Honours Awarded During the Reporting Period

The honours awarded to the Group during the Reporting Period include:

Awarding Authority	Honour/Award	
Brooks Brothers Group, Inc.	“2017” Best Garment Innovation Award	
The Hong Kong Council of Social Service	Caring Company	

Environmental, Social and Governance Report (continued)

Awarding Authority

Honour/Award

The Federation of Hong Kong Industries and Bank of China (Hong Kong)

BOCHK Corporate Environmental Leadership Awards 2017



BDO Limited

BDO ESG Awards 2018 — Certificate of Merit



THE PEOPLE, OUR WEALTH

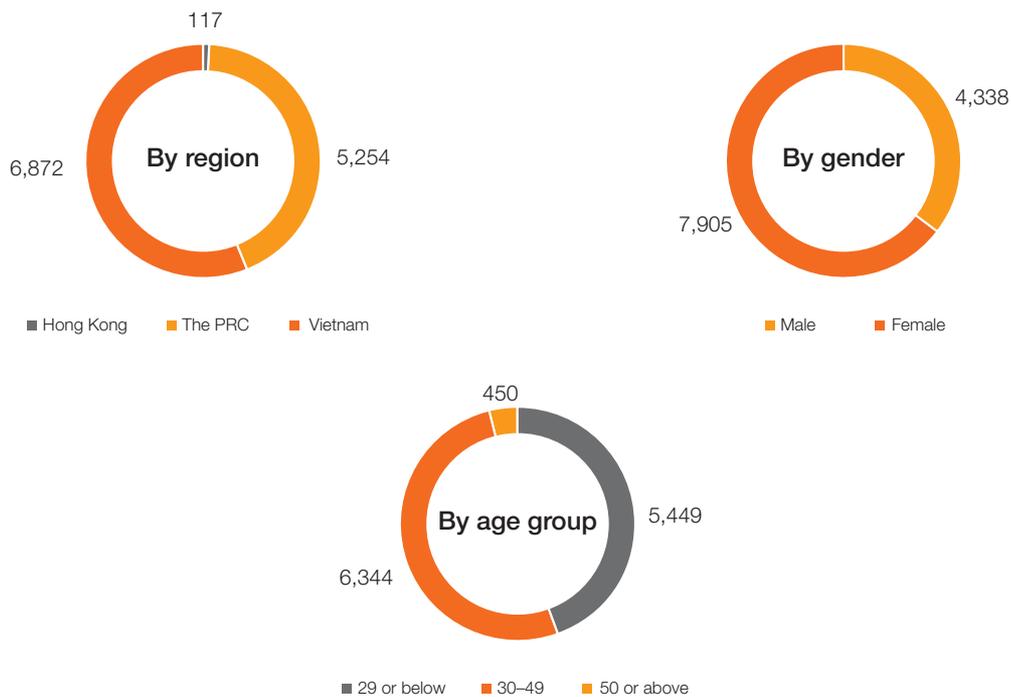
We firmly believe that employee’s talent is one of the keys to the success of business operations. In formulating the operating directions and management policies of the Group, we thoroughly take into account of the physical and mental development, as well as the health and safety, of our employees. We attend to the needs of our employees so that all of them can devote their full effort to their work, thereby improving the management effectiveness of the Group. We are committed to complying with the employment or labour laws and regulations applicable to different regions. To the best of our knowledge, the Group was not subject to any material administrative penalties or fines for any breach of employment laws or regulations during the Reporting Period.

Environmental, Social and Governance Report (continued)

Recruiting High Caliber Talents

We seek and welcome high caliber talents with good experience and knowledge to join us. We recruit talents primarily by placing recruitment advertisements in newspapers, on the Internet and the bulletin board of our factories; also via employment agencies or on campus recruitment day. In addition, the Group provides the employees with favourable promotion opportunities through regular appraisal to identify the employees with outstanding performance who are eligible for promotion, and provide them with the opportunity for promotion or salary adjustment to demonstrate the Group’s affirmation of their values.

As at 31 March 2018, the Group had a total of 12,243 full-time employees. Breakdown by region, gender and age group are as follows:



We believe that stable workforce can effectively enhance the competitiveness of enterprises and production efficiency. Therefore, whenever an employee resigns, our human resources personnel will conduct exit interview with the employee to know the reason for resignation and to seek the employee’s feedback on management, so as to identify, understand and address the deficiencies of our business management. In order to reduce the loss of talents, we formulate seniority-based remuneration policies, establish internal referrals, grant peak season bonuses, and regularly review employee benefits to retain employees and welcome returning employees. During the Reporting Period, the Group’s employee turnover rate² was 24.1%, 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	The PRC	Vietnam
32.6	19.6	24.9	23.5	23.5	14.6	46.4	4.9

² The employee turnover rate is calculated by the average number of employees in the entire year.

Environmental, Social and Governance Report (continued)

Safeguarding the Rights and Interests of Employees

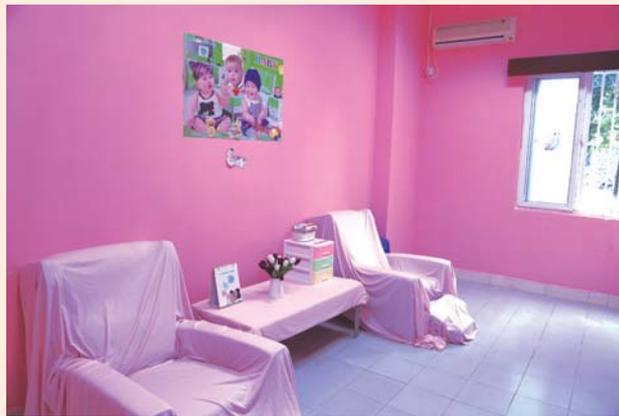
We comply with the laws and regulations of the places where we operate, including the PRC, Hong Kong and Vietnam. We respect the rights and interests of our employees, and are committed to creating a working environment free from any discrimination against gender, nationality, age, religion, marital status, sexual orientation, disability, political stand, social status or race. We adhere to the principle of “effort-based remuneration” and never deduct wages unlawfully or force our employees to work overtime, so as to ensure fair remuneration and adequate rest time for our employees. The employees of the PRC Factories and the Vietnam Factories generally work 8 hours a day, and have at least one day off per week. Apart from providing employees with appropriate employee benefits such as social insurance and housing provident fund, compassionate leave, work-related injury leave, sick leave and other statutory holidays, we offer various additional benefits such as staff quarters or accommodation allowance, meals and company coaches for transportation to and from work. In addition, there are also labour unions in our factories with the primary function of representing and protecting the legitimate rights and interests of our employees. The labour unions also act as one of the communication channels for the Group to collect, listen and timely respond to the needs of our employees.

We provide wages and benefits not less favourable than the local statutory minimum wages and benefits according to the laws and regulations of the places where we operate. We also award additional bonuses based on the performance and contributions of our employees. We have developed a set of human resources procedures to objectively and regularly review and evaluate the performance and development of our employees, ensuring the employees with outstanding performance who are eligible for promotion to have the opportunity for promotion and/or salary adjustment impartially.

Concern for Women’s Rights

Female employees account for more than 60% of the total workforce in our workplace. Therefore, we attach great importance to the labour protection for female employees, especially during special periods such as pregnancy or childbirth.

- In addition to statutory maternity leave for eligible pregnant employees, our Hong Kong office and the Vietnam Factories also offer statutory paternity leave to eligible father-to-be employees.
- The establishment of nursing-friendly spaces provide private, comfortable and hygienic breastfeeding space for our female employees during the lactation period, and breastfeeding time is arranged in the morning and afternoon. The facility is also a rest space opened to pregnant employees, and women’s health care classes are occasionally organised.
- Free gynecological, premarital or pre-pregnancy check-ups are regularly provided for female employees aged between 18 and 55.



Environmental, Social and Governance Report (continued)

Warm and Friendly Working Environment

To enable our employees to achieve work-life balance, and to relax and enjoy cultural life after work so as to enhance the internal cohesiveness of the corporate and the sense of belongings of our employees, we are committed to creating a warm and friendly working environment, including:

- We have set up fitness and recreational facilities such as fitness equipment, auditorium and library in our factories for our employees to relax and do body training after work.



- The labour union of the PRC Factories has set up a “Nameson Radio Station” to provide news, life hacks and song dedication.
- The labour union of the PRC Factories has cooperated with beauty school to provide free beauty and hair cutting services for the employees on holidays.
- The labour union of the PRC Factories has also regularly organised various types of interest classes, such as tea ceremony and yoga class, to provide our employees with multi-faceted learning opportunities.
- The labour union members and the human resources and administration departments have organised a visiting team to visit the employees who stay at the staff quarters in the evening to take the initiative to care for them.

Environmental, Social and Governance Report (continued)

- Various types of recreational activities or communal meals have regularly organised for the employees, such as festival activities or banquet, major sports events, skill competitions and birthday celebrations.



Top: Lunar New Year Evening Gala of Nameson Group; bottom-left: The Sixth Taichang Cup Table Tennis Tournament organised by Huizhou Association of Enterprises with Foreign Investment (惠州市外商協會); bottom-right: The Guiding Principles of the Nineteenth CPC National Congress and Workers' Literature and Arts Down to the Grassroot (十九大精神職工文藝進基層活動) organised by the Promotion Division of Huizhou Labour Union

- The labour union of the PRC Factories has organised company trips to show gratitude to the employees and staff representatives who have assisted and participated in cultural activities.



Environmental, Social and Governance Report (continued)

Supporting Foreign Workers

Our employees of the PRC Factories are mostly from different provinces and cities. We strive to increase the employees’ satisfaction with the Company. Apart from the staff quarters, we have specially built a “couple house” for married employees to apply for, hoping that the number of couples being separated can be reduced. As a result, they could have more family time together.

Furthermore, during Lunar New Year holiday, we work together with the labour union to send the employees, who want to go back to their hometowns, to our strongholds at Huizhou station. After Lunar New Year holiday, we also arrange coaches to pick up the employees returning to the factory from the above strongholds 24-hour a day. The PRC Factories also have a “psychological counseling corner” with qualified counselors or consultants to provide psychological counseling services to our employees, and to help some of our new employees who are far from their hometowns to adapt to the working environment as soon as possible.

Listening to the Voice of Employees

We always listen to our employees’ opinions and all suggestions made to the Group to understand their needs. For our employee complaint and suggestion mechanism, while the human resources and administration departments handle complaints, our labour unions also hold regular staff representatives seminars, and provide 24-hour hotline and WeChat public number. We also have suggestion boxes set up in the factories for employees to express their opinions.

During the Reporting Period, we actively responded to employees’ reasonable requests and tried our best to establish improvement measures. This included increasing the number of parking spaces by constructing a parking lot in the PRC Factories after understanding about the employees’ habit of driving to work. A covered walkway was installed in the open space of the Vietnam Factories leading to the canteens and dormitories to protect the employees from the intense sunlight and rain.



The PRC Factories — Construction of parking lot



The Vietnam Factories — Installation of covered walkway

Environmental, Social and Governance Report (continued)

Occupational Health and Safety

Adopting “Safety First, Prevention as Priority” as the core value of our production safety, we have implemented a number of actions in our factories and offices areas to enhance occupational health and production safety, and to ensure compliance with the applicable laws and regulations. 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. In order to effectively manage occupational safety and health issues, we have established Occupational Safety and Health Committee and Emergency Management Committee to monitor the measures relating to occupational health, production safety and fire prevention in our factories.

Apart from establishing the management system of production safety, we have primarily taken the following actions to protect the occupational health and safety of our employees:

Working Environment

- Our offices and factories are smoke-free space. Fire equipment and fire alarm systems have been installed and inspected regularly as required by local regulations in different regions. Fire prevention system approved by the relevant authority has also been connected to the front desk of the office so that fire accidents can be detected in a timely manner and emergency measures such as firefighting and evacuation can be carried out.
- We have also commissioned independent qualified testing agencies to regularly carry out dust, toxic chemicals and noise tests for the PRC Factories and the Vietnam Factories to check whether the environment of the factories meet the occupational health standards and obtained qualification certificates issued by these testing agencies.
- Machineries and equipment have been inspected regularly to prevent the occurrence of work accidents.
- All offices and factory buildings have been equipped with first-aid medical supplies and employees with first-aid certificates have stationed to take care of employees who are physically ill or involved in work injuries.

Employee Education

- All the newly recruited factory workers have been required to receive training on occupational safety and hygiene and first-aid knowledge so as to understand the safe operational procedures required for their positions and to raise their awareness of production safety.
- All employees have been required to attend regular training on the use of safety equipment, hygiene and first-aid knowledge to enhance their capability to respond to contingencies.
- Relevant safety instructions and protective gear wearing instructions have been posted at all production departments, and appropriate protective gears have been provided. Also, only those employees who had received professional training and equipped with proper protective gears can operate dangerous mechanical equipment.
- We have regularly provided our employees with training seminars on fire prevention knowledge and fire drills to enhance their awareness of fire prevention.



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

Environmental, Social and Governance Report (continued)

With the effective implementation of the above actions, the number of working days lost due to work injury recorded by the Group was 177 days during the Reporting Period, and there were no record of serious work injuries or death. To reduce and prevent work injuries, our management convenes meetings to discuss production safety and training as well as exploring improvement measures and promoting safety awareness of our employees. As far as we know, the Group was not subject to any material administrative penalties or fines for any breach of laws or regulations relating to the provision of a safe working environment or the protection of employees against occupational hazards during the Reporting Period.

Learning and Innovation

The Group emphasises on the personal development and growth of employees and hopes that our employees will continue to learn and grow with the Group to create a win-win situation. The Group encourages our employees to pursue further studies in relation to the requirement of their positions and provides different internal and external courses for our employees at all levels, including entry and continuing training courses, to enhance the understanding of corporate culture and working knowledge of our employees. In addition, we regularly review and assess the performance and progress of our employees based on assessment criteria such as work competence, interpersonal communication, teamwork and initiative. According to the results, positions or salary adjustments are made and training plans are outlined. During the Reporting Period, 50.0% of our employees³ who received training in different aspects, which are categorised as follows:

By gender (%)		By employee category (%)		
Male	Female	Senior management	Administrative employees	Other employees
43.2	53.5	90.9	71.3	49.8

Senior management

- **Continuing professional training**
Various types of lectures and seminars, including updates on corporate governance and the relevant laws and regulations in order to maintain and update on industry-related knowledge and skills so as to keep up our pace with the time.
- Anti-corruption lecture

Administrative employees

- **Professional training**
Such as accounting system, financial knowledge and PRC taxation, with an objective to further enhance the professional knowledge of the employees about their jobs.
- Anti-corruption lecture

Other employees

- Different aspects of training courses, including:
- Production safety
 - First-aid
 - Environmental protection seminars and training to promote environmental protection awareness to employees
 - Use of industrial safety equipment and chemicals
 - Computer security
 - Workplace etiquette

³ Employee training data does not include those who left the Group during the Reporting Period.

Environmental, Social and Governance Report (continued)

During the Reporting Period, we provided a total of **200** hours of different kinds of training to all of our employees, and each trained employee received an average of approximately **44** hours of training.

Average training hour of employee,
by gender:



44.7 hours



44.3 hours

Average training hour of employee,
by employee category:

Senior management

4.6 hours

**Administrative
employees**

5.2 hours

Other employees

44.9 hours

“Dreams Come True Programme” for the Industrial Workers of the New Generation in Huizhou Municipality

The programme is jointly organised by the Huizhou Municipal Committee of the Communist Youth League, the Huizhou Education Bureau, the Huizhou Financial Bureau and the Huizhou Municipal Human Resources and Social Security Bureau, under which frontline workers of the new generation aged between 18 and 35 in Huizhou Municipality could receive higher education with the government’s subsidies for a period of two and a half to five years in a bid to improve their quality, which in turn boost the economic development of Guangdong Province. Since its launch in 2011, the Dreams Come True Programme has helped more than 12,000 industrial workers of the new generation to make their dreams of going to university come true.

We encourage and support our employees to join the “Dreams Come True Programme” to receive continuing education during their spare time to enhance personal knowledge. During the Reporting Period, 34 employees already joined the Programme to pursue studies on various subjects such as business management, business English, finance and economics, and graduated one after another. We believe the personal growth and development of employees not only benefits the employees personally, but also brings new development opportunities and a good corporate culture to a company, which contributes to the long-term and sustainable development of the company.

Child and Forced Labour

Child labour severely affects the growth of children, hinders their access to education, harms their self-esteem and threatens their physical and mental health. No companies should employ persons below the local legal working age or without completion of compulsory education. Forced labour means to force any person to work in an involuntary manner by means of a threat of punishment, which includes withholding identity documents, forcing the payment of a deposit, threatening to dismiss, and forcing a person to work overtime without the consent of that person.

We strictly regulate our recruitment process and verify and confirm personal information in accordance with the relevant laws and regulations in the PRC, Hong Kong and Vietnam during the recruitment process. We never employ persons below the legal working age at the places where we operate or without completion of compulsory education. We fulfill our responsibilities of oversight and management to prevent the breaches of laws and regulations related to child labour at the source. During the Reporting Period, the Group did not find or was not involved in any cases involving child or forced labour.

In the meantime, the formation of the labour unions also ensures that potential conflicts and discords between all employees, the management and the Group can be handled and resolved by way of amicable negotiations, so as to keep a harmonious work atmosphere. Employees can submit complaints to the labour unions through suggestion boxes, telephone or other means. The labour unions would protect the privacy of the complainants by not disclosing their identity and the substance of complaints. In respect of the employee’s complaints, the Group would assign dedicated staff to carry out investigations. In case the complaints are true, we will deal with the relevant issues appropriately or impose appropriate punishments on the relevant employee in accordance with the rules.

Environmental, Social and Governance Report (continued)

Anti-corruption

To ensure that our operations adhere to our commitment of maintaining openness, incorruptness and an accountability standard, the Group has formulated a Conflicts of Interest Policy, in addition to Employees Handbook to govern the ethical conduct of the employees, to enable our employees to have a clear understanding of the handling procedures if any conflict of interest occurs. In addition, we have also established an Anti-fraud and Reporting Procedures, under which our employees can make anonymous reports regarding bribery, fraud and corruption to the internal audit department or the Audit Committee by means of an independent reporting channel. During the Reporting Period, no reports or proceedings of corruption, bribery, extortion, fraud and money laundering against the Group or its employees were filed or found.

Anti-corruption Training by the Independent Commission Against Corruption (“ICAC”)

To enhance employees’ awareness of anti-corruption, representatives from the ICAC were invited during the Reporting Period to give lectures to our Directors and senior management on their role in corporate governance, and two seminars were organised for our employees to give lectures on the professional ethics of frontline staff, the Prevention of Bribery Ordinance (Cap. 201) of Hong Kong as well as the related policies and codes of the Group. With these lectures, we hope to convey our “zero tolerance” approach towards the behaviours of corruption and malpractice to our employees, and to create a corporate culture of incorruptness and integrity.

The Market, Our Direction

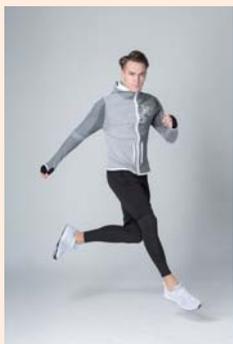
Since our inception in 1990, we have built up extensive expertise and know-how. Adhering to the philosophy of “Quality First, Customer Priority and Continuous Improvement”, we are bringing more state-of-the-art and highly automated production technologies to the Group. We launch new products in line with the trends, with a keen determination to produce quality and stylish products. We also design and develop brand new styles of yarn and knitwear through original creation or collaboration with our customers.



Environmental, Social and Governance Report (continued)

Product Quality Assurance and Liability

We emphasise on product quality by setting up a stringent quality monitoring system throughout the entire production process. We believe this is one of the factors for the Group's success. Our products are divided into the following categories:



Menswear



Womenswear



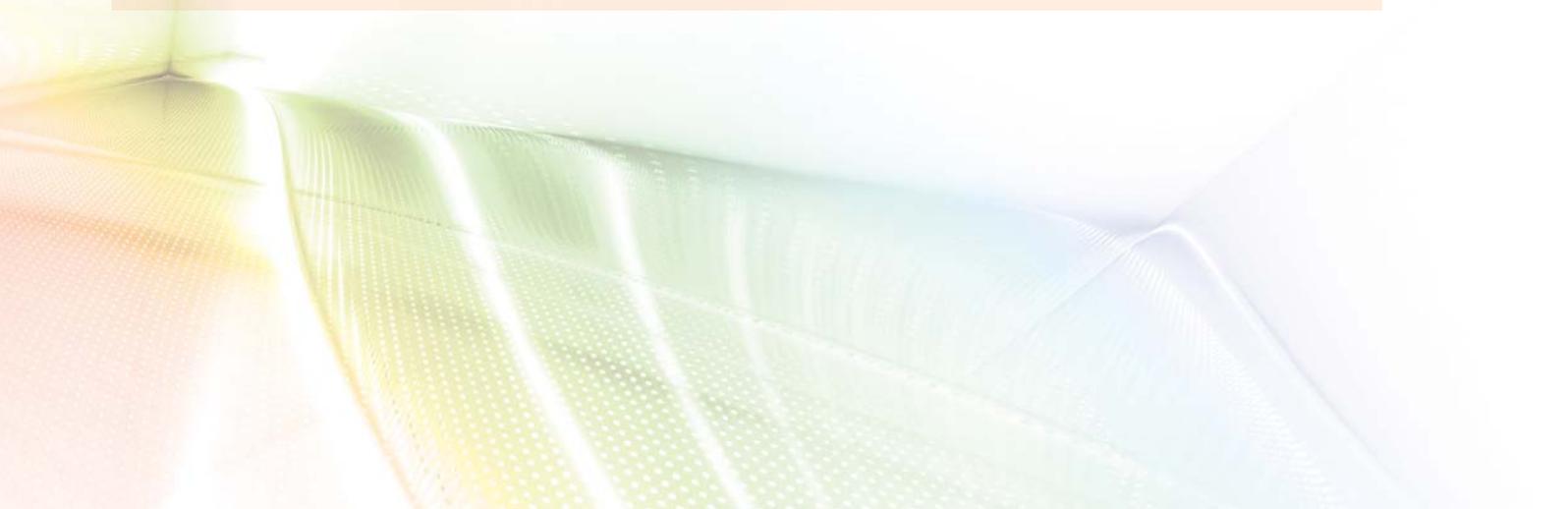
Other products (e.g. childrenswear, scarfs, hats and gloves)



Knitted upper for footwear



Knitted upper shoes



Environmental, Social and Governance Report (continued)

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



Environmental, Social and Governance Report (continued)

Our measures of quality control include:

Suppliers and Outsourced Manufacturers

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

The yarn purchased by and the products produced by the Group passed the Oeko-Tex Standard 100 Class II set by the Oeko-Tex® Association. The laboratory tests comprise about 100 testing parameters, which prove that the yarn we used for production and its finished products do not contain substances harmful to the human body or the environment and meet the tests on the items below:

- ◇ Formaldehyde
- ◇ Heavy metal
- ◇ Insecticides
- ◇ Phenols
- ◇ Plasticiser
- ◇ Azo colorant
- ◇ Human carcinogen
- ◇ Allergen dye
- ◇ Chlorinated benzene and chlorinated toluene
- ◇ Polycyclic aromatic hydrocarbon
- ◇ Short chain chlorinated paraffines



- Suppliers are required to provide test reports or certificates for their raw materials.
- For other chemical excipients, such as washing materials, shoe adhesives and polyethylene, we require the suppliers to provide relevant safety data sheets and test reports to ensure they are free from harmful substances. When dealing with these excipients, they are stored properly according to the relevant risk categories, so as to avoid any negative impact on the environment or products.
- We only use polyethylene that has been approved under the “National Food Safety Standards for Plastic Resins Used in Food-contact” to make packaging plastic bags by ourselves.
- Our major suppliers are required to sign a “Letter of Undertaking on Social Responsibilities” to undertake with us and our customers that they hold fast to various requirements for social responsibilities such as environmental protection, anti-discrimination and non-employment of child labours in their business operations.



The PRC Factories — Testing Centre

Environmental, Social and Governance Report (continued)

Production Team

- Automated production equipment and precise computerised embroidery technology are employed together with manual inspection procedures to ensure product quality is maintained at a high level.
- For orders of new products or new styles, we hold meetings and conduct relevant production and quality training for production teams prior to production. We also conduct stringent tests on the first finished product. Mass production is carried out only after the tests are passed.
- Our quality control department carries out various quality inspection procedures at all major stages of the production process, such as the inspection of knitted panels, inspection of knitted panels after linking and stitching, inspection of semi-finished products after washing, size inspection, inspection after steam ironing and inspection of lighting. For the production of knitted upper for footwear and knitted upper shoes, we check notches and carry out other test procedures such as the checking of size and pattern to ensure no substandard products will flow to the next process.
- Our quality control employees conduct sampling checks on semi-finished products and finished products according to the international standard AQL2.5. Our in-house inspection standards are generally more stringent than customers' quality requirements to ensure our products are of high quality.
- All of our finished products are subject to final inspection and needle inspection to ensure the products do not contain any broken needles or ferrous metallic foreign objects.
- Some international brands customers require our quality inspection employees to pass their in-house quality examinations before conducting quality inspections on their products that we produced.
- We have commenced lean production on a trial basis and launched the Manufacturing Execution System ("MES") in the knitted upper shoes segment to immediately keep track of production schedules, quality status and rework rate orders in arrears; monitor the status of each production team on a real-time basis; and handle problems in a timely manner once these problems are identified. A target production capacity is set and defective products are defined in the MES to effectively monitor product quality as well as to increase production efficiency and delivery punctuality.



Quality Control — Process of Needle Detection

Customers

- As most of our customers are international apparel brands retailers, our raw materials and production process must comply with the code of conduct as well as the quality requirements and standards provided by our customers.
- Our customers, from time to time, delegate specialists to carry out inspections on their behalf in our factories, including compliance of the regulations, the product quality as well as the environmental and labour standards.
- We also submit quality reports to our customers on a regular basis.

Environmental, Social and Governance Report (continued)

Product Returns

The Group's production and operation are subject to the laws and regulations on product liability in the places where we operate. Although the end customers, who alleged personal injuries caused by the purchase of our products, only make claims to the retailers in most circumstances, due to the fact that they often only know the retailers that sold products but not the suppliers in the sales chain, we are still exposed to the risk of potential product liability claims as mentioned above. In view of the nature of our products, we consider that the risk of potential product liability claim is relatively low.

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

Data Protection and Privacy

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

In so far as we know, during the Reporting Period, there was no breach of regulations nor any case of data leakage, and we did not receive complaints that the Group had failed to protect customer privacy and loss of customer data from external parties or regulatory authorities. In addition, during the Reporting Period, we also complied with the terms relating to the Group's handling of customers' brand labels specified in the customer contracts.

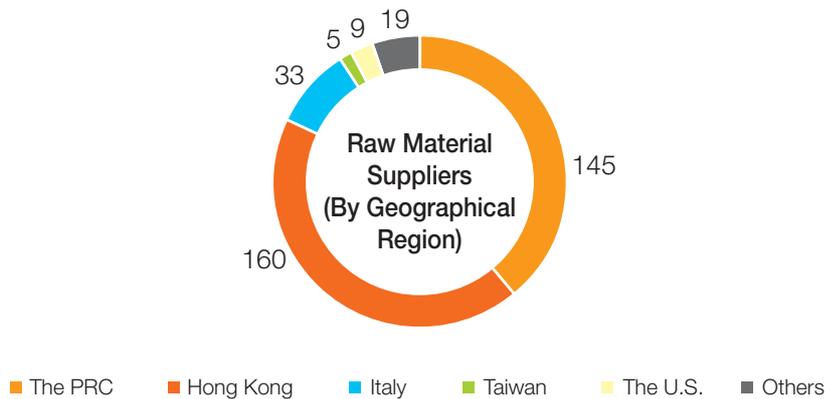
Intellectual Property

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

Environmental, Social and Governance Report (continued)

Supply Chain Management

Our major raw material used in producing knitwear products is yarn. Other than yarn, we also purchase other production materials such as buttons, zippers and washing materials from our suppliers. Breakdown of the number of our raw material suppliers⁴ by geographical region is as follows:



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

In addition, all of our suppliers are generally subject to our annual evaluation, which includes assessments on their abilities and performances in different areas such as services, product quality, production costs and product delivery time. When necessary, we also require suppliers to provide certificates or inspection reports on the quality of raw materials, and closely monitor the supply of raw materials.

Moreover, we concern about the sustainability of materials used, therefore we participate in a number of social audits, and also take the initiative to keep an eye on the market conditions so as to obtain international green marks related to knitwear products to prove that our products comply with green procurement standards and are environmental-friendly. These include memberships of the Better Cotton Initiative ("BCI") and the Supplier Ethical Data Exchange ("Sedex") as well as certificates from the Global Organic Textile Standard version 4.0 ("GOTS 4.0") and the Organic Content Standard ("OCS"), which enable us to effectively provide our customers with reliable and quality products and services, and to strengthen their confidence in us.

⁴ Supplier data does not include suppliers of other production materials.

Environmental, Social and Governance Report (continued)

The Better Cotton Initiative

We have become a BCI member since 2016. The BCI aims to make the global cotton plantation and production better for cotton farmers, better for the environment it grows in and better for the sector’s future. The BCI proposes the following long-term objectives:

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

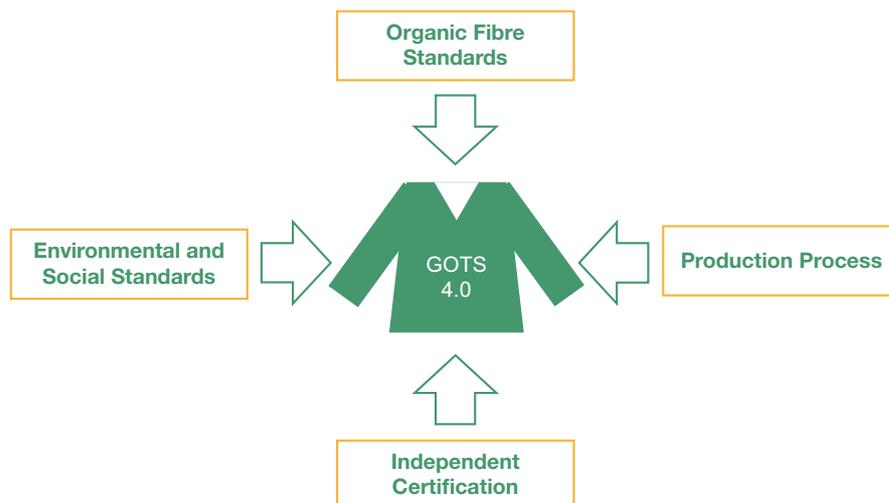
As a member, we undertake that we abide by the Code of Practice established by the BCI and that we work with the BCI and its members to nurture and grow a “Better Cotton” market, as well as reducing the negative impact on the environment, society and economy.

The Supplier Ethical Data Exchange

As a member of the Sedex, we have passed the Sedex Members Ethical Trade Audit, which includes the labour standards, health and safety, environmental protection and business ethics, and have been granted the relevant certification to ensure that we comply with the Sedex’s stringent business ethical standards.

The Global Organic Textile Standard

Some of our organic knitwear products have been awarded the certification of the GOTS 4.0, the most internationally recognized certification, after passing the inspection on production and processing procedures by the International Working Group. Through the GOTS 4.0 certification, our entire production process, ranging from the raw materials to production, processing and packaging, complies with the most stringent environmental regulations and corporate social responsibility standards. The scope of assessments covered the raw materials production and composition requirements; the manufacturing, the processing and the use of chemicals and production processes; the water and energy management; as well as the quality management and social ethical requirements for child labour, wages, working hours and so on.



Environmental, Social and Governance Report (continued)

The Organic Content Standard

In addition to the GOTS 4.0, we have also obtained the OCS certification issued by the Textile Exchange to prove that the organic planting materials content labelled in some of our organic knitwear is same as the organic raw materials used in the production.

The Global Security Verification (“GSV”)

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

The Woolmark Certificate and Woolmark Blend Certificate

We have obtained the Woolmark Certificate and Woolmark Blend Certificate issued by the Woolmark Company, which prove that the physical properties of our products, such as wool content, colour fastness, dimensional stability and abrasion resistance, all 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 customers in our products.

ENVIRONMENT

Our production process and operational procedures involve the use of various types of energy and resources. Solid, liquid and gaseous pollutants emitted during the production and operational processes pose certain impacts to the environment. We consider the environmental protection as an essential part of the corporate sustainable development and deeply believe that there is no conflict between maintenance of the corporate development and profitability and enhancement of green competitiveness.

The Group advocates sustainable development, which means minimising environmental impacts of the business under the principle of maintaining corporate development and profitability. We are committed to complying with the environmental laws and regulations in the places where we operate. In so far as we are aware, the Group was not subject to any significant administrative penalties or fines for any material breach of environmental laws or regulations during the Reporting Period.

Environmental Data

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

Environmental, Social and Governance Report (continued)

Indicators

Air emissions

Nitrogen oxide (NO _x)(kg)	42,303
Sulfur oxide (SO _x)(kg)	31,587
Particulate matter emissions (PM)(kg)	24,699

Greenhouse gases

Total emissions ⁵ (Scope 1, Scope 2 and Scope 3) (tonnes of CO ₂ e)	94,780
Greenhouse gas intensity ⁵ (kg of CO ₂ e/per production unit)	2.62
Scope 1 (tonnes of CO ₂ e)	62,270
Scope 2 (tonnes of CO ₂ e)	32,357
Scope 3 ⁶ (tonnes of CO ₂ e)	153
Greenhouse gas emissions generated from biogenic ⁷ (tonnes of CO ₂ e)	2,655

Direct and indirect energy

Total energy consumption (MWh)	185,915
Energy consumption intensity (kWh/per production unit)	5.13

Direct energy

Coal consumption (MWh)	116,472
Unleaded gasoline consumption (MWh)	1,770
Diesel consumption (MWh)	1,317
Town gas consumption (MWh)	3
Liquefied petroleum gas consumption (MWh)	998
Biomass ⁷ consumption (MWh)	7,623

Indirect energy

Electricity consumption (MWh)	57,732
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Water resources

Total water consumption (m ³)	3,052,316
Water consumption intensity (m ³ /per production unit)	0.08

Hazardous waste

Total volume (tonnes)	2
Hazardous waste intensity (g/per production unit)	0.06

Non-hazardous waste

Total volume (tonnes)	5,269
Non-hazardous waste intensity (g/per production unit)	145.50

Packaging materials used for finished products

Total volume (tonnes)	2,171
Packaging materials used for finished products per production unit (g/per production unit)	59.95
Plastic bags (tonnes)	605
Cartons (tonnes)	1,566

⁵ Total greenhouse gas emission and intensity (Scope 1, Scope 2 and Scope 3) excludes biogenic emissions. In accordance with "The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard" (Revised Edition), published by the World Business Council for Sustainable Development and the World Resources Institute, emissions data for direct greenhouse gas emissions from combustion of biomass or biofuels should be reported separately.

⁶ Greenhouse gas emissions (Scope 3) include indirect emissions from business trips of air travel.

⁷ Biogenic greenhouse gas emissions and biomass energy consumption include firewood and wood chips.

Environmental, Social and Governance Report (continued)

Exhaust Gas Treatment

The Group strictly follows the relevant emission laws and regulations of the places where we operate and manages exhaust gas emissions in a responsible manner so as to reduce environmental pollution. Exhaust gas emissions from our business are mainly sourced from the use of boilers and vehicles. Exhaust gases which have an impact on the environment, such as nitrogen oxide, sulfur oxide and particles (including smoke and dust), are generated during operation of boilers and travelling of vehicles. During the Reporting Period, the air pollutant emissions of our boilers complied with the “Emission Standard of Air Pollutants for Boiler” enacted by the Guangdong Environmental Protection Bureau and the exhaust gas detection standard set out in the “National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts” promulgated by the Ministry of Natural Resources and Environment of Vietnam.

The boilers we used are mainly fueled with coal and biomass pellets. To ensure that our boiler emissions are in compliance with the emission standards of the places where we operate, approved boiler burners and exhaust gas treatment systems are installed in the PRC and the Vietnam Factories. Guidelines and rules related to the restrictions on pollutant emission and internal environmental protection management procedures are also formulated. The Group regularly engages independent third-party professional agencies recognised by the state to conduct the compliance tests on exhaust gas emissions from production process in accordance with the relevant regulations of the places where we operate. In addition, our employees responsible for boiler maintenance also carry out efficiency tests on boilers on a regular basis to maintain them in a good operating condition and efficiency so as to reduce the energy loss rate. We have adopted the following environmental technologies on the boilers to minimise exhaust gas emissions and reuse recyclable resources:

- Installed coal-saving devices in the boiler flues to reduce coal consumption.
- Implemented heat insulation and preservation measures in the boilers, steam pipes and heat-consuming equipment to reduce the heat loss.
- Used stratified coal feeders so that coal deposited into the boilers can be combusted evenly and in layers so as to increase the combustion efficiency and reduce the consumption of coal.
- Increased the boilers’ energy conversion efficiency by improving the boiler control system, and employed fully automated operation to reduce the extra power and coal consumption in manual or semi-automatic controlled speed regulation mode.
- For coal ash after combustion, adopted the environmental technology in removing dust with water curtain, which means water curtain is sprayed on tiny particles in air blowers to settle them to the bottom of the air blowers, gathered the smoke and dust in the sedimentation tank, then discharged them to the sludge pool and finally engaged qualified recycling service providers to make appropriate treatment.
- Adopted the bag dust removal technology, in which the smoke and dust in the air are filtered by dust remover made of fiber-woven cloth, coordinating with desulfurisation absorption equipment to reduce the amount of pollutants in exhaust gas. Collected the residual smoke and dust after filtration, stored them separately from other waste to avoid contamination, and finally engaged qualified service providers for recycling and treatment.
- Re-collected the steam generated by the boilers through connecting pipes and used it in the ironing process.
- Converted the steam generated by the boilers, by means of water condensation and recovery technology, into water for use by the boilers, thereby reducing the water consumption.
- Converted the steam generated by the boilers into the energy for use in factories, including air-conditioning system and hot water supply.

Environmental, Social and Governance Report (continued)



The Vietnam Factories — Refrigeration equipment

Sewage Treatment

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

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

In addition, we have established grey water recycling stations in the PRC and the Vietnam Factories, and effectively reused approximately 60% of the water resources in production. Through the biochemical treatment technology and softening systems of the grey water recycling systems, the production wastewater is treated to further remove the organic pollutants contained. The treated sewage will be reused in the flushing system, for cleaning the road surface of our factories and for plant irrigation. The daily treatment capacity of our grey water recycling stations in the PRC and the Vietnam Factories reach 2,000 m³ and 300 m³ respectively.

Environmental, Social and Governance Report (continued)

Energy and Resources Management

The energy sources we primarily consumed are electricity used in production, and coal and biomass pellets used as fuel for the boilers. Given the nature of the knitwear production business, water is also an essential resource for our operation and production. As the source of our water is from the water supply of the places where we operate, we have not encountered any problem in sourcing water. To make use of the Earth's resources in a more efficient way, the Group has also adopted the following environmental protection measures:

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

Installation of High-efficient Electric Motors and Optimisation of Lighting System

Our production process involves the use of various types of machines and equipment, including the fully-automated knitting machines, dial-linking machines, air blowers for sewage treatment and water pump motors. In order to boost the energy efficiency, we have gradually switched to advanced and high-performance converter motors and have installed light-emitting diodes ("LED") light fittings to replace common fluorescent light fixtures in the PRC and the Vietnam Factories since 2015. The replacement of LED light fittings during the Reporting Period will facilitate an electricity saving of approximately 1,054 MWh per annum.

Environmental, Social and Governance Report (continued)

Waste Management

We aim to take various actions to ensure that the waste and by-products produced are properly treated and discharged to minimise their negative impact on the environment. The Group has developed relevant environmental policy and waste treatment procedures that set out the management and supervision of waste in the production process. Our waste can be roughly divided into three categories, which are domestic solid waste, non-hazardous industrial solid waste and hazardous waste.

Domestic Solid Waste and Non-hazardous Industrial Solid Waste

Our factories dormitories and offices generate domestic solid waste, and we generate different non-hazardous industrial solid waste as well during the production process, such as waste cardboard, waste yarn and waste yarn bobbin and so on. We collect the domestic solid waste generated by the factories dormitories and offices on a daily basis, and transport it to the designated garbage storage areas for further treatment by the service providers; while the other industrial solid waste is separated, collected and sold to the recycling service providers for further treatment. Analysis of heavy metals is carried out on coal cinders left in the boilers. Coal cinders with metal content exceeding the limit will be stored separately, and then delivered to the qualified recycling service providers for proper treatment. The sludge formed during the purification of wastewater is stored in the designated collection areas to avoid contamination, and then delivered to the qualified recycling service providers for proper treatment.

With an aim to reduce the generation of non-hazardous waste, the Group worked together with the designated supplier during the Reporting Period, during which the supplier arranged for the recovery and recycling of yarn bobbins and packaging plastic boxes in replacement of the former disposable practice. Reusing the plastic boxes can help reduce the energy wastage and exhaust gas emissions in the course of processing. In light of the above, we expect a gradual reduction of annual wastage of resources caused by the packaging materials consumption and a 100% recovery rate in the near future. Moreover, we have installed garbage sorting and recycling bins at the Vietnam Factories to encourage the employees to classify domestic waste as “recyclable”, “non-recyclable but decomposable” and “non-recyclable and non-decomposable” waste for separation. We also proactively reduce the paper use, reuse as much as possible and separate the waste paper before collection for recycling in all offices. In addition, we also use the remaining yarn as spacer yarn as priority during the production without compromising on the product quality.

Hazardous Waste

The Group strictly abides by the relevant laws and regulations on hazardous waste in the places where we operate. No hazardous waste has been generated in our Hong Kong office and the PRC Factories, while the hazardous waste generated in the Vietnam Factories mainly comes from the chemical storage containers during the production process and heavy metal substances such as light pipes. Notwithstanding that our Hong Kong office and the PRC Factories have not generated any hazardous waste that is subject to the regulations, we conduct waste treatment in a responsible manner. All hazardous waste in the Vietnam Factories is stored centrally in the designated collection areas and managed according to the classification codes for the hazardous waste, and is labelled as “hazardous waste” for identification. In compliance with the relevant requirements in Vietnam, all kinds of hazardous waste are properly treated by qualified recycling service providers arranged by us.

Packaging Materials

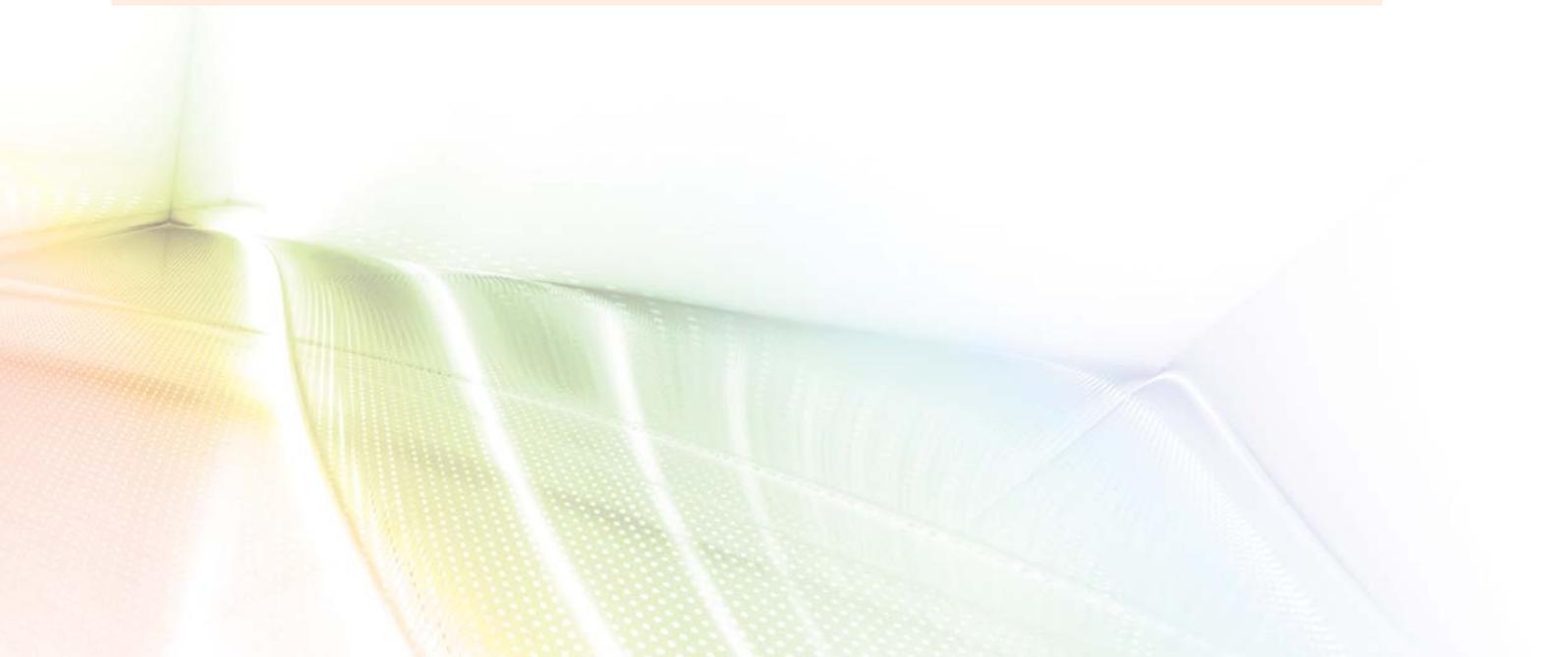
In addition to the requirement to go through high-standard quality inspections by customers, our products are required to be packaged and attached with standard product labels according to the requirements of customers and the regulations of the export regions, such as product size, composition of materials, instructions for use and so on. The packaging materials used by the Group are primarily plastic bags and cartons, of which the sizes are determined according to the requirements of different customers. Despite the significance of packaging materials to every product, we make every effort to minimise the wastage of resource during packaging. To promote environmental protection, old cartons are reused by the Group internally to reduce the waste of available resources. For packaging plastic bags, the transparent plastic bags left after packaging are recycled by the Group into plastic pellets for making plastic bags of other sizes.

Environmental, Social and Governance Report (continued)

The Environment and Natural Resources

Green Factories

We recognise that industrial production brings about certain impact on the environment. Therefore, we incorporate the concept of green planning into our factory design and actively improve the factory environment to abate pollution. A green environment helps maintain both physical and mental health of the employees, which in turn enhances production efficiency. Looking around our entire factory area, from production area, living area to open-air activity area, the proportion of green space is as high as 40%, with rolling lawns and different types of plants visible around.



Environmental, Social and Governance Report (continued)

In addition to planting, our PRC Factories have made room for an organic farming area, in which our gardeners arrange for planting of seasonal fruits and vegetables, the fruits and vegetables are provided to our staff canteens.

Organic farming area in our PRC Factories



Food Waste Treatment

The Group's food and beverage department offers catering services to our employees and visitors. Bearing in mind the commitment to avoid food waste, the food and beverage department estimates the purchase volume based on the number of diners when preparing meals so as to minimise the food waste. In addition, our factories cooperate with swine farms in food waste recycling, under which the farmers would feed the processed food waste to their rearing pigs. This cooperation is deemed to be a highly effective way to utilise food waste resources, in the meantime, it also helps reduce the greenhouse gas emissions and pollution caused by the disposal of food waste in landfills.

Environmental, Social and Governance Report (continued)

Contributions to the Society

“Knitwear Beauty; A Warm, Loving Heart” are the core values of our corporate social responsibility. As an enterprise that carries citizenship and social responsibility, we incorporate a high degree of corporate citizenship and a sense of social responsibility into our corporate development, and play an active role in participating in various public services and charitable activities. During the Reporting Period, we enthusiastically supported public and community charitable activities, and offered sponsorships and donations amounting to over HK\$3 million⁸ to a number of charities and non-profit organisations in Hong Kong. The beneficiaries included the Community Chest of Hong Kong, Suicide Prevention Services Limited and International Social Service (Hong Kong Branch).

We also became a Silver Member of the WWF Hong Kong. Through donations to the foundation, we play our part in supporting Hong Kong’s environmental conservation and minimising pollution and the carbon emissions in response to the foundation’s missions of “Building a future in which humans live in harmony with nature” and “transforming Hong Kong into Asia’s most sustainable city”. Moreover, we also participated in the “Walks for Millions” organised by the Community Chest of Hong Kong and “Visit to Elderly People 2018” and offered sweaters as gifts to nursing homes to set an example by taking part in charitable activities.



To express our support and concern for education, we also sponsored scholarships and offered donations of approximately HK\$850,000⁸ to educational institutions located in Hong Kong and near the PRC Factories, in hope of supporting and encouraging the beneficiary students with better education opportunities to achieve resounding success. In the meantime, our Vietnam Factories constantly offered gifts to poverty-stricken families and retired military members, who live in the local area, to provide assistance to the local impoverished households and the retired military members whom had devoted their whole life to the community.

During the Reporting Period, the total number of hours of our participation in the volunteer activities was approximately 28 hours. To contribute to the community, we will continue our commitment to devoting resources to social, educational and environmental activities and play an active role in participating in charitable activities while constantly pursuing the business development.



Visit to Elderly People 2018

⁸ Unless otherwise expressed, the exchange rate of Renminbi against HK Dollar was RMB0.81: HK\$1.00 and the exchange rate of Vietnamese Dong against HK Dollar was VND2,850: HK\$1.00 in the Report.

Environmental, Social and Governance Report (continued)



Visit to nursing home in Dongxing Commune, Shuikou Town



Donation to people in need in Tri Binh Commune at Chau Thanh District, Tay Ninh Province

Environmental, Social and Governance Report (continued)

Future Prospects



Looking forward, the Group will continue to develop more new projects, provide quality products to our customers and uphold the principle of sustainable development. At the same time, we will engage more actively in the community activities and reduce the impact of production activities on the environment. As always, we will listen to each and every stakeholder in pursuit of the continuous improvement, through which we endeavor to steward our business development and its impact on the society and the environment in a balanced way, as well as to align the Group with our values of sustainable development. The Group would like to take this opportunity to express our heartfelt gratitude to all our stakeholders for their support and trust. We will continue to fulfill our corporate social responsibility, adhere to the philosophy of sustainable development and make greater contributions to the society along its journey of sustainable development.

Independent Auditor's Report



羅兵咸永道

To the Shareholders of Nameson Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Nameson Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 104 to 183, which comprise:

- the consolidated balance sheet as at 31 March 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, 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.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS

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

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

- Business combination and impairment assessment of goodwill in relation to V. Success Group; and
- Tax provision.

Key Audit Matter

How our audit addressed the Key Audit Matter

Business combination and impairment assessment of goodwill in relation to V. Success Group

Refer to note 4(d) and (e) to the consolidated financial statements.

In December 2017, the Group completed a major transaction to acquire the entire interest of V. Success Group at cash consideration of HK\$206,000,000 and issuance of 200,000,000 ordinary shares of the Company.

The accounting of business combination of V. Success Group involved various significant judgements. These judgements on accounting of this transaction included the identification of intangible assets from the acquisition, recognition of identifiable net assets at fair value at the acquisition date.

The purchase price allocation of this transaction was supported by a valuation performed by an independent professional valuer. The valuation involved unobservable inputs such as revenue growth rate, gross profit margin and discount rate.

We understood and assessed the rationale of management and the independent professional valuer on the identification of intangible assets and methodologies used based on our knowledge of the business and by comparison with external information about other comparable companies in this industry.

We assessed the competency, capability and objectivity of independent professional valuer by considering their qualifications, relevant experiences and relationship with the Group.

We involved our internal valuation specialist to assess the appropriateness of key assumptions applied in the valuation by comparing the data inputs such as revenue growth rate, gross profit margin and discount rate used in the valuation model to market data, historical financial data of V. Success Group and our knowledge of the business and industry.

We discussed with management and evaluated the underlying key assumptions used in the cash flow forecasts (including revenue growth rate and discount rate used), taking into account market developments.

Independent Auditor's Report (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
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Business combination and impairment assessment of goodwill in relation to V. Success Group

(Continued)

The Group recognised goodwill for the amount of considerations paid in excess of the net asset value of V. Success Group, capitalisation of loan from a director, and fair value adjustments on 1) recognition of an intangible asset related to the technical know-how of the flat knitting technique 2) recognition of deferred income tax liabilities from the recognition of the intangible asset.

Under Hong Kong Accounting Standards (“HKAS”) 36 Impairment of Assets, the Group is required to perform impairment assessment both annually and whenever there is an indication that a cash generating unit to which goodwill has been allocated may be impaired. The process of goodwill impairment assessment was complex and involved significant judgement and estimates which included assumptions such as expected future market and economic conditions.

We focused on this area as it is a significant acquisition, the accounting of it and impairment assessment of goodwill required significant judgements and estimates by management.

We evaluated management’s assessment of the acquisition date by examining relevant supporting documents in demonstrating the transfer of control, such as relevant acquisition agreement and statutory records.

We reconciled the cash flow forecasts to management’s approved budgets and assessed reasonableness of these budgets by comparing historical information and business plan.

We evaluated and discussed discount rate used in the calculations by comparing with the industry or market data.

We tested the mathematical accuracy of the underlying value-in-use calculations.

We evaluated the sensitivity analysis performed by management around the key assumptions applied to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired.

Based on the procedures described, we found that the judgements and estimates applied in the accounting of the acquisition of V. Success Group to be supportable.

Independent Auditor's Report (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Tax provision

Refer to note 4(c) to the consolidated financial statements.

The Group's current income tax provision covers the current and potential obligations in relation to the respective income tax positions across different jurisdictions. The Group operates mainly in Hong Kong, the Mainland China and Vietnam which are subject to different types of cross-border arrangements, laws and regulations, government practices, interpretation of tax rules by respective tax authorities, tax concession schemes of different jurisdictions as well as different basis of accounting which may result in different approaches and timing of recording transactions. Significant management judgments 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.

We evaluated management's income tax provisions assessments and the processes by which they were done, 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, relevant accounting entries 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 mechanics of 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 judgments 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 judgments made by management in relation to the current income tax provision were supportable by evidence we obtained.

Independent Auditor's Report (continued)**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 are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (continued)

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 HKSAAs 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 HKSAAs, 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.

Independent Auditor's Report (continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pang Ho Yin.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 June 2018

Consolidated Income Statement

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	5	3,446,415	2,797,193
Cost of sales	7	(2,734,273)	(2,134,571)
Gross profit		712,142	662,622
Other income	6	12,423	7,189
Other gains, net	8	35,243	19,921
Selling and distribution expenses	7	(50,385)	(40,475)
General and administrative expenses	7	(313,792)	(254,642)
Operating profit		395,631	394,615
Share of post-tax loss of a joint venture	28	(2)	–
Finance income	10	4,263	2,496
Finance expenses	10	(22,943)	(16,497)
Finance expenses, net		(18,680)	(14,001)
Profit before income tax		376,949	380,614
Income tax expenses	12	(49,981)	(52,483)
Profit for the year attributable to the owners of the Company		326,968	328,131
Earnings per share attributable to the owners of the Company during the year			
– Basic (HK cents per share)	13	15.32	15.97
– Diluted (HK cents per share)	13	15.14	15.97

The notes on pages 111 to 183 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

Note	2018 HK\$'000	2017 HK\$'000
Profit for the year	326,968	328,131
Other comprehensive income, net of tax:		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
— Currency translation differences	90,662	(6,659)
— Gain on revaluation of available-for-sale financial assets	—	31
— Release of investment reserve upon disposal of available-for-sale financial assets	—	(135)
Other comprehensive income for the year, net of tax	90,662	(6,763)
Total comprehensive income for the year attributable to the owners of the Company	417,630	321,368

The notes on pages 111 to 183 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current assets			
Land use rights	15	95,781	42,624
Property, plant and equipment	16	1,943,442	1,227,821
Investment properties	17	2,148	2,282
Intangible assets	18	599,988	–
Interest in a joint venture	28	7,018	–
Available-for-sale financial assets	19	150,076	144,800
Prepayments, deposits, other receivables and other assets	22	58,843	42,310
		2,857,296	1,459,837
Current assets			
Inventories	20	812,172	417,970
Trade receivables	21	149,403	104,913
Derivative financial instruments	27	6,577	–
Prepayments, deposits, other receivables and other assets	22	148,676	55,915
Short-term bank deposits	23	–	50,229
Cash and cash equivalents	23	1,009,477	643,197
		2,126,305	1,272,224
Total assets		4,983,601	2,732,061
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	29	22,794	20,750
Reserves	30	2,425,008	1,549,246
Total equity		2,447,802	1,569,996

The notes on pages 111 to 183 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet (continued)

As at 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	24	835,902	378,836
Deferred income tax liabilities	26	16,498	2,443
		852,400	381,279
Current liabilities			
Trade and bills payables	25(a)	208,937	174,999
Accruals and other payables	25(b)	134,816	82,992
Current income tax liabilities		137,257	107,226
Borrowings	24	1,202,389	415,569
		1,683,399	780,786
Total liabilities		2,535,799	1,162,065
Total equity and liabilities		4,983,601	2,732,061
Net current assets		442,906	491,438

The financial statements on pages 104 to 183 were approved by the Board of Directors on 22 June 2018 and were signed on its behalf.

Wong Ting Chung
Chairman, Chief Executive Officer
and Executive Director

Wong Wai Yue
Vice-Chairman
and Executive Director

The notes on pages 111 to 183 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to the owners of the Company		
	Share capital/ paid-in capital	Reserves	Total
	(Note 29) HK\$'000	(Note 30) HK\$'000	HK\$'000
As at 1 April 2017	20,750	1,549,246	1,569,996
Profit for the year	–	326,968	326,968
Other comprehensive income:			
– Currency translation difference	–	90,662	90,662
Total comprehensive income	–	417,630	417,630
Transactions with owners			
Issuance of ordinary shares upon acquisition of V. Success Limited	2,000	588,000	590,000
Share option scheme:			
– Equity-settled share-based compensation	–	9,424	9,424
– Proceeds from shares issued upon exercise of share options	44	6,073	6,117
Dividends (Note 14)	–	(145,365)	(145,365)
As at 31 March 2018	22,794	2,425,008	2,447,802

The notes on pages 111 to 183 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 March 2018

	Attributable to the owners of the Company		
	Share capital/ paid-in capital (Note 29) HK\$'000	Reserves (Note 30) HK\$'000	Total HK\$'000
	As at 1 April 2016	–	657,293
Profit for the year	–	328,131	328,131
Other comprehensive income:			
– Gain on revaluation of available-for-sale financial assets	–	31	31
– Currency translation difference	–	(6,659)	(6,659)
– Release of investment reserve upon disposal of available-for-sale financial assets	–	(135)	(135)
	–	(6,763)	(6,763)
Total comprehensive income	–	321,368	321,368
Transactions with owners			
Issuance of ordinary shares upon capitalisation issue	15,000	(15,000)	–
Issuance of ordinary shares upon initial public offering	5,000	595,000	600,000
Issuance of ordinary shares upon over-allotment	750	89,250	90,000
Share issuance cost	–	(22,765)	(22,765)
Share option scheme:			
– Equity-settled share-based compensation	–	2,950	2,950
Dividends (Note 14)	–	(78,850)	(78,850)
As at 31 March 2017	20,750	1,549,246	1,569,996

The notes on pages 111 to 183 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	214,341	540,317
Interest paid		(21,980)	(16,497)
Income tax paid		(27,642)	(38,147)
Net cash generated from operating activities		164,719	485,673
Cash flows from investing activities			
Payment for acquisitions of subsidiaries, net of cash acquired	34, 35	(94,325)	–
Loan to a joint venture		(7,020)	–
Purchase of property, plant and equipment		(263,655)	(304,337)
Decrease/(increase) in short-term bank deposits with maturity over three months		50,229	(50,229)
Proceeds from disposals of property, plant and equipment	32(b)	18,304	21,674
Proceeds from disposals of available-for-sale financial assets		–	375
Dividend income from available-for-sale financial assets		–	27
Interest received		4,263	2,496
Net cash used in investing activities		(292,204)	(329,994)
Cash flows from financing activities			
Proceeds from new bank borrowings		2,179,846	1,308,180
Repayments of bank borrowings		(1,381,154)	(1,579,741)
Repayments of finance lease obligations		(193,077)	(43,698)
Dividends paid		(145,365)	(78,850)
Proceeds from issuance of new ordinary shares, net		6,117	667,235
Net cash generated from financing activities		466,367	273,126
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		643,197	221,637
Exchange difference on cash and cash equivalents		27,398	(7,245)
Cash and cash equivalents at end of the year	23	1,009,477	643,197

The notes on pages 111 to 183 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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 available-for-sale financial assets, 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 Company'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) The following new and amended standards and interpretations of HKFRSs are mandatory for the financial year beginning 1 April 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The adoption of these new and amended standards did not result in a significant impact on the results and financial position of the Group. The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.1 Basis of preparation** (Continued)

- (b) The new standards, amendments to standards and interpretations relevant to the Group which have been issued, but are not effective for the financial year beginning 1 April 2017 and have not been early adopted:

		Effective for accounting period beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 1	First time Adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share based Payment Transaction	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
Amendments to HKAS 28	Investments in associates and Joint ventures	1 January 2018
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019

HKFRS 9 Financial instruments

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The Group has yet to undertake a detailed assessment of the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

- (b) The new standards, amendments to standards and interpretations relevant to the Group which have been issued, but are not effective for the financial year beginning 1 April 2017 and have not been early adopted: (Continued)

HKFRS 9 Financial instruments (Continued)

The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

There is a change in hedge accounting rules that more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any such hedging instruments.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, and it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. HKFRS 9 is mandatory for financial years commencing on or after 1 April 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparatives for the year ended 31 March 2018 will not be restated.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption. Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. A further clarification to HKFRS 15 was issued in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance. Management is currently assessing the effects of applying the new standard on the Group's financial statements and currently does not anticipate that the application of HKFRS 15 in the future will have a material effect on the Group's consolidated financial statements.

HKFRS 15 is mandatory for financial years commencing on or after 1 April 2018. The Group does not intend to adopt the standard before its effective date. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

- (b) The new standards, amendments to standards and interpretations relevant to the Group which have been issued, but are not effective for the financial year beginning 1 April 2017 and have not been early adopted: (Continued)

HKFRS 16 Leases

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK\$4,450,000.

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

HKFRS 16 is mandatory for financial years commencing on or after 1 April 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and annual improvement. The directors of the Company will adopt the new standards, amendments to standards and annual improvements when they become effective.

Notes to the Consolidated Financial Statements (continued)

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.

(a) Business combination

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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

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 Company has both joint operations and joint ventures.

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.

2.3.1 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 ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses 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 ventures are eliminated to the extent of the Group's interest in these entities. 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 2.10.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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.

2.5 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 or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or expenses". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other gains/(losses), net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(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:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) 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
- (c) all resulting currency translation differences are recognised in 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.

2.6 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 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.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (Continued)

(b) Technical know-how

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 know-how have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives of 8 years.

2.7 Property, plant and equipment

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

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

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

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

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

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

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within ‘Other gains/(losses), net’ in the consolidated income statement.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Land use rights

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

2.9 Investment property

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

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

Leasehold land	the remaining lease term
Buildings	2.5%

The residual value and useful life of investment property are reviewed, and adjusted as appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and loss on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.11 Financial assets****2.11.1 Classification**

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, deposits, other receivables, other assets, bank deposits and cash and cash equivalents in the consolidated balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair values are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.13 Impairment of financial assets****(a) Assets carried at amortised cost**

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(b) Assets classified as available for sale

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

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

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

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Derivative financial instruments

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

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

2.15 Inventories

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

2.16 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.17 Cash and cash equivalents

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

2.18 Share capital

Ordinary shares are classified as equity.

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

2.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Borrowings

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

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

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

2.21 Current and deferred income tax

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

(a) Current income tax

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

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.21 Current and deferred income tax** (Continued)**(b) Deferred income tax***Inside basis differences*

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.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

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

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(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 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 balance sheet date.

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

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.23 Provisions**

Provisions for environmental restoration, restructuring costs and legal claims 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. Restructuring provisions comprise lease termination penalties and employee termination payments. 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 any one item included in the same class of obligations may be small.

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

2.24 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, type of transactions and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Rental income

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

(d) Dividend income

Dividend income is recognised when the right to receive the payment is established.

Notes to the Consolidated Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

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

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.26 Dividend distribution

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

2.27 Government subsidies

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

Government subsidies relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Notes to the Consolidated Financial Statements (continued)

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

The Group mainly operates in Hong Kong, Mainland China and Vietnam with majority of the transactions settled in HK\$, Chinese Renminbi ("RMB") and US dollar ("US\$"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to RMB and US\$ since a considerable portion of our 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.

As at 31 March 2018, the Group had certain outstanding forward foreign currency contracts to sell US\$ and purchase RMB, details of which are further presented in Note 27. If US\$ has weakened/strengthened against RMB at the date of settlement by 5% compared with that at the balance sheet date, with all other variables constant, the profit before tax for the year would have been approximately HK\$5,797,000 higher/lower. There were no outstanding forward foreign currency contracts as at and for the year ended 31 March 2017.

As at 31 March 2018, certain bank balances and deposits as detailed in Note 23 are denominated in RMB. 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\$8,739,000 (2017: HK\$5,428,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RMB denominated bank balances and deposits.

(b) Cash flow interest-rate risk

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

As at 31 March 2018 if the interest rates on 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\$5,150,000 (2017: HK\$3,972,000) lower/higher, mainly as a result of higher/lower interest expense on floating-rate borrowings.

Notes to the Consolidated Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors** (Continued)**(c) Credit risk**

As at 31 March 2018, all the bank balances and deposits as detailed in Note 23 are held with major financial institutions located in Hong Kong, Mainland China and Vietnam which the directors believe are of high credit quality. The directors do not expect any losses arising from non-performance by these counterparties.

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. The Group's credit sales are generally on credit terms within 60 days. Normally the Group does not require collaterals from trade debtors. As at 31 March 2018, the Group's largest debtor accounted for 24% (2017:40%) of the Group's total trade receivables. The existing debtors have no significant default in the past. The Group's historical experience in collection of receivables generally falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made. The directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

(d) Liquidity risk

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

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

The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors monitor the utilisation of bank and other 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.

Notes to the Consolidated Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

	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 2018				
Trade and bills payables	208,937	–	–	208,937
Accruals and other payables	43,155	–	–	43,155
Short-term bank borrowings	661,405	–	–	661,405
Long-term bank borrowings	376,055	278,945	318,989	973,989
Finance lease obligations	170,258	109,054	182,545	461,857
	1,459,810	387,999	501,534	2,349,343
At 31 March 2017				
Trade and bills payables	174,999	–	–	174,999
Accruals and other payables	34,230	–	–	34,230
Short-term bank borrowings	189,036	–	–	189,036
Long-term bank borrowings	108,863	105,981	75,172	290,016
Finance lease obligations	115,588	115,588	103,346	334,522
	622,716	221,569	178,518	1,022,803

(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 available-for-sale financial assets.

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.

Notes to the Consolidated Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)**3.2 Fair value estimation**

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

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

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

The following table presents the Group's financial assets that are measured at fair values at 31 March 2018 and 2017.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 March 2018				
Assets				
Available-for-sale financial assets				
— Unlisted investments	–	–	150,076	150,076
Derivative financial liabilities	–	6,577	–	6,577
	–	6,577	150,076	156,653
As at 31 March 2017				
Assets				
Available-for-sale financial assets				
— Unlisted investments	–	–	144,800	144,800

There were no transfers among levels 1, 2 and 3 during the year ended 31 March 2018 (2017: same).

Notes to the Consolidated Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value estimation (Continued)

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table represents the changes in level 3 instruments for the years ended 31 March 2018 and 2017:

	2018 HK\$'000	2017 HK\$'000
Beginning of the year	144,800	139,523
Net gains on investments	5,276	5,277
End of the year	150,076	144,800

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

Notes to the Consolidated Financial Statements (continued)

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 shareholder 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 shareholder, issue new shares or sell assets.

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

The gearing ratios at 31 March 2018 and 2017 were as follows:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Total borrowings	2,038,291	794,405
Less: cash and cash equivalents	(1,009,477)	(643,197)
Net debt	1,028,814	151,208
Total equity	2,447,802	1,569,996
Total capital	3,476,616	1,721,204
Gearing ratio	29.59%	8.79%

The increase in gearing ratio from 8.79% as at 31 March 2017 to 29.59% as at 31 March 2018 was primarily due to the acquisition of V. Success Limited ("V. Success") during the year ended 31 March 2018. In relation to the acquisition of V. Success, the purchase consideration was satisfied by (i) cash consideration of HK\$206,000,000; and (ii) issuance of 200,000,000 ordinary shares of the Company as consideration shares.

Notes to the Consolidated Financial Statements (continued)

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) Useful lives, residual values and depreciation of property, plant and equipment

Management of the Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation where useful lives or residual values are different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation in the future periods.

(b) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

Notes to the Consolidated Financial Statements (continued)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Current income tax provision

The Group is subject to income taxes in Hong Kong, Mainland China and Vietnam. 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 operates mainly in Hong Kong, Mainland China and Vietnam and has transactions with customers and suppliers in different countries. 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 tax treatments of these transactions or arrangements may be subject to the interpretation by respective tax authorities in different countries. 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.

(d) Business combination

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the consolidated income statement.

(e) Impairment of goodwill

Determining whether goodwill impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).

5 SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors and senior management of the Company led by the Group's chief executive officer, being the Group's chief operating decision-maker ("CODM"), which are used for the purposes of assessing performance and making strategic decisions. The Group's operating segments are structured and managed separately according to the nature of their operations, and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has two operating segments after the acquisition of V. Success Limited during the year ended 31 March 2018:

- (a) Manufacturing of knitwear products; and
- (b) Manufacturing of knitted upper for footwear and knitted upper shoes

The Board assesses the performance of the operating segment based on a measure of gross profit at each segment.

Notes to the Consolidated Financial Statements (continued)

5 SEGMENT INFORMATION (Continued)

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

For the year ended 31 March 2018

	Manufacturing of knitwear products HK\$'000	Manufacturing of knitted upper for footwear and knitted upper shoes HK\$'000	Consolidated HK\$'000
Revenue			
Segment revenue	3,374,581	71,834	3,446,415
Results			
Segment profit	693,066	19,076	712,142
Other income			12,423
Other gains, net			35,243
Selling and distribution expenses			(50,385)
General and administrative expenses			(313,792)
Share of post-tax loss of a joint venture			(2)
Finance income			4,263
Finance expenses			(22,943)
Profit before income tax			376,949
Income tax expenses			(49,981)
Profit for the year			326,968

Notes to the Consolidated Financial Statements (continued)

5 SEGMENT INFORMATION (Continued)

For the year ended 31 March 2017

	Manufacturing of knitwear products HK\$'000	Manufacturing of knitted upper for footwear and knitted upper shoes HK\$'000	Consolidated HK\$'000
Revenue			
Segment revenue	2,797,193	–	2,797,193
Results			
Segment profit	662,622	–	662,622
Other income			7,189
Other gains, net			19,921
Selling and distribution expenses			(40,475)
General and administrative expenses			(254,642)
Finance income			2,496
Finance expenses			(16,497)
Profit before income tax			380,614
Income tax expenses			(52,483)
Profit for the year			328,131

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 March 2018 (2017: Nil).

Segments results represent profit earned by each segment without allocating other income, other gains/(losses), selling and distribution expenses, general and administrative expenses, share of post-tax loss of a joint venture, finance income, finance expenses and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

Notes to the Consolidated Financial Statements (continued)

5 SEGMENT INFORMATION (Continued)

(a) Revenue by location of goods delivery

	2018 HK\$'000	2017 HK\$'000
Japan	1,346,527	1,119,986
North America	643,581	619,158
Europe	638,478	468,800
Mainland China	416,892	285,971
Other countries	400,937	303,278
	3,446,415	2,797,193

(b) Non-current assets

	2018 HK\$'000	2017 HK\$'000
Hong Kong	90,130	73,343
Mainland China	811,930	380,248
Vietnam	1,198,154	861,446
	2,100,214	1,315,037

The non-current asset information above is based on the location of the assets and excludes intangible assets, interest in a joint venture and available-for-sale financial assets.

(c) Major customers

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

	2018 HK\$'000	2017 HK\$'000
Customer A	2,151,930	1,708,352
Customer B	429,551	496,307

The five largest customers accounted for approximately 83.7% (2017: 89.5%) of revenue for year ended 31 March 2018.

Notes to the Consolidated Financial Statements (continued)

6 OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Rental income from investment properties	2,111	792
Rental income from properties occupied by employees	412	513
Dividend income from listed available-for-sale financial assets	–	27
Government subsidy	1,756	1,146
Others	8,144	4,711
	12,423	7,189

7 EXPENSES BY NATURE

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

	2018 HK\$'000	2017 HK\$'000
Advertising and promotion expenses	4,185	4,309
Amortisation of land use rights (Note 15)	1,103	1,103
Auditor's remuneration (excluding listing related services)		
– audit services	3,078	2,687
– non-audit services	1,634	800
Depreciation (Note 16)		
– owned property, plant and equipment	112,521	130,509
– property, plant and equipment held under finance leases	50,325	23,008
Depreciation of investment properties (Note 17)	134	134
Amortisation of technical know-how (Note 18)	4,130	–
Employment benefit expenses (including directors' emoluments) (Note 9)	759,013	575,140
Cost of inventories	1,411,447	1,068,699
Provision/(reversal of provision) for impairment of inventories	7,537	(4,508)
Subcontracting charges	374,175	343,121
Commission expenses	4,553	4,519
Transportation charges	40,823	30,533
Sample charges	21,070	17,543
Donations	2,831	3,950
Operating lease rental in respect of land and buildings	4,301	3,091
Listing expenses	–	1,378
Utilities expenses	62,218	52,801
Others	233,372	170,871
	3,098,450	2,429,688
Total cost of sales, selling and distribution expenses and general and administration expenses	3,098,450	2,429,688

Notes to the Consolidated Financial Statements (continued)

8 OTHER GAINS, NET

	2018 HK\$'000	2017 HK\$'000
Net foreign exchange gains	6,015	4,323
Net gains on investments (Note 19)	5,276	5,412
Net gains on disposals of property, plant and equipment (Note 32(b))	17,375	10,186
Unrealised gains from derivative financial instruments (Note 27)	6,577	–
	35,243	19,921

9 EMPLOYMENT BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

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

	2018 HK\$'000	2017 HK\$'000
Wages, salaries, commission, allowances, bonus, welfare and other benefits	678,804	511,817
Equity-settled share-based compensation	9,424	2,950
Pension costs — defined contribution plans	70,785	60,373
	759,013	575,140

(a) Pension costs — defined contribution plans

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a cap of HK\$1,500 and thereafter contributions are voluntary.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement schemes for certain of its employees in Mainland China. The Group's employees make monthly contributions to the schemes at approximately 3% to 11% of the relevant income (comprising wages, salaries, allowances and bonus), while the Group contributes 10% to 30% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

The Group participates in a retirement scheme for qualified employees of its subsidiaries in Vietnam. Under the retirement scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 32% of the relevant income (comprising wages and salaries). The Group has no further obligations for post-retirement benefits beyond the contributions.

The Group has no material obligation for post-retirement benefits beyond contributions to the above schemes.

Notes to the Consolidated Financial Statements (continued)

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 2018 include five (2017: five) directors whose emoluments are reflected in Note 38 to the consolidated financial statements.

No directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or compensation for loss of office.

10 FINANCE EXPENSES, NET

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Finance income		
Interest income from:		
— Bank deposits	4,263	2,496
Finance expenses		
Interest expenses on:		
— Bank borrowings	(17,609)	(13,495)
— Finance lease obligations	(5,334)	(3,002)
	(22,943)	(16,497)
Finance expenses, net	(18,680)	(14,001)

Notes to the Consolidated Financial Statements (continued)

11 SUBSIDIARIES

The following are details of the principal subsidiaries at 31 March 2018:

Company Name	Place of incorporation and type of legal entity	Issued and paid up capital	Effective interest held (%)		Principal activities/ place of operation
			2018	2017	
Directly owned:					
Nameson Group Limited	The British Virgin Islands ("BVI"), limited liability company	US\$10	100%	100%	Investment holding, Hong Kong
Indirectly owned:					
Nameson Industrial Limited	Hong Kong, limited liability company	HK\$3,000,000	100%	100%	Manufacturing of knitwear products, Hong Kong
Kingmax Industrial Limited	Hong Kong, limited liability company	HK\$60,000	100%	100%	Manufacturing of knitwear products, Hong Kong
Winner Way Industrial Limited	Hong Kong, limited liability company	HK\$60,000	100%	100%	Manufacturing of knitwear products, Hong Kong
First Team (HK) Limited	Hong Kong, limited liability company	HK\$1	100%	100%	Manufacturing of knitwear products, Hong Kong
First Team (Vietnam) Garment Limited	Vietnam, limited liability company	US\$127,393,348 (2017: US\$104,031,162)	100%	100%	Manufacturing of knitwear products, Vietnam
Huizhou Nanxuan Knitting Fty. Ltd.	The People's Republic of China ("the PRC"), wholly foreign owned enterprise	US\$30,000,000	100%	100%	Manufacturing of knitwear products, the PRC
Huizhou Nanguan Knitting Fty. Ltd	The PRC, wholly foreign owned enterprise	N/A	100%	100%	Manufacturing of knitwear products, the PRC

Notes to the Consolidated Financial Statements (continued)

11 SUBSIDIARIES (Continued)

Company Name	Place of incorporation and type of legal entity	Issued and paid up capital	Effective interest held (%)		Principal activities/ place of operation
			2018	2017	
Indirectly owned:					
<i>(Continued)</i>					
Huizhou Liyun Knitting Fty. Ltd	The PRC, wholly foreign owned enterprise	HK\$337,216,000	100%	100%	Manufacturing of knitwear products, the PRC
Huizhou Lihao Fashion Ltd.	The PRC, wholly foreign owned enterprise	HK\$65,000,000	100%	100%	Manufacturing of knitwear products, the PRC
S. Power (Vietnam) Textile Limited	Vietnam, limited liability company	US\$8,000,000	100%	–	Manufacturing of knitting fabric, Vietnam
V. Success Limited	BVI, limited liability company	US\$100	100%	–	Investment holding, Hong Kong
V. Success (HK) Limited	Hong Kong, limited liability company	HK\$1	100%	–	Manufacturing of knitted upper for footwear and knitted upper shoes
V. Success (HZ) Knitting Limited	The PRC, wholly foreign owned enterprise	HK\$180,000,000	100%	–	Manufacturing of knitted upper for footwear and knitted upper shoes
V. Success (Vietnam) Knitting Company Limited	Vietnam, limited liability company	US\$22,759,317	100%	–	Manufacturing of knitted upper for footwear and knitted upper shoes

Notes to the Consolidated Financial Statements (continued)

12 INCOME TAX EXPENSES

For the year ended 31 March 2018, Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year and the Group’s subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2017: 25%) on estimated assessable profits. However, two of the Group’s subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15%, after being assessed as high and new technology enterprises.

The Group’s subsidiaries in Vietnam are subjected to preferential business income tax (“BIT”) at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No income tax has been provided for the subsidiaries in Vietnam since the subsidiaries have no assessable profit for the years ended 31 March 2018 and 2017.

	2018 HK\$'000	2017 HK\$'000
Hong Kong profits tax		
— Current taxation	15,663	13,673
China corporate income tax	34,969	36,033
Deferred taxation (Note 26)	(651)	2,777
	49,981	52,483

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:

	2018 HK\$'000	2017 HK\$'000
Profit before income tax	376,949	380,614
Tax calculated at domestic tax rates applicable to profits in the respective countries	87,616	85,357
Income not subject to tax	(270,411)	(271,362)
Expenses not deductible for tax purposes	233,367	232,877
Others	(591)	5,611
Income tax expense	49,981	52,483

Notes to the Consolidated Financial Statements (continued)

13 EARNINGS PER SHARE**(a) Basic**

Basic earnings per share for the years ended 31 March 2018 and 2017 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. The weighted average number of ordinary shares in issue are determined as follows:

- (i) the 1 ordinary share of the Company issued on 11 August 2015 (date of incorporation) was treated as if it had been issued since 1 April 2015;
- (ii) the 1,121 ordinary shares of the Company issued in December 2015 as a result of the reorganisation in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange were treated as if they had been issued since 1 April 2015;
- (iii) the 1,499,998,878 ordinary shares of the Company issued on 12 April 2016 under the capitalisation issue were treated as if they had been in issue since 1 April 2015;
- (iv) the 500,000,000 ordinary shares offered to the public were issued on 12 April 2016;
- (v) the 75,000,000 ordinary shares in connection with the exercise of the over-allotment option were issued on 28 April 2016;
- (vi) the 200,000,000 ordinary shares issued as consideration shares on 15 December 2017 to settle part of the consideration for the acquisition of V. Success Limited; and
- (vii) the 4,392,000 ordinary shares issued in connection with the exercise of share options during the year ended 31 March 2018.

	2018	2017
Profit attributable to the owners of the Company (HK\$'000)	326,968	328,131
Weighted average number of ordinary shares in issue ('000)	2,134,538	2,054,384
Basic earnings per share (HK cents)	15.32	15.97

Notes to the Consolidated Financial Statements (continued)

13 EARNINGS PER SHARE (Continued)

(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.

	2018	2017
Profit attributable to the owners of the Company (HK\$'000)	326,968	328,131
Weighted average number of ordinary shares in issue ('000)	2,134,538	2,054,384
Adjustment for potential dilutive effect in respect of outstanding share options ('000)	25,302	535
Weighted average number of ordinary shares for diluted earnings per share ('000)	2,159,840	2,054,919
Diluted earnings per share (HK cents)	15.14	15.97

Notes to the Consolidated Financial Statements (continued)

14 DIVIDENDS

At the board meeting held on 27 November 2017, the Company's Board of Directors declared an interim dividend of 5.0 HK cents (2017: 3.8 HK cents) per share and paid on 29 December 2017.

At a meeting held on 22 June 2018, the Board of Directors recommended a final dividend of 0.6 HK cent (2017: 2.0 HK cents) per share amounting to a total of HK\$13,676,000 (2017: HK\$41,500,000). 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 2019.

15 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2018 HK\$'000	2017 HK\$'000
Beginning of the year	42,624	44,871
Addition	52,750	–
Exchange differences	1,510	(1,144)
Amortisation (Note 7)	(1,103)	(1,103)
End of the year	95,781	42,624

Notes to the Consolidated Financial Statements (continued)

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and other equipment HK\$'000	Motor vehicles and yacht HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At 1 April 2016							
Cost	595,361	33,791	1,454,129	26,327	42,041	125,445	2,277,094
Accumulated depreciation	(259,215)	(24,620)	(1,098,870)	(16,398)	(30,150)	–	(1,429,253)
Net book amount	336,146	9,171	355,259	9,929	11,891	125,445	847,841
Year ended 31 March 2017							
Opening net book amount	336,146	9,171	355,259	9,929	11,891	125,445	847,841
Additions	1,658	–	385,826	1,818	25,600	159,561	574,463
Disposals	(4,348)	–	(6,819)	–	(321)	–	(11,488)
Transfers	271,262	–	7,465	–	–	(278,727)	–
Exchange difference	(16,133)	(587)	(12,956)	230	(32)	–	(29,478)
Depreciation (Note 7)	(23,472)	(640)	(121,776)	(2,254)	(5,375)	–	(153,517)
Closing net book amount	565,113	7,944	606,999	9,723	31,763	6,279	1,227,821
At 31 March 2017							
Cost	838,018	33,204	1,827,645	28,375	66,682	6,279	2,800,203
Accumulated depreciation	(272,905)	(25,260)	(1,220,646)	(18,652)	(34,919)	–	(1,572,382)
Net book amount	565,113	7,944	606,999	9,723	31,763	6,279	1,227,821
Year ended 31 March 2018							
Opening net book amount	565,113	7,944	606,999	9,723	31,763	6,279	1,227,821
Additions	1,427	–	234,507	6,109	2,679	19,263	263,985
Acquisition of a subsidiary (Note 34)	–	509	534,593	6,934	2,618	–	544,654
Disposals	–	–	(79)	(850)	–	–	(929)
Transfers	18,148	–	1,892	4,623	229	(24,892)	–
Exchange difference	19,877	735	49,339	643	163	–	70,757
Depreciation (Note 7)	(27,343)	(650)	(126,089)	(3,320)	(5,444)	–	(162,846)
Closing net book amount	577,222	8,538	1,301,162	23,862	32,008	650	1,943,442
At 31 March 2018							
Cost	877,469	34,448	2,456,553	45,259	60,198	650	3,474,577
Accumulated depreciation	(300,247)	(25,910)	(1,155,391)	(21,397)	(28,190)	–	(1,531,135)
Net book amount	577,222	8,538	1,301,162	23,862	32,008	650	1,943,442

Notes to the Consolidated Financial Statements (continued)

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2018 HK\$'000	2017 HK\$'000
Depreciation charged in consolidated income statement:		
— Cost of sales	142,991	141,082
— General and administrative expenses	19,855	12,435
	162,846	153,517

As at 31 March 2018, the net book value of plant and machinery under finance lease amounted to approximately HK\$482,165,000 (2017: HK\$435,057,000).

Land and buildings are primarily situated in Mainland China and Vietnam.

17 INVESTMENT PROPERTIES

	2018 HK\$'000	2017 HK\$'000
At cost		
Beginning of the year	2,282	2,416
Depreciation (Note 7)	(134)	(134)
End of the year	2,148	2,282
Cost	4,640	4,640
Accumulated depreciation	(2,492)	(2,358)
Net book amount	2,148	2,282

The fair values of the Group's investment properties as at 31 March 2018 were HK\$25,000,000 (2017: HK\$22,000,000), as determined by an independent professional valuation firm, RHL Appraisal Limited, on an open market basis.

Investment properties are situated in Hong Kong.

Depreciation of HK\$134,000 (2017: HK\$134,000) for the year ended 31 March 2018 has been included in 'general and administrative expenses'.

Outgoings in respect of the investment properties amounted to HK\$41,000 (2017: HK\$43,000) for the year ended 31 March 2018.

Notes to the Consolidated Financial Statements (continued)

18 INTANGIBLE ASSETS

	Goodwill	Technical know-how	Total
	HK\$'000	HK\$'000	HK\$'000
Cost			
At 1 April 2016 and at 1 April 2017	–	–	–
Acquisition of a subsidiary (Note 34)	493,910	110,208	604,118
At 31 March 2018	493,910	110,208	604,118
Amortisation			
At 1 April 2016 and at 1 April 2017	–	–	–
Charge for the year (Note 7)	–	(4,130)	(4,130)
At 31 March 2018	–	(4,130)	(4,130)
Carrying amount			
At 31 March 2018	493,910	106,078	599,988
At 31 March 2017	–	–	–

On 28 September 2017, Nameson Group Limited (“Nameson Group”), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Wong Ting Chung (“Mr. Wong”), the substantial shareholder of the Company, pursuant to which Nameson Group agreed to acquire the entire issued share capital of V. Success Limited (“V. Success”) held by Mr. Wong. The acquisition was completed on 15 December 2017 (Note 34). Goodwill from such acquisition amounted to HK\$493,910,000 has been allocated to the CGU for manufacturing of knitted upper for footwear and knitted upper shoes (the “CGU”). Technical know-how, arising from the acquisition of the V. Success, represent technical know-how of the flat knitting technique, with which V. Success and its subsidiaries manufactures footwear products.

Technical know-how are amortised over the estimated useful life of 8 years. For the year ended 31 March 2018, amortisation of HK\$4,130,000 (2017: HK\$nil) has been charged to “cost of sales” in the consolidated income statement.

Notes to the Consolidated Financial Statements (continued)

18 INTANGIBLE ASSETS (Continued)**Impairment test of goodwill arising from the acquisition of V. Success**

Goodwill acquired through business combination of the acquisition of V. Success has been allocated to the CGU for impairment testing. The recoverable amount of the CGU is determined based on a value-in-use calculation which uses cash flow projection based on financial budgets of the Company covering a five-year period, and a pre-tax discount rate of 15.5% per annum.

Assumed growth rate is used to extrapolate the cash flows in the following years. The financial budgets are prepared based on a five-year business plan which is appropriate after considering the sustainability of business growth, stability of core business developments and achievement of business targets. The financial model assumes an average growth rate of 11.8% for five-year period budgets and a terminal growth rate of 3% per annum beyond the five-year period taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors assessed the recoverable amount of the CGU with reference to the valuation performed by Colliers International (Hong Kong) Limited, an independent professional valuer, and determined that no impairment loss is recognised for the year ended 31 March 2018 as the recoverable amount exceeds the carrying amount.

The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed the its recoverable amount.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK\$'000	2017 HK\$'000
Available-for-sale financial assets		
— Unlisted investments, at fair value (Note)	150,076	144,800

Note: Unlisted investments represent unlisted key management insurance contracts which are debt instruments classified as available-for-sale financial assets. Minimum returns are guaranteed under these contracts with upside variable returns and the respective fixed and determinable returns are recognised as part of "Other gains, net". The portion allocated as insurance premium is recognised as prepayment and is amortised to the consolidated income statement based on the estimated years that the Group intends to hold such contracts.

Certain bank borrowings of the Group are secured by available-for-sale financial assets with a carrying amount of HK\$71,052,000 (2017: HK\$68,798,000) as at 31 March 2018 (Note 24(c)).

Notes to the Consolidated Financial Statements (continued)

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Movement of the available-for-sale financial assets is as follows:

	2018 HK\$'000	2017 HK\$'000
As at 1 April	144,800	139,867
Disposals	–	(375)
Net gains on investments	5,276	5,412
Fair value gains transferred to other comprehensive income	–	(104)
As at 31 March	150,076	144,800

Available-for-sale financial assets are denominated in US\$.

20 INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Raw materials	246,956	172,140
Work-in-progress	537,562	224,957
Finished goods	27,654	20,873
	812,172	417,970

The cost of inventories recognised as expense and included in cost of sales in the consolidated income statement amounted to HK\$1,418,984,000 (2017: HK\$1,064,191,000) for the year ended 31 March 2018.

Notes to the Consolidated Financial Statements (continued)

21 TRADE RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	149,403	104,913

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

	2018 HK\$'000	2017 HK\$'000
US\$	113,082	97,983
Others	36,321	6,930
	149,403	104,913

The carrying amounts of the trade receivables approximate their fair values. The Group grants credit periods to customers ranging from 0 to 60 days. As at 31 March 2018, the ageing analysis of the trade receivables based on invoice date was as follows:

	2018 HK\$'000	2017 HK\$'000
Up to 3 months	145,724	102,191
3 to 6 months	1,776	2,658
Over 6 months	1,903	64
	149,403	104,913

Notes to the Consolidated Financial Statements (continued)

21 TRADE RECEIVABLES (Continued)

As at 31 March 2018, trade receivables of HK\$15,367,000 (2017: HK\$4,403,000) were past due but not considered to be impaired because these mainly relate to customers from whom there is no recent history of default. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	2018 HK\$'000	2017 HK\$'000
Past due by:		
Up to 3 months	13,323	2,546
3 to 6 months	269	1,857
Over 6 months	1,775	–
	15,367	4,403

The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The counterparties did not have significant default history.

22 PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 HK\$'000	2017 HK\$'000
Prepayments for property, plant and equipment	25,441	18,603
Prepayments for subcontracting charges	38,039	18,500
Other prepayments	25,780	6,423
Prepaid insurance premium for the key management insurance	27,525	28,646
Deposits	12,127	1,268
Other receivables	76,927	23,105
Other assets	1,680	1,680
	207,519	98,225
Less: Non-current portion	(58,843)	(42,310)
Current portion	148,676	55,915

Notes to the Consolidated Financial Statements (continued)

23 SHORT TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2018 HK\$'000	2017 HK\$'000
Short term bank deposits	–	50,229
Cash and cash equivalents	1,009,477	643,197
	1,009,477	693,426

Bank balances and cash are denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
US\$	248,868	91,015
HK\$	457,639	476,572
RMB	279,770	121,984
Vietnamese Dong	20,804	2,374
Others	2,396	1,481
	1,009,477	693,426

Notes to the Consolidated Financial Statements (continued)

24 BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Non-current		
Bank borrowings, unsecured	551,367	165,111
Finance lease obligations	284,535	213,725
	835,902	378,836
Current		
Short-term bank borrowings, unsecured	658,054	188,637
Portion of long-term bank borrowings, secured, due for repayment within one year	7,501	7,501
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	4,376	11,877
Portion of long-term bank borrowings, unsecured, due for repayment within one year	347,800	96,833
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	20,833	–
Finance lease obligations	163,825	110,721
	1,202,389	415,569
Total borrowings	2,038,291	794,405

The weighted average effective interest rates for the years ended 31 March 2018 and 2017 are as follows:

	2018	2017
Finance lease obligations	1.70%	1.68%
Bank borrowings	2.13%	2.13%

Notes to the Consolidated Financial Statements (continued)

24 BORROWINGS (Continued)**(a) Bank borrowings**

The bank borrowings are due for repayment as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	1,013,355	292,971
Between one and two years	262,287	86,612
Between two and five years	314,289	90,376
	1,589,931	469,959

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

The carrying amounts of bank borrowings approximate their fair values as they bear market interest rates and are denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
HK\$	1,578,312	450,581
US\$	11,619	19,378
	1,589,931	469,959

Notes to the Consolidated Financial Statements (continued)

24 BORROWINGS (Continued)

(b) Finance lease obligations

The Group's finance lease obligations were analysed as follows:

	2018 HK\$'000	2017 HK\$'000
Current		
Portion of finance lease obligations due for repayment within one year	163,825	110,721
Non-current		
Finance lease obligations due for repayment after one year:		
Between one and two years	104,951	112,603
Between two and five years	179,584	101,122
	284,535	213,725
Total finance lease obligations	448,360	324,446

The finance lease obligations were due for repayment as follows:

	2018 HK\$'000	2017 HK\$'000
Gross finance lease obligations — minimum lease payments:		
Within one year	170,258	115,588
Between one and two years	109,054	115,588
Between two and five years	182,545	103,346
	461,857	334,522
Future finance charges on finance leases	(13,497)	(10,076)
Present value of finance lease obligations	448,360	324,446

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

The carrying amount of finance lease obligations was denominated in US\$.

Notes to the Consolidated Financial Statements (continued)

24 BORROWINGS (Continued)

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

	2018 HK\$'000	2017 HK\$'000
Bank borrowings	11,877	19,378

As at 31 March 2018, the Group's certain borrowings are secured by available-for-sale financial assets with a total carrying amount of HK\$71,052,000 (2017: HK\$68,798,000) (Note 19).

25 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

(a) **Trade and bills payables**

Trade and bills payables are denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
US\$	135,729	123,245
HK\$	29,439	34,628
Others	43,769	17,126
	208,937	174,999

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

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

	2018 HK\$'000	2017 HK\$'000
Within 1 month	163,136	137,944
1 to 2 months	32,755	32,053
2 to 3 months	12,844	4,931
Over 3 months	202	71
	208,937	174,999

Notes to the Consolidated Financial Statements (continued)

25 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES (Continued)

(b) Accruals and other payables

	2018 HK\$'000	2017 HK\$'000
Accrued subcontracting charges	3,242	4,479
Accrued salaries	70,023	38,002
Receipts in advance	2,233	2,898
Other accrued expenses	27,202	11,683
Other payables	32,116	25,930
	134,816	82,992

26 DEFERRED INCOME TAX

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

	2018 HK\$'000	2017 HK\$'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	559	593
	559	593
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(17,057)	(3,036)
	(17,057)	(3,036)
Deferred tax liabilities, net	(16,498)	(2,443)

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

	2018 HK\$'000	2017 HK\$'000
At 1 April	(2,443)	334
Acquisition of subsidiaries (Note 34)	(14,706)	–
Credited/(charged) to consolidated income statement	651	(2,777)
At 31 March	(16,498)	(2,443)

Notes to the Consolidated Financial Statements (continued)

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	Recognition of technical know-how HK\$'000	Total HK\$'000
As at 1 April 2016	(434)	–	(434)
Charged to consolidated income statement	(2,602)	–	(2,602)
As at 31 March 2017	(3,036)	–	(3,036)
As at 1 April 2017	(3,036)	–	(3,036)
Acquisition of subsidiaries (Note 34)	(104)	(14,602)	(14,706)
Credited to consolidated income statement	65	620	685
As at 31 March 2018	(3,075)	(13,982)	(17,057)
			Decelerated tax depreciation HK\$'000
As at 1 April 2016			768
Charged to consolidated income statement			(175)
As at 31 March 2017			593
As at 1 April 2017			593
Charged to consolidated income statement			(34)
As at 31 March 2018			559

Deferred income tax assets are recognised for tax loss carry-forwards 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\$1,388,000 (2017: HK\$3,050,000) as at 31 March 2018 in respect of losses amounting to HK\$5,550,000 (2017: HK\$12,200,000) as at 31 March 2018 that can be carried forward against future taxable income and the losses are subject to expiry period of five years.

Notes to the Consolidated Financial Statements (continued)

26 DEFERRED INCOME TAX (Continued)

As at 31 March 2018, deferred income tax liabilities of approximately HK\$2,663,000 (2017: HK\$2,010,000) have not been recognised for the withholding taxation that would be payable on the unremitted earnings of subsidiaries in Mainland China of approximately HK\$53,270,000 (2017: HK\$40,214,000), as the directors considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed and will not be taxable in the foreseeable future.

27 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 HK\$'000	2017 HK\$'000
Forward foreign currency contracts	6,577	–

As at 31 March 2018, the Group had outstanding forward foreign currency contracts to sell US\$ and purchase RMB. As at 31 March 2018, the notional principal amounts of the outstanding forward foreign currency contracts were approximately HK\$108,500,000 (2017: HK\$nil).

28 INTEREST IN A JOINT VENTURE

	2018 HK\$'000	2017 HK\$'000
Cost of interest in a joint venture	–*	–
Share of post-acquisition loss	(60)	–
Exchange difference	58	–
Loan to a joint venture (Note)	7,020	–
	7,018	–

* It represents HK\$30.

On 2 November 2017, the Group has set up a joint venture with an independent third party.

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.

Notes to the Consolidated Financial Statements (continued)

28 INTEREST IN A JOINT VENTURE (Continued)

Nature of interest in a joint venture as at 31 March 2018.

Name of joint venture	Place of incorporation	Place of operation	Equity interest attributable to the Group		Proportion of voting power held		Principal activities
			31 March 2018	31 March 2017	31 March 2018	31 March 2017	
SML & FT (HK) Limited	Hong Kong	Vietnam	30%	0%	50%	0%	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 which is accounted for using the equity method.

Summarised statement of financial position

	2018 HK\$'000
Current	
Total current assets	7,028
Total current liabilities	(15,707)
Non-current	
Total non-current assets	8,672
Total non-current liabilities	–
Net liabilities	(7)

Notes to the Consolidated Financial Statements (continued)

28 INTEREST IN A JOINT VENTURE *(Continued)*
Summarised statement of comprehensive income

	2018 HK\$'000
Revenue	–
Loss after income tax	(201)
Other comprehensive income	194

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

	2018 HK\$'000
Reconciled to the Group's interest in the joint venture	
Gross amounts of net liabilities of the joint venture	(7)
The Group's effective interest	30%
	(2)
Loan to a joint venture	7,020
	(2)
The Group's share of interest in the joint venture	7,018

Notes to the Consolidated Financial Statements (continued)

29 SHARE CAPITAL

	2018		2017	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
Ordinary shares at HK\$0.01 each as at 31 March	5,000,000,000	50,000,000	5,000,000,000	50,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each as at 1 April	2,075,000,000	20,750,000	1,122	11
Issuance of ordinary shares upon capitalisation issue (Note (i))	–	–	1,499,998,878	14,999,989
Issuance of ordinary shares upon initial public offering (Note (ii))	–	–	500,000,000	5,000,000
Issuance of ordinary shares upon over-allotment (Note (ii))	–	–	75,000,000	750,000
Issuance of ordinary shares upon acquisition of V. Success (Note (iii) & 34)	200,000,000	2,000,000	–	–
Issuance of ordinary shares upon exercise of share options (Note (iv))	4,392,000	43,920	–	–
At 31 March	2,279,392,000	22,793,920	2,075,000,000	20,750,000

Notes:

- (i) On 12 April 2016, an amount of HK\$14,999,989 was capitalised from share premium to share capital of the Company.
- (ii) On 12 April 2016, 500,000,000 ordinary shares of HK\$0.01 each were issued at an offer price of HK\$1.20 per share for a total consideration of HK\$600,000,000 with HK\$574,124,000, after taking into account of the issuance costs, being credited to the share premium account of the Company. On 25 April 2016, the over-allotment option has been exercised by the Company with 75,000,000 ordinary shares of HK\$0.01 each. These shares were issued at an offer price of HK\$1.20 per share for the total consideration of HK\$90,000,000 with HK\$87,361,000, after taking into account of the issuance costs, being credited to the share premium account of the Company. This resulted in share premium of HK\$661,485,000 in total.
- (iii) On 15 December 2017, 200,000,000 ordinary shares of HK\$0.01 each were issued at the issue price of HK\$2.95 per share as part of the consideration for the acquisition of V. Success.
- (iv) During the year ended 31 March 2018, share options were exercised to subscribe for 4,392,000 shares in the Company at a consideration of approximately HK\$6,117,000, of which approximately HK\$44,000 was credited to share capital and the balance of approximately HK\$6,073,000 was credited to the share premium account.

In respect of the share options exercised, an amount of approximately HK\$1,411,000 was reversed from the share option reserve and credited to the share premium account of the Company.

Notes to the Consolidated Financial Statements (continued)

30 RESERVES

	Attributable to the owners of the Company					
	Other reserves	Investment revaluation reserve	Exchange reserve	Share option reserve	Retained earnings	Total
	(Note (i)) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2017	990,827	–	111,279	2,950	444,190	1,549,246
Profit for the year	–	–	–	–	326,968	326,968
Other comprehensive income:						
– Currency translation difference	–	–	90,662	–	–	90,662
	–	–	90,662	–	326,968	417,630
Total comprehensive income						
Transactions with owners						
Issue of ordinary shares upon acquisition of V. Success (Note 34)	588,000	–	–	–	–	588,000
Share option scheme:						
– Equity-settled share-based compensation	–	–	–	9,424	–	9,424
– Proceeds from shares issued upon exercise of share options	6,073	–	–	–	–	6,073
– Exercise of share options	1,411	–	–	(1,411)	–	–
Dividends (Note 14)	–	–	–	–	(145,365)	(145,365)
	595,484	–	–	8,013	(145,365)	458,132
As at 31 March 2018	1,586,311	–	201,941	10,963	625,793	2,425,008

Notes to the Consolidated Financial Statements (continued)

30 RESERVES (Continued)

	Attributable to the owners of the Company					
	Other reserves	Investment revaluation reserve	Exchange reserve	Share option reserve	Retained earnings	Total
	(Note (i)) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2016	344,342	104	117,938	–	194,909	657,293
Profit for the year	–	–	–	–	328,131	328,131
Other comprehensive income:						
– Gain on revaluation of available-for-sale financial assets (Note 19)	–	31	–	–	–	31
– Currency translation difference	–	–	(6,659)	–	–	(6,659)
– Release of investment reserve upon disposal of available-for-sale financial assets	–	(135)	–	–	–	(135)
	–	(104)	(6,659)	–	–	(6,763)
Total comprehensive income	–	(104)	(6,659)	–	328,131	321,368
Transactions with owners						
Issue of ordinary shares upon capitalisation issue	(15,000)	–	–	–	–	(15,000)
Issue of ordinary shares upon initial public offering	595,000	–	–	–	–	595,000
Issue of ordinary shares upon over-allotment	89,250	–	–	–	–	89,250
Share issuance costs	(22,765)	–	–	–	–	(22,765)
Share option scheme:						
Equity-settled share-based compensation	–	–	–	2,950	–	2,950
Dividends (Note 14)	–	–	–	–	(78,850)	(78,850)
	646,485	–	–	2,950	(78,850)	570,585
As at 31 March 2017	990,827	–	111,279	2,950	444,190	1,549,246

Notes:

- (i) 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.
- (ii) On 15 December 2017, the Company issued 200,000,000 ordinary shares at the issue price of HK\$2.95 per share as part of the consideration for the acquisition of V. Success. This resulted in share premium of HK\$588,000,000 in total.

Notes to the Consolidated Financial Statements (continued)

31 SHARE-BASED PAYMENTS

Movements of the share options under the share option scheme during the year ended 31 March 2018 are as follows:

Date of Grant	Exercise Price HK\$	Exercise Period	Number of share options				As at 31 March 2018
			As at 1 April 2017	Granted during the year	Exercised during the year	Cancelled during the year	
Directors							
29 August 2016	1.394	29 August 2017 to 28 August 2026	8,500,000	–	(500,000)	–	8,000,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	–	13,000,000	–	–	13,000,000
Other employees of the Group							
29 August 2016	1.394	29 August 2017 to 28 August 2026	19,600,000	–	(3,892,000)	(666,000)	15,042,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	–	46,800,000	–	(400,000)	46,400,000
Total			28,100,000	59,800,000	(4,392,000)	(1,066,000)	82,442,000

Notes to the Consolidated Financial Statements (continued)

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 date of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the share options are as follows:

Share options	Vesting period	Exercise period
<i>Granted on 29 August 2016</i>		
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2017	29 August 2017 to 28 August 2026
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2018	29 August 2018 to 28 August 2026
9,366,668 share options	29 August 2016 to 28 August 2019	29 August 2019 to 28 August 2026
<i>Granted on 28 August 2017</i>		
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2018	28 August 2018 to 27 August 2027
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2019	28 August 2019 to 27 August 2027
19,933,334 share options	28 August 2017 to 27 August 2020	28 August 2020 to 27 August 2027

The Company has used the Binomial Model for assessing the fair value of the share options granted. According to the Binomial Model, the fair value of the options granted during the year ended 31 March 2018 measured as at the date of grant was approximately in a range of HK\$0.335 to HK\$0.482 (2017: HK\$0.3047 to HK\$0.4493) 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
Risk-free interest rate	1.01%	1.50%
Expected volatility	40.28%	39.02%
Expected annual dividend yield	3.95%	3.83%

The total expense of HK\$9,424,000 (2017: HK\$2,950,000) for the share options granted to the directors and employees was recognised as “employee benefit expenses” for the year ended 31 March 2018.

Notes to the Consolidated Financial Statements (continued)

32 CASH GENERATED FROM OPERATIONS

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

	2018 HK\$'000	2017 HK\$'000
Profit before income tax	376,949	380,614
Finance income	(4,263)	(2,496)
Finance expenses	22,943	16,497
Depreciation of property, plant and equipment	162,846	153,517
Depreciation of investment properties	134	134
Net gains on investments	(5,276)	(5,412)
Net gains on disposals of property, plant and equipment	(17,375)	(10,186)
Provision/(reversal of provision) for impairment of inventories	7,537	(4,508)
Dividend income from available-for-sale financial assets	–	(27)
Amortisation of land use rights	1,103	1,103
Amortisation of technical know-how	4,130	–
Equity-settled share-based compensation	9,424	2,950
Fair value gains on derivative financial instruments	(6,577)	–
Share of post-tax loss of a joint venture	2	–
Changes in working capital:		
Inventories	(382,681)	16,208
Trade receivables	77,728	(56,862)
Prepayments, deposits, other receivables and other assets	(28,654)	(22,358)
Trade and bills payables	19,828	56,358
Accruals and other payables	(23,457)	14,785
Cash generated from operations	214,341	540,317

Notes to the Consolidated Financial Statements (continued)

32 CASH GENERATED FROM OPERATIONS (Continued)

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

	2018 HK\$'000	2017 HK\$'000
Net book amount (Note 16)	929	11,488
Net gains on disposals of property, plant and equipment recognised in consolidated income statement	17,375	10,186
Proceeds from disposals of property, plant and equipment	18,304	21,674
Proceeds from disposals of property, plant and equipment included in consolidated cash flow statement:		
– Cash flows from investing activities	18,304	21,674
	18,304	21,674

(c) Significant non-cash transactions:

During the year ended 31 March 2018, the Group acquired the entire share capital of V. Success pursuant to the share transfer agreement dated 28 September 2017. Part of the purchase consideration was satisfied by cash of HK\$206,000,000 and issuance of 200,000,000 ordinary shares of the Company as consideration shares. Further details are set out in Note 34 to the consolidated financial statements.

(d) Reconciliation of liabilities arising from financing activities:

	Borrowings HK\$'000	Finance lease obligations HK\$'000
As at 1 April 2017	469,959	324,446
Cash inflow/(outflow)	798,692	(193,077)
Non-cash change	321,280	316,991
As at 31 March 2018	1,589,931	448,360

Notes to the Consolidated Financial Statements (continued)

33 COMMITMENTS

(a) Operating lease commitments

As at 31 March 2018 and 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	3,331	471
Later than one year and not later than five years	1,119	119
	4,450	590

(b) Operating lease arrangements

At 31 March 2018 and 2017, the aggregate future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's investment properties are as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	264	132

(c) Capital commitments

At 31 March 2018 and 2017, the capital expenditure contracted but not yet incurred is as follows:

	2018 HK\$'000	2017 HK\$'000
Property, plant and equipment contracted but not provided for	171,604	33,296

34 BUSINESS COMBINATION

Acquisition of V. Success Limited ("V. Success")

On 28 September 2017, Nameson Group Limited ("Nameson Group"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Wong Ting Chung ("Mr. Wong"), the substantial shareholder of the Company, pursuant to which Nameson Group agreed to acquire the entire issued share capital of V. Success held by Mr. Wong, (the "Acquisition"). The Acquisition was completed on 15 December 2017 (the "Acquisition Date").

The consideration for the Acquisition was satisfied by cash in the amount of HK\$206,000,000 and by the issuance of 200,000,000 ordinary shares of the Company as consideration shares which amounted to HK\$590,000,000 as at the Acquisition Date. The fair value of the 200,000,000 consideration shares was based on the published market price of the Company's ordinary shares at HK\$2.95 per share on the Acquisition Date.

Notes to the Consolidated Financial Statements (continued)

34 BUSINESS COMBINATION (Continued)**Acquisition of V. Success Limited (“V. Success”)** (Continued)

Upon completion of the Acquisition, the Group intends to diversify its products and in the medium to long term, and such product diversification will allow more opportunity for the Group to further collaborate with existing customers in a wider range of the products, thereby reinforcing customer loyalty and confidence. The goodwill of HK\$493,910,000 and technical know-how of HK\$110,208,000 arising from the Acquisition were attributable to enhance the Group's competitiveness in the apparel industry, and to facilitate the increasing demand for more diversified products and services from its customers. None of the goodwill recognised was expected to be deductible for income tax purposes.

The fair value of the 200,000,000 consideration shares was based on the published market price of the Company's ordinary shares on 15 December 2017 at HK\$2.95 per share.

The revenue included in the consolidated income statement for the period from 15 December 2017 to 31 March 2018 contributed by V. Success and its subsidiaries (“V. Success Group”) was HK\$71,834,000. V. Success Group contributed net loss of HK\$2,809,000 over the same period. The net cash outflow from the Acquisition amounted to HK\$91,536,000 during the year ended 31 March 2018, which mainly comprised cash consideration of HK\$206,000,000 offset by cash and cash equivalents of approximately HK\$114,464,000 acquired from V. Success Group. Had V. Success Group been consolidated from 1 April 2017, the consolidated revenue and net profit of V. Success Group for the year ended 31 March 2018 of HK\$434,506,000 and HK\$77,451,000 would be included in Group's consolidated income statement, which would indicate pro-forma revenue of HK\$3,809,087,000 and net profit of HK\$407,228,000.

Acquisition related costs of HK\$3,137,000 which were not directly attributable to the issuance of consideration shares were included in other expenses in the consolidated income statement and in operating cash flow in the consolidated cash flows statement.

	As at 15 December 2017 HK\$'000
Purchase consideration:	
— Cash consideration paid	206,000
— 200,000,000 ordinary shares issued as consideration shares	590,000
Total purchase consideration	796,000
Fair value of net assets acquired (see below)	(302,090)
Goodwill	493,910

Notes to the Consolidated Financial Statements (continued)

34 BUSINESS COMBINATION (Continued)

Acquisition of V. Success Limited (“V. Success”) (Continued)

The fair value of assets and liabilities arising from the acquisition are as follows:

	HK\$'000
Property, plant and equipment	544,654
Intangible assets (Technical know-how)	110,208
Inventories	25,374
Trade receivables	124,853
Prepayments, deposits and other receivables	78,095
Cash and cash equivalents	114,464
Trade payables	(17,496)
Accruals and other payables	(77,946)
Borrowings	(579,271)
Current income tax liabilities	(6,139)
Deferred income tax liabilities (Note 26)	(14,706)
Fair value of net assets acquired	302,090
Net cash outflow arising on acquisition:	
Cash consideration paid	(206,000)
Cash and cash equivalents acquired	114,464
	(91,536)

35 ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

In April 2017, the Group acquired the entire issued share capital of Champ Gear Investments Limited (“Champ Gear”) which owns 100% equity interest in S. Power (HK) Limited, which in turn holds the entire issued share capital of S. Power (Vietnam) Textile Limited, which owns the land use rights in Vietnam. Following the completion of the acquisition, Champ Gear became a wholly-owned subsidiary of the Company. The assets acquired and liabilities assumed did not constitute a business combination as defined in HKFRS 3 “Business Combinations” and therefore, the acquisition was accounted for as assets acquisition.

Notes to the Consolidated Financial Statements (continued)

35 ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (Continued)

The assets acquired and liabilities assumed in the transaction were as follows:

	HK\$'000
Land use rights	52,750
Property, plant and equipment	330
Prepayments, deposits and other receivables	8,863
Cash and cash equivalents	4,111
Accruals and other payables	(154)
Borrowings	(59,000)
Fair value of net assets acquired	6,900
Net cash outflow arising on acquisition:	
Cash consideration paid	(6,900)
Cash and cash equivalents acquired	4,111
	(2,789)

The following values of the identifiable assets and liabilities have been determined on the following basis as at 31 March 2018:

- (a) The fair value of prepayments and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the Acquisition Date.
- (b) The fair value of non-derivative financial liabilities, which includes accruals and other payables, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the Acquisition Date.
- (c) Acquisition-related cost of HK\$240,000 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statements of cash flows.

Notes to the Consolidated Financial Statements (continued)

36 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.

(a) Transactions

Name of entities	Relationship with the Group
Hanyi Investments Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director) , Mr. Wong Ting Chun (Executive Director) and Mr. Wong Ting Kau (Non-executive Director)
Huizhou Gangsheng Property Co., Ltd.	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director), Mr. Wong Wai Yue (Vice Chairman and Executive Director), Mr. Wong Wai Wing, Raymond (Executive Director), Mr. Wong Ting Chun (Executive director) and Mr. Wong Ting Kau (Non-executive Director)
Mr. Tam Wai Hung, David	Non-executive Director
Mr. Wong Ting Chung	Chairman, Chief Executive Officer and Executive Director
Huizhou Lijia Clothing Company Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive officer and Executive Director), Mr. Wong Ting Chun (Executive Director), Mr. Wong Wai Wing, Raymond (Executive Director), Mr. Wong Ting Kau (Non-executive Director) and Mr. Lau Ka Keung (Non-executive Director)
Huizhou Lixin Technology Company Limited	Controlled by Ms. Teresa Wong (the daughter of Mr. Wong Ting Chung) (Chairman, Chief Executive officer and Executive Director)
V. Success (HK) Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director) before the completion of the acquisition of V. Success on 15 December 2017
V. Success (Vietnam) Knitting Company Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director) before the completion of the acquisition of V. Success on 15 December 2017

Notes to the Consolidated Financial Statements (continued)

36 RELATED PARTY TRANSACTIONS (Continued)**(a) Transactions** (Continued)

	Note	2018 HK\$'000	2017 HK\$'000
<i>Continuing transactions:</i>			
Hotel services fee charged by Huizhou Gangsheng Property Co., Ltd.	(i)	2,038	1,856
Consultancy fee charged by Mr. Tam Wai Hung, David	(i)	1,000	1,000
Rental charged by Huizhou Lijia Clothing Company Limited and Huizhou Lixin Technology Company Limited	(i)	2,442	–
Rental charged by Hanyi Investments Limited	(i)	2,785	2,785
<i>Non-recurring transactions:</i>			
Rental charged to V. Success (Vietnam) Knitting Company Limited (pre-acquisition)	(i)	1,319	–
Sales of packaging materials to V. Success (HK) Limited (pre-acquisition)	(i)	1,959	–
Acquisition of V.Success from Mr. Wong Ting Chung	(ii) & 34	796,000	–
Acquisition of Champ Gear from Mr. Wong Ting Chung	(ii) & 35	6,900	–

Notes:

- (i) Terms of transactions are mutually agreed between the relevant parties.
- (ii) The acquisition made at price mutually agreed by the relevant parties and made reference to the valuation provided by qualified independent valuer.

(b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2018 HK\$'000	2017 HK\$'000
Salaries, pension costs and other short-term employee benefits	19,622	17,673
Bonuses	1,389	1,060
Equity-settled share-based compensation	4,647	1,680
	25,658	20,413

Notes to the Consolidated Financial Statements (continued)

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current asset			
Interest in a subsidiary		623,000	623,000
Current assets			
Prepayments, deposits, other receivables and other assets		982	–
Amount due from a subsidiary		1,275,804	664,936
Cash and cash equivalents		6,227	9,645
		1,283,013	674,581
Total assets		1,906,013	1,297,581
EQUITY			
Equity attributable to the owners of the Company			
Share capital		22,794	20,750
Reserves	(a)	1,881,489	1,275,495
Total equity		1,904,283	1,296,245
LIABILITIES			
Current liabilities			
Accruals and other payables		1,080	1,061
Amount due to a subsidiary		650	275
		1,730	1,336
Total liabilities		1,730	1,336
Total equity and liabilities		1,906,013	1,297,581

Notes to the Consolidated Financial Statements (continued)

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)**(a) Reserve movement of the Company**

	Other reserves HK\$'000	Share option reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
As at 1 April 2016	624,614	–	(1,109)	623,505
Issue of ordinary shares upon capitalisation issue	(15,000)	–	–	(15,000)
Issue of ordinary shares upon initial public offering	595,000	–	–	595,000
Issue of ordinary shares upon over-allotment	89,250	–	–	89,250
Share issuance costs	(22,765)	–	–	(22,765)
Profit for the year	–	–	81,405	81,405
Dividends (Note 14)	–	–	(78,850)	(78,850)
Share option scheme:				
– Equity-settled share-based compensation	–	2,950	–	2,950
As at 31 March 2017 and 1 April 2017	1,271,099	2,950	1,446	1,275,495
Issue of ordinary shares upon acquisition of V. Success (Note 34)	588,000	–	–	588,000
Profit for the year	–	–	147,862	147,862
Dividends (Note 14)	–	–	(145,365)	(145,365)
Share option scheme:				
– Proceeds from shares issued upon exercise of share options	6,073	–	–	6,073
– Equity-settled share-based compensation	–	9,424	–	9,424
– Exercise of share options	1,411	(1,411)	–	–
As at 31 March 2018	1,866,583	10,963	3,943	1,881,489

Notes to the Consolidated Financial Statements (continued)

38 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 every director and the chief executive officer for the year ended 31 March 2018 is set out below:

**Emoluments paid or receivable in respect of
a person's services as a director,
whether of the Company or its subsidiary undertakings**

Name	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Equity-settled share-based compensation	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:							
Mr. Wong Ting Chung (Chairman and chief executive officer)	120	3,900	-	-	18	279	4,317
Mr. Wong Wai Yue (Vice Chairman) (Note (i))	120	620	-	-	10	-	750
Mr. Wong Wai Wing, Raymond	120	1,950	-	14	18	279	2,381
Mr. Wong Ting Chun	120	2,753	-	-	18	279	3,170
Mr. Li Po Sing	120	1,950	600	27	18	625	3,340
Ms. Chan Mei Hing, Aurora	120	1,365	248	-	18	625	2,376
Non-executive directors:							
Mr. Tam Wai Hung, David	120	-	-	-	-	446	566
Mr. Wong Ting Kau	120	605	-	-	11	-	736
Mr. Lau Ka Keung	120	-	-	-	6	-	126
Independent non-executive directors:							
Ms. Fan Chiu Fun, Fanny	300	-	-	-	-	260	560
Mr. Kan Chung Nin, Tony	300	-	-	-	-	260	560
Mr. Ong Chor Wei	300	-	-	-	-	260	560
Mr. Fan Chun Wah, Andrew	300	-	-	-	-	260	560
Ms. Lee Bik Kee, Betty	300	-	-	-	-	260	560
	2,580	13,143	848	41	117	3,833	20,562

Notes to the Consolidated Financial Statements (continued)

38 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 every director and the chief executive officer for the year ended 31 March 2017 is set out below:

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings						Total HK\$'000
	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	
Executive directors:							
Mr. Wong Ting Chung (Chairman and chief executive officer)	120	3,900	-	-	18	241	4,279
Mr. Wong Wai Wing, Raymond	120	1,560	-	-	18	241	1,939
Mr. Wong Ting Chun	120	2,753	-	-	18	241	3,132
Mr. Li Po Sing	120	1,950	-	48	18	241	2,377
Ms. Chan Mei Hing, Aurora	120	1,300	360	-	18	241	2,039
Non-executive directors:							
Mr. Tam Wai Hung, David	120	-	-	-	-	161	281
Mr. Wong Ting Kau	120	-	-	-	6	-	126
Mr. Wong Wai Yue	120	-	-	-	6	-	126
Mr. Lau Ka Keung	120	-	-	-	6	-	126
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
	2,580	11,463	360	48	108	1,366	15,925

Notes:

- (i) Mr. Wong Wai Yue was re-designed as Executive Director and Vice Chairman with effect from 27 November 2017.
- (ii) 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 2018 and 2017.
- (iii) No remunerations were paid or receivable in respect of accepting office as directors during the year ended 31 March 2018 (2017: Nil).
- (iv) No directors waived any emoluments during the year ended 31 March 2018 (2017: Nil).

Notes to the Consolidated Financial Statements (continued)

38 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

(a) Directors' retirement benefits

There were no retirement benefits paid to directors during the year ended 31 March 2018 (2017: 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 2018, there was no board resolution to early terminate of the directors' appointment in office (2017: 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 2018 (2017: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 March 2018, there was no arrangement in relation to loans, quasi-loans and other dealings between the Group and the directors (2017: Nil).

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

On 28 September 2017, Nameson Group Limited ("Nameson Group"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Wong Ting Chung ("Mr. Wong"), pursuant to which Nameson Group agreed to acquire the entire issued share capital of V. Success held by Mr. Wong (the "Acquisition I"). The Acquisition I was completed on 15 December 2017.

On 3 April 2017, Nameson Group entered into a share transfer agreement with Mr. Wong, pursuant to which Nameson Group agreed to acquire the entire issued share capital of Champ Gear held by Mr. Wong. The Acquisition II was completed in April 2017.

Mr. Wong is the chairman, chief executive officer, an executive director and a substantial shareholder of the Company, Mr. Wong is therefore a connected person of the Company for the purpose of the Listing Rules and accordingly, the Acquisitions I and II constituted connected transactions for the Company under the Listing Rules.

Save as above, during the year ended 31 March 2018, no significant transactions, arrangements and contracts in relation to Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Financial Summary

RESULTS

	Year ended 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	3,446,415	2,797,193	2,775,345	2,567,667	2,322,265
Cost of sales	(2,734,273)	(2,134,571)	(2,171,417)	(1,994,299)	(1,768,285)
Gross profit	712,142	662,622	603,928	573,368	553,980
Profit before income tax	376,949	380,614	271,414	313,885	246,050
Income tax expenses	(49,981)	(52,483)	(39,527)	(40,539)	(26,682)
Profit for the year attributable to the owners of the Company	326,968	328,131	231,887	273,346	219,368

ASSETS AND LIABILITIES

	As at 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Non-current assets	2,857,296	1,459,837	1,085,097	1,116,085	983,093
Current assets	2,126,305	1,272,224	726,530	1,268,944	1,303,708
Total assets	4,983,601	2,732,061	1,811,627	2,385,029	2,286,801
Total equity	2,447,802	1,569,996	657,293	1,121,335	1,168,546
Non-current liabilities	852,400	381,279	170,960	143,568	66,172
Current liabilities	1,683,399	780,786	983,374	1,120,126	1,052,083
Total liabilities	2,535,799	1,162,065	1,154,334	1,263,694	1,118,255
Total equity and liabilities	4,983,601	2,732,061	1,811,627	2,385,029	2,286,801
Net current assets/(liabilities)	442,906	491,438	(256,844)	148,818	251,625