



南旋控股有限公司 NameSon Holdings Limited

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

2024 ANNUAL REPORT





About **Nameson**

Established in 1990, Nameson Group is one of the leading knitwear manufacturers in the PRC. We offer one-stop services including raw material development and procurement, product design, sample manufacturing, high-quality production, quality control and timely delivery of products to our clients. Over the years, we have built an excellent business reputation and have been supplying quality knitwear products to internationally renowned apparel brands such as UNIQLO, Tommy Hilfiger, Ralph Lauren, Girdear and Lululemon. We are also extending our business reach into upstream cashmere yarn and fabrics.

About the Annual Report Design

With continuous advancements in material development on enhanced functionality and comfort, knitwear has evolved into an everyday essential item for all walks of life.





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny, *GBM, GBS, JP*
Mr. Kan Chung Nin, Tony, *SBS, JP*
Mr. Fan Chun Wah, Andrew, *JP*
Mr. Ip Shu Kwan, Stephen, *GBS, JP*

BOARD COMMITTEES

Audit Committee

Mr. Fan Chun Wah, Andrew, *JP (Chairman)*
Mr. Kan Chung Nin, Tony, *SBS, JP*
Mr. Ip Shu Kwan, Stephen, *GBS, JP*

Remuneration Committee

Mr. Kan Chung Nin, Tony, *SBS, JP (Chairman)*
Mr. Wong Wai Yue
Mr. Ip Shu Kwan, Stephen, *GBS, JP*

Nomination Committee

Mr. Wong Wai Yue (*Chairman*)
Mr. Kan Chung Nin, Tony, *SBS, JP*
Ms. Fan Chiu Fun, Fanny, *GBM, GBS, JP*

Executive Committee

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

COMPANY SECRETARY

Mr. Tao Chi Keung, *HKICPA, ACCA*

AUTHORISED REPRESENTATIVES

Mr. Wong Wai Yue
Mr. Tao Chi Keung, *HKICPA, ACCA*

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

AUDITOR

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

LEGAL ADVISER

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

PRINCIPAL BANKERS

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

STOCK CODE

1982

WEBSITE OF THE COMPANY

<http://www.namesonholdings.com>



Chairman's Statement

We have worked diligently to improve and strike a balance between orders and pricing, as well as between expansion and control. These concerted efforts have yielded substantial results, enabling us to achieve record-high profitability since our listing.

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 2024 ("Financial Year 2024").

MARKET REVIEW

After an initially stronger economic rebound from the post-pandemic effect in the previous year, the pace of global economic recovery has moderated. The several factors impeding the pace of recovery include the increasing geopolitical and trade fragmentation, prolonged international conflicts arising from warfare, and other cyclical factors including monetary policies to curb inflation, more extreme weather events, etc. Nonetheless, most demand for output has revived to exceeding pre-pandemic levels.

In the second half of Financial Year 2024, export values from the People's Republic of China ("Mainland China") saw a smaller decline, while Vietnam experienced a notable recovery, compared to a larger decline in the first half of Financial Year 2024. Mainland China's export value fell by 2.5% in the second half and by 5.5% for the entire Financial Year 2024. Similarly, the export value of knitwear from Mainland China, including knitted and crocheted products, saw a substantial drop in the first half of Financial Year 2024 and a smaller decline in the second half of Financial Year 2024, culminating in a 7.2% decrease for the year. Despite these declines, Mainland China's knitwear exports to Europe and the USA have surpassed pre-pandemic levels.

In the second half of Financial Year 2024, Vietnam's export value experienced a notable double-digit growth of 11.9% contributing to an overall increase of 1.8% for the Financial Year 2024. The export value of Vietnam's textile and garments rose by 2.4% in the second half, though it saw a total decline of 6.0% for the full year. Despite this, Vietnam's textile and garment exports to Europe and the USA have also recovered exceeding pre-pandemic levels.

As a preferred partner in the knitwear industry, the Group benefited from a rise in orders entering the second half of Financial Year 2024. Given the seasonality of its knitwear products skewed towards winter styles, most of the increase in orders were replenishment of quick orders at the demand of our customers. Whilst there is a further shift of orders away from Mainland China, our increased capacity in Central Vietnam has enabled the sales volume of our knitwear products in the second half of Financial Year 2024 to surpass our initial expectations.

Despite facing the past challenging years, the Group has made consistent efforts to maintain a healthy and balanced customer portfolio across all geographical locations to mitigate business risks. We have actively taken steps to improve internal operational efficiency and enhance customer service. On the supply side, we have contributed to developing a supply hub around our facilities, creating a proven track record of timely responses to client needs. These efforts have paid off, allowing us to achieve record-high profitability since our listing.

BUSINESS REVIEW

Achieving a good balance is crucial to any business. We paid strenuous efforts on striking a balance between orders and pricing, expansion and control through our past learning. Although we have ended the Financial Year 2024 with a slight drop in the Group's revenue, we have improved our profitability and margins.

The Group began expanding its production capacity in Vietnam last year which offset the softer orders in Mainland China. By focusing on shorter lead times, proximity to supplies and improved logistics, we were able to receive more quick orders without sacrificing margins. This flexibility stemmed from mutual trust with customers and the familiarity of workflows of our staff.

In the second half of Financial Year 2024, the sales volume of our men's and women's knitwear grew 25.7% to 13.2 million pieces, and hence sales volume grew to 32.2 million pieces for the Financial Year 2024, surpassing our initial expectations. The average selling prices of our men's and women's knitwear declined by 13.1% for the Financial Year 2024, reflecting a change in product mix and a drop in raw material prices. Consequently, the revenue for our men's and women's knitwear declined slightly to HK\$3,513.7 million. However, both gross profit and gross profit margin improved year-on-year for this business, reflecting the Group's enhanced balance of pricing strategies and internal control.

Chairman's Statement (continued)

As part of our efforts to exert a better business balance, there was a decline in the production of cashmere sweaters. In spite of this, our cashmere yarn business expanded its customer reach and made more sales to external customers, which clearly indicates our flexibility to adjust to different market conditions.

However, our relatively new fabric business has experienced a sharp decline in its orders, particularly in the first half of Financial Year 2024. Its orders saw notable sequential improvement coming into the last quarter of Financial Year 2024, when customers' inventory situations improved.

The Group's total revenue dropped slightly by 4.9% to HK\$4,378.9 million mainly due to a drop in overall selling price for men's and women's knitwear as well as a decline in fabrics business. However, with a better managed core business, the Group's gross profit improved by 3.8% to HK\$774.2 million, and gross profit margin managed to improve by 1.5 percentage points to 17.7% for the Financial Year 2024.

Selling and distribution expenses, together with general and administrative expenses in aggregate, recorded a slight drop, demonstrating our continuing attention on cost management. Against a larger impairment recorded in the last financial year, a mere HK\$34.0 million was recognised as an impairment loss for the Group's production base in Myanmar in the Financial Year 2024. As such, the Group's operating profit increased by 93.4% to HK\$467.5 million, reflecting greater efficiency achieved in the Group's operations.

The Group's financial management efforts enabled its net finance costs to stay at a healthy level. Including the HK\$34.0 million recognised as an impairment loss for the Group's production base in Myanmar, the Group's profit for the year recorded a 140.5% surge to a record high of HK\$380.7 million. The surge in profit for the year was mainly due to a larger impairment recognised in the last financial year. Excluding the impairment loss on the production base in Myanmar and the net realised and unrealised losses from derivative financial instruments, the Group's adjusted net profit would be improved slightly by 4.5% to HK\$396.5 million.

Considering the Group's consistent approach to prudent cash management, its healthy cash flow, as well as its improved gearing ratio, the Board is pleased to declare a second interim dividend of 3.5 HK cents per share to the Company's shareholders. Including the first interim dividend of 9.5 HK cents per share, the full year dividend represents an increase of payout ratio to 82%, in appreciation for our shareholders' trust and support throughout the testing times.

FUTURE STRATEGIES AND PROSPECTS

Brand customers have continued to display an inclination to shift more purchase orders to Southeast Asian countries from Mainland China during the Financial Year 2024. However, it is clear that many of the global customers still display a clear enthusiasm in growing their Mainland China end-market sales, and hence we believe that the scale and pace of moving production outside of Mainland China will begin to decelerate. On the other hand, more developed countries such as the USA are expected to experience waning recovery driven by cyclical economic factors such as a continuously elevated cost of living and more restricted credit availability.

Our strategic move to further expand our Vietnam manufacturing facilities in Central Vietnam will continue to bode well for the Group in the upcoming years. Together with quality suppliers, Vietnam is now an established supply and manufacturing hub for many global brands. The Group is extremely well-positioned to further tap into larger potentials with global customers, and this has been evident in our ability to grow orders with shorter lead time. Our persistent strides for betterment and quality products continue to aid us in negotiating with new customers and we are confident that we can further balance our customer portfolio to accumulate more accretive business and returns to the Group.

Chairman's Statement (continued)

The Group's upstream cashmere yarn business flexibly supplies to its own production as well as to external customers. We believe our cashmere yarn business will continue to deliver satisfactory contribution to the Group.

Our Myanmar production plant is still facing enormous challenges due to political considerations. We will maintain an open mind and continue to examine any possibilities to improve the current situation going forward.

With a slight pick up in demand for fabric in the market, we continue to see vast potential in Vietnam's immense demand for raw materials. We remain confident that we will be in a better position when the business further revives from the economic cyclicality. We shall continue to observe opportunities with relevancy to this business.

Our flexible management style has led the Group to become resilient to challenges and has polished our skills to strive for further excellence.

As conscientious global citizens aligned with Mainland China's push for energy conservation, we are steadily enhancing the incorporation of renewable energy in our manufacturing facilities to optimise energy efficiency. Additionally, in collaboration with our customers, we are expediting the integration of sustainable materials in our products, focusing on the use of recycled and upcycled materials. Our own upstream cashmere yarn has also attained full traceability of raw materials which has been very well received by our customers. These initiatives underscored our commitment to closing the loop and maintaining our position as a leader in the industry.

We will also continue to be open-minded to accomplish other breakthroughs on innovation, lean manufacturing and digitisation where appropriate. We will persist in enhancing our product design, emphasising functionality and material development, to align with the diverse and rapidly evolving preferences of customers in the end-market.

Despite ongoing uncertainty, in particular with continued geopolitical conflicts, the management maintains a fluid and flexible approach in managing the business. While spending relentless focus on improving the core business, the Group will continue to look for opportunities to further expand and diversify the business, while remain focused on generating greater returns to our shareholders as a long-term commitment.

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

Wong Wai Yue

Chairman and Executive Director

21 June 2024

Management Discussion & Analysis



FINANCIAL REVIEW

	Year ended 31 March	
	2024 HK\$'000	2023 HK\$'000
Revenue	4,378,888	4,602,307
Cost of sales	(3,604,649)	(3,856,803)
Gross profit	774,239	745,504
Other income	13,270	48,896
Other gains, net	78,191	76,484
Selling and distribution expenses	(32,359)	(37,130)
General and administrative expenses	(331,839)	(348,604)
Impairment loss on the production base in Myanmar	(34,005)	(243,416)
Operating profit	467,497	241,734
Share of post-tax profit of a joint venture	1,561	735
Finance income	29,626	10,106
Finance expenses	(64,779)	(43,153)
Finance expenses, net	(35,153)	(33,047)
Profit before income tax	433,905	209,422
Income tax expenses	(53,201)	(51,095)
Profit for the year	380,704	158,327
Profit for the year attributable to:		
— Owners of the Company	361,672	134,844
Add:		
Impairment loss on the production base in Myanmar	34,005	243,416
Net realised and unrealised losses from derivative financial instruments	794	1,024
Adjusted net profit	396,471	379,284

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2024 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as cashmere yarns, knitted upper for footwear, children's wear, scarfs, hats and gloves, to our customers.

The Group's revenue decreased by 4.9% to HK\$4,378.9 million for the year ended 31 March 2024 from HK\$4,602.3 million for the year ended 31 March 2023. The decrease was mainly attributable to the decrease in total sales revenue of men's and women's knitwear products for the year ended 31 March 2024 by HK\$152.7 million to HK\$3,513.7 million as compared to the year ended 31 March 2023, while the sales revenue of cashmere yarns for the year ended 31 March 2024 increased by HK\$29.8 million to HK\$573.5 million as compared to the year ended 31 March 2023.

The decrease in the total sales revenue of men's and women's knitwear products was due to the increase in sales volume and the decrease in average selling price. The Group's sales volume of men's and women's knitwear products increased by 10.3% from 29.2 million pieces for the year ended 31 March 2023 to 32.2 million pieces for the year ended 31 March 2024, but the average selling price of the Group's men's and women's knitwear products decreased by 13.1% from HK\$125.6 per piece for the year ended 31 March 2023 to HK\$109.1 per piece for the year ended 31 March 2024. Such increase in sales volume was mainly attributable to the stronger than expected demands from the Group's customers in the second half of the year ended 31 March 2024, while the decrease in average selling price was mainly due to the downward trend of raw materials market prices.

On the other hand, consistent with the Group's geographical market distribution for the year ended 31 March 2023, Japan, Mainland China and Europe were the top three markets of our Group for the year ended 31 March 2024. The revenue attributable to the Japanese market, Chinese market and European market accounted for 31.1%, 20.6% and 15.7% respectively of the Group's total revenue for the year ended 31 March 2024.

Cost of Sales

For the year ended 31 March 2024, the Group incurred cost of sales of HK\$3,604.6 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the year ended 31 March 2024, the Group recorded gross profit of HK\$774.2 million and gross profit margin of 17.7% as compared to the gross profit of HK\$745.5 million and gross profit margin of 16.2% for the year ended 31 March 2023.

The increases in gross profit and gross profit margin for the year ended 31 March 2024 were mainly due to (i) the increase in sales volume for most of the Group's knitwear products as there was a stronger than expected demands from the Group's customers in the second half of the year ended 31 March 2024. Normally speaking, the second half of the Group's financial year is the traditional non-peak season for knitwear products; (ii) the significant decrease in energy prices as compared to the year ended 31 March 2023; and (iii) the Group's continuous and effective cost control measures.

Other Income

Other income primarily consisted of government subsidies, income from claims settled, income from scraps sales and miscellaneous other income. The other income decreased by HK\$35.6 million from HK\$48.9 million for the year ended 31 March 2023 to HK\$13.3 million for the year ended 31 March 2024. Such decrease was mainly due to the decrease in government subsidies by HK\$13.8 million and the decrease in income from claims settled by HK\$19.5 million as compared to the year ended 31 March 2023.

Other Gains, Net

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

Other gains increased by HK\$1.7 million from net gains of HK\$76.5 million for the year ended 31 March 2023 to net gains of HK\$78.2 million for the year ended 31 March 2024. Such increase was primarily attributable to (i) the increase in net foreign exchange gains from HK\$35.7 million for the year ended 31 March 2023 to HK\$44.2 million for the year ended 31 March 2024 and such increase was partially offset by (ii) the decrease in net gains on disposals on property, plant and equipment by HK\$4.0 million for the year ended 31 March 2024.

In summary, other gains for the year ended 31 March 2024 mainly represented net foreign exchange gains of HK\$44.2 million, net gains on disposals on property, plant and equipment of HK\$28.6 million and net gains on financial assets at fair value through profit or loss of HK\$6.2 million.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses decreased by HK\$4.7 million, from HK\$37.1 million for the year ended 31 March 2023 to HK\$32.4 million for the year ended 31 March 2024. Such decrease was mainly due to the decrease in transportation cost and such decrease was partially offset by the increase in advertising and promotion expenses.

General and Administrative Expenses

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

The Group's general and administrative expenses slightly decreased by HK\$16.8 million from HK\$348.6 million for the year ended 31 March 2023 to HK\$331.8 million for the year ended 31 March 2024. Such slight decrease was mainly attributable to the Group's continuous cost control measures even when the Group's business was expanding during the year ended 31 March 2024.

Impairment Loss on the Production Base in Myanmar

During the year ended 31 March 2024, the Group recorded the impairment losses on the Group's production base in Myanmar of HK\$34.0 million as compared to the impairment losses of HK\$243.4 million for the year ended 31 March 2023.

Management Discussion and Analysis (continued)

Events and circumstances leading to the recognition of the impairment loss for the year ended 31 March 2024

Since the middle of year 2023, more and more global fashion brands have stopped sourcing garment products from Myanmar amid the concerns about the labour rights issues and the long-lasting social unrest and military conflicts in Myanmar. While the Group has been monitoring the fast-changing fashion market and the economic and political environment of Myanmar, the negative impacts from the aforesaid changes and issues were larger and much longer than previously expected even though the Group's production base in Myanmar had achieved some positive progress, e.g. the commencement of trial production and receiving some purchase orders from a global fashion brand, in its business development during the first half of year ended 31 March 2024.

Therefore, the Board re-evaluated the future investment strategy of the Myanmar production base, adjusted the financial budget and cash flow projection of the Myanmar cash-generating unit (the "Myanmar CGU") and evaluated the recoverable amount of the Myanmar CGU in accordance with HKAS 36 — Impairment of Assets. Such evaluation assessed the recoverable amount of each of the Myanmar CGU's asset being the higher of its fair value less costs of disposal or its value in use.

In this circumstance, the Company engaged an independent professional valuer, Vincorn Consulting and Appraisal Limited (the "Valuer"), to assess the recoverable amount of the Myanmar CGU as at 31 March 2024. The Board compared the valuation results of value in use under income approach and fair value less costs of disposal under market approach and concluded that the recoverable amount of the Myanmar CGU should be based on the fair value less costs of disposal. The Board considered the changes in investment strategy and circumstance would be appropriately addressed and reflected in the above valuations. The key inputs into the valuation model under market approach as at 31 March 2024 were as follows:

Discount for property asking price	40%
Agency costs for sales of property	5%
Scrap values of machineries	10% of the cost of machineries

As the recoverable amount of the Myanmar CGU, which was assessed with reference to the valuation performed by the Valuer, was lower than the net carrying amount of the Myanmar CGU as at 31 March 2024 and resulted in an impairment loss of HK\$34.0 million on the property, plant and equipment of the Group's production base in Myanmar for the year ended 31 March 2024.

Reasons for changes in the valuation methodology adopted for the year ended 31 March 2024

In view of the concerns about the labour rights issues and the long-lasting social unrest and military conflicts in Myanmar, as explained in more details under the subsection headed "Events and circumstances leading to the recognition of the impairment loss for the year ended 31 March 2024" above, the Group adopted much more prudent forecasts and adjusted the future investment strategy for its production base in Myanmar in which it resulted in the fair value less costs of disposal being greater than the value in use. Accordingly, market approach was adopted instead of income approach, which was the valuation methodology adopted for the year ended 31 March 2023. These changes in commercial considerations and expectations had developed after the Company's last assessment of this business in March 2023.

Finance Expenses, Net

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

The Group's net finance expenses slightly increased by HK\$2.2 million from HK\$33.0 million for the year ended 31 March 2023 to HK\$35.2 million for the year ended 31 March 2024. Under the high interest rate environment, the Group's net finance expenses remained stable during the year ended 31 March 2024 and this was mainly attributable to the Group's prudent and effective cash management strategies.

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 2024 and 2023 on the estimated assessable profits arising in or derived from Hong Kong during the relevant years.

The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax ("CIT") at a rate of 25% on the estimated assessable profits for the years ended 31 March 2024 and 2023. Two of the Group's subsidiaries in Mainland China are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for the first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is subject to the BIT rate of 17%, whereas, the other two subsidiaries in Vietnam have no taxable profit for the year ended 31 March 2024.

The Group's effective tax rates based on the net profit before income tax were 12.3% and 24.4% for the years ended 31 March 2024 and 2023 respectively. On the other hand, the Group's effective tax rates based on the adjusted net profit before income tax were 11.8% and 11.9% for the years ended 31 March 2024 and 2023 respectively.

Profit for the Year Attributable to the Owners of the Company

As a result of the foregoing, the Group recorded profit attributable to the owners of the Company of HK\$361.7 million and HK\$134.8 million for the years ended 31 March 2024 and 2023 respectively.

The significant increase in net profit for the year ended 31 March 2024 was primarily attributable to the decrease in impairment loss on the production base in Myanmar. For the year ended 31 March 2023, in view of the global economic uncertainties, fast-changing market, political environment, and that some global fashion brands have adjusted their sourcing strategy in Myanmar, the Group reassessed the business development of the Group's production base in Myanmar. Under such circumstances, the Group adjusted the forecasts for its production base in Myanmar and recorded an impairment loss of HK\$243.4 million on the Myanmar production base for the year ended 31 March 2023. An impairment assessment was also conducted for the year ended 31 March 2024 and the impairment loss is only HK\$34.0 million, representing a decrease in impairment loss of HK\$209.4 million as compared to that of for the year ended 31 March 2023.

Management Discussion and Analysis (continued)

Adjusted Net Profit

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

Based on the formula above, the Group's adjusted net profit increased by HK\$17.2 million from HK\$379.3 million for the year ended 31 March 2023 to HK\$396.5 million for the year ended 31 March 2024, and the adjusted net profit margin increased from 8.2% for the year ended 31 March 2023 to 9.1% for the year ended 31 March 2024.

Dividend

An interim dividend of 9.5 HK cents per share was paid on 20 December 2023.

At a Board meeting held on 21 June 2024, the Board declared a second interim dividend of 3.5 HK cents per share (in lieu of a final dividend) amounting to a total of HK\$79,779,000. The second interim dividends are not reflected as a dividend payable in the consolidated financial statements for the year ended 31 March 2024 and will be reflected as appropriation of retained earnings for the year ending 31 March 2025.

Consolidated Cash Flow Statement

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Net cash generated from operating activities	582,949	593,230
Net cash (used in)/generated from investing activities	(145,057)	46
Net cash used in financing activities	(435,922)	(483,772)
Net increase in cash and cash equivalents	1,970	109,504
Cash and cash equivalents at beginning of the year	717,027	610,718
Exchange difference on cash and cash equivalents	(1,593)	(3,195)
Cash and cash equivalents at end of the year	717,404	717,027

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 March 2024 was HK\$582.9 million, primarily due to profit before income tax of HK\$433.9 million, adjusted for depreciation of HK\$226.0 million and the decrease in inventories of HK\$120.5 million, which was partially offset by the net gains on disposals of property, plant and equipment of HK\$28.6 million, the increases in prepayments, deposits, other receivables and other assets of HK\$69.5 million and the trade receivables of HK\$34.7 million.

Net Cash Used in Investing Activities

The Group’s net cash used in investing activities for the year ended 31 March 2024 was HK\$145.1 million, due to the purchase of property, plant and equipment of HK\$216.3 million, which was partially offset by the proceeds from disposals of property, plant and equipment of HK\$41.6 million and interest received of HK\$29.6 million.

Net Cash Used in Financing Activities

The Group’s net cash used in financing activities for the year ended 31 March 2024 was HK\$435.9 million, primarily due to the dividend payments of HK\$230.2 million and the net decrease in the Group’s total bank borrowings and lease liabilities of HK\$203.4 million.

Cash and Cash Equivalents

For the year ended 31 March 2024, the Group’s cash and cash equivalents increased by HK\$2.0 million and the exchange loss was HK\$1.6 million. The net increase in the Group’s cash and cash equivalents was from HK\$717.0 million as at 31 March 2023 to HK\$717.4 million as at 31 March 2024.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the year ended 31 March 2024, the Group’s cash and cash equivalents was mainly used in the Group’s business operations and expansion, to service the Group’s indebtedness and to fund the Group’s working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and bank borrowings. The Group’s gearing ratio decreased from 13.2% as at 31 March 2023 to 8.9% as at 31 March 2024.

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

As at 31 March 2024, the Group’s cash and cash equivalents, amounting to HK\$717.4 million, were denominated in US dollars (“US\$”) (59.1%), HK\$ (12.7%), Chinese Renminbi (“RMB”) (22.9%), Vietnamese Dong (“VND”) (5.0%) and other currencies (0.3%).

As at 31 March 2024, the Group’s total bank borrowings and lease liabilities were due for repayment as follows:

	2024 HK\$’000	2023 HK\$’000
Within one year	395,514	481,805
Between one and two years	222,058	553,301
Between two and five years	353,428	59,398
	971,000	1,094,504

Notes:

- (a) The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand clause.
- (b) As at 31 March 2024, the Group’s total bank borrowings and lease liabilities were denominated in HK\$(83.2%), US\$(15.5%) and RMB(1.3%). All the Group’s bank borrowings were floating rate borrowings. The weighted average effective interest rates of the Group’s bank borrowings and lease liabilities for the year ended 31 March 2024 were 5.66% and 4.31% respectively.
- (c) As at 31 March 2023, the Group’s certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK\$6.7 million.

Management Discussion and Analysis (continued)

Financial Risk Management

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

(a) Foreign Currency Risk

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

During the year ended 31 March 2024, the Group did not enter into any forward foreign currency contracts to mitigate its exposures of RMB against US\$. The Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

(b) Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk and bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the year ended 31 March 2024, the Group entered into a HK\$ interest rate swap contract to mitigate some of its interest rate risk in light of the market interest rate hike during the year. The Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

(c) Credit Risk

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

As at 31 March 2024, substantially all of the Group's bank balances and deposits were held with major financial institutions in Hong Kong, Mainland China and Vietnam which the directors of the Company (the "Directors") believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

(d) Liquidity Risk

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

Capital Expenditures

The Group incurred capital expenditures of approximately HK\$248.9 million for the year ended 31 March 2024, which were mainly related to the purchase of machinery and equipment for our factories and the construction of new production bases in Vietnam. These capital expenditures were fully financed by internal resources and bank borrowings.

Capital Commitments

The Group's capital commitments as at 31 March 2024 amounted to approximately HK\$165.6 million which were mainly related to the purchase of machinery and equipment for our factories and the construction of new production bases in Vietnam.

Charge on Assets

The Group had no charge on assets as at 31 March 2024.

Contingent Liabilities

The Group had no material contingent liability as at 31 March 2024.

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 and/or the subsequent change in use of net proceeds set out in the Company's announcement dated 27 September 2023. Use of net proceeds from the date of listing to 31 March 2024 is set out on page 54 of this annual report.

Significant Investments, Acquisitions and Disposals

The Group had no significant investments, acquisitions and disposals during the year ended 31 March 2024.

Events after Balance Sheet Date

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

Financial Instruments

As at 31 March 2024, the Group had an outstanding HK\$ interest rate swap contract with a total notional principal amount of HK\$130.0 million.

The Group did not have any outstanding hedging contracts or financial derivatives as at 31 March 2023.

Management Discussion and Analysis (continued)

Operating Segment Information

The Group's revenue and results for the years ended 31 March 2024 and 2023 were derived from manufacturing of knitwear products, which is considered as a single operating segment in a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker for allocation of resources and performance assessment.

Human Resources and Emolument Policy

As at 31 March 2024, the Group had a total of approximately 15,000 full-time employees in Vietnam, Mainland China and Hong Kong. For the year ended 31 March 2024, the total staff costs, including the directors' emoluments, amounted to HK\$998.1 million.

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

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

Remuneration Policy

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

Biographical Details of Directors and Members of Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Wai Yue (王槐裕), aged 42, has been our Director since 30 August 2015. He was re-designated as executive Director and vice chairman with effect from 27 November 2017 and then re-designated as chairman with effect from 1 April 2021. He is primarily responsible for overseeing and managing the Board and formulating the corporate strategy. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group Limited, First Team (HK) Limited, Nameson Industrial Limited, Kingmax Industrial Limited and Winner Way Industrial Limited. From January 2007 to January 2015, Mr. Wong served as a director of Nameson Group Limited, responsible for investment management. Mr. Wong obtained his bachelor's degree of science in computer science and the master's degree of science in international management from University of Exeter, United Kingdom in July 2005 and June 2006 respectively. Mr. Wong has served as the vice president of Hong Kong Industrial & Commercial Association since 2022. Mr. Wong is also a standing 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 2021. Mr. Wong Wai Yue is the son of Mr. Wong Ting Chung, the brother-in-law of Mr. Man Yu Hin (an executive Director) and the nephew of Mr. Wong Ting Chun (an executive Director) and Mr. Wong Ting Kau. As Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust (which is a controlling shareholder of the Company), and Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust, Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau are therefore controlling shareholders of the Company.

Mr. Man Yu Hin (文宇軒), aged 36, has been appointed as the executive Director and chief executive officer since 1 April 2021. He is primarily responsible for major corporate decisions, strategic management of operations and resources, as well as planning and implementing the strategic direction of the Group. Currently, Mr. Man assumes various directorships in the Group, including Hebei Nanguan Technology Co., Ltd. and Top Galaxy (Myanmar) Apparel Limited. Mr. Man served as the vice president of Nameson Group Limited from June 2019 to March 2021, responsible for operational management. Prior to joining the Group, he has held managerial positions in the financial sector, including serving as the manager of Winnermax Management Limited from June 2016 to May 2019 and team head of priority banking of Standard Chartered Bank (Hong Kong) Limited from October 2010 to May 2016. Mr. Man received his bachelor's degree of Business in Banking and Finance from Monash University in September 2010. Mr. Man has served as the vice chairman of Hong Kong Woollen & Synthetic Knitting Manufacturers' Association Limited since April 2020 and concurrently as the treasurer since January 2023, the vice chairman of Hong Kong General Chamber of Textiles since March 2022, a general committee member of Textile Council of Hong Kong Limited since March 2023, the president of Hong Kong Industrial & Commercial Association-Youth Link since January 2018 and a committee member of the Chinese People's Political Consultative Conference Haizhu District Guangzhou (中國人民政治協商會議廣州市海珠區委員會) since September 2019. Mr. Man Yu Hin is the son-in-law of Mr. Wong Ting Chung, the brother-in-law of Mr. Wong Wai Yue (an executive Director) and the nephew-in-law of Mr. Wong Ting Chun (an executive Director) and Mr. Wong Ting Kau. As Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust (which is a controlling shareholder of the Company), and Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust, Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau are therefore controlling shareholders of the Company.

Mr. Wong Ting Chun (王庭真), aged 58, has been our Director since 30 August 2015. He is the chief production officer of our Group and is primarily responsible for the production management of our PRC factory and Vietnam factory. He joined our Group as the production manager of Nameson Industrial Limited in November 1990 and was responsible for overseeing production and operations management. Currently, Mr. Wong assumes various directorships in our Group, including Huizhou Nanxuan Knitting Factory Limited, Huizhou Liyun Knitting Factory Limited and Hebei Nanguan Technology Co. Ltd. Mr. Wong has over 30 years of working experience in knitting industry. He worked as a production technician in Hang Cheong Knitting Factory (恒昌織造廠) from August 1982 to October 1990. In April 2009, he received the award of Model Worker of Huicheng District in Huizhou (惠州市惠城區勞動模範) issued by Huizhou City Huicheng District Committee of Chinese Communist Party and Huizhou City Huicheng District People's Government (中共惠州市惠城區委及惠州市惠城區人民政府). In January 2011, he received the award of Outstanding Individual of the Construction of Staff Library of Chinese Trade Unions (全國工會職工書屋建設先進個人) issued by All-China Federation of Labour (中華全國總工會). Mr. Wong is the brother of Mr. Wong Ting Chung and Mr. Wong Ting Kau, uncle of Mr. Wong Wai Yue (an executive Director) and uncle-in law of Mr. Man Yu Hin (an executive Director). As Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust (which is a controlling shareholder of the Company), and Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust, Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau are therefore controlling shareholders of the Company.

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

Mr. Li Po Sing (李寶聲), aged 59, has been our Director since 30 August 2015. He was appointed as chief operating officer in February 2023, and oversees the overall operations of sweater business of the Group. 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, the director of sales and marketing department in April 2007 and chief sales officer of the Group in August 2016. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Fan Chiu Fun, Fanny (范淑芬), *GBM, GBS, JP*, aged 71, has been our Director since 29 January 2016. Ms. Fan is an independent non-executive director of China Unicom (Hong Kong) Limited (stock code: 0762), Minmetals Land Limited (stock code: 0230), China Taiping Insurance Holdings Company Limited (stock code: 0966) and New World Development Company Limited (stock code: 0017). Ms. Fan was also an external director of China Resources (Holdings) Co., Ltd until June 2022 and an independent non-executive director of CLP Holdings Limited (stock code: 0002) until May 2023. 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 working experience in the government departments, Ms. Fan has held various positions in the government of Hong Kong Special Administrative Region, including a member of the Executive Council, the Director of the Office of Chief Executive designate, the Commissioner of the Transport Department of Hong Kong, the Secretary and Permanent Secretary of Education and Manpower Bureau of Hong Kong. Ms. Fan graduated from the University of Hong Kong with a bachelor's degree in science in 1975. She received a master degree in public administration from Harvard University, the United States of America in 1990 and a master degree in education from the Chinese University of Hong Kong in 2005.

Mr. Kan Chung Nin, Tony (簡松年), *SBS, JP*, aged 73, has been our Director since 29 January 2016. He founded Tony Kan & Co., Solicitors & Notaries in March 1984 and became the senior consultant in April 2014. Mr. Kan has been a practicing solicitor of the supreme court of Hong Kong since March 1982. Mr. Kan has been an independent non-executive director of Man Wah Holdings Limited (stock code: 1999) since May 2013, Shenzhen Investment Holdings Bay Area Development Company Limited (previously known as Hopewell Highway Infrastructure Limited) (stock code: 0737) since April 2018 and Kimou Environmental Holding Limited (stock code: 6805) since June 2019. He was appointed as a vice chairman of the board of directors of DBG Technology Co., Ltd. (stock code: 300735) from February 2016 to April 2024 which has been listed on Shenzhen Stock Exchange ChiNext on 29 December 2017. Mr. Kan is a solicitor of the supreme court of England and Wales and a barrister and solicitor of the supreme court of the Australian Capital Territory as well as advocate and solicitor of the supreme court of the Republic of Singapore. He is also a China-Appointed Attesting Officer and a Notary Public in Hong Kong. Mr. Kan was 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) for three consecutive terms 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 had been a member of the election committee of Hong Kong Special Administrative Region.

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

Mr. Fan Chun Wah, Andrew (范駿華), JP, aged 45, has been our Director since 29 January 2016. He has been the managing director of Fan. Mitchell., & Co Limited (尚德會計師事務所有限公司) since September 2017 and the managing director of C.W. Fan & Co. Limited (泛華會計師事務所有限公司) since November 2013. Mr. Fan was, or has been, a director of the following companies in the last three years preceding 21 June 2024:

Period of services	Name of the companies	Principal business activities	Position	Responsibilities
January 2013 to present	Chuang's China Investments Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0298)	Property investment and development in Hong Kong and China	Independent non-executive Director	Board oversight and independent management
April 2015 to May 2024	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
December 2017 to August 2022	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
May 2022 — present	Sing Tao News Corporation Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1105)	Publishing and distribution of newspapers, magazines and books to readers in Hong Kong, Canada, the United States of America, Europe and Australia, and sales of respective content of such publications in China (including Hong Kong)	Independent non-executive director	Board oversight and independent management
March 2023 — present	China Aircraft Leasing Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1848)	Provision of full value chain aircraft solutions for the global aviation industry	Independent non-executive director	Board oversight and independent management
March 2023 — present	China Overseas Grand Oceans Group Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0081)	Property investment and development in China	Independent non-executive director	Board oversight and independent management
April 2024 — present	China Unicom (Hong Kong) Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0762)	Telecommunications operator	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 is admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Fan is currently a member of the 14th National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十四屆全國委員會). He was 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) from 2007 to 2022. He was also 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.

Mr. Ip Shu Kwan, Stephen (葉樹堃), *GBS, JP*, aged 72, has been our Director since 16 April 2018. Mr. Ip was graduated from the University of Hong Kong with a degree in social sciences in 1973. Mr. Ip joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Hong Kong Government as a Principal Official from July 1997 to June 2007. Mr. Ip held certain senior positions which include Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services. Mr. Ip took up the position of Secretary for Economic Development and Labour in July 2002. His portfolio in respect of economic development covered air and sea transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. He was also responsible for labour policies including matters relating to employment services, labour relations and employees rights.

In his capacity as Secretary for Economic Development and Labour, Mr. Ip was a member of the Hong Kong Airport Authority Board, the Mandatory Provident Fund Schemes Authority Board, the Hongkong International Theme Parks Limited Board as well as the Chairman of the Logistics Development Council, Port Development Board, Maritime Industry Council and Aviation Development Advisory Committee. Mr. Ip retired from the Hong Kong Government in July 2007. Mr. Ip received the Gold Bauhinia Star award from the Hong Kong Government in 2001, and is an unofficial Justice of the Peace. Mr. Ip is currently an independent non-executive director of five other companies listed on the Main Board of the Stock Exchange namely, Lai Sun Development Company Limited (stock code: 488) since December 2009, Kingboard Laminates Holdings Limited (stock code: 1888) since May 2011, Luk Fook Holdings (International) Limited (stock code: 590) since October 2011, Million Cities Holdings Limited (stock code: 2892) since June 2018 and C-MER Eye Care Holdings Limited (stock code: 3309) since November 2020. He was also an independent non-executive director of China Resources Building Materials Technology Holdings Limited (formerly known as China Resources Cement Holdings Limited) (stock code: 1313) from August 2008 to May 2024.

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

SENIOR MANAGEMENT

Mr. Tao Chi Keung (陶志強), aged 53, is the chief financial officer of our Group and the company secretary of our Company. He is primarily responsible for our Group's overall financial planning and reporting, financial risk management and company secretarial matters. Mr. Tao joined our Group on 30 August 2015. Mr. Tao possesses extensive experience in financial management and auditing and had held a number of senior positions prior to joining our Group. From July 1993 to February 1996, Mr. Tao worked as a staff accountant in Ernst & Young. From March 1996 to May 1998, he was the accounting manager in FT Holdings International Limited (stock code: 559). From June 1998 to October 1999, Mr. Tao worked as an assistant manager in New World China Land Limited (stock code: 917). He worked in KPMG as a manager from October 1999 to March 2004, and PricewaterhouseCoopers as a senior audit manager from April 2004 to October 2009. From December 2009 to September 2010, Mr. Tao worked as a chief finance officer in Birdland (Hong Kong) Limited, where he was responsible for finance and accounting. From October 2010 to July 2011, Mr. Tao worked as a chief financial officer in Chiaus International Group Company Limited, an investment holding company engaged in, through its subsidiaries, manufacturing baby and children's care products, where he was responsible for financial management. From October 2011 to August 2015, Mr. Tao worked in Kinetic Mines and Energy Limited (stock code: 1277), with the latest positions of company secretary and chief financial officer. Mr. Tao has been an independent non-executive director of TATA Health International Holdings Limited (stock code: 1255) since October 2023. 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 53, is the merchandising director of our Group. He is primarily responsible for merchandising management for Japanese market in our Group. Mr. Chan joined our Group as a senior merchandiser in December 1997. In January 2003, he was promoted to the merchandising manager and later in April 2005, he was promoted to the sales manager. Further, in February 2006, he was promoted to the senior merchandising manager and in January 2008, he was promoted to merchandising director. Prior to joining our Group, from 1991 to 1996, Mr. Chan worked as a senior merchandiser in Products Union Garment Ltd, a company principally engaged in the manufacturing of garment. Mr. Chan passed Hong Kong Certificate of Education Examination in 1989.

Mr. Lin Guoxin (林國新), aged 53, is the assistant general manager of our PRC factory. He is primarily responsible for the production management in our PRC factory. Mr. Lin joined our Group as a plant manager at Nanxuan Knitting Factory Limited in November 1995, where he was responsible for overseeing and managing the production process. He was promoted to assistant general manager of the production department in October 2005, where he was responsible for managing and supervising overall production operations in our PRC factory. Mr. Lin is the cousin of Mr. Wong Ting Chung, Mr. Wong Ting Chun (an executive Director) and Mr. Wong Ting Kau.

Mr. Mo Erjin (莫二金), aged 56, 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.

In order to establish a good corporate governance and promote high ethical standards within the Group, the Group has established an anti-corruption policy and an whistle-blowing policy, which sets out, including but not limited to, (i) the types of breaches and conduct issues, and the personnel to which the policies apply; (ii) declaration of conflicting interests mechanisms; (iii) responsibilities of the relevant department(s) of the Group; (iv) consequences for breaching the relevant policies; and (v) whistle-blowing policy, with an aim to encourage our employees to report behaviour that is not in line with the principles of ethics and the Group's policy such as events that are non-compliant with the Group's policy, laws, rules and regulations and internal control.

In the opinion of the Directors, the Company has complied with all the mandatory code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix C1 of the Listing Rules for the year ended 31 March 2024.

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 C3 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code for securities transactions by the Directors.

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the year ended 31 March 2024.

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 2024.

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 C1 to the Listing Rules and disclosures in the corporate governance report. All major decisions, including but not limited to those decisions affecting the financial results, operations and shareholders of the Company, such as financial statements, business acquisitions, major transactions and dividend policies, are made by the Board as a whole. Each Director is aware of his or her fiduciary duties and duties and responsibilities as a director under the Listing Rules, the CG Code and applicable laws and regulations, and has acted objectively for the benefit and best interests of the Company and its shareholders.

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

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

Composition of the Board

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

Corporate Governance Report (continued)

Board of Directors**Executive Directors**

Mr. Wong Wai Yue (*Chairman*)

Mr. Man Yu Hin (*Chief Executive Officer*)

Mr. Wong Ting Chun

Mr. Li Po Sing

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny

Mr. Kan Chung Nin, Tony

Mr. Fan Chun Wah, Andrew

Mr. Ip Shu Kwan, Stephen

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

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.

Board Independence

Pursuant to code provision B.1.4 of the CG Code, the Board has established mechanism(s) to ensure independent views and input are available to the Board, in particular, (i) independent non-executive Directors are encouraged to actively participate in the Board meetings; (ii) the number of independent non-executive Directors must comply with the requirement under the Listing Rules; and (iii) the independent non-executive Directors shall commit to devote sufficient time and efforts to the Company's affair. The Board will review the implementation and effectiveness of such mechanism(s) on an annual basis.

For the year ended 31 March 2024, 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.

Terms of Appointment of Directors

Executive Directors and Non-executive Director

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

Independent non-executive Directors

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

Nomination, Appointment, Re-election and Removal Procedures

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

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

Board Diversity

The Company recognises and embraces the importance and benefit to achieve diversity on the Board to corporate governance and the board effectiveness. The Board has adopted the board diversity policy as required by the CG Code. All Board appointments will continue to be made on merit basis based on its business needs from time to time while taking into account diversity. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board.

The Directors, who come from a variety of different backgrounds, have a diverse range of working experience, business and professional expertise. The table below sets forth an analysis of the Board’s current composition based on the measurable objectives:

Measurable objectives	Category	Number of Director
Gender	Male	7
	Female	1
Age group	20 to 40	1
	41 to 60	4
	Over 60	3
Skills and experience	Knitwear industry experience	4
	Banking and investment experience	2
	Public administration and governance	2
	Legal expertise	1
	Financial expertise	1
	Current directorship on other listed companies	4

Corporate Governance Report (continued)

Based on the above, the composition and diversity of the Board enable the Company's management to benefit from a diverse and objective external perspective on any issues raised before the Board.

For the year ended 31 March 2024, the Nomination Committee considers that an appropriate balance of gender diversity of the Board is maintained. The Nomination Committee will monitor the Group's business needs and consider further appointment of female directors as and when appropriate.

On the other hand, as at 31 March 2024, among the 15,000 employees (including senior management) of the Group, the percentages of male employees and female employees are 35% and 65%, respectively. As the Group is principally engaged in the manufacturing of knitwear products, the Board believes that appropriate balance of gender diversity of workforce is maintained taking into account the Company's business models, operational needs and future development plans. For further details of the diversity within the Group, including the gender diversity, for the year ended 31 March 2024 are set out in the environmental, social and governance report from pages 58 to 133 of this annual report.

Board Practices and Conduct of Meetings

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

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

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

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

Directors' Attendance Records

During the year ended 31 March 2024, four physical Board meetings were held at which the Directors reviewed and approved, among other things, (i) the annual results and report of the Group for the year ended 31 March 2023; (ii) the quarterly results of the Group for the three months ended 30 June 2023; (iii) the interim results and report of the Group for the six months ended 30 September 2023; and (iv) the quarterly results of the Group for the nine months ended 31 December 2023.

The attendance records of individual Directors at the aforementioned Board meetings and at the Company's annual general meeting held on 25 August 2023 are set out below:

Name of Director	Attendance/Number of meetings	
	(Board meetings)	(Annual general meeting)
Executive Directors		
Mr. Wong Wai Yue (<i>Chairman</i>)	4/4	1/1
Mr. Man Yu Hin (<i>Chief Executive Officer</i>)	4/4	1/1
Mr. Wong Ting Chun	4/4	1/1
Mr. Li Po Sing	4/4	1/1
Independent non-executive Directors		
Ms. Fan Chiu Fun, Fanny	4/4	1/1
Mr. Kan Chung Nin, Tony	4/4	1/1
Mr. Fan Chun Wah, Andrew	4/4	1/1
Mr. Ip Shu Kwan, Stephen	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wong Wai Yue serves as the chairman of the Company and Mr. Man Yu Hin serves as the chief executive officer of the Company. The chairman is responsible for the overall business management and formation of corporate strategy of the Group. With the support of the executive Directors and the company secretary, the chairman approves the agenda for, and chairs, Board meetings to ensure that all key and appropriate issues are discussed in a timely manner, including any matters proposed by other Directors. The chairman is also responsible for the effective functioning of the Board, including but not limited to taking steps to ensure that all Directors are properly briefed on issues arising at Board meetings, providing all Directors with adequate information which is accurate, clear, complete and reliable in a timely manner, communicating shareholders' views to the Board as a whole and promoting a culture of openness and constructive debate during Board meetings. The chief executive officer is primarily responsible for making major corporate decisions, strategic management of operations and resources, as well as planning and implementing the strategic direction of the Group.

Corporate Governance Report (continued)

BOARD COMMITTEES

Executive Committee

The executive committee of the Board was established with written terms of reference setting out its authority delegated by the Board. The primary duties of the executive committee include (but not limited to) (i) general management which includes, supervising the day-to-day management, performance and operations of the Group; (ii) assessing and making recommendations to the Board on major acquisitions of or investments in business or operations; and (iii) undertaking the role of risk management within the Company to minimise or mitigate major risks to the operations of the Group. For the year ended 31 March 2024, the executive committee comprises all executive Directors, namely, Mr. Wong Wai Yue (Chairman of the executive committee), Mr. Man Yu Hin (Chief Executive Officer), Mr. Wong Ting Chun and Mr. Li Po Sing. The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

Audit Committee

The audit committee of the Board was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the code provision of the CG Code. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, to oversee the audit process, to develop and review our accounting policies and to perform other duties and responsibilities as assigned by the Board. For the year ended 31 March 2024, the audit committee consists of three independent non-executive Directors, namely, Mr. Fan Chun Wah, Andrew (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. Ip Shu Kwan, Stephen. The written terms of reference of this committee has been made available on the Company's website at www.namesonholdings.com and on the website of the Stock Exchange.

The audit committee held two physical meetings during the year ended 31 March 2024. 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 2023 and unaudited interim results for the six months ended 30 September 2023; (ii) the work of the Group's internal audit department; and (iii) the effectiveness of the Group's risk management and internal control systems.

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

Name of audit committee member	Attendance/ Number of Meetings
Mr. Fan Chun Wah, Andrew (<i>Chairman</i>)	2/2
Mr. Kan Chung Nin, Tony	2/2
Mr. Ip Shu Kwan, Stephen	2/2

The external auditors were invited to attend the meetings without the presence of the executive Directors to discuss with the audit committee members about issues relating to the audit and financial reporting matters. An audit committee meeting was held on 21 June 2024 to consider and review, among other things, the Group's annual results and annual report for the year ended 31 March 2024. It was attended by Mr. Fan Chun Wah, Andrew, Mr. Kan Chung Nin, Tony, and Mr. Ip Shu Kwan, Stephen.

Remuneration Committee

The remuneration committee of the Board was established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the code provision of the CG Code. The primary duties of the remuneration committee include (but not limited to): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management’s remuneration proposals with reference to the Board’s corporate goals and objectives; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. For the year ended 31 March 2024, the remuneration committee consists of one executive Director, Mr. Wong Wai Yue, and two independent non-executive Directors, Mr. Kan Chung Nin, Tony (chairman of the remuneration committee) and Mr. Ip Shu Kwan, Stephen. The written terms of reference of this committee has been made available on the Company’s website at www.namesonholdings.com and on the website of the Stock Exchange.

The remuneration committee held one physical meeting during the year ended 31 March 2024. In the meeting, the remuneration committee discussed and reviewed, among other things, the remuneration packages of the Directors and senior management.

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

Name of remuneration committee member	Attendance/ Number of Meeting
Mr. Kan Chung Nin, Tony (<i>Chairman</i>)	1/1
Mr. Wong Wai Yue	1/1
Mr. Ip Shu Kwan, Stephen	1/1

Nomination Committee

The nomination committee of the Board was established with written terms of reference in compliance with the code provision of the CG Code. It is responsible for determining the policy for the nomination of directors, identifying and recommending to the Board appropriate candidates to serve as Directors, evaluating the structure and composition of the Board and developing, recommending to the Board and monitoring nomination guidelines for the Company. For the year ended 31 March 2024, the nomination committee consists of one executive Director, Mr. Wong Wai Yue (chairman of the nomination committee) and two independent non-executive Directors, Mr. Kan Chung Nin, Tony, and Ms. Fan Chiu Fun, Fanny. 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.

Corporate Governance Report (continued)

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

- Reputation for integrity;
- Accomplishment, experience and knowledge in the garment industry and other relevant sectors;
- Merit and contribution that candidate will bring to the Board;
- Commitment to devote sufficient time and efforts to the Company's affairs;
- Achieve board diversity, including but not limited to gender, age, cultural background, educational background, industry experience and professional experience; and
- Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director if the proposed candidate will be nominated as an independent non-executive Director.

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

The nomination committee held one physical meeting during the year ended 31 March 2024. In the meeting, the nomination committee discussed and reviewed, among other things, (i) the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the Group's business and is in compliance with the requirements of the Listing Rules; and (ii) the recommendation on re-election of retiring Directors at the forthcoming annual general meeting.

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

Name of nomination committee member	Attendance/ Number of Meeting
Mr. Wong Wai Yue (<i>Chairman</i>)	1/1
Mr. Kan Chung Nin, Tony	1/1
Ms. Fan Chiu Fun, Fanny	1/1

EXTERNAL AUDITOR'S REMUNERATION

The amount of fees charged by the Company's external auditor, PricewaterhouseCoopers, in respect of their audit and non-audit services for the year ended 31 March 2024 including the review of interim financial information for the six months ended 30 September 2023 amounted to HK\$3.0 million and HK\$0.7 million, respectively.

THE COMPANY SECRETARY

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

DIRECTORS’ AND OFFICERS’ LIABILITY INSURANCE

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

DIRECTORS’ TRAINING

According to the code provision C.1.4 of the CG Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All the Directors are also encouraged to attend relevant training courses at the Company’s expenses.

The Directors confirmed that they have complied with the code provision C.1.4 of the CG Code for the year ended 31 March 2024 and they participated in the following types of continuous professional development:

Name of Director	Type of continuous professional development
Executive Directors	
Mr. Wong Wai Yue (<i>Chairman</i>)	(I), (II)
Mr. Man Yu Hin (<i>Chief Executive Officer</i>)	(I), (II)
Mr. Wong Ting Chun	(I), (II)
Mr. Li Po Sing	(I), (II)
Independent non-executive Directors	
Ms. Fan Chiu Fun, Fanny	(I), (II)
Mr. Kan Chung Nin, Tony	(I), (II)
Mr. Fan Chun Wah, Andrew	(I), (II)
Mr. Ip Shu Kwan, Stephen	(I), (II)
(I) Attending seminars/webinars.	
(II) Reading/watching materials in relation to the roles, functions and duties of a listed company director and the latest developments in the relevant rules and regulations.	

Corporate Governance Report (continued)

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.

Moreover, the Company continues to enhance communications with its investors. Designated management maintain regular dialogue with investors to keep them abreast of the Company's latest developments.

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

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

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

The Board has reviewed the shareholders' communication policy conducted during the year ended 31 March 2024 and was satisfied with the effectiveness of the shareholders' communication policy conducted.

CONSTITUTIONAL DOCUMENTS

At the annual general meeting of the Company held on 26 August 2022, the adoption of a second amended and restated articles of association of the Company was approved by the shareholders of the Company. For details of the amendments, please refer to Appendix III to the circular of the Company dated 25 July 2022. During the year ended 31 March 2024, there is no change to the memorandum of association and the second amended and restated articles of association.

The Company has published its memorandum of association and second 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 2024 under the section headed "Management Discussion and Analysis" of this annual report.

INTERNAL CONTROLS AND RISK MANAGEMENT

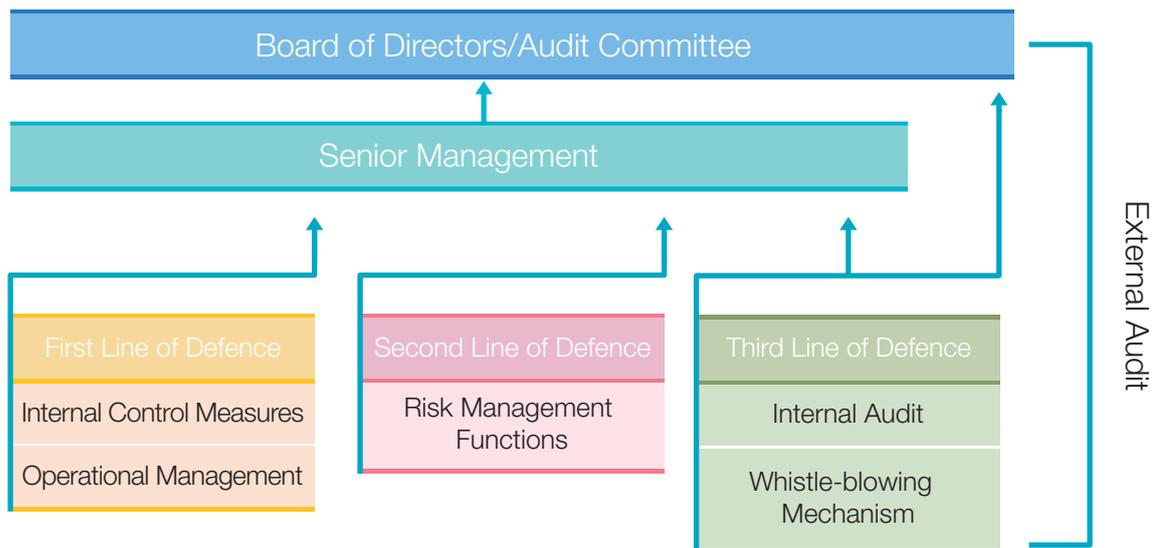
The Group has an internal control system which plays an important role in maintaining and improving accountability and transparency in the conduct of the Group’s business, safeguarding the interests of the Company’s shareholders and the assets of the Group and enhancing investor confidence. On the other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

Main Features of Risk Management and Internal Control Systems

We adopt the following risk structure to identify, analyse, evaluate and manage the risks associated with the Group. Our internal control system is developed based on the framework of Committee of Sponsoring Organisations 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 Defence” 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.

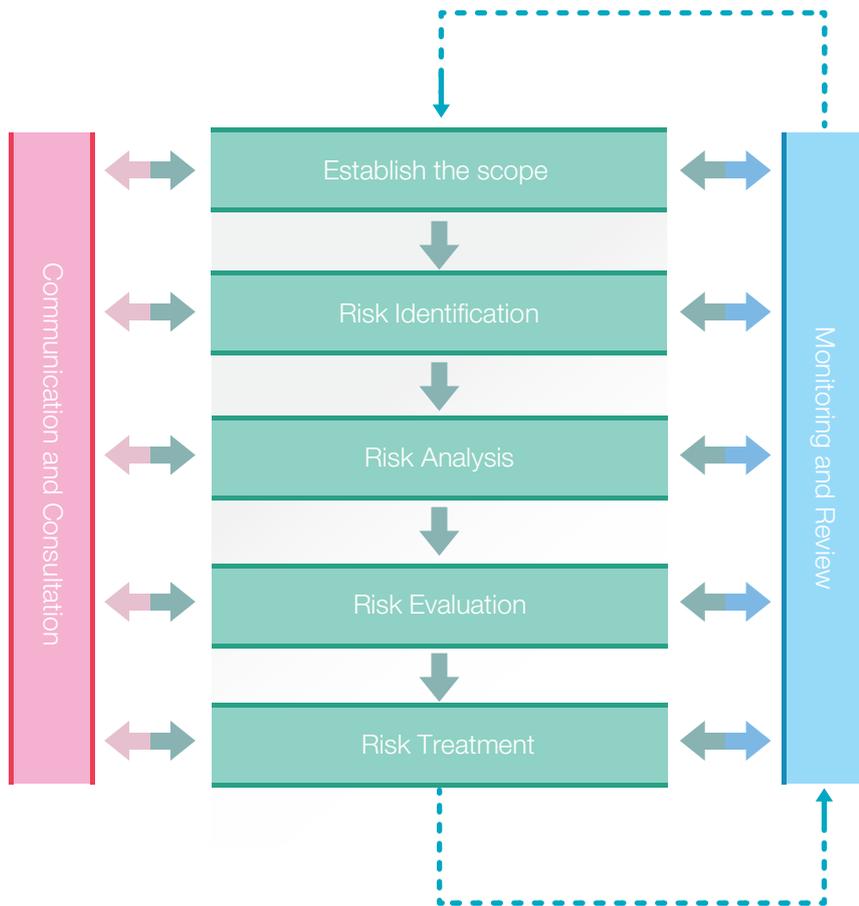


Being the first line of defence, the Group’s business unit is responsible for identifying, evaluating and monitoring the risks associated with each business or transaction, minimising the potential risks posed to business operations through various policies, procedures of operational management and internal control measures. The second line of defence is to set the categories and scope for managing specific risks and to raise queries to the first line of defence on effective risk management and control. The third line of defence 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.

Corporate Governance Report (continued)

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

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



Process Used for Identifying, Evaluating and Managing Significant Risks

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

Establish the scope

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

Risk Identification

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

Risk Analysis

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

Risk Evaluation

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

Risk Treatment

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

Monitoring and Review

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

Communication and Consultation

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

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

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

Corporate Governance Report (continued)

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

The Group's Significant Risks

- In respect of international trade, market trade policies, import and export tariff policies, exchange rate fluctuations, labour shortages and other uncontrollable factors will have an impact on our business. In respect of international politics, US-China trade war has extended from a tariff war to a technological and financial war. In addition, geopolitical tensions, Russia-Ukraine situation and Israeli-Palestinian war tensions will bring changes in the global economy and consumer market demand, thereby affecting our business.
- As a multinational knitwear product manufacturer with multiple production bases, the Group has raw material suppliers all over the world. In the event that the supply chain is unstable or interrupted, our business will be affected unless we are able to make appropriate responses and find suitable resolutions in a timely manner.
- If demand in the global consumer markets fails to continue to be fully unleashed or if there is a greater decline in demand in the consumer markets, some of our customers may face greater pressure on their business, which may affect their business and liquidity and increase the bad debts risks of our accounts receivable.
- Cashmere is a costly raw material, and its price depends on rapidly changing supply and demand in the market. The process from purchasing cashmere to turning it into a finished product takes time. If the market price of cashmere falls after our purchase, the selling price and profit of the cashmere finished products will be affected.
- Since our customer base is relatively concentrated, the major sales orders are attributable to our top five customers. Any major changes in the five largest customers' decisions to purchase products from us may have an impact on our business and financial condition.
- As a company listed on the Stock Exchange, we have to comply with the Securities and Futures Ordinance and the Listing Rules. Also, we are governed by the laws and regulations of the jurisdictions in which we operate. Failure to promptly learn about and comply with the laws and regulations of the local government departments and relevant regulatory authorities in relation to taxation, foreign exchange control, environmental protection, social responsibilities, corporate governance and the amendments thereof may have a negative impact on our business.
- To align with the business development of the Group, we have a cashmere yarn production business in Mainland China. We also have been developing a weaving and dyeing fabric production business in Vietnam. Moreover, the management continues to look for business diversification and related future development opportunities so as to broaden the revenue and customer base.

However, these projects involve capital allocation, financing, budgeting, schedule, partnership, resource competition, grant of approval and other aspects, which may not be in line with our expectations or budgets. During the development and consolidation of diversified products and businesses, 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 future development.

- The textile industry is a labour-intensive industry with a high sensitivity to labour costs. Although our knitwear product production process has been highly mechanised and automated, we still rely heavily on skilled workers. Any shortage of skilled workers or increase in labour costs will affect our profitability.
- Attacks on container vessels in the Red Sea pose a threat to the global shipping industry, which may result in delays in delivery to our customers and increases in freight costs. Any significant changes in our customers' operational decisions as a result of the attacks may affect our business development.
- Global warming is one of the challenges faced around the world and may affect consumer demand for knitwear products, while extreme weather events such as typhoons, rainstorms and floods may disrupt the normal operation of the supply chain and may affect our business development.
- A certain amount of energy is required in the Group's manufacturing process. Any shortage or instability in the supply of energy may affect the operation of our production facilities. In addition, a significant increase in energy prices may adversely affect our profitability.

Measures to Enhance the Group's Internal Control System

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

- (a) Our Hong Kong legal adviser is appointed to advise us on Hong Kong laws and regulations and compliance matters in accordance with the Listing Rules;
- (b) Trainings are provided to our employees in relation to their obligations to contribute to their part of the social insurance and housing provident funds on a regular basis in order to comply with the applicable PRC laws and regulations;
- (c) Training programs and/or updates regarding the relevant Mainland China, Vietnam and Hong Kong laws and regulations applicable to our business operations and directors' responsibilities respectively are provided to our Directors and senior management on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance; and
- (d) An internal audit manager and two internal audit staff are appointed to oversee our internal controls in Hong Kong, Mainland China and Vietnam and to ensure the Group's ongoing compliance with the relevant legal and regulatory requirements.

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

The Company's internal audit department performs internal audit function and the Board is responsible for overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group on an ongoing basis. The Board confirms that it has reviewed the effectiveness of the risk management and internal control system for the year ended 31 March 2024 and the Board considers them to be effective and adequate.

Corporate Governance Report (continued)

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

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 March 2024 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 134 to 140 of this annual report.

GOING CONCERN

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

SENIOR MANAGEMENT REMUNERATION BY BANDS

The remuneration of the Company's senior management, whose biographies are set out on page 23 of this annual report, for the year ended 31 March 2024 is set out below:

	Number of Individuals
Remuneration bands	
HK\$Nil–HK\$500,000	1
HK\$500,001–HK\$1,000,000	1
HK\$1,000,001–HK\$1,500,000	1
HK\$2,500,001–HK\$3,000,000	1

Directors' Report

The board (the "Board") of directors (the "Directors") of Nameson Holdings Limited (the "Company") is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2024.

CORPORATE REORGANISATION AND INITIAL PUBLIC OFFERING

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

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are the manufacturing of knitwear products. Particulars of the principal activities of the Company's subsidiaries are set out in note 11 to the consolidated financial statements of the Group. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2024.

BUSINESS REVIEW

A business review of the Group for the year ended 31 March 2024 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 2024 are set out in the consolidated income statement on page 141 of this annual report.

An interim dividend of 9.5 HK cents per share was paid on 20 December 2023 to the shareholders. The Board has resolved to declare a second interim dividend of 3.5 HK cents per share for the year ended 31 March 2024. The second interim dividend of 3.5 HK cents is expected to be payable on or about Tuesday, 23 July 2024 to the shareholders of the Company whose names are recorded on the register of members of the Company at the close of business on Thursday, 11 July 2024. The Company's register of members will be closed from Tuesday, 9 July 2024 to Thursday, 11 July 2024 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the second interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Monday, 8 July 2024.

DONATIONS

Charitable and other donations made by the Group for the year ended 31 March 2024 amounted to approximately HK\$1.7 million (2023: HK\$0.5 million).

RESERVES AND DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in the reserves of the Group and the Company during the year ended 31 March 2024 are set out in note 29 and note 35(a) to the consolidated financial statements respectively.

As at 31 March 2024, the Company's reserves available for distribution to equity shareholders in accordance with its articles of association and the laws of the Cayman Islands amounted to approximately HK\$2,157.7 million (2023: HK\$2,092.7 million).

DIVIDEND POLICY

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

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

PROPERTY, PLANT AND EQUIPMENT

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

BORROWINGS

Details of the bank borrowings and lease liabilities of the Group as at 31 March 2024 are set out in note 23 and note 24 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company for the year ended 31 March 2024 are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2024 attributable to the Group's major customers and suppliers are as follows:

Revenue from sales of goods attributable to:	
— the largest customer	52.2%
— five largest customers in aggregate	72.3%
Purchases attributable to:	
— the largest supplier	29.5%
— five largest suppliers in aggregate	69.2%

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 2024.

Directors' Report (continued)

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2024 are set out on page 214 of this annual report. This summary does not form part of the audited financial statements.

DIRECTORS

The Directors during the year ended 31 March 2024 and up to the date of this annual report are as follows:

Executive Directors

Mr. Wong Wai Yue (*Chairman*)

Mr. Man Yu Hin (*Chief executive officer*)

Mr. Wong Ting Chun

Mr. Li Po Sing

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny

Mr. Kan Chung Nin, Tony

Mr. Fan Chun Wah, Andrew

Mr. Ip Shu Kwan, Stephen

In accordance with article 84(1) of the Company's articles of association, Mr. Man Yu Hin, Mr. Wong Ting Chun 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 Directors and non-executive Director has entered into a service contract with the Company for a fixed term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 33 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 2024.

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 2024 and up to the date of this annual report.

CONTINUING CONNECTED TRANSACTION

The following transaction entered into between a connected person (as defined in the Listing Rules) and the Group constituted a non-exempt continuing connected transaction for the year ended 31 March 2024 under Chapter 14A of the Listing Rules.

The Group entered into the following agreement with a connected person:

Raw Materials Purchase Agreement

- (i) On 24 March 2023, Hebei Yuteng Cashmere Products Co., Ltd. ("Hebei Yuteng") (as seller) and Hebei Nanguan Technology Co., Ltd. ("Nanguan Tech"), Huizhou Nanxuan Knitting Factory Limited ("Huizhou Nanxuan") and Huizhou Nanguan Knitting Factory Limited ("Huizhou Nanguan") (both being the Company's wholly owned subsidiaries) (as purchasers) entered into the raw materials purchase agreement (the "Raw Materials Purchase Agreement") in respect of the purchase of cashmere and other raw materials by the purchasers from Hebei Yuteng for a term of one year from 1 April 2023 to 31 March 2024. The Raw Materials Purchase Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and the annual cap of the transactions contemplated under the Raw Materials Purchase Agreement for the year ended 31 March 2024 is RMB643.0 million.

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

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

For details on the Raw Materials Purchase Agreement, please refer to the Company's announcement dated 24 March 2023.

The independent non-executive Directors have reviewed and confirmed that the aforementioned continuing connected transaction was 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.

Directors' Report (continued)

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

- (i) has not been approved by the Board;
- (ii) was 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) was not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and
- (iv) has exceeded the relevant annual cap.

The continuing connected transaction disclosed above also constitutes a 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 2024 is contained in note 33 to the consolidated financial statements.

On the other hand, the Group entered into the following agreement with a connected person on 25 March 2024, which constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules:

New Raw Materials Purchase Agreement

- (i) On 25 March 2024, Hebei Yuteng (as seller) and Nanguan Tech, Huizhou Nanxuan, Huizhou Nanguan and M.ORO International Limited (as purchasers) entered into the new raw materials purchase agreement (the "New Raw Materials Purchase Agreement") in respect of the purchase of cashmere and other raw materials by the purchasers from Hebei Yuteng for a term of one year from 1 April 2024 to 31 March 2025. The New Raw Materials Purchase Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and the annual cap of the transactions contemplated under the New Raw Materials Purchase Agreement for the year ending 31 March 2025 is RMB710.0 million.

For details on the New Raw Materials Purchase Agreement, please refer to the Company's announcement dated 25 March 2024.

Moreover, the Group entered into the following connected transaction with a connected person on 25 March 2024:

Tenancy Agreement

On 25 March 2024, Hanyi Investments Limited (the "Lessor") and Nameson Industrial Limited, Winner Way Industrial Limited and First Team (HK) Limited (the "Lessees") entered into the tenancy agreement (the "Tenancy Agreement") in respect of the lease of the office and factory by the Lessees from the Lessor for a term of three years from 1 April 2024 to 31 March 2027. The Tenancy Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and the monthly rent under the Tenancy Agreement is HK\$300,000. The value of the right-of-use assets to be recognised by the Group under the Tenancy Agreement is estimated to be approximately HK\$9,800,000.

The Lessor was ultimately beneficially owned by Happy Family Assets Limited ("Happy Family Trust") (a controlling shareholder of the Company). Mr. Wong Ting Chung (a former chairman, chief executive officer and executive Director, who resigned with effect from 1 April 2021) is the settlor, the protector and one of the beneficiaries of Happy Family Trust, and Mr. Wong Ting Chun (an executive Director) and Mr. Wong Ting Kau (a former non-executive Director who resigned with effect from 1 April 2021) are beneficiaries of Happy Family Trust. Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau are therefore controlling shareholders of the Company. Accordingly, the Lessor is an associate of each of Happy Family Trust, Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau, and is therefore a connected person of the Company under the Listing Rules.

For details on the Tenancy Agreement, please refer to the Company's announcement dated 25 March 2024.

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

Save as disclosed below, as at 31 March 2024, 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 C3 of the Listing Rules were as follows:

Long position in the Ordinary Shares of the Company

Name of Directors	Nature of interests	Number of ordinary shares/ underlying shares held or interested in	Approximate percentage of the issued share capital of the Company ⁽⁷⁾
Mr. Man Yu Hin ⁽¹⁾	Interest of spouse	700,000	0.03%
Mr. Wong Ting Chun ⁽²⁾⁽³⁾	Beneficiary of a trust	1,500,000,000	65.81%
	Beneficial owner	1,500,000	0.07%
Mr. Li Po Sing ⁽⁴⁾	Beneficial owner	3,500,000	0.15%
Ms. Fan Chiu Fun, Fanny ⁽⁵⁾	Beneficial owner	1,500,000	0.07%
Mr. Kan Chung Nin, Tony ⁽⁵⁾	Beneficial owner	1,500,000	0.07%
Mr. Fan Chun Wah, Andrew ⁽⁵⁾	Beneficial owner	1,500,000	0.07%
Mr. Ip Shu Kwan, Stephen ⁽⁶⁾	Beneficial owner	1,500,000	0.07%

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

Note 2: Mr. Wong Ting Chun is one of the beneficiaries of the Happy Family Trust and therefore he is deemed to be interested in the shares held by the Happy Family Trust under the SFO.

Note 3: Mr. Wong Ting Chun has a beneficial interest in the share options granted to him on 29 August 2016 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to him.

Note 4: Mr. Li Po Sing has a beneficial interest in the share options granted to him on 29 August 2016 and 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 3,500,000 shares to him.

Note 5: Each of Ms. Fan Chiu Fun, Fanny, Mr. Kan Chung Nin, Tony and Mr. Fan Chun Wah, Andrew 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 6: Mr. Ip Shu Kwan, Stephen has a beneficial interest in options granted to him on 20 April 2018 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to him.

Note 7: The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2024.

Directors' Report (continued)

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 2024 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 2024, none of the Directors had any interest in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DEED OF NON-COMPETITION

For the year ended 31 March 2024, each of the Company's controlling shareholders has confirmed to the Company of his/its compliance with (i) the non-competition undertakings given by him/it to the Company under the deed of non-competition, as defined in the Company's prospectus dated 30 March 2016; and (ii) the non-competition undertakings given by him/it to the Company with respect to the Group's knitted footwear business and/or footwear business and other footwear ancillary businesses as disclosed in the Company's circular dated 24 November 2017.

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

SHARE OPTION SCHEME

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

(a) Purpose

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

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

(b) Eligible participants

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

(c) Maximum number of shares

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

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

The total number of shares available for issue under the Share Option Scheme was 48,538,000, representing approximately 2.13% of the issued share capital of the Company as at the date of this annual report.

(d) Maximum entitlement of each eligible participant

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

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

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

- (i) representing in aggregate over 0.1% of the shares in issue; and
- (ii) having an aggregate value, based on the official closing price of the shares at the date of each grant, in excess of HK\$5.0 million,

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

Directors' Report (continued)

(e) Acceptance of an offer of share options

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

(f) Performance target

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

(g) Subscription price

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

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; or
- (iii) the nominal value of the shares.

(h) Ranking of shares

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

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

(i) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from 12 April 2016 (the Listing Date), after which no further options shall be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Share options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme. As at the date of this annual report, the Share Option Scheme had a remaining life of approximately 2 years.

For the year ended 31 March 2024, no share option was granted under the Share Option Scheme. As at 31 March 2024, the number of share options available for grant under the Share Option Scheme was 110,600,000 share options representing approximately 4.85% of the existing issued share capital of the Company (1 April 2023: 110,600,000).

Details of the movements of the share options under the Share Option Scheme during the year ended 31 March 2024 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 2024 (Note 3)
				Balance as at 1 April 2023	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Directors									
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. 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. Fan Chun Wah, Andrew	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Mr. Ip Shu Kwan, Stephen	20 April 2018	1.700	20 April 2019 to 19 April 2028	1,500,000	-	-	-	-	1,500,000
Employees									
Other employees of the Group (Note 4)	29 August 2016	1.394	29 August 2017 to 28 August 2026	11,504,000	-	-	(366,000)	-	11,138,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	27,000,000	-	-	(600,000)	-	26,400,000
Total				49,504,000	-	-	(966,000)	-	48,538,000

Directors' Report (continued)

Notes:

- The closing price of the shares of the Company immediately before the date on which the share options were granted on (i) 29 August 2016, i.e. 26 August 2016, was HK\$1.40; (ii) 28 August 2017, i.e. 25 August 2017, was HK\$1.48; and (iii) 20 April 2018, i.e. 19 April 2018, was HK\$1.68.
- The share options granted to the above Directors and other employees of the Group shall be vested in three equal tranches. The vesting periods of the share options are between the date of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the share options are as follows:

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

- The weighted average exercise price of the outstanding share options as at 31 March 2024 was HK\$1.450.
- Employees working under employment contracts that were regarded as "continuous contracts" for the purpose of the Hong Kong Employment Ordinance.
- The fair value of the share options as at the date of grant, its calculation and the model and assumptions used to estimate the fair value of the share options are set out in note 30 to the consolidated financial statements.
- As the Share Option Scheme was adopted before the amended Chapter 17 of the Listing Rules which became effective on 1 January 2023, certain terms of the Share Option Scheme may not be in full compliance with the amended Chapter 17 of the Listing Rules. The Company will comply with the transitional arrangements for share schemes existing as at 1 January 2023, including but not limited to the scope of eligible participants of share option schemes and the minimum vesting period requirements.

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 2024, the following persons or corporations (other than our Directors and chief executive of our Company) who had interest and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in the ordinary shares of the Company

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

Notes:

- (1) Nameson Investments Limited is wholly owned by Happy Family Assets Limited, the holding vehicle incorporated in the British Virgin Islands used by East Asia International Trustees Limited, the trustee of the Happy Family Assets Limited which is a trust established by Mr. Wong Ting Chung as the settlor and the protector. Accordingly, each of Happy Family Assets Limited and Mr. Wong Ting Chung is deemed to be interested in the 1,500,000,000 shares held by Nameson Investments Limited under the SFO.
- (2) Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust and therefore he is deemed to be interested in the shares held by the Happy Family Trust under the SFO.
- (3) Mr. Wong Ting Chung beneficially owned 200,000,000 shares which were issued by the Company on 15 December 2017 as consideration shares pursuant to the acquisition of V. Success Group.
- (4) Ms. Wang Kam Chu is the spouse of Mr. Wong Ting Chung and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Chung under the SFO.
- (5) Mr. Wong Ting Kau is one of the beneficiaries of the Happy Family Trust and therefore he is deemed to be interested in the shares held by the Happy Family Trust under the SFO.
- (6) Ms. Tsoi Suet Ngai is the spouse of Mr. Wong Ting Chun and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Chun under the SFO.
- (7) Ms. Chan Ka Wai is the spouse of Mr. Wong Ting Kau and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Kau under the SFO.
- (8) The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 31 March 2024.

Directors' Report (continued)

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 2024 or subsisted as at 31 March 2024.

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 2024.

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

For the year ended 31 March 2024, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

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

The net proceeds from the listing of the Company amounted to approximately HK\$635.4 million. Such proceeds have been used according to the allocation set out in the Company's prospectus dated 30 March 2016 and/or the subsequent change in use of net proceeds set out in the Company's announcement dated 27 September 2023 (the "Announcement"). As disclosed in the Announcement, in order to capture the rising opportunities in Vietnam, the Board considered it necessary to increase the production capacity of the Group by setting up a new factory in the Dak Lak Province (the "Dak Lak Factory") in central Vietnam. Accordingly, the Board resolved to change the use of the unutilised net proceeds of approximately HK\$63.6 million and the expected timeline of full utilisation for the construction of factory buildings and purchase of machinery for the Dak Lak Factory. Please refer to the Announcement for details.

Use of net proceeds from the date of listing to 31 March 2024 is set out below as follows:

	Proportion before the change in use of net proceeds (approximately)	Planned use of the total net proceeds before the change in use of net proceeds (approximately)	Unutilised balance as at 1 April 2023 (approximately)	Actual utilised amount during the period from 1 April 2023 to 27 September 2023 (approximately)	Proportion after the change in use of net proceeds (approximately)	Planned use of the total net proceeds after the change in use of net proceeds (approximately)	Actual utilised amount during the period from 28 September 2023 to 31 March 2024 (approximately)	Utilised amount up to 31 March 2024 (approximately)	Unutilised balance as at 31 March 2024 (approximately)
	%	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Construction of factory buildings and purchase of machinery for the second phase of our factory in the Tay Ninh Province, Vietnam	59.0%	378.1	-	-	59.5%	378.1	-	378.1	-
Repayment of part of our bank loans	14.0%	93.2	-	-	14.7%	93.2	-	93.2	-
Enhancing design and product development capabilities	9.0%	54.7	31.9	-	3.6%	22.8	-	22.8	-
Enhancing the existing enterprise resource planning system	9.0%	54.7	32.7	1.0	3.6%	23.0	-	23.0	-
Working capital and general corporate purposes	9.0%	54.7	-	-	8.6%	54.7	-	54.7	-
Construction of factory buildings and purchase of machinery for the Dak Lak Factory	N/A	N/A	N/A	N/A	10.0%	63.6	50.2	50.2	13.4 [#]
Total	100.0%	635.4	64.6	1.0	100.0%	635.4	50.2	622.0	13.4

[#] Expected timeline for unutilised net proceeds: 30 September 2024

The unused balance of HK\$13.4 million was placed in the bank accounts of several reputable commercial banks in Hong Kong as the Group's bank deposits.

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

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

Date of the agreement/ facility letter	Banking facilities	Specific performance obligations
12 December 2023	Two three-year term loan facilities with a total amount of up to HK\$300,000,000	Mr. Wong Ting Chung and/or his family members shall maintain not less than 50% shareholdings in the Company
27 June 2023	Three-year term loan facility of up to HK\$200,000,000	Wong's family (Note (I)) remains as the majority shareholder of the Company and maintains the management control of the Company
8 March 2023	Three-year term loan facility of up to HK\$150,000,000	Mr. Wong Ting Chung together with his family members shall remain (directly or indirectly) the largest shareholder of the Company at all times throughout the entire life of the term loan facility
15 December 2022	Three-year term loan facility of up to HK\$130,000,000	Mr. Wong Ting Chung or his family members are and will remain as the majority ultimate beneficial owner holding not less than 50% of all issued share capital of the Company with management control in the Company
21 September 2021	Three-year term loan facility of up to HK\$250,000,000	(i) Mr. Wong Ting Chung and his family collectively owns more than 60% share interests in the Company; and (ii) Mr. Wong Ting Chung and his family maintain the majority of the management control of the Company
11 August 2021	Three-year term loan facility of up to HK\$150,000,000	Mr. Wong Ting Chung or his family members are and will remain as the majority ultimate beneficial owner holding not less than 50% of all issued share capital of the Company with management control in the Company

Note (I): Wong's family means one or more of:

- (i) Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau;
- (ii) any family members of each of (i) above;
- (iii) any charitable foundation or company controlled by any of (i) and (ii) above;
- (iv) the executors and trustees of the estate of any of (i) and (ii) above; and
- (v) the trustees of any trust or trusts, the principal beneficiaries of which during their lifetimes are (i) and (ii) above.

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 23 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 C1 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 2024.

For details of the Corporate Governance Report, please refer to pages 24 to 41 of this annual report.

TAX RELIEF AND EXEMPTION

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's issued shares for the year ended 31 March 2024.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") for the year ended 31 March 2024 is scheduled to be held on Friday, 30 August 2024. A notice convening the AGM will be issued and disseminated to the Company's shareholders in due course.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Policies

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

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong, Mainland China and Vietnam and are therefore subject to relevant local laws and regulations in Hong Kong, Mainland 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 Mainland China will have impact on the Group's operations.

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

During the year ended 31 March 2024, 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 Mainland China and Vietnam are in full compliance with ISO 9001 requirements. The Group values the health and well-being of our employees. We supply free first-aid kits and medicine to our employees and they are entitled to medical insurance benefits.

Development and Training

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

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

Wong Wai Yue

Chairman and Executive Director

21 June 2024

Environmental, Social and Governance Report

MESSAGE TO ALL STAKEHOLDERS

During the financial year ended 31 March 2024, the Group continues to work towards improving and implementing different policies according to our Environmental, Social and Governance (“ESG”) strategy.

As ESG is an irreversible trend for manufacturers, brand customers and our different stakeholders, the Group dedicated to set up an ESG team to implement the policies and directions formulated by the board of directors. Since most of our customers place a high priority on ESG initiatives, the team will continue to understand our customers better, and follow and cope with their latest ESG requirements, trends and strategies.

Environmental issues are always our top concerns as majority of our products are sensitive to climate change. Demand on sweaters and cashmere yarns are highly impacted by climate change. If the extreme weather persists, consumers may prefer to shift their appetite to other products, e.g. down jacket if the temperature is too low or short sleeves clothes if the temperature is too high. The Group is well aware of the impact of climate change to our revenue and profitability, and we are committed to diversifying our business and product range to mitigate the impact arising from such risk. In addition, the Group plans to install distributed solar power generation equipment on the rooftop of the First Team (Vietnam) Factory. This solar project could generate up to 4.68MWh of electricity per annum which is 13% of our electricity consumption in the First Team (Vietnam) Factory, contributing to slower climate change.

Given that the electronic vehicles (“EV”) becomes the predominant trends in both Hong Kong and China, the Group is gradually replacing some of its fuel-engined vehicles with EVs. This not only reduces our greenhouse gas (Scope 1) emission but also saves the fuel costs for the Group.

Not only will the Group strive to meet our targets on environmental key performance indicators (KPIs) set in 2021, social inclusion, employees’ occupational health and safety and their well-being are also in the top priority of our sustainability agenda. The results of the stakeholders’ questionnaire showed that employees’ interests, benefits and recreational activities, employment compliance, occupational safety and health, employees’ development and training are all important issues of concern to our stakeholders. The Group will adopt an active approach to manage our talent acquisition and retention under the backdrop of labour shortage and intense competition for talent. During the Reporting Period, the Group’s employee turnover rate recorded a slight increase. With appropriate adjustments in human resources management and enhanced recruitment efforts at various factories, the Group still recorded a 1.9% increase in total number of employees.

During the Reporting Period, we actively engaged with different stakeholders for their feedback and expectation regarding to our ESG strategies. The Group had already established a concrete plan for the upcoming year to provide more on-the-job training to further promote the importance of ESG and equip employees with most up-to-date knowledge and industry trend.

Moving forward, the Group is dedicated to achieve our targets on environmental KPIs by 2031 and optimising our ESG disclosure to meet international standards. Your valuable feedback during our implementation process will enable us to better respond to the needs of our environment, stakeholders and society.

ABOUT THE REPORT

Scope of the Report

Nameson Holdings Limited (the “Company”) is pleased to present the 2024 Environmental, Social and Governance Report (the “Report”). The purpose of the Report is to enable our stakeholders to understand the performance of the Company and its subsidiaries (collectively, the “Group” or “we”) regarding environmental, society and governance, as well as our sustainable development strategies and policies.

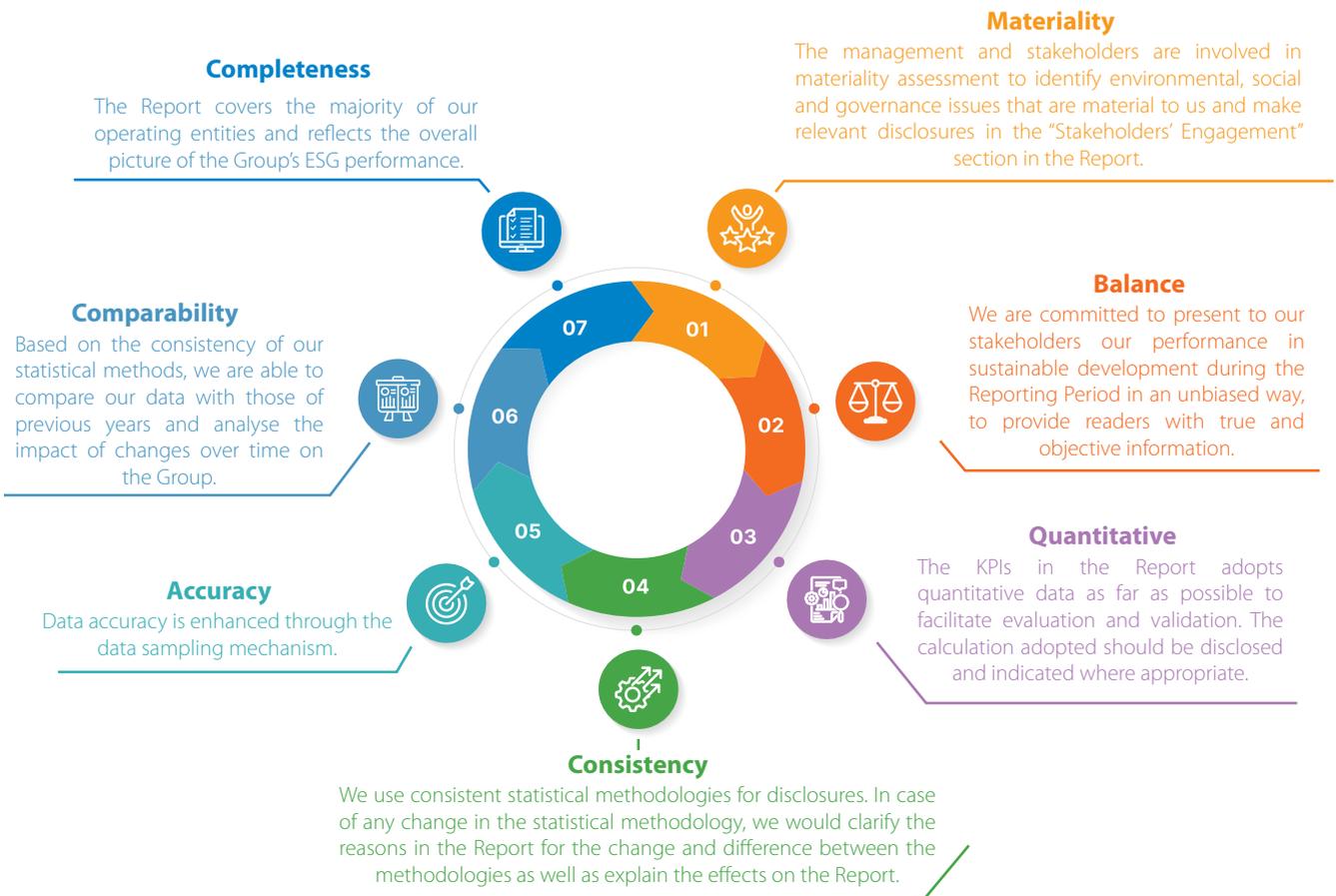
In the light of the Group’s business development, the Report covers the overall performance in three main aspects, namely environmental, social and governance of our nine subsidiaries engaged in the production of knitwear products located in the People’s Republic of China (the “PRC”), the Hong Kong Special Administrative Region (“Hong Kong”) and the Socialist Republic of Vietnam (“Vietnam”) from 1 April 2023 to 31 March 2024 (the “Reporting Period” or the “Year”). Those subsidiaries include: Huizhou Nanxuan Knitting Factory Limited (the “Huizhou Nanxuan”) and Huizhou Nanguan Knitting Factory Limited (the “Huizhou Nanguan”) (collectively the “Huizhou Factories”), as well as Hebei Nanguan Technology Co., Ltd. (the “Hebei Nanguan” or the “Hebei Factory”) (collectively, the “PRC Factories”), and Nameson Industrial Limited, Kingmax Industrial Limited, Winner Way Industrial Limited, First Team (HK) Limited (collectively, the “Hong Kong Offices”), as well as First Team (Vietnam) Garment Limited (the “First Team (Vietnam) Factory”) and Able Joy (Dak Lak) Garment Limited (the “Dak Lak (Vietnam) Factory”) (collectively, the “Vietnam Factories”). The scope of the Report includes additional information and data of Dak Lak (Vietnam) Factory compared to last year.

Basis of the Report

The content of the Report is prepared according to standards in “Environmental, Social and Governance Reporting Guide” (the “ESG Guide”) as set out in Rule 13.91 and Appendix C2 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and through collecting stakeholders’ areas of concern of the Group. We confirm that the Report is in compliance with the “Mandatory Disclosure Requirements” and the provision of “Comply or Explain” in the ESG Guide.

Principles of the Report

The preparation of the Report implements the following seven principles:



Environmental, Social and Governance Report (continued)

Availability of and Feedback on the Report

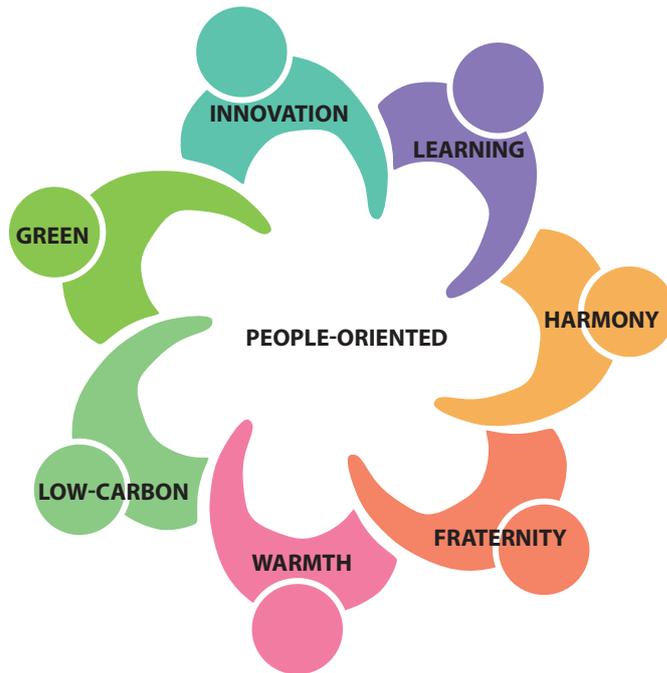
Stakeholders may obtain the Report from the website of the Stock Exchange and the Company’s website at <http://www.namesonholdings.com>. We value every stakeholder’s feedback on the Report, you can contact us by the Company’s email at esg@nameson.com.hk.

ABOUT THE GROUP

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

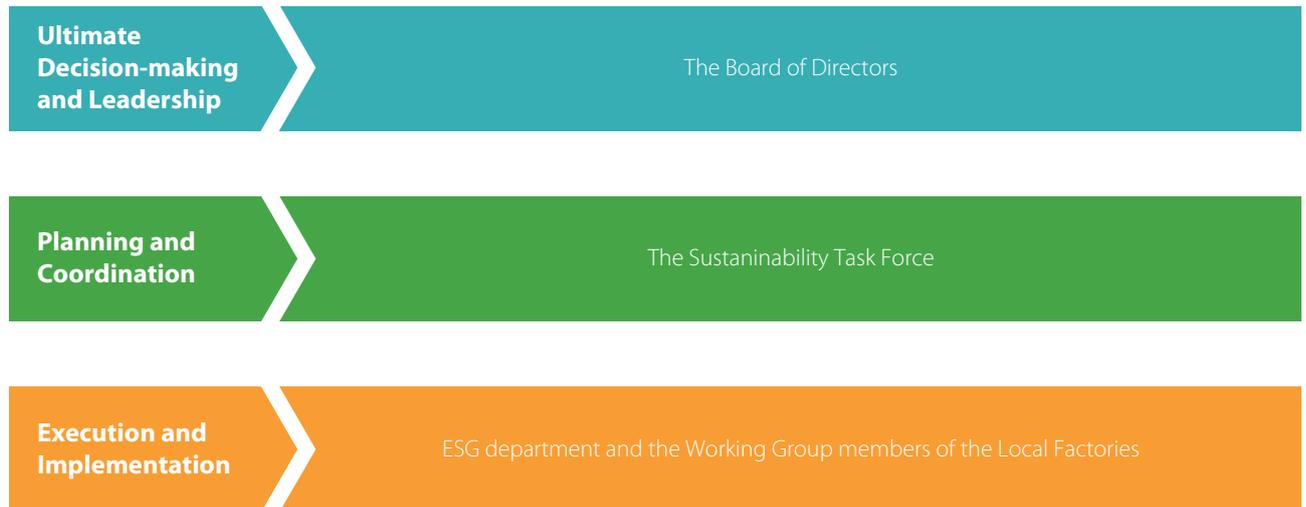
Vision and Mission

As one of the top-notch knitwear product manufacturers in the PRC, we always commit to our responsibilities of “maximising value for our employees, customers and shareholders, while contributing to and serving the society in good faith”. We always adhere to the “people-oriented” management model, and constantly care about the needs of our employees, foster talents and help employees build up their self-worth. In regard to our corporate development, we strive to achieve sustainable development. Apart from maintaining the core advantages of our business even amidst the challenging operating environment, we also fulfill our corporate social responsibilities by regarding “learning, innovation, green, low-carbon, warmth, fraternity, harmony” as our operating philosophy to promote and support actions that are beneficial to the community on an ongoing basis.



Sustainable Development Governance Framework

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



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

Our Sustainable Development Task Force (the “Task Force”) was established under the authorisation of the board of directors in 2021. It is mainly responsible for assisting the board of directors in identifying, evaluating, implementing and managing ESG related matters. At the same time, the Task Force is required to work with the respective work team at each factory of the Group to determine the practical implementation plans and measures in accordance with the sustainability strategies and directions formulated by the board of directors, as well as to make business improvement proposals which incorporate sustainable development concepts to the work teams in course of their day-to-day operations. The work teams at each factory of the Group will implement such proposals and report the progress and results to the Task Force on a regular basis. The Task Force acts as a bridge between the work teams and the board of directors, actively communicating the formulated guideline on a top-down basis, monitoring the implementation of the sustainable development, and reporting the progress of the plans and ESG goals on a bottom-up basis. The Group has also established an ESG department during the Reporting Period to strengthen ESG policy coordination, implementation and reporting.

The Audit Committee is responsible for assisting in the supervision and evaluation of ESG related risk management mechanisms, to ensure risk management and internal control systems are effective which coincide with the Group’s current operation model. The respective work team at each factory of the Group and the internal audit department is responsible for collecting the information and data required for the preparation of the Report and further refines the truthfulness, accuracy and completeness of the ESG data.

Environmental, Social and Governance Report (continued)

Sustainable Development Strategies

The core principle of the Group’s sustainable development strategies is making products that are “safe, quality, and environmentally sustainable”. The board of directors has formulated strategies through a series of different methodologies to identify ESG risks (such as emissions requirements, labour demand, climate change and public health crisis in places where our business operate), and has developed a series of risk management and internal control measures (including but not limited to operation management, internal control and whistle-blowing mechanisms) in response to the ESG risks identified, so as to avoid or mitigate the negative impact brought by such potential risks. We engage professional legal advisers when necessary to provide us with professional advice on the ESG-related laws and regulations in places where the Group operates, ensuring the Group continues to comply with relevant laws and regulations. As social community and stakeholders pay more attention to the sustainable development performance of enterprises, we will also continuously review the adequacy and scalability of our disclosures in the Report.

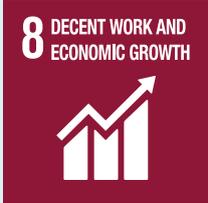
We are committed to balancing and meeting the expectations of our internal and external stakeholders. During our business and capacity expansion, we will closely monitor the potential environmental and social impacts of our production processes, and strive to produce higher quality knitwear products in an environmentally and socially responsible manner through proactive and innovative designs, market-oriented business strategies, and state-of-the-art production technologies and equipment. In response to environmental protection, we have developed a series of strategies in relation to energy saving, waste sorting and recycling as well as other environmental protection measures. In order to support and respond to the needs of the communities where we operate, we continuously invest more resources in various public welfare activities, and wish to work with local community to promote sustainable development and make meaningful contributions to the society.

Our sustainability strategies are embodied in five key areas, including 1) Environmental Protection and Energy Efficiency deployed, 2) Social Responsibility, 3) Governance, 4) Employee Care, and 5) Responsible Production. The following strategies are also formulated with reference to the United Nations Sustainable Development Goals (UNSDGs) to achieve a fairer, better and sustainable future.

Areas	Strategies	Relevant UNSDGs
<p>Environmental Protection and Energy Efficiency deployed¹</p>	<p>We acknowledge that extreme weather conditions can have a significant impact on the demand for products (i.e. sweaters, cashmere yarn) which are temperature-sensitive in nature. In response to this challenge, we have implemented the following actions:</p> <ul style="list-style-type: none"> i) Installation of solar power generation equipment on the rooftop of our Huizhou Factories; ii) Installation of solar power generation equipment in First Team (Vietnam) Factory, and expected to finish by FY2025; iii) Studying the possibility of enhancing the use of reclaimed water; iv) Replacing the old and energy-consuming machinery with higher energy-efficient machinery; v) Replacing traditional sampling procedures with online 3D catalogues; vi) Exploring opportunities for materials recycling across our production procedures; vii) Using more sustainable and recycled materials for our production; and viii) Evaluating all the possibility to reduce our carbon footprint during our productions in all business units. 	<p>SDG 6: Ensure availability and sustainable management of water</p>  <p>SDG 7: Ensure access to affordable, reliable, sustainable energy</p> 

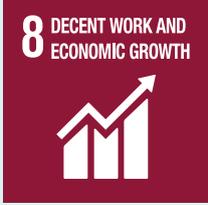
¹ For more details, please refer to the section “Environmental, Social and Governance Related Risk Management” of the Environmental, Social and Governance Report.

Environmental, Social and Governance Report (continued)

Areas	Strategies	Relevant UNSDGs
		<p>SDG 12: Ensure sustainable consumption and production patterns</p>  <p>SDG 13: Take urgent action to combat climate change and its impacts</p> 
<p>Social Responsibility</p>	<p>To reciprocate the workforce made by individuals and society, enterprises should also strive to contribute to the well-being of society. This can be achieved through various means, such as providing employment opportunities to citizens, making donations to NGOs and indirectly supporting minorities and disadvantaged groups. The Group is committed to continuing its efforts in this regard by undertaking the following actions:</p> <ul style="list-style-type: none"> i) Donate to Community Chest and other non-governmental organisations (“NGOs”): the Group will donate to organisations that promote wellness and address social issues within local communities. By supporting these NGOs, the Group aims to contribute to the betterment of society and support initiatives that benefit marginalised groups; ii) Offer employment and internship opportunities: the Group will offer employment and internship opportunities to fresh graduates and other competent individuals. By providing these opportunities, the Group not only contributes to the professional growth and development of individuals but also helps addressing unemployment challenges in society; and iii) Hold traceability events: including donating to and visiting the owners of the meadows in Erdos which supply cashmere to the Group. 	<p>SDG 1: Reduce the poverty problems in all its forms</p>  <p>SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> 

Environmental, Social and Governance Report (continued)

Areas	Strategies	Relevant UNSDGs
<p>Governance</p>	<p>Integrity, diligence and highly efficient management are crucial elements for corporate to operate sustainably. By prioritising long-term value creation for shareholders and minimising operating risk, management can ensure the Group’s continued success. Here are some actions that have been taken to achieve these goals:</p> <ul style="list-style-type: none"> i) Implement a sound whistle-blowing mechanism: A robust whistle-blowing mechanism is in place to provide employees, stakeholders, and other parties with a platform to voice their concerns or complaints. This mechanism ensures that issues are addressed promptly and transparently, fostering a culture of fairness and accountability; ii) Provide regular anti-fraud, anti-bribery, and anti-corruption training: Management receives regular aforementioned trainings to promote ethical standards and integrity. These trainings help to raise awareness and ensures all senior management adhere to the highest ethical standards in their decision-making and actions; iii) Appoint reputable persons as independent non-executive directors of the Group: Independent non-executive directors, known for their integrity and expertise, have been appointed to oversee the conduct of execution of the Group. Their unbiased oversight helps to ensure transparency, accountability, and effective risk management of the Group; and iv) Establish a sound internal audit cycle: The Audit Committee has approved and monitors a robust internal audit cycle. This cycle includes regular and comprehensive audits of the Group’s operations, financial processes, and compliance with regulations. The internal audit function plays a crucial role in identifying potential risks, improving internal controls, and enhancing operational efficiency. 	<p>SDG 12: Ensure sustainable consumption and production patterns</p>  <p>SDG 16: Build effective, accountable and inclusive institutions at all levels</p> 

Areas	Strategies	Relevant UNSDGs
<p>Employee Care</p>	<p>During the Reporting Period, it was identified that 4 out of the top 6 key concerns raised by our stakeholders were related to employee care²; 12) employees’ interests, benefits and recreational activities, 16) employment compliance, 14) occupational safety and health, and 15) employees’ development and training. Recognising that our employees are essential to our success and in line with our corporate statement, “<i>Our People, Our Wealth. The Market, Our Drive. Integrity, Our Attitude</i>”, we prioritise the well-being of our employees. To address their needs and retain talent in the competitive environment, the following strategies have been implemented:</p> <ul style="list-style-type: none"> i) Maintain compliance with local labour regulations: We work closely with the local labour department to ensure that we adhere to all relevant regulations in the places where we operate. This ensures that we meet the legal requirements for employee welfare and rights; ii) Increasing recreational activities: To foster networking and team building across our business units, we provide more recreational activities. These activities create opportunities for employees to interact and build stronger personal and work relationships, enhancing their overall well-being; iii) Enhancing occupational health and safety: We utilise external training resources, such as webinars provided by Occupational Safety and Health Council, to raise awareness of occupational health and safety among our staff. This helps to create a safer work environment and reduce the risk of workplace accidents; iv) Regular review of our operating procedures: Associated departments conduct regular reviews of our operating procedures to identify and mitigate potential risks. This ensures our operations are conducted in a safe and compliant manner; v) Personal and professional development: In addition to routine work, we provide personal and professional development courses to equip our staff with the skills needed to tackle potential challenges. This helps employees to grow both personally and professionally, enhancing their job satisfaction and performance; and vi) Gender equality: We strive to ensure gender equality within the Group. Equal opportunities are provided to both genders in terms of compensation, promotion, and training regimes. This commitment promotes a diverse and inclusive work environment. 	<p>SDG 3: Promote well-being for all</p>  <p>SDG 4: Promote lifelong learning opportunities for all</p>  <p>SDG 5: Achieve gender equality</p>  <p>SDG 8: Promote sustained and productive employment and decent work</p> 

² For more details, please refer to the section “Stakeholders’ Engagement” of the Environmental, Social and Governance Report

Environmental, Social and Governance Report (continued)

Areas	Strategies	Relevant UNSDGs
<p>Responsible Production</p>	<p>To enhance the Group’s success over the past 30 years, good product quality has been the paramount factor. To stay ahead in a dynamic and innovative market, we have established a SGS-recognised laboratory to safeguard this crucial aspect. To sustain our competitive advantage, we are committed to the following strategies:</p> <ul style="list-style-type: none"> i) Invest continuously in design, research, and development: We recognise the importance of staying at the forefront of industry trends and consumer demands. Through continuous investment in design, research, and development, we can consistently improve our products and meet the evolving needs of our customers; ii) Embrace the latest and cutting-edge technologies: To differentiate ourselves from competitors, we actively embrace the latest and most advanced technologies. By leveraging these technologies, we can deliver innovative solutions and maintain our position as a market leader; iii) Maintain active dialogue with our customers: We understand the significance of maintaining open and active communication with our customers. By engaging in regular dialogue, we can fully grasp any changes in their product preferences, gather valuable feedback, and adopt our strategies accordingly; and iv) Enhance stakeholders’ engagement from an ESG perspective: As part of our commitment to sustainability, we actively engage with stakeholders from an ESG perspective. By aligning with our stakeholders’ ESG initiatives, we can build stronger relationships and demonstrate our commitment to being a responsible manufacturer. 	<p>SDG 12: Ensure sustainable consumption and production patterns</p>  <p>SDG 17: Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development</p> 

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RELATED RISK MANAGEMENT

The Group has established a comprehensive and effective risk management and internal control mechanism, and has been promoting a risk-awareness culture and implemented a risk-prevention accountability system across the Group. The risk management team consists of executive directors, the internal audit department and various department heads. Every six months, the team collects relevant data in a bottom-up approach to identify and analyse risks including ESG and climate change risks, deal with various risks according to priority and formulate corresponding risk response strategies. The risk management team also needs to continuously monitor and regularly review the changes in production and operation process, market, strategies, environment and regulations, and communicate risk management results.

For more details on risk management and internal control, please refer to the sections in the “Corporate Governance Report” of the Group’s 2024 annual report.

CLIMATE CHANGE

Climate change has been an important issue of great concern to the business sector and the general public in recent years. We also fully understand the urgency of incorporating the emission reduction and carbon reduction into the operation and sustainable development strategies. Therefore, we adopt a risk-based analytical approach to assess the impact of climate change on our business and identify the associated risks arise from climate change in accordance with our enterprise risk management framework, so as to actively conduct research on reducing the impact of climate change on our business in various regions. The board of directors and the Task Force would re-evaluate the level of risks associated with climate change on an annual basis. Below are the risks and opportunities we have identified in relation to climate change:

RISKS

Physical Risks			
Type	Climate-related Risks	Impacts	Countermeasures
Acute	The occurrence of extreme weather events (e.g. typhoons, rainstorms, floods, etc.)	— Impact on labour management and planning (e.g., health, safety, absences)	— Both the Hong Kong Offices and the Huizhou Factories are located in the typhoon belt and may be affected by typhoons during the summer period. Typhoons bring not only strong winds but also thunderstorms. In addition, the altitudes of Ho Chi Minh City and Huizhou are 16 meters and 15 meters above sea level respectively. Although there is some risk of flooding, it is relatively manageable. In view of these extreme weather conditions, we have put in place contingency measures to instruct our staff on the arrangements to be made in the event of such extreme weather conditions.
		— Decreased or interrupted production capacity (e.g., production suspension, transportation difficulties, supply chain disruptions)	
Chronic	Sea level rise Persistent drought Rising freshwater salinity	— Decreased sales or output leading to decreased revenue	
		— Increased disaster recovery, procurement, and transportation costs	
		— Compensation for logistics delays	
		— Loss and early retirement of operating equipment, goods and other property and assets	
		— Increased operating costs (reduced availability of fresh water and raw materials)	
— Increased insurance premiums and difficulty in insuring assets in high risk areas			

Environmental, Social and Governance Report (continued)

Transitional Risks			
Type	Transition-related Risks	Impacts	Countermeasures
Policies and Regulations	Increasing the pricing on greenhouse gas emissions	— Increased operating costs (e.g. increase in compliance costs and insurance premium, carbon tax, etc.)	<p>— Even if the Hong Kong Government's implementation of MSW charging is deferred, we will still raise our staff's awareness of environmental protection and adhere to the 3R's principle of Reduce, Reuse and Recycle. We will set up recycling bins in Hong Kong Offices and deliver the collected materials to "GREEN@COMMUNITY" recycling site in Tai Po area.</p> <p>— The European Union's Carbon Border Adjustment Mechanism (CBAM) was piloted in October 2023, and a corresponding carbon tax is expected to be levied on all goods imported into Europe from 2026 onwards, thereby increasing costs. With approximately 18% of our sweaters being exported to Europe in this financial year, we are committed to reducing our carbon emissions levels by using more green energy in order to minimise carbon emissions and ease the pressure of additional costs in the future.</p> <p>— We will assess the possibility to reduce our carbon footprint in the production process across all of our regional business units, working to minimise carbon emissions wherever feasible.</p>
	Demanding for more emissions reporting	— Decreased in value of existing assets and early retirement due to policy changes	
	More stringent policies and regulations		
Technology	Costs of low carbon technology transition	— Cost of conducting research and development on new and alternative technologies	<p>— We will continue to invest in product design, research and development, etc. Although these investments carry certain risks, they are a significant contribution to the sustainability of our business.</p>
	Uncertainty of investment in new technologies	— Capital investment in development of technology	
		— Costs of adopting/establishing new practices and processes	
Market	Rising raw material costs	— Reduced demand for products due to changes in consumer preferences	<p>— We maintain an ongoing, meaningful dialogue with our customers to build closer relationships that allow us to capture and understand any subtle changes in product preferences in a timely manner. This interaction ensures that we are able to respond quickly to market dynamics and drive our innovations and improvements with a customer-centric focus to stay ahead in a highly competitive market.</p>
	Changes in consumer behaviour and demand	— Higher production costs due to changes in input costs (e.g. energy, water) and byproducts treatments (e.g. waste treatment)	
	Increasing demands and expectations of the market (including customers and consumers) for corporate sustainability	— Sudden changes in energy costs	
		— Changes in revenue mix and sources	
		— Additional costs incurred to meet market demand	

Environmental, Social and Governance Report (continued)

Transitional Risks			
Type	Transition-related Risks	Impacts	Countermeasures
Reputation	<ul style="list-style-type: none"> Increasing customer’s awareness on ESG matters Increasing stakeholders’ interest in corporate sustainability Mandatory/more stringent sustainability ratings 	<ul style="list-style-type: none"> Decreased orders (due to lack of transparency in sustainability disclosure and failure to meet customer demand for sustainability) 	<ul style="list-style-type: none"> Enhance the engagement with stakeholders in corporate sustainability so that we are aligned with our customers’ or other stakeholders’ ESG initiatives.

OPPORTUNITIES

Opportunities			
Type	Coping with Climate-related Risks and Seizing Opportunities	Results of the Enactment	Countermeasures
Resource Efficiency	<ul style="list-style-type: none"> Reducing water usage and consumption and increasing reuse of reclaimed water Using more efficient production and distribution processes Recycling and reuse Adding green elements to existing and upcoming buildings and using more efficient machinery 	<ul style="list-style-type: none"> Reduced operating costs (improving efficiency and reducing overall energy consumption) Higher production capacity and increase in revenue Increased in value of fixed assets Facilitated labour management and planning (e.g. improved health and safety, employee satisfaction) to reduce costs 	<ul style="list-style-type: none"> We have already phased out a portion of our petrol and diesel-powered vehicles and replaced them with more environmentally friendly EVs, and we plan to continue to increase the proportion of EVs in our fleet. We plan to replace our production machinery with more efficient ones to reduce carbon emissions and improve energy efficiency. We will identify and explore the recycling possibility of materials used in the production process and further recycle or reuse the resources.

Environmental, Social and Governance Report (continued)

Opportunities			
Type	Coping with Climate-related Risks and Seizing Opportunities	Results of the Enactment	Countermeasures
Energy Sources	<ul style="list-style-type: none"> Using low carbon emission energy Adopting incentive policies Using new technologies Participating in the carbon market in the future, if allowed 	<ul style="list-style-type: none"> — Reduced operating costs (e.g. by using cost efficient carbon reduction measures) — Reduced risks brought by future price hike in fossil fuel — Reduced greenhouse gas emissions and strengthen our awareness towards the change in pricing on carbon credit and emissions — Broadened available financing sources (e.g. by adopting more green loans and sustainable-linked loans, where practicable) 	<ul style="list-style-type: none"> — We have already installed solar power generation systems in Huizhou Factories. Please refer to the chapter of "Energy and Resources Management" for more details. In the future, we also planned to install a solar power generation system in First Team (Vietnam) Factory to further increase our use of green energy. — In addition, the Group is also actively exploring the possibility of adopting different renewable energy and using green power. — Since the commissioning of the solar power generation system, we have started to accumulate carbon credits. If the electricity generated from distributed solar power generation system is authorised and recognised by the regulatory authorities as carbon credits, the Group can develop these carbon assets according to demand.
Enhancement in the Company's resilience through products and services excellence	<ul style="list-style-type: none"> Developing and/or adding low carbon products and services Research & Development empower the Group to launch new products & services Diversifying business activities Changing consumer preferences 	<ul style="list-style-type: none"> — Increased revenue due to increased market demand for low carbon products — Better capture of changing consumer preferences, resulting in enhanced competitive advantages of the Group, higher revenues and cost reductions — Improved reliability of the supply chain and ability to operate under different conditions — Increased overall revenue of the Group through new products and services that ensure resilience 	<ul style="list-style-type: none"> — In order to minimise the resource and time costs associated with the traditional sampling procedures, we have created online 3D catalogues for our customers to browse online.

Higg Index Self-Assessment Tool

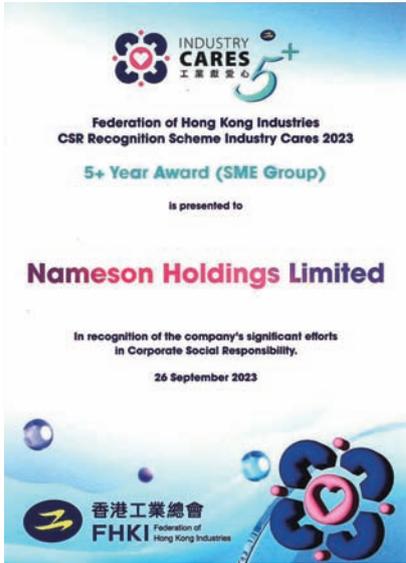
During the Reporting Period, our Huizhou Factories and First Team (Vietnam) Factory used the Higg Facility Tools — the Industrial Sector, a standardised sustainability self-assessment tool published by the Sustainable Apparel Coalition (the “SAC”), to assess our sustainability performance and impact at each of our production processes, thereby identifying room for sustainable improvement in the relevant areas.

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

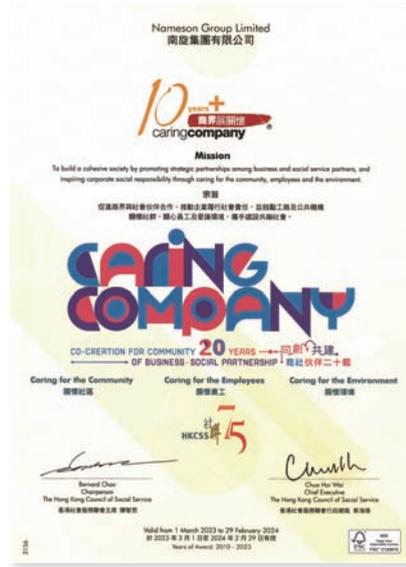
The following are the validated Higg Index scores obtained by the Huizhou Factories and First Team (Vietnam) Factory during the Reporting Period:

Huizhou Factories	First Team (Vietnam) Factory
<p style="text-align: center;">Facility Environmental Management Module</p> <p style="text-align: center;">66%</p>	<p style="text-align: center;">Facility Environmental Management Module</p> <p style="text-align: center;">62%</p>

AWARDS AND RECOGNITIONS IN THE YEAR



Accredited the "5+ Year Award (Enterprises Group)" under the CSR Recognition Scheme — Industry Cares 2023 by The Federation of Hong Kong Industries.



Accredited the "Caring Company" logo by The Hong Kong Council of Social Service for more than 5 consecutive years and more than 10 consecutive years in recognition of the Group and its subsidiaries' contribution to the community, employees and the environment. In the future, the Group will continuously build an inclusive society with various organisations.

STAKEHOLDERS' ENGAGEMENT

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

 <p>Shareholders and Investors</p>	<ul style="list-style-type: none"> • Annual general meeting • Annual reports, interim reports and the Group's announcements • "Investor Relations" on the Group's website
 <p>Customers</p>	<ul style="list-style-type: none"> • Enquiries on customers' satisfaction • The Group's website and social media • Business communication
 <p>Employees</p>	<ul style="list-style-type: none"> • Labour unions • Staff representative meetings • General Manager's mailbox • Continuous direct communication
 <p>Suppliers</p>	<ul style="list-style-type: none"> • On-site inspection • Audit and assessment • Continuous direct communication
 <p>Other business partners and the community</p>	<ul style="list-style-type: none"> • The Group's website • The Group's announcements

Environmental, Social and Governance Report (continued)

Since stakeholders' expectations and concerns may vary as the ever-changing business environment evolves, we regularly collect quantitative data as the basis for materiality analysis and identify the issues that are stakeholders' primary concerns and most influential to the business operations. The Group then reviews, formulates and improves our sustainable development strategies. Major steps of materiality analysis for the Reporting Period are summarised as follows:

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



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



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

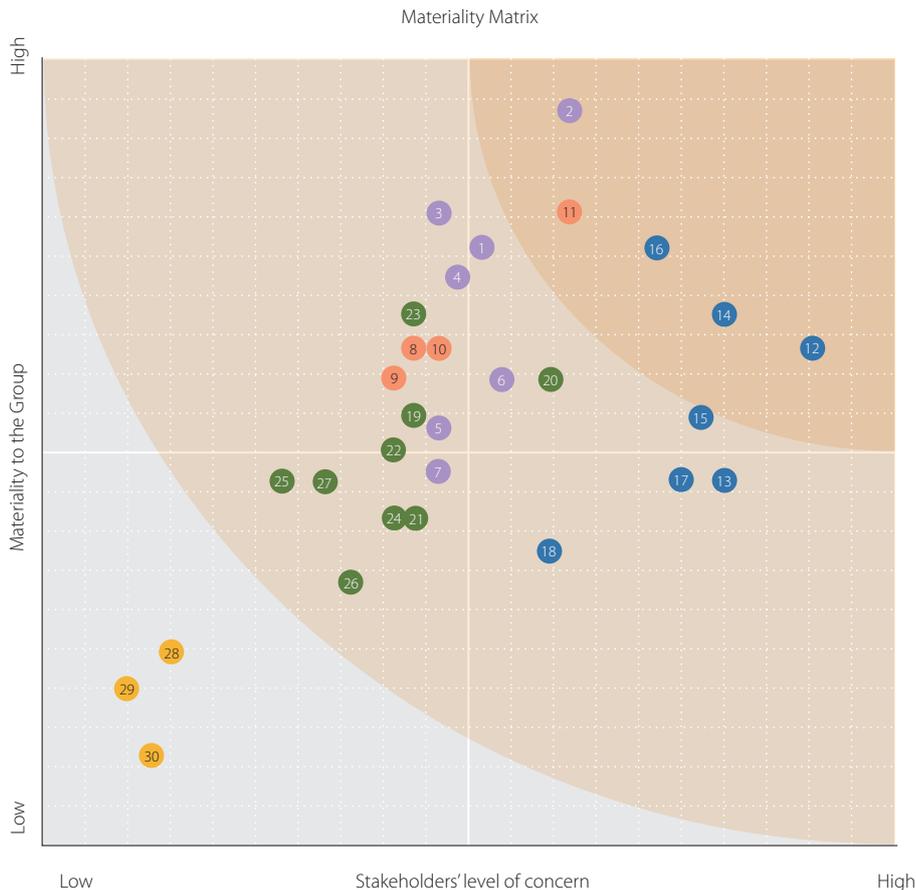


Step 4: Materiality matrix was formed based on the opinions of both stakeholders and management. ESG issues were prioritised according to their impact on and materiality to both the stakeholders and the business of the Group.



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

Environmental, Social and Governance Report (continued)



Product and Service Liabilities

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

Operational Practices

- 8. Supplier management
- 9. Social responsibility of supply chain
- 10. Emergency response under disasters
- 11. Anti-fraud and anti-corruption

Practices in Working Environment

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

Environmental Protection and Green Operation

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

Contribution to the Community

- 28. Community investment
- 29. Participating in charitable events
- 30. Charitable donations

Environmental, Social and Governance Report (continued)

The matrix shows the materiality of the 30 issues. The top right corner of the chart shows the issues considered by stakeholders and the Group to be of utmost importance, while the bottom left corner shows the issues of less importance. The top six material issues for the Year are (2) Product safety, (12) Employees' interests, benefits and recreational activities, (16) Employment compliance, (14) Occupational safety and health, (11) Anti-fraud and anti-corruption and (15) Employees' development and training. Same as last year, (2) Product safety, (14) Occupational safety and health, (16) Employment compliance and (11) Anti-fraud and anti-corruption remain as the key concerns for stakeholders, while (12) Employees' interests, benefits and recreational activities and (15) Employees' development and training have gained materiality as compared with last year, reflecting that various stakeholders are paying more attention to employee welfare and development. We will continue to pay attention to these issues in the future and strengthen the monitoring in this regard and communicating with labour.

THE PEOPLE, OUR WEALTH

We regard our employees as a valuable asset to create long-term business value, which is also the foundation of enterprise competitiveness and corporate development. Therefore, the Group is committed to providing a harmonious and inclusive working environment for its employees. By integrating the people-oriented concept into its management policies and operating principles, the Group has provided a platform for employees to demonstrate their full potential. As an employer responsible for employees and society, we strictly comply with the employment regulations in each respective place of operation, such as the "Labour Law of the PRC", the "Labour Contract Law of the PRC", the "Trade Union Law of the PRC", the "Regulation on the Implementation of the Employment Contract Law of the PRC", the "Regulations on the Paid Annual Leave of Employees", the "Regulations on Work-Related Injury Insurance", the "Regulation on Labour Security Supervision", the "Regulations on Management of Housing Provident Fund", the "Special Rules on the Labour Protection of Female Employees", the "Measures for the Implementation of the Special Rules on the Labour Protection of Female Employees in Guangdong Province", the "Special Rules on the Labour Protection of Female Employees in Hebei Province", the "Regulation on Labour and Social Security Supervision in Hebei Province", the "Regulation on Labour Security Supervision in Guangdong Province", the "Employment Ordinance (Cap. 57, Laws of Hong Kong)" of Hong Kong and the "Labour Law of Vietnam". The Group was not subject to any material administrative penalties or fines for any breach of employment laws or regulations during the Reporting Period.

Recruiting High Caliber Talents

The Group adheres to the principles of "open recruitment, holistic assessment, and merit-based admission" in recruitment. We recruit through advertisements posted in newspapers and websites, referrals from employment agencies and on-campus recruitment days. Our established internal referral programme also effectively encourages employees to recommend themselves for more suitable positions or recommend talents from all aspects to join us, providing more development opportunities for employees. We always support and respect diversity and equal opportunities. Factors unrelated to the job applicant's work ability are strictly prohibited in the talent selection processes and recruitment results.

In order to attract and retain talents, we provide competitive salaries that are no less than the local statutory requirements, benefits and comfortable working environment, to ensure that the Group has sufficient human resources to maintain its competitive advantages. In addition, we have an established promotion mechanism and regular employee performance evaluation to examine different objective factors such as employees' competence, team spirit, attendance records and personal skills. In a fair and just manner, outstanding employees who meet the criteria for promotion will be offered promotion opportunities and/or salary adjustments to reflect the Company's recognition of employees' contribution to the Group. We have a sound reward and punishment system in place for our employees to enhance their motivation. For example, there are performance incentive awards for our PRC Factories, and full attendance awards, discipline awards and outstanding employee awards for the Vietnam Factories, to recognise the employees who have worked hard for the Group during the Year. In addition, we also give out gifts to our employees during different festivals, birthday events, etc., bringing a people-oriented atmosphere into their work environment. We understand the importance of creating a good working environment and showing appreciation to our employees, which not only enhances their job satisfaction, but also fosters a positive corporate culture and sense of belonging.

Environmental, Social and Governance Report (continued)



Outstanding employee award programme of Vietnam Factories



Giving out welfare benefits during Mid-Autumn Festival at Huizhou Factories



Giving out birthday gifts to employees at Huizhou Factories



Environmental, Social and Governance Report (continued)



Giving out welfare benefits during Spring Festival at Hebei Factory



Giving out welfare benefits on Women's Day at Hebei Factory



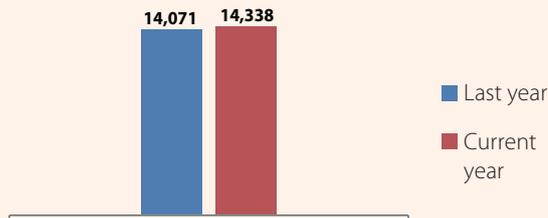
Giving out Red Packets during Lunar New Year at Hebei Factory



Giving out welfare benefits during Mid-Autumn Festival at Hebei Factory

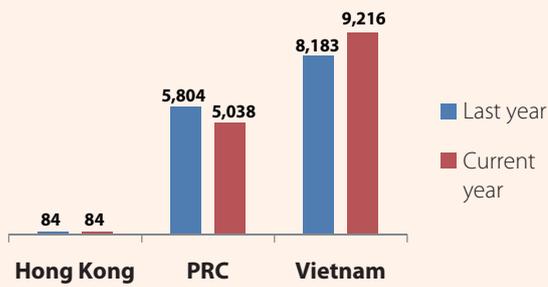
Employee Distribution (As at 31 March 2024)³

Total number of employees (person)

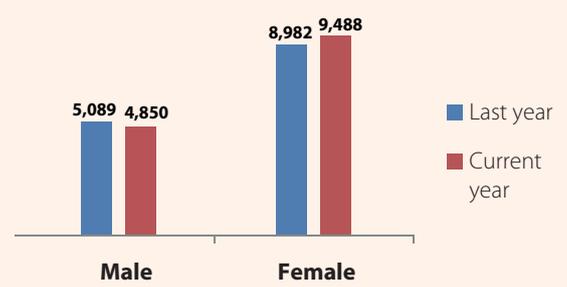


Total number of full-time employees
Total number of part-time employees: Nil

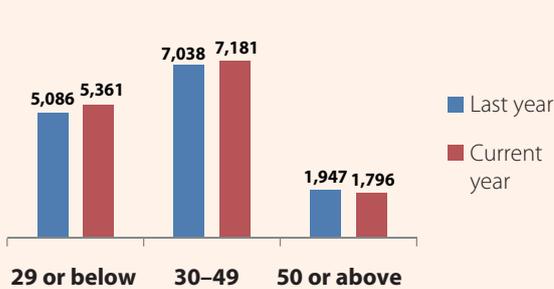
By region (person)



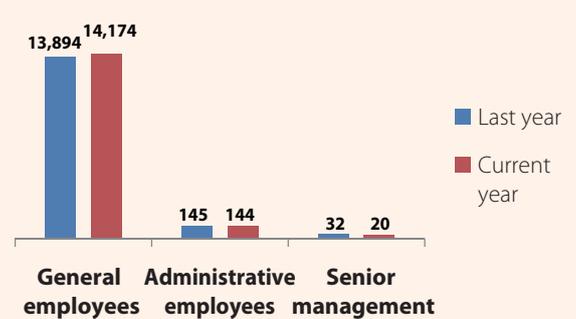
By gender (person)



By age group (person)



By employees' category (person)



³ When carrying out comparison, please note that the scope of the Report includes additional data of Dak Lak (Vietnam) Factory as compared to last year.

Environmental, Social and Governance Report (continued)

The human resources department will conduct interviews with resigning employees to understand their specific reasons for leaving their jobs, and obtain relevant suggestions from them for the Group, which enable us to continuously optimise our talent management strategy so as to maintain the employee turnover rate at an acceptable level and help the Group's team to accumulate professional expertise and experience more effectively. The Group's employee turnover rates for the current year and last year, which are categorised by gender, age group and region, are as follows:

Year	Employee turnover rate ^{4,5} (%)	By gender(%)		By age group(%)			By region(%)		
	General	Male	Female	29 or below	30-49	50 or above	Hong Kong	PRC	Vietnam
Current year	36.9	46.8	31.8	46.1	28.3	43.7	16.7	42.8	33.8
Last year	33.9	43.6	28.4	37.9	31.5	32.5	21.4	39.4	30.2

Safeguarding the Rights and Interests of Employees

The Group strictly complied with laws and regulations in places where our business operates, including the "Employment Ordinance (Cap. 57, Laws of Hong Kong)", the "Labour Law of the PRC" and the "Labour Law of Vietnam". At the same time, we have established effective policies in relation to human resources management to standardise the practices of employment management, right of termination of labour relationship, social insurance fund, remuneration and benefits as well as leave days for safeguarding the rights and interests of employees. As an employer who advocates equal opportunities, we adhere to the policy of pluralism and integration, and the principle of equality for all to ensure that our employees are not subject to discrimination, harassment or deprivation of relevant opportunities in any human resources processes due to their gender, nationality, race, age, religion, marital status, family status, sexual orientation, disability, pregnancy, political stance, social status or other factors prohibited by relevant laws and regulations.

We adhere to the principle of "effort-based remuneration" and never deduct wages unlawfully or coerce our employees into working overtime. We arrange reasonable work schedule for employees based on the applicable laws and regulations in the place where we operate. The employees of the PRC Factories and the Vietnam Factories generally work 8 hours a day, and have at least one day-off per week, so as to ensure reasonable treatment and adequate rest for the employees. Apart from providing employees with social insurance, compassionate leave, work-related injury leave, sick leave and other statutory holidays, we also offer various additional benefits for our employees such as staff quarters or accommodation allowance and meals.

Concern for Women's Rights

Female employees account for over 60% of our total workforce. Considering the dual roles of female employees in both work place and family, we have formulated a series of family friendly policies to provide additional support and care to female employees such as pregnancy, childbirth and lactation. We set up the "Mothers' Relaxation Hut" with the aim to provide a private, comfortable and hygienic breastfeeding space for working mothers during the lactation period. We deliberately choose soft setting tones and light music to allow them to rest in a peaceful and comfortable area while supporting their breastfeeding needs. The facility is also a rest space open to pregnant employees if necessary. In addition to statutory maternity leave and lactation leave, we also invite qualified medical professionals to provide regular free gynecological, premarital or prenatal check-ups for our female employees aged between 18 and 55 to safeguard their health in the long run, and occasionally offer women's healthcare classes to promote women's health knowledge.



The Mothers' Relaxation Hut

⁴ The employee turnover rate is calculated by the number of employees at the end of each year.

⁵ When carrying out comparison, please note that the scope of the Report includes additional data of Dak Lak (Vietnam) Factory as compared to last year.

Facilitating Work-life Balance

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

- The Huizhou Factories set up a WeChat Official Account on online social media to provide employees with information such as news and weather reports, life hacks and review of the Group's activities. In addition, the Huizhou Factories also prepare the "Nameson Information" publication every year to communicate with employees by sending them New Year's speeches, sharing their stories and highlighting annual activities.
- The PRC Factories arrange employees to participate in external activities to facilitate communication and reinforce cohesion among the employees.
- Members of the labour union and the human resources and administration departments will team up to visit the employees residing at the staff quarters after work, taking the initiative to care for them.
- Various amenities and recreational facilities are set up in the factory sites, including: fitness equipment, cinema and library for our employees to relax and train for fitness after work.
- The PRC Factories and the First Team (Vietnam) Factory organise various types of recreational activities or meal gatherings regularly, for example, annual conference, festive celebrations or banquet, sports day, and skill contests for employees. We also arrange employees to participate in activities organised by other communities.
- Hong Kong Offices also organise team building activities regularly to enhance teamwork, strengthen staff relations and create a harmonious working environment.



2024 New Year's Day party



Spring Festival banquet at Shuikou District, Huizhou



Environmental, Social and Governance Report (continued)



Spring Festival party at Hebei Factory



Roasted pig cutting ceremony on New Year's Day at Hong Kong Offices



Soccer tournament of First Team (Vietnam) Factory

Environmental, Social and Governance Report (continued)



Employee tug-of-war competition at Shuikou District, Huizhou



Tug-of-war competition on Women's Day at Huizhou Factories



Fun fair on Labour Day at Huizhou Factories



Environmental, Social and Governance Report (continued)



2023 "Nameson Cup" 11th Huizhou foreign enterprises basketball tournament



The 22nd Huizhou Factories sports day



Huicheng Distinct Association of Foreign Investment Enterprises — The 4th "Dengfai Cup" badminton competition



Environmental, Social and Governance Report (continued)



Dumpling making activity for Dragon Boat Festival at Huizhou Factories



Hong Kong Offices' visit to Tsz Shan Monastery in Tai Po, Hong Kong

Supporting workers from different provinces in the PRC

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

- **Staff quarters:** As we recognise that it is very important for employees to have a comfortable residence when working away from home, we give priority to providing accommodation for employees from non-Guangdong provinces.
- **“Couple house”:** We provide married employees from other provinces and their spouses with family quarters to relieve their difficulties in finding accommodation away from home. Such employees can devote themselves to their work and spend more time with their spouses, so as to effectively help couples who are separated due to work.
- **Pick-up service in Lunar New Year:** During Lunar New Year, we arrange coaches to drop-off employees at drop-off points at Huizhou station to facilitate our employees’ journey back to their hometowns in other provinces. When employees return to work after Lunar New Year holiday, we arrange coaches to pick them up at these drop-off points 24-hours a day depending on employees’ needs.
- **Mental Care:** We also set up “Psychological Counseling Corner” where qualified psychological consultants or counsellors are stationed to provide psychological counselling services to our employees as some of them may get homesick when working away from home.



Psychological Counseling Corner

Environmental, Social and Governance Report (continued)

Supporting the Needs of Employees

We attach great importance to the needs of our employees and adhere to the “people-oriented” operation approach. Since Vietnam’s public transportation system is still under development, the main means of transportation for Vietnamese employees are motorcycles, and most of them use motorcycles to commute to and from work. Understanding the needs of local employees, First Team (Vietnam) Factory has specially built a two-storey covered motorcycle parking lot for our employees, and has neatly divided the parking spaces in the parking lot. This allows employees to store their motorcycles in the factory area in a safe and orderly manner without having to worry about parking their motorcycles every day in the open air under the sun and rain.



Two-storey covered motorcycle parking lot at the First Team (Vietnam) Factory

Listening to the Voice of Employees

We value our employees’ opinions towards us. By attentively listen to our employees’ opinions through transparent and open communication channels, we understand employees’ needs. The Group has developed a comprehensive complaint and suggestion mechanism for employees. The labour unions act as the important communication channels between our employees and us. This channel could facilitate the Group understanding, investigating and handling complaints with an independent, open and fair manner. The identity of the complainants and substance of complaints are kept confidential. The labour unions hold regular staff representative meetings to collect, listen to and timely respond to employees’ appeals so as to handle and solve potential disputes and conflicts through amicable negotiation and thereby maintain a harmonious working atmosphere. Besides, the labour unions also provide a 24-hour hotline, a WeChat Official Account and a General Manager’s mailbox in the PRC Factories and First Team (Vietnam) Factory for employees to lodge their complaints and express their opinions. When we receive opinions from employees, we would proactively respond to their expectation and demands. In case the complaints are substantiated, we will make appropriate arrangement in accordance with the rules of the Group, and formulate follow-up, corrective and preventive measures.



Staff representative meetings

Professional and Personal Development

The Group adheres to the philosophy to develop and excel ourselves together with our employees. When assisting employees to acquire skills and professional knowledge, it can also cultivate talents for the Group and enhance productivity. Therefore, we actively encourage our employees to participate in various trainings in their spare time for self-enhancement and strengthening business capabilities, providing induction training and continuous internal training for employees at all levels. We believe that a systematic training mechanism can enable employees to improve their professional skills in a more effective way, while helping them to adapt to the ever-changing business environment through lifelong learning. The Group's employee training ratios for the current year and last year, which are categorised by gender and employee category, are as follows:

Year	Training ratios of employee ^{5,6} (%)	By gender(%)		By employee category(%)		
		Male	Female	Senior management	Administrative employees	General employees
Current year	62.1	36.4	63.6	0.1	0.6	99.3
Last year ⁷	21.8	38.3	61.7	0.5	3.5	96.0



Lecture on the Spirit of the 20th Party Congress



Factory regulation and discipline training

⁵ When carrying out comparison, please note that the scope of the Report includes additional data of Dak Lak (Vietnam) Factory as compared to last year.
⁶ With reference to the calculation of social KPIs as stipulated in "How to Prepare an ESG Report" published by the Stock Exchange, the training data of employees are based on the number of employees as of the end of each reporting period and the employees who have resigned during each reporting period are not included to illustrate these ratios.
⁷ The training data last year has been restated to standardise data computation.

Environmental, Social and Governance Report (continued)

The Group provided diverse training (including but not limited to the following) to employees of different levels to enrich the professional knowledge of employees in their respective positions and cultivate the required professional attitudes to improve their work capabilities:

Senior Management**Development and Information Update Training**

- Provide update on the latest changes to the Listing Rules and related laws and regulations to enhance their knowledge about the Group's corporate governance and sense of responsibility
- Anti-corruption training
- National development trends

Administrative Employees**Professional Training**

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

General Employees**Continuing Training**

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

During the Reporting Period, the Group provided a total of 162.5 hours (last year: 42 hours) of training to employees, and the average training hours of employee for the current year and last year, which are categorised by gender and employee category, are as follows:

Year	Total training hours of employee (hours) ⁵	Average training hours of employee ⁸ (hours)	By gender(hours)		By employee category(hours)		
			Male	Female	Senior management	Administrative employees	General employees
Current year	141,366	9.86	10.36	9.60	2.30	3.26	9.94
Last year ⁹	5,223	0.37	0.39	0.36	0.50	0.78	0.37

⁵ When carrying out comparison, please note that the scope of the Report includes additional data of Dak Lak (Vietnam) Factory as compared to last year.

⁸ With reference to the calculation of social KPIs as stipulated in "How to Prepare an ESG Report" published by the Stock Exchange, the training data of employees are based on the number of employees as of the end of each reporting period, to illustrate the average number of hours of training for employees by category.

⁹ The training data last year has been restated to standardise data computation.

Occupational Health and Safety

We value the physical and mental well-being of our employees. Adhering to “Safety First, Prevention as Priority” to maintain our safety awareness, we are committed to creating a safe and comfortable working environment. Protecting the health and well-being of employees is an important responsibility of any responsible business. In line with our commitment to the well-being of our employees, we have taken active steps to prioritise their health. In the Reporting Period, we have invited Guangzhou Chinese Hospital Health Research Institute to Huizhou Factories to conduct two 10-day free Chinese medicine services consultation, to provide free health consultation services for all Huizhou employees. In addition to offer Chinese medicine conditioning, preventive health care, healthy lifestyle and other related knowledge, free acupuncture, auricular point pressing beans, moxibustion, cupping therapy, infrared warm moxibustion, 650 nm weak laser, eye and foot therapy and other treatments for different diseases are provided to employees. These medical consultation events not only raise staff’s health awareness, but also facilitate early detection of potential health problems, promotes preventive healthcare, and thus creating a supportive working environment. In addition, in the Reporting Period, we organised a public health talk on bowel disease during the Oncology Awareness Week to enhance staff’s understanding of colorectal cancer and its pre-cancerous lesions. Moreover, both of our PRC Factories and Vietnam Factories have employee medical rooms to provide services for employees in need.



Free Chinese medicine services consultation for Huizhou employees



Oncology Awareness Week — Public Health talk on bowel disease



Employee medical room in First Team (Vietnam) Factory



Environmental, Social and Governance Report (continued)



Employee medical room in Huizhou Factories

The temperature in Vietnam is relatively high and mosquito infestation is relatively serious. Mosquito bites not only cause redness, heat, swelling, pain and itchiness, they may also cause diseases such as dengue fever, etc. In order to protect the health and safety of our employees, we have specially installed mosquito killers, which are free of any chemicals, smoke, odorless and pollution-free mosquito control methods, to provide a comfortable working environment for our employees.



Installation of mosquito killers at the mosquito black spots of First Team (Vietnam) Factory

Environmental, Social and Governance Report (continued)

We strictly comply with safety laws and regulations, such as the “Law of the PRC on Prevention and Control of Occupational Diseases”, “Production Safety Law of the PRC” and “Vietnam’s Law on Occupation Safety and Health No.84/2015/QH13”, in our places of operation and have implemented safety measures in our factories, offices and dormitories to take precaution and prevent the occurrence of accidents. We have also established Occupational Safety and Health Committee and Emergency Management Committee which are responsible for monitoring the implementation of measures relating to occupational health, production safety and fire prevention in our factories. The committees convene meetings regularly to discuss programmes on production safety and training for the purpose of strengthening the safety awareness of employees, so as to reduce and prevent incidents of work injuries. In addition, our Hebei Factory has also obtained ISO 45001:2018 certification for occupational health and safety management system, recognising our efforts in protecting the occupational health and safety of our employees. In order to enhance the Group’s ability to respond to occupational health and safety incidents, our emergency notification procedures for the PRC Factories and First Team (Vietnam) Factory have included emergency response plans for hazardous material spills, fires, earthquakes, food poisoning and other incidents.



Hebei Nanguan ISO 45001:2018 Occupational Health and Safety Management System Certification

Environmental, Social and Governance Report (continued)

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.

Year ⁵	The number of working days lost due to work injury	Serious work injuries or death in the past three years (including the Reporting Period)
Current year	139.0	0
Last year	122.0	0

We have developed safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, factory safety, work injury and emergency evacuation procedures. The major measures are as follows:

Working Environment

- Smoking in offices and factories is banned so as to provide a smoke-free and healthy working environment for employees, as well as to mitigate potential safety risks arising from smoking.
- As required by local regulations in each of its places of business, we have installed fire prevention and detection systems, and arranged regular inspections and functional tests of the systems to ensure system availability. Fire prevention system approved by the relevant authorities has also been connected to the front desk of the office to ensure that timely alert can be given and the fire communication centre can be notified in the event of a fire, so that emergency measures such as firefighting and evacuation can be carried out as soon as possible.
- Nationally qualified independent third party agencies have been engaged to conduct dust, toxic chemical and noise tests for the PRC Factories and the First Team (Vietnam) Factory. Relevant qualification certificates have been obtained to ensure that the environment of the factories meets the occupational health standards.
- Production machines and equipment are inspected and maintained regularly to prevent accidents.
- The PRC Factories and the Vietnam Factories are equipped with labour protection equipment to protect employees' safety during work.
- All offices and factory buildings are equipped with first-aid medical supplies and employees with first-aid certificates are stationed to take care of employees who are feeling unwell or suffering work injuries.

Employee Education

- Newly recruited factory workers receive trainings on occupational safety and first-aid knowledge to familiarise themselves with the operational safety procedures required for their positions and raise their awareness of production safety.
- All employees have to attend regular trainings on the usage of safety equipment, hygiene and first-aid knowledge to enhance their capability to respond to contingencies.
- Relevant operational safety guidelines and instructions for wearing protective gears are posted at respective production departments. Appropriate protective gears are also provided. Besides, employees who need to operate dangerous mechanical equipment must pass professional training and put on proper protective gears before they can start working.
- The Huizhou Factories have strict rules and regulations for liquefied natural gas stations, specifying the responsibilities of operators, instructions for entering the stations, safety operation rules and safety management regulations for tanker unloading and storage tanks, in order to ensure that relevant personnel are aware of their responsibilities and safety requirements.
- Training seminars on fire prevention and fire drills are organised regularly to enhance employees' awareness of fire prevention.

⁵ When carrying out comparison, please note that the scope of the Report includes additional data of Dak Lak (Vietnam) Factory as compared to last year.

The following are highlights of training on occupational health and safety:

Both our PRC Factories and First Team (Vietnam) Factory conducted fire drills and allowed employees to try out fire extinguishers. This training programme was designed to increase employee awareness and skills in fire emergency response. Through actual operation of fire extinguishers, employees were able to understand the use of fire extinguishers and points to note, as well as prompt and effective fire control in case of fire.



Fire drills in the PRC Factories and First Team (Vietnam) Factory

In addition, we organise training activities on injury prevention and production safety to raise employees' awareness of workplace safety, and provide best practices for preventing work injuries and accidents. We emphasise preventive measures and safety practices to help employees avoid potential hazards and risks.



Training on work injury prevention and production safety

Environmental, Social and Governance Report (continued)

Besides, we also participated in “Mental Health Workplace Charter” Online Seminar on “Sleep Well, Good Mental Health Well-being, Improving Sleep Quality” co-organised by the Hong Kong Occupational Safety and Health Council and United Christian Nethersole Community Health Service, which helped our employees to understand how to reduce work pressure and anxiety thereby having a healthy sleep habit. This helps our employees maintain their healthy lifestyle on one hand and it can enhance their work efficiency.



Occupational Safety and Health Online Seminar on Handling Work Stress — “Mental Health Workplace Charter — Sleep Well, Good Mental Health Well-being, Improving Sleep Quality”

Child and Forced Labour

The Group strictly complies with relevant laws and regulations such as the “Labour Law” of the PRC, the “Regulation of Prohibition of Child Labour”, the “Employment Ordinance” of Hong Kong (Cap. 57 of the Laws of Hong Kong) and the “Labour Law of Vietnam”. Child and forced labour is strictly prohibited. We strictly verify candidates’ identity cards and household registration documents in our recruitment process to ensure that their ages meet the relevant legal age to work in our places of operation, and sign labour contracts with employees under the principle of voluntary equality to eliminate all non-compliance involving child or forced labour. We will not tolerate any means of punishment, threat, coercion or deception to force any person to work involuntarily or overtime.

In order to effectively communicate the policy of prohibiting child labour and forced labour to all employees, our recruitment clauses, factory regulations, supplier code of conduct and labour contracts contain relevant provisions. The factory regulations and supplier code of conduct provided by customers are also posted on each of the factories for reminder. We also conduct special meetings and trainings for recruiters, managers of various departments and management to allow them to understand the relevant policies and enhance their ability to manage labour practices. We encourage all employees to understand and report any non-compliance through the general manager’s mailbox, labour unions, employee seminars, telephone hotline, free legal advice provided by our Huizhou Factories and other complaint channels, implementing a supervision mechanism for all staff. If any child labour or forced labour is being discovered or relevant complaints are being received, the human resources department will arrange for timely investigation of relevant complaints. If the relevant complaints are found to be true, we will take appropriate action in accordance with the rules, and refer to relevant authorities for follow-up on such matters in accordance with the local legislations when necessary. During the Reporting Period, the Group did not find nor was involved in any non-compliance involving child or forced labour.

Anti-corruption

The Group believes that integrity is the cornerstone of sustainable business development. The Group is committed to acting with the highest standards of integrity and ethics, maintaining business ethics and honesty, fully and accurately implementing the core values of integrity, honesty, fairness, impartiality, and ethical business practices of the Group, and demonstrating its firm determination to zero tolerance for corruption. We strictly follow relevant national laws and regulations, such as the “Prevention of Bribery Ordinance” of Hong Kong, the “Criminal Law of the PRC”, the “Anti-Unfair Competition Law of the PRC”, the “Anti-Money Laundering Law of the PRC” and the “Opinions on Certain Issues Concerning the Application of Law in Handling Criminal Cases of Commercial Bribery” and the “Law of Anti-corruption of Socialist Republic of Vietnam”. We are determined to oppose to any form of corruption such as bribery, extortion, fraud and money laundering.

We have been promoting a corporate culture of honesty and integrity among our employees. We clearly specify ethical behavior standards to be met by our employees in the “Employees’ Handbook” and explain the procedures in case of any conflict of interest in our “Conflict of Interest Policy”. Meanwhile, our risk management and internal control mechanism also includes regular identification and assessment of fraud risks, as well as anti-fraud training and ethics education for our directors and employees from time to time, in order to improve risk control management and anti-corruption awareness to reduce the chance of fraud. During the Reporting Period, we have provided anti-corruption training seminars to 52 employees, including directors and senior management, covering common corruption risks in the private sector, corruption prevention measures and corporate code of conduct. In accordance with our “Anti-corruption Policy” and “Whistle-blowing Policy and Procedures”, employees can also make anonymous reports to the independent internal audit department and the Audit Committee by email or mail when they become aware of any conduct involving or suspected of bribery, fraud or corruption. The “Anti-corruption Policy” and “Whistle-blowing Policy and Procedures” set out the confidentiality system and working procedures such as whistle-blowing investigation and follow-up actions. We will keep the whistle-blower’s personal information and report contents strictly confidential. After the internal audit department receives the report within the scope of acceptance, it will conduct a preliminary analysis and record of the content. If the fraud incident is found to be true after investigation, we will take remedial measures in a timely manner, evaluate the internal control of the relevant departments affected and instruct the relevant departments to make improvements. For employees who commit fraud, we will impose administrative disciplinary sanctions in accordance with relevant regulations and require them to bear due compensation responsibilities. If it involves a violation of relevant laws and regulations, we will transfer the case to the relevant authority according to law after consulting the legal adviser. During the Reporting Period, there was no confirmed case of violation of the Group’s “Conflict of Interest Policy” occurred or involved and there was no concluded legal cases regarding corruption brought against the Group or its employees.

With the continuous development of the internet world, scammers have been attacking corporate servers in various forms over the past few years, as well as conducting scams in the form of SMS messages and emails, etc. In order to protect the interests of employees and the Group from being infringed, we have invited the Hong Kong Police Force to deliver a talk on fraud prevention to our Hong Kong Offices in the Reporting Period. In addition, the Group will make full use of other resources provided by the Hong Kong Police Force to minimise the Group’s exposure to deception.



Webinar on “Internet Security Risks and Common Online Scams”



Anti-corruption training

Environmental, Social and Governance Report (continued)

Other Concerns of Employees

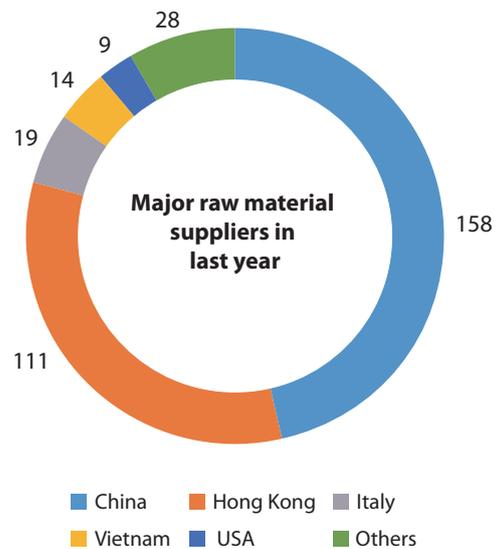
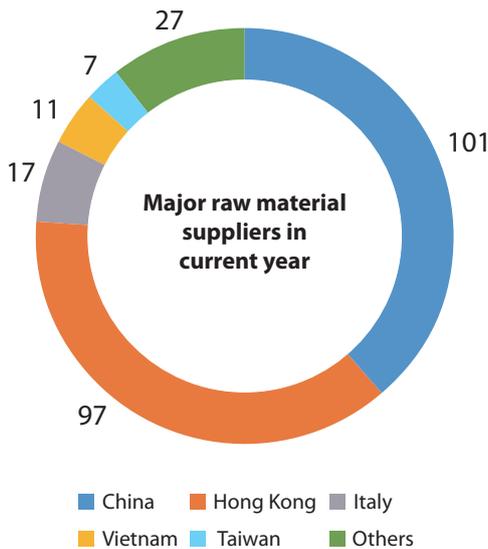
In response to the key issues identified in this year’s materiality assessment in relation to workplace matters, namely (12) Employees’ interests, benefits and recreational activities, (16) Employment compliance, (14) Occupational safety and health, and (15) Employees’ development and training, we will further organise more staff activities and provide more training opportunities in the coming year in relation to safety and occupational development. These activities and training aim to ensure that our employees enjoy good employment rights, benefits and recreational activities to fulfill stakeholders’ concerns in the relevant areas. Meanwhile, we are also committed to providing a safe and healthy working environment, as well as employee development and training opportunities to enhance their professional competence and personal growth. We recognise the importance of our employees, and ongoing efforts will be made to ensure that they are fully supported and given development opportunities at work.

RESPONSIBLE PRODUCTION

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

Supply Chain Management

The major raw material used in production is yarn. Besides, we also purchase other accessories such as buttons, zippers and washing materials from our suppliers. The distribution of our major raw material suppliers⁵ by geographical region is as follows:



The total number of major raw material suppliers in current year: 260

The total number of major raw material suppliers in last year: 339

⁵ When carrying out comparison, please note that the scope of the Report includes additional data of Dak Lak (Vietnam) Factory as compared to last year.

Environmental, Social and Governance Report (continued)

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

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

In addition to strict product safety and quality control, we also encourage suppliers to continuously improve their environmental and social sustainability performance and require some of the major raw material suppliers to sign a “Letter of Undertaking of Social Responsibilities of Suppliers” (the requirements of which shall be updated in a timely manner) in fulfilling various requirements for social responsibilities such as environmental protection, safety, anti-discrimination, non-employment of child labour, prohibition of forced labour and compliance with relevant national laws and regulations in their operations. Once a breach of commitment is found, corrective measures must be taken within the prescribed period.

In addition, all of our suppliers are subject to our regular performance evaluation, which includes assessments of their abilities and performances in different areas, such as services, product quality, price and product delivery time. When necessary, we also require suppliers to provide certificates or inspection reports on the quality of raw materials, and closely monitor the supply of raw materials, carrying out the above supplier-related management measures for some of major suppliers. Furthermore, our risk management team assesses the group level’s environmental and social risks in supply chain through a semi-annual risk assessment exercise, and reports to the management in a timely manner for supervision purpose. We strictly comply with relevant laws and regulations, including but not limited to the “Administration Measures for Fair Transactions Between Retailers and Suppliers of the PRC” and the “Regulation on the Implementation of the Bidding Law of the PRC”.

Environmental, Social and Governance Report (continued)

Sustainability, Security and Ethics of Materials

We care about the sustainability of product materials. Therefore, we participate in a number of certification audits, as well as taking the initiative to keep an eye on the market conditions so as to obtain international green marks related to knitwear products to prove that our products comply with green procurement standards and are environmentally-friendly. During the Reporting Period, we have obtained the following internationally renowned certifications in the textile industry, which fully demonstrates the recognition of our sustainable development in materials and supply chain management, and ensures that we are able to provide quality and reliable products to our customers and strengthen their confidence in us. We are committed to a transparent and responsible supply chain, working with compliant suppliers to maintain safe and ethical products, and ensuring that our products are widely recognised and trusted in the global marketplace through continuous improvement and collaboration.

Supporting Better Cotton Initiative

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



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

Complying with International Ethical Standards of Suppliers



Supplier Ethical Data Exchange (“Sedex”) is the largest global platform for supplier ethical data exchange with members from over 150 countries. We have passed the Sedex Member Ethical Trade Audit (“SMETA”), which includes labour standards, health and safety, environmental protection and business ethics, and have been granted the relevant certification to recognise that we comply with the stringent business ethical standards of Sedex.

Ensuring Safe Supply Chain Management

As a member of the Global Security Verification (“GSV”) recognised by Intertek, the security operation and anti-terrorism management in our supply chain management, covering storage and distribution, shipment information controls, records and documentation, contractor controls, personnel security, transparency in supply chain, physical security, information access controls and export logistics, are all in compliance with the security requirements of the U.S. Customs and Border Protection of the U.S. Department of Homeland Security. By obtaining the GSV certificate, we are able to provide customers with safer supply of products and speed up cargo handling.



Products Complying with Organic Content Standards

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



Meeting Textile and Clothing Recycling Declaration Standards and Global Recycled Standards



According to the Textile Exchange Certification Standard, we are certified by Control Union Certifications under the Recycled Claim Standard 2.0 (“RCS”) and the Global Recycled Standard 4.0 (“GRS”), in recognition of our compliance with international third party product certification standards in the production and recycling of textiles, in which we have fulfilled the corporate environmental and social responsibilities. As some of our products contain recyclable fibre, to ensure traceability of recyclable fibre and to meet the monitoring mechanism of the industry supply chain, we affix corresponding GRS label on products with recyclable contents of 50% or above, in accordance with the GRS’s recycled content standard. In the Reporting Period, we have 47 products complying with GRS standards (i.e. the product is made from more than 20% recycled materials), and 16 product categories have been affixed with GRS labels (i.e. the product is made from more than 50% recycled materials), demonstrating we are contributing to sustainable development, reusing recyclable materials and reducing waste disposal.

Complying with the International Standard for Wool Content

We have obtained the Pure New Wool certification issued by the Woolmark Company, which proves that some of our products are made of 100% pure new wool, and their physical properties, such as wool content, colour fastness, dimensional stability and abrasion resistance, meet the high international quality standards. The use of the labels as specified in the certificates on wool products can effectively enhance the confidence of customers and end-users in our products.



Responsible Wool, Mohair and Alpaca Standard



We have been audited by Control Union Certifications, an authorised certification agency, in accordance with the Textile Exchange Certification Standards for our suppliers’ pasture and are certified to meet the Responsible Animal Fibre, including the Responsible Wool Standard 2.2, the Responsible Mohair Standard 1.2 and the Responsible Alpaca Standard 1.0, evidencing not less than 5% of the wools, mohairs and alpacas we use come from sheep, goats and alpacas raised in a humane manner and our suppliers adopt progressive approach to manage the land of their plantations. Therefore, the source of wools, mohairs and alpacas used in our products can gain confidence from customers and end-users.

Environmental, Social and Governance Report (continued)

SFA Cashmere Standard of Sustainable Fibre Alliance



Some of our products have been audited by the third party Intertek laboratory and meet the SFA Cashmere Standard 1.0 of the British Sustainable Fibre Alliance, achieving the following five goals:

1. to maintain the welfare of goats;
2. to conserve biodiversity and plan use management of farms;
3. to promote dignified labour for farm workers;
4. to improve cashmere fibre quality; and
5. to operate an effective cashmere production management system.

Chain of Custody Standard v3.1

We are also compliant with the Sustainable Fibre Alliance’s Chain of Custody Standard v3.1, which means we are accountable for the sourcing and tracking of husbandry products in our supply chain. The certification demonstrates our commitment to sustainable practices, transparency and accountability in the sourcing, processing and distribution of husbandry products.



Global Organic Textile Standards 6.0



Some of our products have also been certified to the Global Organic Textile Standards 6.0 by Control Union Certifications, an authorised certification body, which certifies that our organic textiles are produced in accordance with the standards of the organic production process, from raw material sourcing, socially and environmentally responsible processing to labelling. Not less than 95% of the fibers (excluding auxiliary materials) in our products are made from certified organic raw materials or transition materials. In addition, this certification also regulates the use of chemicals, wastewater treatment and environmental management requirements, which helps us to achieve a certain level of environmental protection.

U.S. Cotton Trust Protocol

We are also a member of the U.S. Cotton Trust Protocol, which recognises the Group’s commitment to sustainable and transparent production. As a member, we follow best production practices, including reducing water and chemical use, and actively reporting data on our environmental impact. This demonstrates our strong commitment to promoting sustainable and ethical cotton production, while helping to enhance confidence from end consumers and brand customers in our products.



Product Quality Assurance and Liability

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



Environmental, Social and Governance Report (continued)

Product quality and safety are the keys to success, and rank the highest priority in our business. The Group strictly abides by relevant laws and regulations, including but not limited to the health and safety laws of products and services such as the “Product Quality Law of the PRC”, the “Consumer Protection Law of the PRC” and the “Measures on Penalties for Acts of Infringement on Consumer Rights and Interests” promulgated by the State Administration for Market Regulation. As a responsible manufacturer, we set up a stringent quality monitoring system throughout the entire production process which is subject to multiple levels of close control to ensure the highest quality of our products. Our production quality management system of the PRC Factories and First Team (Vietnam) Factory has been certified as an ISO 9001:2015 quality management system to ensure we meet its production requirements for knitwear products. The entire quality control system is meticulous in every detail throughout the process, ranging from the procurement of raw materials, manufacturing, checking to delivery, in a bid to ensure our products meet or even exceed national and industrial standards and achieve the Group’s quality objective, i.e. a passing rate of over 98% in the inspection of finished products.



Huizhou Nanxuan ISO 9001:2015 Quality Management System Certification



Huizhou Nanguan ISO 9001:2015 Quality Management System Certification



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



Hebei Nanguan ISO 9001:2015 Quality Management System Certification

Environmental, Social and Governance Report (continued)

In the Reporting Period, our Hebei Factory was awarded the “National Product and Service Quality and Integrity Demonstration Enterprise” by the China Association for Quality Inspection, which proves that the Group has continuously improved product quality and brand image, playing a leading role as a benchmark in the industry with focus on promoting product quality management and safety development.



National Product and Service Quality and Integrity Demonstration Enterprise of the Hebei Factory

Environmental, Social and Governance Report (continued)

Our quality control measures include:

Conduct Quality Assessment of Suppliers and Subcontractors

- We conduct quality assessment of suppliers and subcontractors based on a number of stringent internal standards, and a rating will be given to them after inspections and assessments of their business sites or production bases.
- The yarn purchased by and the products manufactured by the Group passed Oeko-Tex Standard 100 Class I set by the International Oeko Tex Association, which is the most stringent standard, and the products can be safely used by infants. The laboratory tests comprise about 100 testing parameters, including substances or composition prohibited or regulated by laws, such as formaldehyde, heavy metal, phenols, azo colorant, plasticiser, human carcinogen and allergen dye, or those with known hazards to health but not yet expressly regulated by laws demonstrating that the yarn we use for production and our finished products do not contain substances harmful to human body or the environment with skin-friendly PH value and good colour fastness.
- Suppliers are required to provide test reports or certificates for their raw materials during the purchasing process.
- For other chemical excipients, such as washing materials and plastic pellets, we require the suppliers to provide relevant safety technical instructions and test reports to ensure that they are free from harmful substances. These excipients are stored and handled according to different risk categories, so as to avoid any negative impact on the environment or products.
- The principal material for our self-made packaging plastic bags is plastic pellets. Hence, during the purchasing process we require the suppliers to confirm whether the plastic pellets to be provided comply with the “National Food Safety Standards for Plastic Resins Used in Food-contact”.



Oeko-TEX Certificate

Testing Centre and Material Monitoring



Our PRC Factories have testing centres for exclusive use. These testing centres have been granted with SGS Field Solution Consultancy Services Certificate by different operating branches of SGS-CSTC Standard Technical Service, an international certification organisation, authorising our testing centres in the Huizhou Factories and the Hebei Factory to conduct 38 and 20 physical and chemical quality tests on knitwear products and yarn. Meanwhile, our testing centres are also certificated by Intertek and SGS, in recognition of the testing methods adopted in our laboratories. Moreover, some of our customers, including UNIQLO and Lands’ End, also issued accreditation certificates to the testing centre after review and authorised us to conduct certain quality tests on their products.

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

- Prior to the purchase of raw materials, samples of the raw materials are tested for colour fastness to ensure the fading of the dye used on the yarn under different conditions, such as sun exposure, rubbing, washing and ironing, meets our internal requirements before we make bulk purchase.
- Prior to production, the quality control department carries out sample quality testing on the raw materials focusing on different characteristics of the materials, to ensure the quality meets our in-house standards, regulatory requirements of the export destinations and customers’ requirements before they are used for production. For yarn, which is the raw material mainly used for our knitwear, we will test its colour fastness to washing, water and perspiration etc. For the production of cashmere yarn, our tests will be focused on its physical indicators such as abrasion resistance, colour fastness to perspiration and water as well as pilling.

Environmental, Social and Governance Report (continued)

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



Laboratory certification documents issued by our customers

Quality Inspection by our Production Team

- Automated production equipment and computer-aided precision embroidery technology are used together with manual inspection procedures to ensure product quality is maintained at a high level.
- Regarding the orders of new products or new styles, we hold meetings and conduct relevant production and quality training for production teams. We also conduct stringent tests on the first batch of finished products. Mass production will be carried out only after the tests are passed.
- Our quality control department carries out various quality inspection procedures at all major stages of production process, such as the inspection on knitted panels after linking and stitching, post-washing inspection, post-measurement inspection, post-ironing inspection and lighting inspection on semi-finished products. For the production of cashmere yarn, we clean the machine and equipment during the drying, bagging and combing process to prevent different-coloured yarns from being stained. In addition, we also conduct physical tests such as colour fastness, strength, cotton density and pilling resistance of semi-finished and finished yarns to ensure no substandard products will proceed to the next process.
- Our quality control staff conduct random inspections on semi-finished products and finished products according to the international standard AQL2.5. Our in-house inspection standards are generally more stringent than customers’ quality requirements to ensure our products are of high quality.
- All of our finished products are subject to final inspection and needle inspection to ensure the products do not contain any broken needles or ferrous metallic foreign objects.
- Some international brands customers require our quality inspection staff to pass their own examinations for quality assurance before conducting quality inspections on their products that we produce.

To Fulfill the Quality Requirement Demanded by Customers

- Our products are mainly sold to retailers of international apparel brands, so we are also required to comply with the code of conduct and quality requirements standards set by individual customers.
- We are also subject to inspection by our customers from time to time in terms of regulations, product quality as well as environmental and labour standards.
- We also submit quality reports to our customers on a regular basis.
- We sign sales contracts with designated customers, which specify the product content, quality standards, delivery methods and acceptance standards, etc., to ensure the quality of products and services.

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

Product Returns

The Group strictly adheres to the laws and regulations on product liability in the places where it operates so as to protect consumers' interest. Our business operation model is mainly original equipment manufacturer ("OEM"). We carry out production based on the requirements of our customers. End consumers are usually unaware of the manufacturer of these products. They will only request a return or compensation from the retail brand selling the products. Therefore, the Group considers that the risk exposure of assuming the obligation or compensation for personal injuries or loss of properties arising from using of our products by end consumers is relatively low, yet we still face a certain degree of potential compensation risk. During the Reporting Period, we were not subject to any product liability claims due to safety and health reasons, and we did not recall any products nor receive any major customer complaints about our product quality. Nevertheless, we have developed a comprehensive product returns policy. Upon receiving complaint from retail brands in respect of defective products, if it is determined after internal investigation that such defects are caused by our mistakes, we will accept the product repair, replacement, return and bear the expenses arising from the return as appropriate. In case the defect is determined to be the liability of raw material suppliers or subcontractors, we would seek reasonable compensation from them, re-evaluate the relevant supplier or subcontractor and reconsider the possibility of cooperation with them in the future. Notwithstanding the above, the Group has product liability insurance in place to mitigate the potential risks.

Environmental, Social and Governance Report (continued)

Intellectual Property Rights, Data Protection and Privacy

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

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

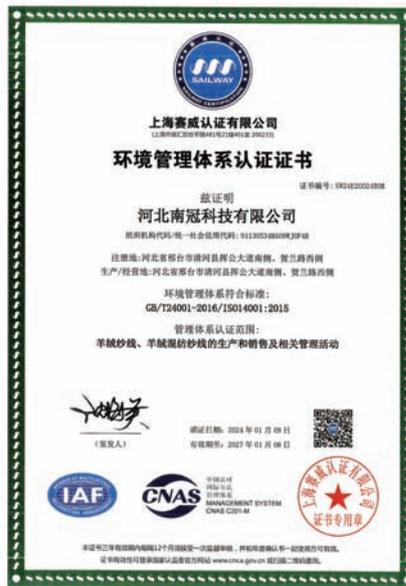
We, as requested by our customers, burn the remaining brand labels under their witness at the end of each year, in order to avoid misuse or misappropriation of the labels. During the Reporting Period, we have strictly complied with the terms of the agreements stipulated in our customers' contracts in relation to the Group's handling of customers' brand labels. In addition, the Group registered 16 domain names which are significant to the Group's business and 4 trademarks in the PRC. Besides, the Group also registered 8 domain names which are significant to the Group's business and 4 trademarks in Hong Kong. Prior to using the intellectual property rights of third parties (e.g., supplier, customer and partner brand logos) for business purpose, we will first obtain written authorisation from such third parties.

During the Reporting Period, there were neither irregularities nor data leakage, and we had not received complaints from external parties or regulatory authorities in respect of the Group's failure to protect customer privacy or safeguard customer data. As OEM is the major operating model of the Group, product promotion or advertising is not significant to the Group. The Group complies with the "Advertising Law of the PRC" and other laws and regulations relating to advertising of products and services. During the Reporting Period, we were not involved in any material proceedings in respect of intellectual property rights, and as far as we know, there was no claim for infringement of any intellectual property rights that involved us either as a claimant or respondent.

ENVIRONMENTAL PROTECTION

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

In the course of operation and production, the Group complies with the relevant laws and regulations regarding environmental protection in places where it operates, such as the “Environmental Protection Law of the PRC”, the “PRC Law on Prevention and Control of Water Pollution”, the “Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste”, the “Law of the PRC on Soil and Water Conservation”, the “PRC Law on Prevention and Control of Air Pollution”, the “Law of the PRC on Prevention and Control of Soil Pollution” and the “National Technical Regulations for Industrial Sewage” of Vietnam. Our Hebei Factory has obtained ISO 14001:2015 environmental management system certification, which promotes sustainable development by systematically planning and preventing negative environmental impacts of production. In recent years, we have also seen increasingly stringent environmental regulations, with a focus on environmental issues, such as PRC’s announcement to achieve carbon neutrality by 2060. Hence, besides regular review to ensure compliance of environmental protection laws and regulations, we also explore and apply new equipment and technology for energy saving and emission reduction, so as to fulfill our responsibility for environmental protection. To the best of our knowledge, during the Reporting Period, our production and operation activities complied with the laws and regulations in relation to environmental protection. Besides, the Group was not subject to any significant administrative penalties or fines for any material breach of environmental laws or regulations.



Hebei Nangan ISO 14001:2015 Environmental Management System Certification

Environmental, Social and Governance Report (continued)

Environmental Data

The Group's performances in air and greenhouse gas emissions, use of energy and resources during the current year and last year are as follows:

Environmental indicators ^{5,10,11}	Current year	Last year
Air emissions ¹²		
Nitrogen oxides (NO _x) (tonnes)	70	56
Sulfur oxides (SO _x) (tonnes)	11	14
Particulate matter (PM) (tonnes)	11	16
Greenhouse gases ("GHG") ¹³		
Total GHG emissions (Scope 1 and Scope 2) (tonnes of CO₂e) ¹⁴	95,064	95,760
Total intensity of GHG emissions (Scope 1 and Scope 2) (kg of CO ₂ e/production unit) ¹⁴	2.25	2.50
Total net GHG emissions (Scope 1, Scope 2 and Scope 3) (tonnes of CO₂e) ¹⁵	95,053	95,695
Total net intensity of GHG emissions (Scope 1, Scope 2 and Scope 3) (kg of CO ₂ e/production unit) ¹⁵	2.25	2.50
Scope 1 (tonnes of CO ₂ e)	50,103	51,914
Scope 2 (tonnes of CO ₂ e)	44,961	43,846
Scope 3 (tonnes of CO ₂ e) ¹⁶	98	44
Total GHG emissions reduced by planting trees (tonnes of CO ₂ e)	109	109

⁵ When carrying out comparison, please note that the scope of the Report includes additional data of Dak Lak (Vietnam) Factory as compared to last year.

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

¹¹ The Group's production model is determined based on the sales demand, therefore the above production unit represents the sales volume of the products.

¹² Our disclosures on air and greenhouse gases (GHG) emissions have been prepared based on the requirements stipulated in "How to Prepare an ESG Report" published by the Stock Exchange and "GHG Protocol: Corporate Accounting and Reporting Standard (Revised Edition)" published by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

¹³ GHG emissions data is presented in terms of carbon dioxide equivalent. The data of Scope 1 (direct emissions) includes operations that are direct controlled or managed by the Group. The data of Scope 2 (indirect emissions) takes into consideration the "energy indirect" GHG emissions caused by the indirect electricity, heat, refrigerants and steam consumed by the Group (purchased or sourced from external parties).

¹⁴ Total GHG emissions (Scope 1 and Scope 2) and their intensities do not include Scope 3 other indirect GHG emissions and total GHG emissions reduced by planting trees.

¹⁵ Total net GHG emissions (Scope 1, Scope 2 and Scope 3) and their intensities include Scope 3 other indirect GHG emissions and total GHG emissions reduced by planting trees.

¹⁶ Scope 3 emissions data include indirect GHG emissions from business trips of air travel of employees, calculated by the Carbon Emissions Calculator of International Civil Aviation Organisation, a United Nations agency, and the "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong" published by the University of Hong Kong and City University of Hong Kong.

Environmental, Social and Governance Report (continued)

Environmental indicators ^{5,10,11}	Current year	Last year
Energy consumption		
Total energy consumption (MWh)	255,583	269,648
Energy consumption intensity (kWh/production unit)	6.05	7.04
Direct energy		
Coal consumption (MWh)	18,843	63,198
Unleaded gasoline consumption (MWh)	712	663
Diesel consumption (MWh)	2,519	2,097
Liquefied petroleum gas consumption (MWh)	556	546
Natural gas consumption (MWh)	90,057	100,009
Wood pellet consumption (MWh)	64,162	27,315
Solar power consumption (MWh) ¹⁷	6,968	3,553
Indirect energy		
Purchased electricity consumption (MWh)	71,766	72,267
Water resources		
Total water consumption ('000 m³)	2,903	3,174
Water consumption intensity (m ³ /production unit)	0.07	0.08
Hazardous waste		
Total production volume of hazardous waste (tonnes)	0.30	2.26
Total production intensity of hazardous waste (g/production unit)	0.01	0.06
Non-hazardous waste		
Total production volume of non-hazardous waste (tonnes)	2,841	5,198
Total production intensity of non-hazardous waste (g/production unit)	67.30	135.71
Total recycled and reused volume of non-hazardous waste (tonnes)	242	647
Total disposed volume of non-hazardous waste (tonnes)	2,599	4,551
Packaging materials used for finished products		
Total packaging materials used for finished products (tonnes)	1,776	1,866
Packaging materials used for finished products per production unit (g/production unit)	42.07	48.70
Plastic bags (tonnes)	619	613
Cartons (tonnes)	1,157	1,253

¹⁷ From June 2022 and January 2023, phase I and phase II of the solar power generation project in Huizhou Factories have been completed respectively. Both phases of solar power generation project is in full operation in financial year 2024.

Environmental, Social and Governance Report (continued)

Targets and Indicators

The Group has always been highly concerned with sustainability issues. We are committed to reducing energy consumption and carbon emissions, and have been making continuous efforts to achieve our targets over the years. We engaged external professional consultants to provide us with an estimate of our future carbon emissions and energy consumption data, and to adjust our carbon emissions target and set energy savings target in line with our planned sustainable development strategies. We establish energy management direction and expect to achieve the following targets^{18,19} on or before financial year 2031 against the baseline in financial year 2021:

	<p>Total carbon emissions (tonnes of CO₂e) on or before financial year 2031: reduced by 10.5% (against the baseline in financial year 2021)</p>		<p>Total energy consumption (MWh) on or before financial year 2031: reduced by 4.3% (against the baseline in financial year 2021)</p>
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Huizhou Factories

The established energy management direction was adhered in current year:

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

First Team (Vietnam) Factory

The “Environmental Management Strategy for 2023-2025” has been formulated to match the Group’s objectives, formulate short-term and long-term strategic plans in respect of energy, waste, use of water, exhaust gas and emissions, and effectively implement and continuously evaluate them.

Hebei Factory

The established energy management direction was adhered in current year:

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

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

¹⁸ The total carbon emissions and total energy consumption targets we have formulated are based on the financial year 2021, and only cover the Hong Kong Offices, PRC Factories and First Team (Vietnam) Factory referred to in the financial year 2021.

¹⁹ The total carbon emissions targets only cover direct (Scope 1) and energy indirect (Scope 2) GHG emissions, and do not include the carbon emission reduced by planting trees.

Emission Reduction and Energy Saving Progress²⁰



Our total carbon emissions recorded for the Reporting Period have slightly increased by approximately 3.57% compared to the baseline in financial year 2021, and our total energy consumption has increased by approximately 1.13% compared to the baseline in financial year 2021. The major reason for the total energy consumption and total carbon emission hikes in the Reporting Period compared to the financial year 2021 was due to the approximately 8.11% increase in production volume. However, energy consumption intensity and the carbon emission intensity per production unit decreased by 6.45% and 4.10% respectively compared to the financial year 2021. In respect of sustainable development, the Group is committed to conducting research on adjustment of energy structure as well as development of new energy for the purpose of transformation from traditional energy to clean energy, improvement of energy saving and emission reduction effects. Phase I and phase II of the solar power generation project in Huizhou Factories have been fully completed last year. With the full year’s operation, it has reduced the amount of electricity purchased from the grid, which helps to reduce indirect GHG emissions, as detailed in the section on “Energy and Resources Management”.

We will continue to review and adjust our emission reduction strategies, explore the possibilities of using various renewable energies, strengthen our efforts to reduce emissions and improve energy efficiency. In the future, we will continue to explore the opportunities to install more renewable energy and low-emission energy portfolios, including plans to launch solar power generation project in First Team (Vietnam) Factory. In addition, we are committed to raising employees’ awareness of reducing emissions, and strive to achieve emission reduction and energy saving targets in the short, medium and long run according to the determined energy saving target.

In the coming year, we will continue to actively communicate closely with our major customers and government authorities to fully understand their ESG requirements and carbon reduction policies. The Group will continue to monitor the actual implementation and likelihood of achieving the ESG targets set for financial year 2021. We will continue to update and review our carbon footprint in the future with reference to international best practices and standards, and adjust the relevant targets as necessary to ensure the applicability of the targets and their consistency with the Group’s development, and to promote the fulfillment of our sustainable development objectives.

²⁰ Dak Lak (Vietnam) Factory was not included when establishing objectives.

Environmental, Social and Governance Report (continued)

Exhaust Gas Treatment

The air pollutants emissions such as nitrogen oxides, sulfur oxides and particulate matter (including smoke and dust) generated by the Group mainly come from the operation of boilers, use of gas stoves in canteen and travelling of vehicles. We manage responsibly and monitor closely our emissions to ensure strict compliance with the relevant emission laws and regulations in the places where we operate. To ensure that our boiler emissions are in compliance with the emission standards of the places where we operate, guidelines and rules related to the restrictions on pollutant emission and internal environmental protection management procedures are formulated. Moreover, approved boiler burners and exhaust gas treatment systems are installed in the PRC Factories and First Team (Vietnam) Factory. The Group regularly engages independent third party professional agencies recognised by the respective countries to conduct compliance tests on exhaust gas emissions from boilers in accordance with the relevant regulations of the places where we operate. As a result, during the Reporting Period, the air pollutant emissions of our boilers complied with the exhaust gas detection standard set out in the "Emission Standard of Air Pollutants for Boiler(GB 13271 –2014)", "Emission Standard of Air Pollutants for Boiler" promulgated by the Guangdong Environmental Protection Bureau, the "National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts" promulgated by the Ministry of Natural Resources and Environment of Vietnam and the "Emission Standard of Air Pollutants for Boiler" promulgated by Hebei Provincial Department of Ecological Environment.

In line with the carbon reduction strategy promulgated by the PRC government, our PRC Factories have switched to more energy-efficient natural gas boilers. Due to the low content of nitrogen and sulfur in natural gas, the carbon dioxide (CO₂), sulfur dioxide (SO₂) and nitrogen oxides (NO_x) released during combustion will be relatively less. Moreover, natural gas can easily mix with air so that natural gas boilers do not require the atomisation process which is necessary for coal boilers, while achieving better burning efficiency and overall energy utilisation. The energy saver and condenser of natural gas boiler can control the temperature of the emitted smoke, collect the residual heat and the heat of vaporisation of the smoke, enhancing the thermal efficiency of the boiler. Apart from the above advantages, the existing gas boilers we use are also applying the following technologies:

- Flexible corrugated design of the furnace and the two-pass threaded pipe increases the heating surface and thermal conduction, allowing the fuel to fully burn and reduce the emission of hazardous exhaust gases.
- The boilers are equipped with high-quality burners and operate with micro-positive pressure combustion to ensure a stable dynamic condition and adequate combustion to avoid the gas shock phenomenon, thereby reducing smoke, dust and noise.

In addition, our employees responsible for boiler maintenance also carry out performance tests on boilers on a regular basis to ensure that they are in good operating condition to reduce wear and tear.

Chiller Water Intelligent Control System

In the Reporting Period, the Huizhou Factories cooperated with a professional third party organisation as we did last year, to plan, design, install, debug and maintain the “Chiller Water Intelligent Control System” (the “Intelligent Control System”) for the Huizhou Factories. The Intelligent Control System collects and controls the cooling tower inlet water temperature, outlet water temperature, cooling water discharge and flow, required electricity consumption, and detects online water quality data. The Intelligent Control System maintains good cooling water quality, reduces the impact of discharged cooling water on the environment, while improving the water and electricity efficiency of the cooling tower to save energy consumption. In addition, the Huizhou Factories also entrusted the professional third party organisation to renovate the cooling water pump and chilled water pump equipment in the central air-conditioning station to improve the energy efficiency of the overall cooling system. The following are some functions and details of the Intelligent Control System:



Environmental, Social and Governance Report (continued)

Sewage Treatment

Our sewage is primarily generated from water for daily life and washing materials used in the manufacturing process of knitwear products, such as degreasers, rust removers and reserving agents. Sewage treatment is a major concern in our treatment and discharge. We strictly abide by relevant local laws and standards of the places where we operate, including the "Discharge Limits of Water Pollutants" issued by the Guangdong Environmental Protection Bureau of the PRC, the "Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry" and the "Measures for Pollutant Discharge Permitting Administration"(Trial) (amended in 2019) issued by the Ministry of Ecology and Environment, the "Administrative Measures for the Licensing of Discharge of Urban Sewage into the Drainage Network" issued by the Ministry of Housing and Urban-Rural Development, the "Regulations of Guangdong Province on Water Pollution Prevention and Control", the "Regulations of Hebei Province on Water Pollution Prevention and Control", the "Regulation on Urban Drainage and Sewage Treatment" and the "National Technical Regulation on Industrial Wastewater" stipulated by the Ministry of National Resources and Environment of Vietnam. We have developed sewage discharge and treatment procedures, and all of our factories are equipped with sewage treatment systems to disinfect and purify the wastewater collected from production and domestic sewage with separate pipelines, so that the amount of pollutants in wastewater is reduced to the level required by regulations of the places where we operate before it is discharged to the local sewage treatment centre. We have also established an environmental protection monitoring station in the clear water pool of one of the sewage treatment systems in the PRC and carried out anion tests before the wastewater is discharged, so as to remotely monitor whether the drainage meets the relevant sewage discharge standards. In the event of a sewage system failure, we will first discharge the sewage to a storage tank and then re-run the treatment and filtering process after the system has been repaired.



Sewage treatment facilities

All factories of the Group regularly engage local independent third party professional agencies recognised by the respective countries to conduct tests on sewage discharged to ensure its compliance with the relevant laws and regulations of the places where we operate. During the Reporting Period, we engaged local independent third party inspection and testing agencies recognised by the respective countries to carry out the tests on our industrial wastewater in accordance with the national standards. The test items include Five-day Biochemical Oxygen Demand, Total Nitrogen, Total Phosphorus and Total Suspended Solids.

Energy and Resources Management

We are deeply aware of the importance of energy and resource management for sustainable development. Therefore, we are committed to reducing the Group’s energy consumption, including the standardisation and institutionalisation of energy management to make the energy consumption level in the forefront of the industry. Our Huizhou Factories have developed the “Energy Measurement Management System” to more reliably track and monitor the energy consumption levels and energy-saving results. During the Reporting Period, our Huizhou Factories also conducted self-examination on energy-saving performance to examine and improve energy efficiency. The First Team (Vietnam) Factory has also revised the “Environmental Protection Management Policy”, promising to continuously save energy and improve to minimise energy consumption.

In order to achieve the management policy of clean energy production, the Group has installed monocrystalline solar panels on the roof of our Huizhou Factories to increase the use of renewable energy, and reduce the dependence on fossil energy. The solar power generation project of the Huizhou Factories was carried out in two phases, with an overall investment of approximately RMB26 million. The electricity generated from the solar panels in the two phases of the solar power generation projects will be given priority to the Huizhou Factories for their own use, while the remaining electricity will be sold to the state grid. Taking on the success of solar power generation at our Huizhou Factories, we plan to expand our solar power generation project to Vietnam to increase the proportion of renewable energy used. The following are the relevant data of the two phases of the solar power generation projects:

Relevant data of the solar power generation of Huizhou

Category	Phase I of the solar power generation project	Phase II of the solar power generation project	Total	Unit
Installation capacity	4.85	2.80	7.65	MW
Area of photovoltaic module	23,036	13,500	36,536	Square meter
Average sunshine hours per year	1,100	1,100	N/A	Hour
Power generation of the current year	5,213	3,290	8,503	MWh
Reduced carbon dioxide emission of the current year	2,458	1,551	4,009	Tonne
Launch date	June 2022	January 2023	N/A	N/A

We use a cloud-based data platform provided by our inverter supplier to collect and monitor solar power generation in real time and to reflect the status of the solar power generation facilities. When data and status anomalies are detected, we will dispatch personnel to inspect, clean or repair the relevant facilities in a timely manner. In addition, we regularly use the data collected by the platform to analyse energy efficiency.

Environmental, Social and Governance Report (continued)



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



Phase II of the solar power generation facilities of the Huizhou Factories

Energy Saving

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

As a knitwear manufacturer, water is also considered as an essential resource for our operations. As the water we used mainly comes from the water plant of the places where we operate, we have not encountered any problem in sourcing water. The Group strictly follows the relevant laws and regulations in relation to energy and resources consumption of the places where we operate, such as the “Energy Conservation Law of the PRC”, the “Water Law of the PRC” and the “Environmental Protection Act of Vietnam”, and adopted the following environmental protection measures to optimise the use of resources and reduce consumption during the Reporting Period:

Water Saving

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

Recycling and Reuse of Production Effluent — Water Reclamation Station

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

Packaging Materials

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

Environmental, Social and Governance Report (continued)

WASTE MANAGEMENT

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

Non-hazardous waste	Municipal solid waste and waste paper	<ul style="list-style-type: none"> • Waste is collected daily from the factory dormitories and offices and transported to a designated storage area for proper disposal by our service provider. • To facilitate the separation of domestic waste, we have implemented waste classified collection measures by classifying domestic waste into three categories: “recyclable”, “non-recyclable but degradable” and “non-recyclable and non-degradable”, and encouraging our staff to dispose of them separately. The Group has strictly complied with the “Administrative Measures for Urban Living Garbage” in the PRC. • In order to promote environmental protection, our factories minimise the purchase of bottled drinking water to reduce plastic waste. • We encourage our staff to develop good paper usage habits to conserve paper and to centralise the recycling and reuse of waste paper.
	Industrial solid waste	<ul style="list-style-type: none"> • Waste cardboard, waste yarn and waste yarn bobbins: We will sort and collect them before selling them to recycling service providers for appropriate disposal. To reduce the generation of non-hazardous waste, we work with some of our suppliers to arrange for the recycling and reuse of old yarn bobbins to maximise the recycling rate of waste material. In addition, we give priority to using surplus yarn for interlining in the production process without compromising product quality. • Remaining coal cinder from boiler: We will first conduct heavy metal index analysis and screen out the coal cinders with excessive metal content for proper disposal by a qualified recycling service provider. • Sludge generated during the purification of wastewater: The sludge will be stored in a designated collection area to avoid contamination before being handed over to a qualified recycling service provider for proper disposal.

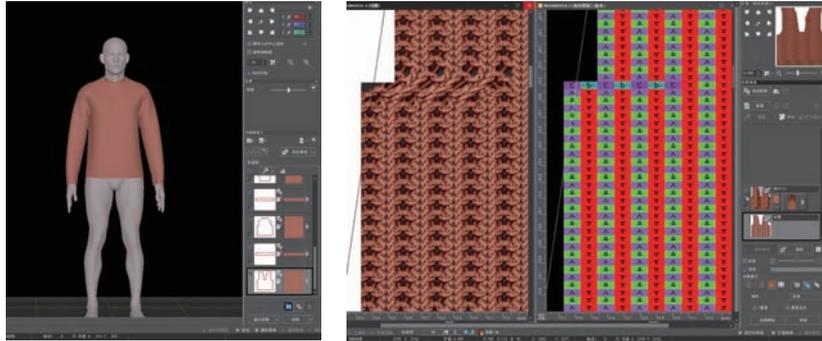
Environmental, Social and Governance Report (continued)

Hazardous waste	<p>Containers used to store chemicals, production waste and substances containing heavy metals in the production process at the First Team (Vietnam) Factory, e.g. fluorescent tubes. Packaging bags of dyes, liquid waste and waste detection reagent at on yarns in the production process of cashmere yarn at the Hebei Factory</p>	<ul style="list-style-type: none"> • We have designated a special area in the factory for the temporary storage of hazardous waste. All hazardous waste generated during the production process is collected and stored in a centralised area, labelled with a hazardous waste label and managed according to the hazardous waste classification code. The Group strictly complies with the laws and regulations relating to hazardous waste under the “Environmental Protection Law of the PRC”, the “Law of the PRC on the Prevention and Control of Solid Waste Pollution”, the “Measures for the Administration of Permit for Operation of Dangerous Wastes”, the “Measures for the Transfer of Hazardous Wastes”, the “Regulations on the Prevention and Control of Solid Waste Pollution in Guangdong Province”, the “Regulations on the Prevention and Control of Solid Waste Pollution in Hebei Province” and “Decree on Management of Waste and Discarded Materials: 38/2015/ND-CP of Vietnam” and has entrusted qualified recycling service providers to properly dispose of such waste. • Hebei Factory has also formulated the Prevention Measures and Emergency Plan for Hazardous Waste Pollution Accidents and the Hazardous Waste Management System to regulate the collection, storage, transfer, utilisation and disposal of hazardous waste. Relevant specialised departments are also responsible for collecting hazardous domestic waste, supervising and managing waste disposal.
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Environmental, Social and Governance Report (continued)

The Environment and Natural Resources
Product Sampling

The Group uses advanced flat knitting machine simulation system to design product samples for customers, offering high-definition computer simulation graphic as a rendering of our products. This allows customers to directly view the product through realistic 3D simulations and provide feedback without needing multiple physical samples. This process significantly reduces both the time and costs involved in the production of samples, as well as the wastes generated in the process. Additionally, new products and designs are regularly uploaded to the Group’s designated websites, making it easier for customers to browse, reducing material usage, and saving time.



Green Factories

The Group is committed to optimising green spaces within the factory area, leveraging the photosynthesis of trees to enhance carbon dioxide absorption and lower net carbon dioxide emissions. Our goal is to create a green environment and foster an eco-friendly community, providing employees with a high-quality, comfortable space to work and live, thereby improving their physical and mental well-being. The design of our factory sites balances the ecological and aesthetic aspects with an emphasis on planting. Greenery occupies more than 40% of the Group’s factory area in Huizhou, therefore employees can enjoy the beauty of nature around every corner.

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



Food Waste Treatment

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

CONTRIBUTIONS TO THE SOCIETY

As an enterprise with high civic awareness and social responsibility, the Group has spared no effort to support and participate in public welfare and charity activities for many years, and is committed to building a better society with our community. We follow the spirit of “taken from the community, giving back to society” and have been committed to reaching out to the community to give back to the community and fulfill our responsibilities as a member of the community. During the Reporting Period, we made sponsorships and donations of over HK\$1.67 million in total to various non-profit and charitable organisations (last year: HK\$0.5 million), and participated in volunteer activities for a total of approximately 23 hours (last year: 22.5 hours). Additionally, we are constructing a new factory in Dak Lak Province, Vietnam, to generate job opportunities in the region. Vietnam, classified as a low-to middle-income country, has a large population and a plentiful labour force, with its economy and infrastructure still in development. In 2021, the per capita income of Dak Lak Province ranked 50th out of 63 provinces in Vietnam. By establishing a new factory in Vietnam, we aim to create more employment opportunities, provide a steady income for local workers, and further stimulate local economic growth.

During the Reporting Period, the Group supported community development in four major areas. To aid the area hit by natural disasters, we swiftly prepared a batch of sweaters valued at approximately RMB1 million and donated to the victims of the 6.2 magnitude earthquake in Jishishan County, Linxia Prefecture, Gansu Province. These sweaters were intended to help the survivors endure the cold winter and to show our care and support. We wish these sweaters provide warmth and comfort to the victims, and we urge more people to join in assisting those in the areas hit by natural disasters to rebuild their homes.

In terms of promoting social welfare, the Hebei Factory regularly donates food and pays regular visits to local nursing homes to address the physical and mental needs of the elderly, ensuring they receive care and support. Additionally, during Chung Yeung Festival, Huizhou factory organised activities to donate sweaters to elderly and disadvantaged group to show our care to these minority groups. Through these activities, we foster social cohesion and a spirit of caring. We also wish to encourage our staff to participate in more volunteer activities, promote a positive culture of public service and motivate them to participate on their own initiatives to lend a helping hand to those in need in the community.

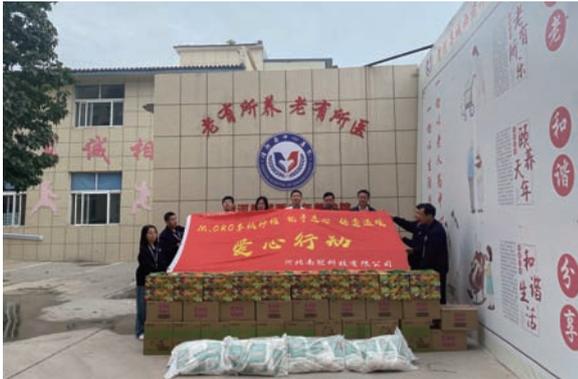
In terms of environmental protection, the Hebei Factory participates in park cleaning activities, which helps to improve and maintain the cleanliness and beauty of the parks. This creates a comfortable and attractive environment where people can enjoy the beauty of nature. By cleaning up litters, we also reduce threats to wildlife and raise environmental awareness among our staff and the community. Additionally, the Hebei Factory participates in tree planting activities to prevent soil erosion, promote greening, reduce carbon emissions, and enhance the ecological value and biodiversity of the forests. These activities also elevate the awareness of the natural environment and environmental protection among our staff and the community. We are committed to our ongoing participation in various charitable activities in the future, contributing to the well-being of the community.

In terms of promoting education, we donate essential materials to underprivileged students, providing them with a better learning and living environment. This aims to encourage them to persist in their studies and pursue their dreams. Additionally, we organised school-enterprise exchanges with Huizhou University, offering students the opportunity to visit and understand the Group’s supply chain and product manufacturing processes. These interactions with the Group’s professionals help to broaden their career horizons and skills, thereby building a bridge between educational institutions and enterprises.

Environmental, Social and Governance Report (continued)



"Join Hands to Warm Gansu This Winter" activity in Huizhou



Visits to elderly care homes in Hebei

Environmental, Social and Governance Report (continued)



Honouring the Elderly during Chung Yeung Festival in Huizhou



Garbage Cleaning Public Welfare Activities at Qingyang Park, Hebei



Tree planting activities in Hebei

Environmental, Social and Governance Report (continued)



Nameson School-Enterprise Exchange



"Dedication to Education with Sincere Love" Material Donations to Shuikou Primary and Secondary Schools in Huizhou



Fund Raising Activity for Community Chest

During the Reporting Period, the Group donated and sponsored HK\$0.42 million to The Community Chest of Hong Kong. As part of the “Community Chest Dress Casual Day” campaign, the management and staff of the Group participated in Community Chest Dress Casual Day 2023 with the theme “Wear Your Moment” to raise money for The Community Chest of Hong Kong by wearing casual clothes. The funds raised will be used to support 12 member agencies of The Community Chest that provide “child protection and welfare services” to help children who lack family care and to promote public awareness of child abuse prevention, ensuring a healthy growth environment for children and their holistic development. The Group continued to be the Diamond Sponsor of Community Chest Dress Casual Day, and the Group’s Chairman and Executive Director, Mr. Wong Wai Yue, was the Chairman of the Organising Committee of the event, personally supporting the fundraising activities of The Community Chest. Additionally, we formed a team to participate in “The Community Chest 55th Anniversary Walk for Millions” to support member agencies of The Community Chest in providing family and child welfare services. We also made donations to the “Love Teeth Day” to subsidise oral care services for people in need.



The Community Chest Dress Casual Day “Wear Your Moment”



The Community Chest 55th Anniversary Walk for Millions

FUTURE PROSPECTS



Despite the slow societal recovery from the COVID-19 pandemic and the disruptive effects of conflicts in various regions, such as Russia and Ukraine and Israel and Palestine, which have caused increased supply chain uncertainties, along with high interest rates, and reduced customers' order visibility, we remain committed to delivering high-quality products and services to our customers and fostering a harmonious work environment for our employees. Concurrently, we will continue to pursue environmental protection and social sustainable development to fulfill our responsibilities being part of the society. Relying on the support and trust of various stakeholders over the years, we will continue to participate proactively in charity and community activities, and continue to explore measures to optimise energy efficiency and promote environmental conservation, so as to make greater contributions to the community. Last but not least, through this report, we wish our stakeholders to have a better understanding on our sustainable operating philosophy and our ESG performance in the Reporting Period. We wish to join hands with our stakeholders to realise our long term and positive value creation belief for the society and attain a sustainable and prosperous future. We would like to express our sincere gratitude to all our stakeholders for their active participation and valuable opinions during the Year.

STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection
KPI A1.1	The types of emissions and respective emissions data.	Environmental Data
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Data
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Data
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environmental Data
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Protection, Targets & Indicators
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy and Resources Management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Data
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Data
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection, Targets & Indicators
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Energy and Resources Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Data

Environmental, Social and Governance Report (continued)

Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental, Social and Governance Related Risk Management; Sustainable Development Strategies
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental, Social and Governance Related Risk Management; Sustainable Development Strategies
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	The People, Our Wealth
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Recruiting High Caliber Talents
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Recruiting High Caliber Talents

Environmental, Social and Governance Report (continued)

Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Professional and Personal Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Professional and Personal Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Professional and Personal Development
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Child and Forced Labour

Environmental, Social and Governance Report (continued)

Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
B. Society		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Sustainability, Security and Ethics of Materials; Product Quality Assurance and Liability; Intellectual Property Rights, Data Protection and Privacy
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Returns
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Returns
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights, Data Protection and Privacy
KPI B6.4	Description of quality assurance process and recall procedures.	Product Returns
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Intellectual Property Rights, Data Protection and Privacy

Environmental, Social and Governance Report (continued)

Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Contributions to the Society
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contributions to the Society
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Contributions to the Society

Independent Auditor's Report



To the Shareholders of Nameson Holdings Limited

(incorporated in the Cayman Islands with limited liability)

羅兵咸永道

OPINION

What we have audited

The consolidated financial statements of Nameson Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 141 to 213, comprise:

- the consolidated balance sheet as at 31 March 2024;
- 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, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Tax provision
- Impairment of the assets in Myanmar cash-generating unit

Key Audit Matter	How our audit addressed the Key Audit Matter
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Tax provision

Refer to Notes 4(a) and 12 to the consolidated financial statements.

The Group’s current income tax provision covers the current and potential obligations in relation to the respective income tax positions across different jurisdictions. The Group operates mainly in Hong Kong, the People’s Republic of China (the “PRC” or “Mainland China”) and Vietnam which are subject to different types of cross-border arrangements, laws and regulations, government practices, interpretation of tax rules by respective tax authorities, tax concession schemes of different jurisdictions which may result in different approaches and timing of recording transactions. Significant management judgements are therefore required in assessing the income tax provisions for different potential obligations across different jurisdictions in particular on the Group’s intercompany transactions and cross-border business arrangements. Where the final tax outcome is different from the amounts that were initially estimated, such differences will impact the income tax provisions in the period in which such determination is made.

Our procedures in relation to management’s assessment on tax provision included:

We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We evaluated the outcome of prior period assessment of income tax provisions to assess the effectiveness of management’s estimation process.

We evaluated management’s income tax provisions assessments by examining relevant documents supporting their conclusion, which was primarily based on the factual cross-border business arrangements, recent practice of local tax authorities, market practice for local companies, tax returns and computations as well as the advice from the Group’s external independent tax advisor. We evaluated the appropriateness and consistency of the basis that management used in the current income tax provision assessments.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
	We discussed with management to understand their interpretation of the relevant tax rules and regulations.
	We obtained management's current income tax provision calculations and checked their accuracy by testing the underlying calculations and tracing the inputs to the relevant tax rules and regulations.
	We obtained explanations and reviewed corroborative evidence from management, including management communications with local tax authorities and the tax advice issued by the Group's external independent tax advisor, regarding the tax treatments applied to the income tax provisions assessments.
	We evaluated management 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 available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment of the assets in Myanmar cash-generating unit (“Myanmar CGU”)</p>	
<p>Refer to Notes 4(b), 7 and 15 to the consolidated financial statements.</p>	<p>Our procedures in relation to management’s impairment assessment included:</p>
<p>As disclosed in Note 15, the Group’s management performed an impairment assessment on certain assets within the Myanmar CGU.</p>	<p>We evaluated management’s identification of the impairment indicator by corroborating with supporting evidence for the Myanmar CGU.</p>
<p>In carrying out the impairment assessment of Myanmar CGU, management assessed the recoverable amount of the Myanmar CGU based on the higher of value in use and fair value less costs of disposal. Fair value less costs of disposal was applied in determining the recoverable amount of the Myanmar CGU, which was calculated by benchmarking the transaction price or price quotation of the comparable transactions in the market from independent buyers.</p>	<p>We discussed with management and assessed the underlying key assumptions applied in value in use calculation (including revenue from production orders allocated to Myanmar CGU), taking into account market development related to Myanmar CGU.</p>
<p>As a result of the impairment assessment, the Group recognised an impairment for the property, plant and equipment over the Myanmar CGU of approximately HK\$34,005,000 for the year ended 31 March 2024.</p>	<p>We assessed the competence, independence and objectivity of the external independent professional valuer.</p>
<p>We focused on this area as the impairment assessment of the assets of Myanmar CGU required significant judgments and estimates by management.</p>	<p>We involved our internal valuation specialist in assessing the appropriateness and consistency of methodologies used, comparable transactions selected and certain key assumptions applied in the fair value less costs of disposal.</p>
	<p>We evaluated management’s sensitivity analysis on key assumptions and assessed the potential impact of reasonable changes to the significant assumptions.</p>
	<p>Based on the procedures performed, we found the judgments and estimates applied in the impairment assessment to be supportable by available evidence.</p>

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 of the Company other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including Corporate Information, Chairman's Statement and Management Discussion and Analysis prior to the date of this auditor's report. The remaining other information, including Biographical Details of Directors and Members of Senior Management, Corporate Governance Report, Directors' Report and Environmental, Social and Governance Report and the other sections to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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.

Independent Auditor's Report (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is WONG Wai Bong Benson.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 June 2024

Consolidated Income Statement

For the year ended 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Revenue	5	4,378,888	4,602,307
Cost of sales	7	(3,604,649)	(3,856,803)
Gross profit		774,239	745,504
Other income	6	13,270	48,896
Other gains, net	8	78,191	76,484
Selling and distribution expenses	7	(32,359)	(37,130)
General and administrative expenses	7	(331,839)	(348,604)
Impairment loss on the production base in Myanmar	7, 15	(34,005)	(243,416)
Operating profit		467,497	241,734
Share of post-tax profit of a joint venture	27	1,561	735
Finance income	10	29,626	10,106
Finance expenses	10	(64,779)	(43,153)
Finance expenses, net		(35,153)	(33,047)
Profit before income tax		433,905	209,422
Income tax expenses	12	(53,201)	(51,095)
Profit for the year		380,704	158,327
Profit for the year attributable to:			
— Owners of the Company		361,672	134,844
— Non-controlling interests		19,032	23,483
		380,704	158,327
Earnings per share attributable to the owners of the Company during the year			
— Basic and diluted (HK cents per share)	13	15.87	5.92

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Profit for the year		380,704	158,327
Other comprehensive loss, net of tax:			
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>			
— Currency translation differences		(29,240)	(134,446)
— Share of other comprehensive income of a joint venture	27	39	171
Other comprehensive loss for the year, net of tax		(29,201)	(134,275)
Total comprehensive income for the year		351,503	24,052
Total comprehensive income for the year attributable to:			
— Owners of the Company		338,272	17,090
— Non-controlling interests		13,231	6,962
		351,503	24,052

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

Consolidated Balance Sheet

As at 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	15	1,785,060	1,780,432
Right-of-use assets	16(a)	290,709	334,450
Investment properties	17	1,590	1,672
Interest in a joint venture	27	7,083	5,483
Financial assets at fair value through profit or loss	18	191,118	184,930
Prepayments, deposits, other receivables and other assets	21	122,908	74,632
Deferred income tax assets	26	704	676
		2,399,172	2,382,275
Current assets			
Inventories	19	910,552	1,032,006
Trade receivables	20	167,149	132,691
Prepayments, deposits, other receivables and other assets	21	253,826	165,041
Tax recoverable		–	61
Cash and cash equivalents	22	717,404	717,027
		2,048,931	2,046,826
Total assets		4,448,103	4,429,101
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital	28	22,794	22,794
Reserves	29	2,360,314	2,252,260
		2,383,108	2,275,054
Non-controlling interests		215,851	202,620
Total equity		2,598,959	2,477,674

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

Consolidated Balance Sheet (continued)

As at 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Liabilities			
Non-current liabilities			
Bank borrowings	23	454,811	530,930
Loans from non-controlling shareholders of subsidiaries	33(b)	3,359	5,767
Lease liabilities	24	120,675	81,683
Provision for reinstatement costs	25(b)	4,409	487
Deferred income tax liabilities	26	4,812	166
		588,066	619,033
Current liabilities			
Trade and bills payables	25(a)	335,457	363,392
Accruals and other payables	25(b)	255,832	224,636
Current income tax liabilities		274,275	262,475
Bank borrowings	23	353,129	405,825
Lease liabilities	24	42,385	76,066
		1,261,078	1,332,394
Total liabilities		1,849,144	1,951,427
Total equity and liabilities		4,448,103	4,429,101
Net current assets		787,853	714,432

The financial statements on pages 141 to 213 were approved by the Board of Directors on 21 June 2024 and were signed on its behalf.

Wong Wai Yue

Chairman and Executive Director

Man Yu Hin

Chief Executive Officer and Executive Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	Attributable to the owners of the Company				
	Share capital	Reserves	Total	Non-controlling interests	Total equity
	(Note 28)	(Note 29)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2023	22,794	2,252,260	2,275,054	202,620	2,477,674
Profit for the year	–	361,672	361,672	19,032	380,704
Other comprehensive loss:					
— Currency translation differences	–	(23,439)	(23,439)	(5,801)	(29,240)
— Share of other comprehensive income of a joint venture	–	39	39	–	39
Total comprehensive income	–	338,272	338,272	13,231	351,503
Transactions with owners					
Dividends (Note 14)	–	(230,218)	(230,218)	–	(230,218)
As at 31 March 2024	22,794	2,360,314	2,383,108	215,851	2,598,959
As at 1 April 2022	22,794	2,385,610	2,408,404	194,490	2,602,894
Profit for the year	–	134,844	134,844	23,483	158,327
Other comprehensive loss:					
— Currency translation differences	–	(117,925)	(117,925)	(16,521)	(134,446)
— Share of other comprehensive income of a joint venture	–	171	171	–	171
Total comprehensive income	–	17,090	17,090	6,962	24,052
Transactions with owners					
— Capital contribution from non-controlling interests	–	–	–	1,168	1,168
Dividends (Note 14)	–	(150,440)	(150,440)	–	(150,440)
As at 31 March 2023	22,794	2,252,260	2,275,054	202,620	2,477,674

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

Consolidated Cash Flow Statement

For the year ended 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Cash flows from operating activities			
Cash generated from operations	31(a)	700,004	657,371
Interest paid		(65,570)	(41,553)
Income tax paid, net		(51,485)	(22,588)
Net cash generated from operating activities		582,949	593,230
Cash flows from investing activities			
Purchases of property, plant and equipment		(216,264)	(75,658)
Proceeds from disposals of property, plant and equipment	31(b)	41,581	65,598
Interest received		29,626	10,106
Net cash (used in)/generated from investing activities		(145,057)	46
Cash flows from financing activities			
Proceeds from new bank borrowings	31(d)	667,940	609,462
Repayments of bank borrowings	31(d)	(796,755)	(862,815)
Repayments of lease liabilities	31(d)	(74,572)	(83,247)
Dividends paid		(230,218)	(150,440)
Capital contribution from non-controlling interests		–	1,168
(Repayments of)/proceeds from loans from non-controlling shareholders of subsidiaries	31(d)	(2,317)	2,100
Net cash used in financing activities		(435,922)	(483,772)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		717,027	610,718
Exchange difference on cash and cash equivalents		(1,593)	(3,195)
Cash and cash equivalents at end of the year	22	717,404	717,027

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF 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 HKFRSs, 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 financial assets at fair value through profit or loss, which are carried at fair value.

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

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for the financial year beginning 1 April 2023:

HKAS 1 and HKFRS Practice statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

Notes to the Consolidated Financial Statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

The adoption of the new and amended standards listed above did not have any significant impact on the amounts recognised in the current or prior periods except for the following:

(i) *Changes relating to disclosures of accounting policies*

As a result of the adoption of HKAS1 and HKFRS Practice Statement 2 (Amendments), the Group is required to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure.

(ii) *Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong*

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "Guidance") which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), long service payment ("LSP") is no longer a 'simple type of contributory plans' to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). This change in accounting policy upon the cessation in applying the practical expedient may result in a catch-up adjustment for past service costs and a corresponding increase in the Group's LSP obligations in the year of enactment of the Amendment Ordinance (i.e. year ended 31 March 2023). The cumulative effect of recognising this adjustment as of 31 March 2023 was not material and hence no adjustment was made to the beginning retained earnings, or other component of equity.

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New and amended standards and revised interpretation issued but not yet adopted by the Group

The following new and amended standards and revised interpretation have been issued but are not effective for the Group's financial year beginning 1 April 2023 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

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

2.2 Material accounting policies

Apart from the accounting policies presented within the corresponding notes to the consolidated financial statements, other material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Subsidiaries

(i) Consolidation

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

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

Notes to the Consolidated Financial Statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(a) Subsidiaries *(Continued)*

(i) Consolidation *(Continued)*

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

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.

(ii) 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.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, 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.

(c) Foreign currency translation

(i) 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.

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(c) Foreign currency translation *(Continued)*

(ii) Transactions and balances

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

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

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

(iii) 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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- 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
- all resulting currency translation differences are recognised in other comprehensive income.

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

Notes to the Consolidated Financial Statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(d) Property, plant and equipment

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

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

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

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

Buildings	2.5% to 4%
Leasehold improvements	Over the term of the leases
Plant and machinery	6.7% to 12.5%
Furniture, fixtures and other equipment	12.5% to 20%
Motor vehicles and yacht	20%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.2(e)).

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

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(e) Impairment of non-financial assets

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

(f) Financial assets

(i) Classification

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Notes to the Consolidated Financial Statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(f) Financial assets *(Continued)*

(iii) Measurement *(Continued)*

Debt instruments

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

- **Amortised cost**
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **FVOCI**
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains, net" and impairment expenses are presented as separate line item in the consolidated income statement.
- **FVTPL**
Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "Other gains, net" in the period in which it arises.

Equity instruments

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

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

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(f) Financial assets *(Continued)*

(iv) Impairment

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

(g) Offsetting financial instruments

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

(h) 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.

(i) Trade and other receivables

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

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

(j) 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.

(k) 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.

Notes to the Consolidated Financial Statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(l) Trade and other payables

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

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

(m) Borrowings

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

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

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

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

(n) Current and deferred income tax

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

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred income tax

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

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(n) Current and deferred income tax *(Continued)*

(ii) Deferred income tax *(Continued)*

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

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

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

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

(o) Employee benefits

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

(i) Pension obligations

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

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

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

(ii) Termination benefits

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

Notes to the Consolidated Financial Statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(o) Employee benefits *(Continued)*

(iii) Employee leave entitlements

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

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

(iv) Long service payments

The Group's post-employment benefit obligation in respect of long service payments to its employees in Hong Kong upon cessation of their employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods.

(p) Provisions

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

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

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

(q) Leases

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

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

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

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(q) Leases *(Continued)*

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Notes to the Consolidated Financial Statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(q) Leases *(Continued)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature.

(r) Revenue and income recognition

(i) Sales of goods

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Material accounting policies *(Continued)*

(r) Revenue and income recognition *(Continued)*

(ii) Interest income

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

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

(iii) Rental income

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

(s) Dividend distribution

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

2.3 Other accounting policies

(a) Joint arrangements

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

Interests in joint ventures are accounted for using the equity method (Note 2.3(a)(i)), after initially being recognised at cost in the consolidated balance sheet.

(i) 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 OCI of the investee in OCI. Dividends received or receivable from joint venture are recognised as a reduction in the carrying amount of the investment.

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.2(e).

Notes to the Consolidated Financial Statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.3 Other accounting policies *(Continued)*

(a) Joint arrangements *(Continued)*

(i) Equity accounting *(Continued)*

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

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

(b) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit or loss. Derivative financial assets are classified as current assets if they are expected to be realised within 12 months after the balance sheet date. Derivative financial liabilities are classified as current liabilities if they are due to be settled within 12 months after the balance sheet date.

(c) Investment property

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

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

Leasehold land	The remaining lease term
Buildings	2.1%

The residual value and useful life of investment property are reviewed, and adjusted as appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.2(e)).

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

(d) Government subsidies

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and has entered into certain foreign exchange contracts to manage foreign exchange risks. As at 31 March 2024 and 2023, the Group did not have any outstanding forward foreign currency contracts.

As at 31 March 2024, 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\$393,000 (2023: HK\$290,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of RMB denominated deposits and other receivables (Note 21) and cash and cash equivalents (Note 22).

As at 31 March 2024, if US\$ has weakened/strengthened by 5% against RMB, with all other variables held constant, the profit before tax for the year would have been approximately HK\$111,000 (2023: HK\$4,041,000) lower/higher, mainly as a result of net foreign exchange losses/gains on translation of US\$ denominated cash and cash equivalents (Note 22).

As at 31 March 2024, if US\$ has weakened/strengthened by 5% against Vietnamese Dong ("VND"), with all other variables held constant, the profit before tax for the year would have been approximately HK\$667,000 (2023: HK\$2,921,000) lower/higher, mainly as a result of net foreign exchange losses/gains on translation of US\$ denominated trade receivables (Note 20) and cash and cash equivalents (Note 22).

(b) Cash flow interest-rate risk

The Group has no significant interest-bearing assets except for bank deposits, details of which are disclosed in Note 22. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings, details of which are disclosed in Note 23. Bank borrowings carried at floating rates expose the Group to cash flow interest rate risk. The Group has used interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2024, if the interest rates on bank borrowings had been 50 basis points higher/lower, with all other variables held constant, the profit before tax for the year would have been approximately HK\$4,362,000 (2023: HK\$5,317,000) lower/higher, mainly as a result of higher/lower interest expense on floating-rate bank borrowings.

Notes to the Consolidated Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk

(i) Risk Management

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

As at 31 March 2024, the majority of the bank balances as detailed in Note 22 are held with major financial institutions located in Hong Kong, Mainland China and Vietnam which the directors believe are of high credit quality. For deposits, other receivables and other financial assets at amortised cost, management has policies in place to monitor the exposures to these credit risks on an on-going basis. The directors do not expect any losses arising from non-performance by these counterparties.

The Group's credit sales are generally on credit terms within 90 days. Normally the Group does not require collaterals from trade debtors. As at 31 March 2024, the Group's largest debtor accounted for 17% (2023: 18%) of the Group's total trade receivables. The existing debtors have no significant default in the past.

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

(ii) Impairment of financial assets

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

- trade receivables
- other financial assets at amortised cost

Trade receivables

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

Measurement of expected credit loss on individual basis

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

Measurement of expected credit loss on collective basis

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

To measure the expected credit losses, trade receivables have been grouped with similar risk characteristics and, collectively or individually, assessing them for likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

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

Trade receivables (Continued)

Measurement of expected credit loss on collective basis *(Continued)*

The Group categorises its trade receivables, except those individually assessed, based on shared credit risk characteristics and the days past due. The expected loss rates are based on past repayment history and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in this factor. Based on the Group's assessment, expected credit loss rate of trade receivables is close to zero.

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

As at 31 March 2024 and 2023, no provision for impairment for trade receivables assessed individually was made by the Group (Note 20) whilst the loss allowance for trade receivables assessed collectively was not material (2023: same).

Other financial assets at amortised cost

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

- (a) actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations;
- (b) actual or expected significant changes in the operating results of the counterparties; and
- (c) significant changes in the expected performance and behaviour of the counterparties, including changes in the payment status of the counterparties.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded. During the years ended 31 March 2024 and 2023, no impairment loss on other financial assets at amortised cost was recognised in profit or loss (Note 21).

Notes to the Consolidated Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors** (Continued)**(d) Liquidity risk**

The Group adopts a prudent liquidity risk management by maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

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

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

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

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
At 31 March 2024				
Trade and bills payables	335,457	–	–	335,457
Accruals and other payables	150,040	–	–	150,040
Bank borrowings	384,360	201,053	279,192	864,605
Loans from non-controlling shareholders of subsidiaries	–	3,359	–	3,359
Lease liabilities	48,629	45,515	82,862	177,006
	918,486	249,927	362,054	1,530,467
At 31 March 2023				
Trade and bills payables	363,392	–	–	363,392
Accruals and other payables	131,956	–	–	131,956
Bank borrowings	436,429	538,905	–	975,334
Loans from non-controlling shareholders of subsidiaries	–	–	5,767	5,767
Lease liabilities	79,481	24,700	61,553	165,734
	1,011,258	563,605	67,320	1,642,183

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(e) Price risk

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

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

3.2 Fair value estimation

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

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

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

The following table presents the Group’s financial assets that are measured at fair values at 31 March 2024 and 2023.

	Level 1	Level 2	Level 3	Total
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
At 31 March 2024				
Assets				
Financial assets at FVTPL				
— Unlisted investments	–	–	191,118	191,118
At 31 March 2023				
Assets				
Financial assets at FVTPL				
— Unlisted investments	–	–	184,930	184,930

There were no transfers among levels 1, 2 and 3 and no change in valuation during the year ended 31 March 2024 (2023: 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.

For the changes in level 3 instruments for the years ended 31 March 2024 and 2023, please refer to Note 18.

The fair value of the key management insurance contract purchased for key management personnel of the Group is determined based on the cash surrender value in accordance with the key management insurance contract which is not an observable input. Management estimates the fair value based on the latest policy monthly statement of the key management insurance contract provided by the insurance company. The unobservable input is the cash surrender value quoted by the insurance company according to the key management insurance contract. When the cash surrender value is higher, the fair value of the key management insurance will be higher.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Capital risk management

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

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

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

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

The gearing ratios at 31 March 2024 and 2023 were as follows:

	As at 31 March	
	2024 HK\$'000	2023 HK\$'000
Total borrowings	971,000	1,094,504
Less: cash and cash equivalents	(717,404)	(717,027)
Net debt	253,596	377,477
Total equity	2,598,959	2,477,674
Total capital	2,852,555	2,855,151
Gearing ratio	8.89%	13.22%

The decrease in gearing ratio from 13.22% as at 31 March 2023 to 8.89% as at 31 March 2024 was primarily due to the decrease of net debt as a result of net repayments of bank borrowings and lease liabilities during the year.

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) Current and deferred income tax provision

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

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

(b) Impairment of non-financial assets

Non-financial assets including property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value in use calculations and fair value less costs 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 value in use; and (iii) the appropriate key assumptions to be applied in value in use calculation and fair value less costs of disposal. Changing the assumptions selected by management in assessing impairment, including the discount rates, could materially affect the recoverable amount of underlying assets and as a result affect the Group's financial position and results of operations.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Useful lives, residual values and depreciation of property, plant and equipment and right-of-use assets

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

5 SEGMENT INFORMATION

The Group’s operating segments have been determined based on the information reported to and reviewed by the executive directors and senior management of the Company led by the Group’s chief executive officer, being the Group’s CODM, which are used for the purposes of assessing performance and making strategic decisions. For the purpose of internal reporting and management’s operation review, the CODM considered that the Group’s business is operated and managed as one single operating segment (i.e. manufacturing of knitwear products) and no separate information was presented for the years ended 31 March 2024 and 2023.

(a) Revenue by location of goods delivery

	2024 HK\$'000	2023 HK\$'000
Japan	1,362,300	1,487,273
North America	533,409	648,670
Europe	688,870	802,518
Mainland China	899,939	785,946
Other countries	894,370	877,900
	4,378,888	4,602,307

(b) Non-current assets

	2024 HK\$'000	2023 HK\$'000
Hong Kong	30,725	48,883
Mainland China	436,038	514,031
Vietnam	1,594,319	1,450,856
Myanmar	134,498	177,416
	2,195,580	2,191,186

Notes to the Consolidated Financial Statements (continued)

5 SEGMENT INFORMATION (Continued)**(b) Non-current assets** (Continued)

The non-current assets information above is based on the location of the assets and excludes interest in a joint venture, financial instruments and deferred income tax assets.

(c) Major customers

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

	2024 HK\$'000	2023 HK\$'000
Customer A	2,287,148	2,266,020

The five largest customers accounted for approximately 72.3% (2023: 70.0%) of revenue for the year ended 31 March 2024.

(d) Disaggregation of revenue from contracts with customers

For the years ended 31 March 2024 and 2023, the revenue of the Group was recognised at a point in time.

(e) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	2024 HK\$'000	2023 HK\$'000
Contract liabilities — receipts in advance (Note 25(b))	28,142	12,623

Contract liabilities for sales of goods contracts have increased by HK\$15,519,000 (2023: HK\$379,000) due to an increase in unfulfilled performance obligations as at year end date.

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

	2024 HK\$'000	2023 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	4,243	8,257

Notes to the Consolidated Financial Statements (continued)

6 OTHER INCOME

	2024	2023
	HK\$'000	HK\$'000
Rental income from investment properties	770	720
Rental income from properties occupied by employees	1,198	1,213
Government subsidies (Note (a))	5,371	19,220
Income from claims settled (Note (b))	–	19,475
Income from scrap sales	–	4,048
Others	5,931	4,220
	13,270	48,896

Notes:

- (a) During the year ended 31 March 2024, the government subsidies consisted of HK\$5,371,000 received from the government of the PRC.
During the year ended 31 March 2023, the government subsidies mainly consisted of HK\$2,150,000 in respect of the anti-epidemic fund granted by the government of Hong Kong Special Administrative Region and HK\$17,070,000 received from the government of the PRC.
- (b) During the year ended 31 March 2023, the Group received a compensation payment of HK\$19,475,000 from the ex-employees in relation to the claims filed against them.

Notes to the Consolidated Financial Statements (continued)

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and impairment loss on the production base in Myanmar are analysed as follows:

	2024	2023
	HK\$'000	HK\$'000
Advertising and promotion expenses	7,289	2,969
Auditor's remuneration		
— audit services	3,014	3,014
— non-audit services	711	711
Depreciation		
— owned property, plant and equipment (Note 15)	193,455	196,808
— right-of-use assets (Note 16)	32,501	33,899
Depreciation of investment properties (Note 17)	82	82
Employment benefit expenses (including directors' emoluments) (Note 9)	998,064	976,465
Raw materials used	2,169,151	2,191,983
Changes in inventories of finished goods and work in progress	(6,436)	131,423
Provision for impairment of inventories	396	8,970
Consumables	112,762	125,774
Subcontracting charges	157,863	221,878
Impairment loss on the production base in Myanmar (Note 15)	34,005	243,416
Agency and commission expenses	2,345	2,922
Transportation charges	27,422	38,937
Sample charges	11,142	14,463
Donations	1,666	549
Short-term lease payments (Note 16(b))	667	524
Utilities expenses	122,797	154,429
Others	133,956	136,737
Total cost of sales, selling and distribution expenses, general and administration expenses and impairment loss on the production base in Myanmar	4,002,852	4,485,953

8 OTHER GAINS, NET

	2024 HK\$'000	2023 HK\$'000
Net foreign exchange gains	44,244	35,654
Net gains on financial assets at FVTPL (Note 18)	6,188	6,100
Net gains on disposals of property, plant and equipment (Note 31(b))	28,553	32,536
Net realised and unrealised losses from derivative financial instruments	(794)	(1,024)
Others	–	3,218
	78,191	76,484

9 EMPLOYMENT BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

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

	2024 HK\$'000	2023 HK\$'000
Wages, salaries, commissions, allowances, bonuses, welfare and other benefits	905,515	884,160
Pension costs — defined contribution plans	92,549	92,305
	998,064	976,465

(a) Pension costs — defined contribution plans

The Group has no material obligation for post-retirement benefits beyond contributions to the Mandatory Provident Fund Scheme managed by an independent trustee in Hong Kong and the staff retirement schemes managed by local government authorities in accordance with the relevant rules and regulations in Mainland China and Vietnam.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2024 include four (2023: four) directors whose emoluments are reflected in Note 34 to the consolidated financial statements. The emoluments payable to the remaining one (2023: one) individual during the year are as follows:

	2024 HK\$'000	2023 HK\$'000
Wages, salaries, commissions, allowances, welfare and other benefits	1,680	1,620
Pension costs — defined contribution plans	18	18
Bonus	880	800
	2,578	2,438

Notes to the Consolidated Financial Statements (continued)

9 EMPLOYMENT BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)**(b) Five highest paid individuals** (Continued)

The emoluments fell within the following band:

	2024	2023
Emolument band		
HK\$2,000,001–HK\$2,500,000	–	1
HK\$2,500,001–HK\$3,000,000	1	–

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

10 FINANCE EXPENSES, NET

	2024 HK\$'000	2023 HK\$'000
Finance income		
Interest income from:		
— Bank deposits	29,626	10,106
Finance expenses		
Interest expenses on:		
— Bank borrowings	(59,043)	(39,635)
— Lease liabilities (Note 16(b))	(5,736)	(3,518)
	(64,779)	(43,153)
Finance expenses, net	(35,153)	(33,047)

Notes to the Consolidated Financial Statements (continued)

11 SUBSIDIARIES

The following are details of the principal subsidiaries at 31 March 2024:

Company name	Place of incorporation and type of legal entity	Issued/ registered and paid up capital	Principal activities/ place of operation	Effective interest held (%)			
				The Company		The non-controlling interest	
				2024	2023	2024	2023
Directly owned:							
Nameson Group Limited	The British Virgin Islands ("BVI"), limited liability company	US\$10	Investment holding, Hong Kong	100%	100%	-	-
Indirectly owned:							
Nameson Industrial Limited	Hong Kong, limited liability company	HK\$3,000,000	Manufacturing of knitwear products, Hong Kong	100%	100%	-	-
Kingmax Industrial Limited	Hong Kong, limited liability company	HK\$60,000	Manufacturing of knitwear products, Hong Kong	100%	100%	-	-
Winner Way Industrial Limited	Hong Kong, limited liability company	HK\$60,000	Manufacturing of knitwear products, Hong Kong	100%	100%	-	-
First Team (HK) Limited	Hong Kong, limited liability company	HK\$1	Manufacturing of knitwear products, Hong Kong	100%	100%	-	-
First Team (Vietnam) Garment Limited	Vietnam, limited liability company	US\$130,000,000	Manufacturing of knitwear products, Vietnam	100%	100%	-	-
Huizhou Nanxuan Knitting Fty. Ltd.	The PRC, wholly foreign owned enterprise	US\$36,000,000	Manufacturing of knitwear products, the PRC	100%	100%	-	-
Huizhou Nanguan Knitting Fty. Ltd	The PRC, wholly foreign owned enterprise	US\$1,000,000	Manufacturing of knitwear products, the PRC	100%	100%	-	-
S. Power (Vietnam) Textile Limited	Vietnam, limited liability company	US\$8,000,000	Manufacturing of knitting fabric, Vietnam	100%	100%	-	-
Top Galaxy (Myanmar) Apparel Limited	Myanmar, limited liability company	US\$53,215,500	Manufacturing of knitwear products, Myanmar	100%	100%	-	-
Sumtex Industrial Limited	Hong Kong, limited liability company	HK\$70	Investment holding and trading of fabric, Hong Kong	100%	100%	-	-
Hebei Nanguan Technology Co., Ltd	The PRC, limited liability company	RMB200,000,000	Manufacturing of cashmere yarn, the PRC	55%	55%	45%	45%

Notes to the Consolidated Financial Statements (continued)

11 SUBSIDIARIES (Continued)**(a) Non-controlling interests****(i) Transaction with non-controlling interests**

During the year ended 31 March 2023, Anchor International Holdings Limited, non-controlling interests ("NCI"), made a capital contribution of HK\$1,168,000 to Huizhou Nanguan New Energy Limited.

(ii) Summary of key non-controlling interest

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

Summarised income statement

	2024 HK\$'000	2023 HK\$'000
Revenue	727,275	814,286
Profit for the year	41,569	48,165
Other comprehensive loss	(12,044)	(35,559)
Total comprehensive income	29,525	12,606
Profit allocated to NCI	18,706	21,674
Other comprehensive loss allocated to NCI	(5,420)	(16,001)
Total comprehensive income allocated to NCI	13,286	5,673

Summarised balance sheet

	2024 HK\$'000	2023 HK\$'000
Current assets	580,314	497,574
Current liabilities	(223,851)	(194,406)
Current net assets	356,463	303,168
Non-current assets	125,386	157,707
Non-current liabilities	(2,391)	(10,942)
Non-current net assets	122,995	146,765
Net assets	479,458	449,933
Accumulated NCI	(215,756)	(202,470)

Notes to the Consolidated Financial Statements (continued)

11 SUBSIDIARIES (Continued)

(a) Non-controlling interests (Continued)

(ii) Summary of key non-controlling interest (Continued)

Summarised cash flows

	2024 HK\$'000	2023 HK\$'000
Cash (outflows)/inflows from operating activities	(48,440)	66,677
Cash outflows from investing activities	(267)	(1,606)
Cash outflows from financing activities	(10,124)	(10,750)
Net (decrease)/increase in cash and cash equivalents	(58,831)	54,321

12 INCOME TAX EXPENSES

For the year ended 31 March 2024, Hong Kong profits tax has been provided for at the rate of 16.5% (2023: 16.5%) on the estimated assessable profit for the year. The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2023: 25%) on estimated assessable profits. Two (2023: two) of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15% after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for the first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is subject to the BIT rate of 17%, whereas, the other two subsidiaries in Vietnam have no taxable profit for the year ended 31 March 2024.

	2024 HK\$'000	2023 HK\$'000
Current tax		
Current tax on profits for the year		
— Hong Kong profits tax	13,631	19,745
— China corporate income tax	28,823	30,402
— Vietnam business income tax	6,129	2,518
	48,583	52,665
Deferred income tax		
— Deferred taxation (Note 26)	4,618	(1,570)
	53,201	51,095

Notes to the Consolidated Financial Statements (continued)

12 INCOME TAX EXPENSES (Continued)

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

	2024 HK\$'000	2023 HK\$'000
Profit before income tax	433,905	209,422
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	87,327	52,095
Income not subject to tax	(389,069)	(376,873)
Expenses not deductible for tax purposes	342,637	367,538
Others	12,306	8,335
Income tax expenses	53,201	51,095

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

Basic earnings per share for the years ended 31 March 2024 and 2023 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.

	2024	2023
Profit attributable to the owners of the Company (HK\$'000)	361,672	134,844
Weighted average number of ordinary shares in issue ('000)	2,279,392	2,279,392
Basic earnings per share (HK cents)	15.87	5.92

(b) Diluted

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

Diluted earnings per share for the years ended 31 March 2024 and 2023 equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

14 DIVIDENDS

At the board meeting held on 24 November 2023, the Board of Directors declared an interim dividend for the year ended 31 March 2024 of 9.5 HK cents per share amounting to a total of HK\$216,542,000 and paid on 20 December 2023.

At the board meeting held on 21 June 2024, the Board of Directors declared a second interim dividend of 3.5 HK cents per share (in lieu of a final dividend) amounting to a total of HK\$79,779,000. The second interim 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 2025.

At the board meeting held on 25 November 2022, the Board of Directors declared an interim dividend for the year ended 31 March 2023 of 5.1 HK cents per share amounting to a total of HK\$116,249,000 and paid on 21 December 2022.

At the board meeting held on 23 June 2023, the Board of Directors declared a second interim dividend for the year ended 31 March 2023 of 0.6 HK cent per share (in lieu of a final dividend) amounting to a total of HK\$13,676,000 and paid on 25 July 2023.

Notes to the Consolidated Financial Statements (continued)

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and other equipment HK\$'000	Motor vehicles and yacht HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At 1 April 2022							
Cost	1,027,097	54,061	2,687,418	83,292	65,134	295,058	4,212,060
Accumulated depreciation and impairment	(384,669)	(28,817)	(1,564,722)	(57,294)	(45,426)	–	(2,080,928)
Net book amount	642,428	25,244	1,122,696	25,998	19,708	295,058	2,131,132
Year ended 31 March 2023							
Opening net book amount	642,428	25,244	1,122,696	25,998	19,708	295,058	2,131,132
Additions	–	2,138	32,294	15,522	4,210	24,618	78,782
Disposals (Note 31(b))	–	(36)	(20,939)	(22)	(12,065)	–	(33,062)
Transfers	5,288	–	–	–	–	(5,288)	–
Reclassification (Note 16)	–	–	126,039	–	–	–	126,039
Exchange differences	(28,516)	(1,990)	(50,229)	(1,080)	(204)	(216)	(82,235)
Depreciation (Note 7)	(33,017)	(1,420)	(150,600)	(8,226)	(3,545)	–	(196,808)
Impairment (Note 7)	–	–	–	–	–	(243,416)	(243,416)
Closing net book amount	586,183	23,936	1,059,261	32,192	8,104	70,756	1,780,432
At 31 March 2023							
Cost	973,144	53,321	2,694,932	95,069	43,008	314,172	4,173,646
Accumulated depreciation	(386,961)	(29,385)	(1,635,671)	(62,877)	(34,904)	–	(2,149,798)
Accumulated impairment	–	–	–	–	–	(243,416)	(243,416)
Net book amount	586,183	23,936	1,059,261	32,192	8,104	70,756	1,780,432
Year ended 31 March 2024							
Opening net book amount	586,183	23,936	1,059,261	32,192	8,104	70,756	1,780,432
Additions	8,469	–	16,913	6,259	2,870	129,861	164,372
Disposals (Note 31(b))	–	(41)	(12,883)	(1)	(103)	–	(13,028)
Written off	–	–	(1,966)	–	–	–	(1,966)
Transfers	59,765	2,155	3,842	396	–	(66,158)	–
Reclassification (Note 16)	–	–	94,737	–	–	–	94,737
Exchange differences	(2,972)	(548)	(6,236)	(2,290)	(12)	31	(12,027)
Depreciation (Note 7)	(31,833)	(1,394)	(150,199)	(6,960)	(3,069)	–	(193,455)
Impairment (Note 7)	–	–	(31,673)	(2,225)	(107)	–	(34,005)
Closing net book amount	619,612	24,108	971,796	27,371	7,683	134,490	1,785,060
At 31 March 2024							
Cost	1,030,638	54,616	2,577,006	97,699	42,712	134,490	3,937,161
Accumulated depreciation	(167,610)	(30,508)	(1,573,537)	(68,103)	(34,922)	–	(1,874,680)
Accumulated impairment	(243,416)	–	(31,673)	(2,225)	(107)	–	(277,421)
Net book amount	619,612	24,108	971,796	27,371	7,683	134,490	1,785,060

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2024 HK\$'000	2023 HK\$'000
Depreciation charged in consolidated income statement:		
— Cost of sales	175,814	177,937
— General and administrative expenses	17,641	18,871
	193,455	196,808

During the year ended 31 March 2024, the Group assumed the ownership of right-of-use assets with an aggregate net book value of HK\$94,737,000 (2023: HK\$126,039,000) at the time of the expiry of leases in accordance with the terms of leases.

Buildings are primarily situated in Mainland China and Vietnam.

As at 31 March 2024, the Group's production base in Myanmar had certain assets with a net carrying amount before impairment of approximately HK\$411,919,000 (2023: HK\$421,912,000), which included property, plant and equipment, right-of-use assets and prepayments for property, plant and equipment (2023: property, plant and equipment, right-of-use assets, prepayments for property, plant and equipment and other operating assets). These assets have been allocated to the Myanmar cash-generating unit (the "Myanmar CGU") for impairment testing.

The construction and development progress of the production base in Myanmar has been affected by the social unrest and military conflicts in Myanmar in recent years. Since the second half of the year ended 31 March 2024, more and more global fashion brands have stopped sourcing garment products from Myanmar amid the concerns about the labour rights and long-lasting social unrest and military conflicts in Myanmar. The directors of the Company have carried out impairment assessments over the Myanmar CGU with reference to the valuations performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer. As at 31 March 2024, the management considered the recoverable amount of each of the Myanmar CGU's assets being the higher of value in use and fair value less costs of disposal and concluded that the recoverable amount of the Myanmar CGU is determined by using fair value less costs of disposal under market approach (2023: value in use under income approach).

Key assumptions used for assessing the recoverable amount of the Myanmar CGU as at 31 March 2024 are as follows:

Discount for property asking price:	40%
Agency costs for sales of property:	5%
Scrap values of machineries:	10% of the cost of machineries

Based on the valuation carried out by the valuer as at 31 March 2024, the recoverable amount of the Myanmar CGU determined based on fair value less costs of disposal was lower than the net carrying amount of the Myanmar CGU and resulted in a provision for impairment of property, plant and equipment of approximately HK\$34,005,000 for the year ended 31 March 2024.

Based on the valuation carried out by the valuer as at 31 March 2023, the recoverable amount of the Myanmar CGU determined based on value in use calculation with the consideration of pre-tax discount rate of 27.97% was lower than the net carrying amount of the Myanmar CGU and resulted in a provision for impairment of property, plant and equipment of approximately HK\$243,416,000 for the year ended 31 March 2023.

The Group has performed a sensitivity analysis for the recoverable amount of the Myanmar CGU as at 31 March 2024. If the discount for asking prices of the properties in the Myanmar CGU has increased/decreased by 5%, with all other variables held constant, the profit before income tax for the year would have been approximately HK\$9,300,000 lower/higher.

Notes to the Consolidated Financial Statements (continued)

16 RIGHT-OF-USE ASSETS**(a) Amounts recognised in the consolidated balance sheet**

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

	Plant and machinery	Leased properties	Land use rights (Note i)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2023				
Opening net book amount	251,484	11,863	121,206	384,553
Additions (Note 31(c))	91,584	27,761	–	119,345
Lease modification	–	(208)	–	(208)
Reclassification (Note 15)	(126,039)	–	–	(126,039)
Depreciation (Note 7)	(17,337)	(14,302)	(2,260)	(33,899)
Exchange differences	(4,931)	(1,101)	(3,270)	(9,302)
Closing net book amount at 31 March 2023	194,761	24,013	115,676	334,450
Year ended 31 March 2024				
Opening net book amount	194,761	24,013	115,676	334,450
Additions (Note 31(c))	78,440	6,047	–	84,487
Lease modification	–	(128)	–	(128)
Reclassification (Note 15)	(94,737)	–	–	(94,737)
Depreciation (Note 7)	(16,800)	(13,492)	(2,209)	(32,501)
Exchange differences	–	(332)	(530)	(862)
Closing net book amount at 31 March 2024	161,664	16,108	112,937	290,709

Note:

- (i) As at 31 March 2024 and 2023, the Group's interests in land use rights represent prepaid operating lease payments in Mainland China, Vietnam and Myanmar.

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

(b) Amounts recognised in the consolidated income statement

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

	2024	2023
	HK\$'000	HK\$'000
Depreciation of right-of-use assets (Note 7)	32,501	33,899
Interest expense (Note 10)	5,736	3,518
Short-term lease payments (Note 7)	667	524
	38,904	37,941

The total cash outflow for leases for the year ended 31 March 2024 was HK\$80,975,000 (2023: HK\$87,289,000).

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

As a lessee

The Group leases various land, properties, plant and machinery. Rental contracts are typically made for fixed periods of 1 to 50 years, but may have extension and termination options as described in (d) below.

(d) Extension and termination options

Extension and termination options are included in a number of land leases and property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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

At 31 March 2024 and 2023, there were no payments for leases that the Group has committed to but not commenced.

Notes to the Consolidated Financial Statements (continued)

17 INVESTMENT PROPERTIES

	2024	2023
	HK\$'000	HK\$'000
At cost		
Beginning net book amount of the year	1,672	1,754
Depreciation (Note 7)	(82)	(82)
End of the year	1,590	1,672
Cost	4,640	4,640
Accumulated depreciation	(3,050)	(2,968)
Net book amount	1,590	1,672

The fair values of the Group's investment properties as at 31 March 2024 were HK\$24,700,000 (31 March 2023: HK\$25,500,000), as determined by an independent professional valuation firm, RHL Appraisal Limited, on an open market basis.

Investment properties are situated in Hong Kong.

Depreciation of approximately HK\$82,000 for the year ended 31 March 2024 (2023: HK\$82,000) has been included in "general and administrative expenses".

Outgoings in respect of the investment properties amounted to HK\$136,700 for the year ended 31 March 2024 (2023: HK\$96,000).

For minimum lease payments receivable on leases of investment properties, refer to Note 32(a).

Notes to the Consolidated Financial Statements (continued)

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 HK\$'000	2023 HK\$'000
Financial assets at FVTPL		
— Unlisted investments, at fair value (Note)	191,118	184,930

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

Certain bank borrowings of the Group are secured by financial assets at FVTPL with a total carrying amount of HK\$6,742,000 as at 31 March 2023 (Note 23).

Movement of the financial assets at FVTPL is as follows:

	HK\$'000
As at 1 April 2022	178,830
Fair value gains on unlisted investments at FVTPL recognised in "Other gains, net" (Note 8)	6,100
As at 31 March 2023	184,930
Fair value gains on unlisted investments at FVTPL recognised in "Other gains, net" (Note 8)	6,188
As at 31 March 2024	191,118

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

Financial assets at FVTPL are denominated in US\$.

19 INVENTORIES

	2024 HK\$'000	2023 HK\$'000
Raw materials	206,158	341,377
Work-in-progress	579,583	544,249
Finished goods	124,811	146,380
	910,552	1,032,006

The cost of inventories recognised as expense and included in "cost of sales" in the consolidated income statement amounted to HK\$2,163,111,000 (2023: HK\$2,332,376,000) for the year ended 31 March 2024.

Notes to the Consolidated Financial Statements (continued)

20 TRADE RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	167,149	132,691

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

	2024 HK\$'000	2023 HK\$'000
US\$	108,796	91,298
RMB	58,148	41,343
VND	205	50
	167,149	132,691

The credit periods granted by the Group to its customers generally range from 0 to 90 days. As at 31 March 2024 and 2023, the ageing analysis of the trade receivables based on the invoice date is as follows:

	2024 HK\$'000	2023 HK\$'000
Up to three months	145,002	115,676
Three to six months	20,904	11,010
Over six months	1,243	6,005
	167,149	132,691

No provision for impairment of trade receivables was made during the years ended 31 March 2024 and 2023.

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

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

Notes to the Consolidated Financial Statements (continued)

21 PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	2024	2023
	HK\$'000	HK\$'000
Prepayments for property, plant and equipment	87,168	45,677
Prepayments for subcontracting charges	23,824	22,200
Prepayments to raw materials suppliers (Note)	125,764	49,175
Other prepayments	38,693	20,967
Prepaid insurance premium for the key management insurance	22,106	23,262
	297,555	161,281
Less: Provision for impairment of prepayments	-	(4,835)
	297,555	156,446
Deposits (Note)	8,141	8,356
Other receivables	69,358	73,191
Other assets	1,680	1,680
	79,179	83,227
Less: Non-current portion	376,734	239,673
	(122,908)	(74,632)
Current portion	253,826	165,041

Note: As at 31 March 2024, prepayments, deposits, other receivables and other assets include prepayments for raw materials to a related company of approximately HK\$124,564,000 (2023: HK\$46,314,000) and deposits to a related company of approximately HK\$109,000 (2023: HK\$111,000) respectively (Note 33(b)).

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

	2024	2023
	HK\$'000	HK\$'000
Beginning of the year	4,835	5,586
Written off	(4,835)	(751)
End of the year	-	4,835

Notes to the Consolidated Financial Statements (continued)

22 CASH AND CASH EQUIVALENTS

	2024 HK\$'000	2023 HK\$'000
Cash and cash equivalents	717,404	717,027

Cash and cash equivalents are denominated in the following currencies:

	2024 HK\$'000	2023 HK\$'000
US\$	424,057	565,510
HK\$	91,365	40,813
RMB	164,254	101,631
VND	35,572	7,668
Others	2,156	1,405
	717,404	717,027

23 BANK BORROWINGS

	2024 HK\$'000	2023 HK\$'000
Current		
Short-term bank borrowings, unsecured	60,000	–
Portion of long-term bank borrowings, secured, due for repayment within one year which contain a repayment on demand clause	–	1,032
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	–	86
Portion of long-term bank borrowings, unsecured, due for repayment within one year	293,129	404,707
	353,129	405,825
Non-current		
Bank borrowings, unsecured	454,811	530,930
Total bank borrowings	807,940	936,755

Notes to the Consolidated Financial Statements (continued)

23 BANK BORROWINGS *(Continued)*

The weighted average effective interest rate as at 31 March 2024 is 5.66% (2023: 4.63%).

The bank borrowings are due for repayment as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	353,129	405,739
Between one and two years	181,006	531,016
Between two and five years	273,805	–
	807,940	936,755

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

The carrying amounts of bank borrowings approximate their fair values and are denominated in the following currencies:

	2024 HK\$'000	2023 HK\$'000
HK\$	807,940	935,637
US\$	–	1,118
	807,940	936,755

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

	2024 HK\$'000	2023 HK\$'000
Bank borrowings	–	1,118

As at 31 March 2023, the Group's certain bank borrowings were secured by financial assets at FVTPL with a total carrying amount of HK\$6,742,000 (Note 18).

Notes to the Consolidated Financial Statements (continued)

24 LEASE LIABILITIES

The Group's lease liabilities are analysed as follows:

	2024 HK\$'000	2023 HK\$'000
Current		
Lease liabilities due for repayment within one year	42,385	76,066
Non-current		
Lease liabilities due for repayment after one year:		
Between one and two years	41,052	22,285
Between two and five years	79,623	59,398
	120,675	81,683
Total lease liabilities	163,060	157,749

The weighted average effective interest rate as at 31 March 2024 is 4.31% (2023: 2.77%).

The lease liabilities are due for repayment as follows:

	2024 HK\$'000	2023 HK\$'000
Gross lease liabilities — minimum lease payments:		
Within one year	48,629	79,481
Between one and two years	45,515	24,700
Between two and five years	82,862	61,553
	177,006	165,734
Future finance charges on leases	(13,946)	(7,985)
Present value of lease liabilities	163,060	157,749

As at 31 March 2024, the carrying amounts of lease liabilities are denominated in US\$, RMB and HK\$ (2023: same).

25 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

(a) Trade and bills payables

Trade and bills payables are denominated in the following currencies:

	2024 HK\$'000	2023 HK\$'000
US\$	251,232	280,192
HK\$	20,044	24,257
RMB	63,392	53,583
Others	789	5,360
	335,457	363,392

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

Note: As at 31 March 2024, trade and bills payables include trade payables to a related company of approximately HK\$2,975,000 (2023: HK\$2,776,000) (Note 33(b)).

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

	2024 HK\$'000	2023 HK\$'000
Within one month	192,782	192,633
One to two months	68,148	109,117
Two to three months	63,536	54,213
Over three months	10,991	7,429
	335,457	363,392

(b) Accruals and other payables

	2024 HK\$'000	2023 HK\$'000
Accrued subcontracting charges	3,579	37
Accrued salaries	70,069	71,637
Contract liabilities (Note 5(e))	28,142	12,623
Other accrued expenses	14,593	23,684
Other payables (Note)	139,449	116,655
Provision for reinstatement costs	4,409	487
	260,241	225,123
Less: Non-current portion	(4,409)	(487)
Current portion	255,832	224,636

Note: As at 31 March 2024, other payables include payables to a related company of approximately HK\$83,641,000 (2023: HK\$87,491,000) (Note 33(b)).

Notes to the Consolidated Financial Statements (continued)

26 DEFERRED INCOME TAX

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

	2024 HK\$'000	2023 HK\$'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	704	676
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	(4,812)	(166)
Deferred tax (liabilities)/assets, net	(4,108)	510

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

	2024 HK\$'000	2023 HK\$'000
Beginning of the year	510	(1,059)
(Charged)/credited to consolidated income statement (Note 12)	(4,618)	1,570
Exchange difference	–	(1)
End of the year	(4,108)	510

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:

	Accelerated tax depreciation HK\$'000	Right-of-use assets HK\$'000	Withholding tax HK\$'000	Total HK\$'000
As at 1 April 2022	(1,753)	(8,473)	–	(10,226)
Credited/(charged) to consolidated income statement	1,588	(2,396)	–	(808)
Exchange difference	–	166	–	166
As at 31 March 2023	(165)	(10,703)	–	(10,868)
Credited/(charged) to consolidated income statement	59	1,284	(4,705)	(3,362)
Exchange difference	–	50	–	50
As at 31 March 2024	(106)	(9,369)	(4,705)	(14,180)

26 DEFERRED INCOME TAX (Continued)

Deferred income tax assets:

	Decelerated tax depreciation HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 April 2022	509	8,658	9,167
(Charged)/credited to consolidated income statement	(88)	2,466	2,378
Exchange difference	–	(167)	(167)
As at 31 March 2023	421	10,957	11,378
Charged to consolidated income statement	(43)	(1,213)	(1,256)
Exchange difference	–	(50)	(50)
As at 31 March 2024	378	9,694	10,072

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$29,353,000 (2023: HK\$19,056,000) in respect of accumulated tax losses amounting to HK\$153,484,000 (2023: HK\$105,748,000) as at 31 March 2024, that can be carried forward against future taxable income. As at 31 March 2024, the accumulated tax losses amounting to HK\$122,577,000 (2023: HK\$81,899,000) will expire in five years. There is no expiry period for the other tax losses.

As at 31 March 2024, deferred income tax liabilities of approximately HK\$6,749,000 (2023: HK\$5,180,000) have not been recognised for the withholding taxation that would be payable on the unremitted earnings of subsidiaries in Mainland China of approximately HK\$134,976,000 (2023: HK\$103,591,000), as the management considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed in the foreseeable future.

Notes to the Consolidated Financial Statements (continued)

27 INTEREST IN A JOINT VENTURE

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

	2024 HK\$'000	2023 HK\$'000
Beginning of the year	5,483	4,919
Share of post-tax profit	1,561	735
Share of other comprehensive income/(loss)	39	(171)
End of the year	7,083	5,483

Nature of interest in a joint venture as at 31 March 2024 and 2023:

Name of joint venture	Place of incorporation	Place of operation	Equity interest attributable to the Group		Proportion of voting power held		Principal activities
			2024	2023	2024	2023	
Directly held:							
SML & FT (HK) Limited	Hong Kong	Hong Kong	30%	30%	50%	50%	Investment holding
Indirectly held:							
SML & FT (Vietnam) Limited	Vietnam	Vietnam	30%	30%	50%	50%	Manufacturing of labels and hang tags

Summarised financial information for joint venture

Set out below is the summarised financial information for SML & FT (HK) Limited and its subsidiary which is accounted for using the equity method.

27 INTEREST IN A JOINT VENTURE (Continued)
Summarised balance sheet

	2024 HK\$'000	2023 HK\$'000
Current		
Total current assets	23,269	16,055
Total current liabilities	(17,802)	(16,608)
Non-current		
Total non-current assets	6,001	6,232
Total non-current liabilities	(456)	–
Net assets	11,012	5,679

Summarised statement of comprehensive income

	2024 HK\$'000	2023 HK\$'000
Revenue	16,990	12,448
Profit for the year	5,203	2,452
Other comprehensive income/(loss)	130	(570)
Total comprehensive income	5,333	1,882

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

	2024 HK\$'000	2023 HK\$'000
Reconciled to the Group's interest in the joint venture		
Gross amounts of net assets of the joint venture	11,012	5,679
Group's effective interest	30%	30%
Loan to the joint venture (Note)	3,303	1,703
	3,780	3,780
Group's share of interest in the joint venture	7,083	5,483

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 SHARE CAPITAL

	2024		2023	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
Ordinary shares at HK\$0.01 each as at 1 April and 31 March	5,000,000,000	50,000,000	5,000,000,000	50,000,000
	2024		2023	
	Number of shares	Nominal Value HK\$	Number of shares	Nominal value HK\$
Issued and fully paid:				
Ordinary shares of HK\$0.01 each as at 1 April and 31 March	2,279,392,000	22,793,920	2,279,392,000	22,793,920

Notes to the Consolidated Financial Statements (continued)

29 RESERVES

	Attributable to the owners of the Company				
	Other reserves (Note)	Exchange reserve	Share option reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2023	1,586,311	4,035	13,981	647,933	2,252,260
Profit for the year	-	-	-	361,672	361,672
Other comprehensive loss:					
— Currency translation differences	-	(23,439)	-	-	(23,439)
— Share of other comprehensive income of a joint venture	-	39	-	-	39
Total comprehensive income	-	(23,400)	-	361,672	338,272
Transactions with owners					
Share option scheme					
Transfer of reserve upon forfeiture	-	-	(220)	220	-
Dividends (Note 14)	-	-	-	(230,218)	(230,218)
	-	-	(220)	(229,998)	(230,218)
As at 31 March 2024	1,586,311	(19,365)	13,761	779,607	2,360,314

Notes to the Consolidated Financial Statements (continued)

29 RESERVES (Continued)

	Attributable to the owners of the Company				
	Other reserves	Exchange reserve	Share option reserve	Retained earnings	Total
	(Note) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2022	1,586,311	121,789	18,248	659,262	2,385,610
Profit for the year	–	–	–	134,844	134,844
Other comprehensive loss:					
— Currency translation differences	–	(117,925)	–	–	(117,925)
— Share of other comprehensive income of a joint venture	–	171	–	–	171
Total comprehensive income	–	(117,754)	–	134,844	17,090
Transactions with owners					
Share option scheme					
Transfer of reserve upon forfeiture	–	–	(4,267)	4,267	–
Dividends (Note 14)	–	–	–	(150,440)	(150,440)
	–	–	(4,267)	(146,173)	(150,440)
As at 31 March 2023	1,586,311	4,035	13,981	647,933	2,252,260

Note: Other reserves represent mainly the share premium, and fair value of the consideration given in excess of the paid-in capital of the companies comprising the Group in relation to the Company's reorganisation.

Notes to the Consolidated Financial Statements (continued)

30 SHARE-BASED PAYMENTS

Movements of the share options under the share option scheme during the year ended 31 March 2024 are as follows:

Date of grant	Exercise price HK\$	Exercise period	Number of share options				As at 31 March 2024
			As at 1 April 2023	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	3,000,000	-	-	-	3,000,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	6,500,000	-	-	-	6,500,000
20 April 2018	1.700	20 April 2019 to 19 April 2028	1,500,000	-	-	-	1,500,000
Other employees of the Group							
29 August 2016	1.394	29 August 2017 to 28 August 2026	11,504,000	-	-	(366,000)	11,138,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	27,000,000	-	-	(600,000)	26,400,000
Total			49,504,000	-	-	(966,000)	48,538,000

Movements of the share options under the share option scheme during the year ended 31 March 2023 are as follows:

Date of grant	Exercise price HK\$	Exercise period	Number of share options				As at 31 March 2023
			As at 1 April 2022	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	4,000,000	-	-	(1,000,000)	3,000,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	11,000,000	-	-	(4,500,000)	6,500,000
20 April 2018	1.700	20 April 2019 to 19 April 2028	1,500,000	-	-	-	1,500,000
Other employees of the Group							
29 August 2016	1.394	29 August 2017 to 28 August 2026	12,004,000	-	-	(500,000)	11,504,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	30,700,000	-	-	(3,700,000)	27,000,000
Total			59,204,000	-	-	(9,700,000)	49,504,000

Notes to the Consolidated Financial Statements (continued)

30 SHARE-BASED PAYMENTS (Continued)

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

Share options	Vesting period	Exercise period
<i>Granted on 29 August 2016</i>		
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2017	29 August 2017 to 28 August 2026
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2018	29 August 2018 to 28 August 2026
9,366,668 share options	29 August 2016 to 28 August 2019	29 August 2019 to 28 August 2026
<i>Granted on 28 August 2017</i>		
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2018	28 August 2018 to 27 August 2027
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2019	28 August 2019 to 27 August 2027
19,933,334 share options	28 August 2017 to 27 August 2020	28 August 2020 to 27 August 2027
<i>Granted on 20 April 2018</i>		
500,000 share options	20 April 2018 to 19 April 2019	20 April 2019 to 19 April 2028
500,000 share options	20 April 2018 to 19 April 2020	20 April 2020 to 19 April 2028
500,000 share options	20 April 2018 to 19 April 2021	20 April 2021 to 19 April 2028

The Company has used the Binomial Model for assessing the fair value of the share options granted. According to the Binomial Model, the fair value of the options granted measured as at the date of grant was approximately in a range of HK\$0.478 to HK\$0.482 for each of the three tranches, taking into account various factors, variables and assumptions which include the following:

	Date of grant		
	29 August 2016	28 August 2017	20 April 2018
Risk-free interest rate	1.01%	1.50%	1.50%
Expected volatility	40.28%	39.02%	39.02%
Expected annual dividend yield	3.95%	3.83%	3.83%

No expense for the share options granted to the directors and employees was recognised as “employment benefit expenses” for the year ended 31 March 2024 (2023: same).

31 CASH GENERATED FROM OPERATIONS

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

	2024 HK\$'000	2023 HK\$'000
Profit before income tax	433,905	209,422
Adjustments for:		
Finance income	(29,626)	(10,106)
Finance expenses	64,779	43,153
Depreciation of property, plant and equipment	193,455	196,808
Depreciation of right-of-use assets	32,501	33,899
Depreciation of investment properties	82	82
Net gains on financial assets at FVTPL	(6,188)	(6,100)
Net gains on disposals of property, plant and equipment	(28,553)	(32,536)
Provision for impairment of inventories	396	8,970
Written off of property, plant and equipment	1,966	–
Impairment loss on the production base in Myanmar	34,005	243,416
Share of post-tax profit of a joint venture	(1,561)	(735)
Gain on deregistration of subsidiaries	–	(3,218)
Exchange difference	(26,899)	(38,975)
Changes in working capital:		
Inventories	120,477	121,499
Trade receivables	(34,708)	13,331
Prepayments, deposits, other receivables and other assets	(69,494)	(52,988)
Trade and bills payables	(27,772)	(53,184)
Accruals and other payables	43,239	(15,367)
Cash generated from operations	700,004	657,371

Notes to the Consolidated Financial Statements (continued)

31 CASH GENERATED FROM OPERATIONS (Continued)**(b) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:**

	2024 HK\$'000	2023 HK\$'000
Net book amount (Note 15)	13,028	33,062
Net gains on disposals of property, plant and equipment recognised in consolidated income statement (Note 8)	28,553	32,536
Proceeds from disposals of property, plant and equipment	41,581	65,598
Proceeds from disposals of property, plant and equipment included in consolidated cash flow statement: — Cash flows from investing activities	41,581	65,598

(c) Significant non-cash transactions:

The significant non-cash transactions for the years ended 31 March 2024 and 2023 were related to the additions of right-of-use assets (Note 16(a)).

(d) Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Loans from non-controlling shareholders of subsidiaries HK\$'000
As at 1 April 2022	1,190,108	123,048	3,976
Cash outflow	(862,815)	(83,247)	–
Cash inflow	609,462	–	2,100
Non-cash changes	–	117,948	(309)
As at 31 March 2023	936,755	157,749	5,767
As at 1 April 2023	936,755	157,749	5,767
Cash outflow	(796,755)	(74,572)	(2,317)
Cash inflow	667,940	–	–
Non-cash changes	–	79,883	(91)
As at 31 March 2024	807,940	163,060	3,359

Notes to the Consolidated Financial Statements (continued)

32 COMMITMENTS

(a) Operating lease arrangements

As at 31 March 2024 and 2023, the aggregate future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's investment properties are as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	260	120

(b) Capital commitments

As at 31 March 2024 and 2023, the capital expenditure contracted but not yet incurred is as follows:

	2024 HK\$'000	2023 HK\$'000
Property, plant and equipment and right-of-use assets contracted but not provided for	165,638	160,623

Notes to the Consolidated Financial Statements (continued)

33 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following is a summary of significant related party transactions which, in the opinion of the directors, are entered into the ordinary course of business between the Group and its related parties, and the balances arising from related party transactions.

Name of related parties	Relationship with the Group
Hanyi Investments Limited	Controlled by Mr. Wong Ting Chung [#] , Mr. Wong Ting Chun [#] (Executive Director) and Mr. Wong Ting Kau [#]
Huizhou Gangsheng Property Co., Ltd.*	Controlled by Mr. Wong Ting Chung [#] , Mr. Wong Wai Yue (Chairman and Executive Director), Mr. Wong Ting Chun [#] (Executive Director), Mr. Wong Ting Kau [#] and Mr. Lin Xiugao, the cousin of Mr. Wong Ting Chung [#]
Huizhou Huaerkang Technology Co., Ltd.*	Controlled by Mr. Wong Wai Yue (Chairman and Executive Director)
HEK (HK) Ltd.	Controlled by Mr. Wong Wai Yue (Chairman and Executive Director)
Hebei Yuteng Cashmere Products Co., Ltd.*	The non-controlling interests of a subsidiary of the Group
Huizhou Chuang Ye Xing Property Management Co., Ltd.*	Controlled by Mr. Wong Ting Chung [#]
SML & FT (Vietnam) Limited	Wholly owned subsidiary of a joint venture formed between the Group and an independent third party
Tongxiang Yuteng Cashmere Clothing Co., Ltd.*	Wholly owned subsidiary of the non-controlling interests of a subsidiary of the Group
Sunicon Apparel Limited and Huizhou Jiayu Clothing Co., Ltd.*	Controlled by Mr. Wong Ting Chung [#] , Mr. Wong Ting Chun [#] (Executive Director), Mr. Wong Ting Kau [#] , Mr. Wong Wai Yue (Chairman and Executive Director), Ms. Wong Wai Ling, the sister of Mr. Wong Ting Chung [#] and Mr. Shum Ho Chi

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

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

33 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions

	Note	2024 HK\$'000	2023 HK\$'000
<i>Continuing transactions:</i>			
Hotel services fee charged by Huizhou Gangsheng Property Co., Ltd.	(i), (vi)	1,526	1,346
Rental charged by Hanyi Investments Limited	(ii), (vi)	2,988	2,988
Rental charged by Hebei Yuteng Cashmere Products Co., Ltd.	(iii), (vi)	8,776	9,213
Rental charged by Tongxiang Yuteng Cashmere Clothing Co., Ltd.	(iv), (vi)	857	933
Rental charged by Huizhou Chuang Ye Xing Property Management Co., Ltd.	(v), (vi)	21	336
Purchase of cashmere from Hebei Yuteng Cashmere Products Co., Ltd.	(i), (vi)	604,457	665,210
Purchase of mask and Covid-19 rapid test kit from Huizhou Huaerkang Technology Co., Ltd. and HEK (HK) Ltd.	(i), (vi)	38	961
Purchase of labels and hang tags from SML & FT (Vietnam) Limited	(i)	16,265	7,439
Sales of fabric to Sunicon Apparel Limited and Huizhou Jiayu Clothing Co., Ltd.	(i), (vi)	–	25

Notes:

- (i) Terms of the above transactions are mutually agreed between the relevant parties.
- (ii) The Group has renewed its lease agreement with Hanyi Investments Limited on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK\$2,908,000 at 31 March 2023 and there was no right-of-use assets remained at 31 March 2024. The lease payments to this related company under this agreement for the year ended 31 March 2024 was HK\$2,988,000 (2023: HK\$2,988,000).
- (iii) The Group has renewed its lease agreement with Hebei Yuteng Cashmere Products Co., Ltd. in respect of properties on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK\$8,429,000 at 31 March 2024 (2023: HK\$17,233,000). The lease payments to this related company under this agreement for the year ended 31 March 2024 was HK\$8,776,000 (2023: HK\$9,213,000).
- (iv) The Group has entered into a lease agreement with Tongxiang Yuteng Cashmere Clothing Co., Ltd. on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK\$1,766,000 at 31 March 2024 (2023: HK\$206,000). The lease payments to this related company under this agreement for the year ended 31 March 2024 was HK\$857,000 (2023: HK\$933,000).
- (v) The Group has entered into a lease agreement with Huizhou Chuang Ye Xing Property Management Co., Ltd. on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK\$143,000 at 31 March 2023 and there was no right-of-use assets remained at 31 March 2024. The lease payments to this related company under this agreement for the year ended 31 March 2024 was HK\$21,000 (2023: HK\$336,000).
- (vi) These related party transactions also fall under the definition of continuing connected transactions or connected transactions in Chapter 14A of the Listing Rules. The Company has complied with the requirements in accordance with Chapter 14A of the Listing Rules.

Notes to the Consolidated Financial Statements (continued)

33 RELATED PARTY TRANSACTIONS (Continued)**(b) Year end balances**

	Note	2024 HK\$'000	2023 HK\$'000
Prepayment to Hebei Yuteng Cashmere Products Co., Ltd.	21, (i)	124,564	46,314
Deposit to Tongxiang Yuteng Cashmere Clothing Co., Ltd.	21, (i)	109	111
Trade payable to SML & FT (Vietnam) Limited	25(a), (ii)	2,975	2,776
Other payable to Hebei Yuteng Cashmere Products Co., Ltd.	25(b), (ii)	83,641	87,491
Lease liabilities due to Hanyi Investments Limited		–	2,963
Lease liabilities due to Hebei Yuteng Cashmere Products Co., Ltd		8,568	17,374
Lease liabilities due to Tongxiang Yuteng Cashmere Clothing Co., Ltd.		1,787	231
Lease liabilities due to Huizhou Chuang Ye Xing Property Management Co., Ltd		–	143
Loans from non-controlling shareholders of subsidiaries	(iii)	3,359	5,767

Notes:

- (i) Prepayment and deposit were presented in the consolidated balance sheet within "Prepayments, deposits, other receivables and other assets" (Note 21).
- (ii) Payables were presented in the consolidated balance sheet within "Trade and bills payables, accruals and other payables" (Note 25).
- (iii) The loans from non-controlling shareholders of subsidiaries are unsecured, interest-free, denominated in RMB and will mature in December 2026.

(c) Key management compensation

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

	2024 HK\$'000	2023 HK\$'000
Salaries, pension costs and other short-term employee benefits	13,525	12,648
Bonuses	11,730	11,312
	25,255	23,960

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

The remuneration of each director and the chief executive officer for the year ended 31 March 2024 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 Wai Yue (Chairman) (Note (i))	360	1,440	3,000	-	18	-	4,818
Mr. Man Yu Hin (Chief executive officer) (Note (i))	360	1,440	3,000	-	18	-	4,818
Mr. Wong Ting Chun (Note (i))	360	1,800	3,000	-	18	-	5,178
Mr. Li Po Sing (Note (i))	360	2,160	1,500	-	18	-	4,038
Independent non-executive directors:							
Ms. Fan Chiu Fun, Fanny	360	-	-	-	-	-	360
Mr. Kan Chung Nin, Tony	360	-	-	-	-	-	360
Mr. Fan Chun Wah, Andrew	360	-	-	-	-	-	360
Mr. Ip Shu Kwan, Stephen	360	-	-	-	-	-	360
	2,880	6,840	10,500	-	72	-	20,292

Notes to the Consolidated Financial Statements (continued)

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

The remuneration of each director and the chief executive officer for the year ended 31 March 2023 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 Wai Yue (Chairman) (Note (i))	300	1,440	3,000	–	18	–	4,758
Mr. Man Yu Hin (Chief executive officer) (Note (i))	300	1,440	3,000	–	18	–	4,758
Mr. Wong Ting Chun (Note (i))	300	1,800	3,000	–	18	–	5,118
Mr. Li Po Sing (Note (i))	300	1,800	1,200	–	18	–	3,318
Non-executive director:							
Mr. Tam Wai Hung, David (Note (ii))	10	–	–	–	–	–	10
Independent non-executive directors:							
Ms. Fan Chiu Fun, Fanny	300	–	–	–	–	–	300
Mr. Kan Chung Nin, Tony	300	–	–	–	–	–	300
Mr. Ong Chor Wei (Note (iii))	10	–	–	–	–	–	10
Mr. Fan Chun Wah, Andrew	300	–	–	–	–	–	300
Ms. Lee Bik Kee, Betty (Note (iii))	10	–	–	–	–	–	10
Mr. Ip Shu Kwan, Stephen	300	–	–	–	–	–	300
	2,430	6,480	10,200	–	72	–	19,182

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

Notes:

- (i) The remuneration shown above included remuneration received from the Group by the directors in their capacity as employees of the subsidiaries during the years ended 31 March 2024 and 2023.
- (ii) Mr. Tam Wai Hung, David resigned as a Non-executive director with effect from 12 April 2022.
- (iii) Mr. Ong Chor Wei and Ms. Lee Bik Kee, Betty resigned as Independent non-executive directors, with effect from 12 April 2022.
- (iv) No remunerations were paid or receivable in respect of accepting office as directors during the year ended 31 March 2024 (2023: Nil).
- (v) No directors waived any emoluments during the year ended 31 March 2024 (2023: Nil).

(a) Directors' retirement benefits

There were no retirement benefits paid to directors during the year ended 31 March 2024 (2023: 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 2024, there was no board resolution to early terminate of the directors' appointment in office (2023: 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 2024 (2023: Nil).

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

There was no arrangement in relation to loans, quasi-loans and other dealings between the Group and the directors, subsisted at the end of the year or at any time during the year ended 31 March 2024 (2023: Nil).

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

Saved as disclosed in Note 33, there are no significant transactions, arrangements and contracts in relation to Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 March 2024 and 2023.

Notes to the Consolidated Financial Statements (continued)

35 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY**Balance sheet of the Company**

Note	2024 HK\$'000	2023 HK\$'000
Assets		
Non-current asset		
Interest in subsidiaries	610,077	610,077
Current assets		
Prepayments, deposits, other receivables and other assets	758	1,262
Amounts due from subsidiaries	2,655,273	3,012,950
Cash and cash equivalents	3,164	88,888
	2,659,195	3,103,100
Total assets	3,269,272	3,713,177
Equity		
Equity attributable to the owners of the Company		
Share capital	22,794	22,794
Reserves (a)	2,157,660	2,092,702
Total equity	2,180,454	2,115,496
Liabilities		
Non-current liability		
Bank borrowings	454,811	410,930
Current liabilities		
Accruals and other payables	18	18
Amounts due to subsidiaries	340,860	808,693
Bank borrowings	293,129	378,040
	634,007	1,186,751
Total liabilities	1,088,818	1,597,681
Total equity and liabilities	3,269,272	3,713,177

The Balance Sheet of the Company was approved by Board of Directors on 21 June 2024 and was signed on its behalf.

Wong Wai Yue
Chairman and Executive Director

Man Yu Hin
Chief Executive Officer and Executive Director

Notes to the Consolidated Financial Statements (continued)

35 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

(a) Reserve movements of the Company

	Other reserves HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April 2022	1,866,583	18,248	174,612	2,059,443
Profit for the year	–	–	183,699	183,699
Dividends (Note 14)	–	–	(150,440)	(150,440)
Share option scheme:				
— Transfer of reserve upon forfeiture	–	(4,267)	4,267	–
As at 31 March 2023 and 1 April 2023	1,866,583	13,981	212,138	2,092,702
Profit for the year	–	–	295,176	295,176
Dividends (Note 14)	–	–	(230,218)	(230,218)
Share option scheme:				
— Transfer of reserve upon forfeiture	–	(220)	220	–
As at 31 March 2024	1,866,583	13,761	277,316	2,157,660

Financial Summary

RESULTS

	Year ended 31 March				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	4,378,888	4,602,307	4,040,472	3,848,554	4,480,708
Cost of sales	(3,604,649)	(3,856,803)	(3,334,374)	(3,147,112)	(3,790,582)
Gross profit	774,239	745,504	706,098	701,442	690,126
Profit before income tax	433,905	209,422	319,026	334,667	174,351
Income tax expenses	(53,201)	(51,095)	(43,422)	(36,309)	(22,817)
Profit for the year	380,704	158,327	275,604	298,358	151,534
Profit for the year attributable to:					
Owners of the Company	361,672	134,844	263,302	313,677	157,045
Non-controlling interests	19,032	23,483	12,302	(15,319)	(5,511)
	380,704	158,327	275,604	298,358	151,534

ASSETS AND LIABILITIES

	As at 31 March				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Non-current assets	2,399,172	2,382,275	2,771,180	2,869,362	2,784,929
Current assets	2,048,931	2,046,826	2,043,077	1,786,248	2,041,436
Total assets	4,448,103	4,429,101	4,814,257	4,655,610	4,826,365
Total equity	2,598,959	2,477,674	2,602,894	2,416,135	2,096,614
Capital and reserves attributable to:					
Owners of the Company	2,383,108	2,275,054	2,408,404	2,241,191	1,973,960
Non-controlling interests	215,851	202,620	194,490	174,944	122,654
	2,598,959	2,477,674	2,602,894	2,416,135	2,096,614
Non-current liabilities	588,066	619,033	989,746	458,460	1,428,034
Current liabilities	1,261,078	1,332,394	1,221,617	1,781,015	1,301,717
Total liabilities	1,849,144	1,951,427	2,211,363	2,239,475	2,729,751
Total equity and liabilities	4,448,103	4,429,101	4,814,257	4,655,610	4,826,365
Net current assets	787,853	714,432	821,460	5,233	739,719