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南旋控股有限公司

NAMESON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1982)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

	Year ended 31 March		Change
	2021 <i>HK\$' million</i>	2020 <i>HK\$' million</i>	
Revenue	3,848.6	4,480.7	-14.1%
Gross profit	701.4	690.1	+1.6%
Gross profit margin	18.2%	15.4%	+2.8 p.p.
Profit attributable to the owners of the Company	313.7	157.0	+99.8%
Adjusted net profit (Note)	305.5	244.0	+25.2%
Adjusted net profit margin	7.9%	5.4%	+2.5 p.p.
Earnings per share			
— Basic and diluted	13.76 HK cents	6.89 HK cents	+99.7%
Interim dividend per share	3.8 HK cents	4.3 HK cents	
Proposed final dividend per share	1.2 HK cents	Nil HK cent	

Note: Adjusted net profit is a non-HKFRS financial measure and derived from profit attributable to the owners of the Company excluding (a) costs and expenses directly or indirectly related to the restructuring of V. Success Group and (b) realised and unrealised (gains)/losses from derivative financial instruments, which are considered as non-recurring in nature. We believe the adjusted net profit presented herein better reflects the Group's core operating results.

The Board of directors (the “Board”) of Nameson Holdings Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2021, together with the comparative figures for the year ended 31 March 2020 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2021

(Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3	3,848,554	4,480,708
Cost of sales	5	<u>(3,147,112)</u>	<u>(3,790,582)</u>
Gross profit		701,442	690,126
Other income		17,072	14,714
Other gains, net	4	31,007	29,018
Selling and distribution expenses	5	(40,969)	(46,049)
General and administrative expenses	5	(342,658)	(392,347)
Impairment loss on intangible assets	10	–	(55,096)
Reversal of/(provision for) impairment losses on financial assets	5	<u>1,737</u>	<u>(3,996)</u>
Operating profit		367,631	236,370
Share of post-tax profit of a joint venture		60	825
Finance income		2,861	5,728
Finance expenses		<u>(35,885)</u>	<u>(68,572)</u>
Finance expenses, net	6	(33,024)	(62,844)
Profit before income tax		334,667	174,351
Income tax expenses	7	<u>(36,309)</u>	<u>(22,817)</u>
Profit for the year		<u>298,358</u>	<u>151,534</u>
Profit for the year attributable to:			
— Owners of the Company		313,677	157,045
— Non-controlling interests		<u>(15,319)</u>	<u>(5,511)</u>
		<u>298,358</u>	<u>151,534</u>
Earnings per share attributable to the owners of the Company during the year			
— Basic and diluted (HK cents per share)	8	<u>13.76</u>	<u>6.89</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

(Expressed in Hong Kong dollars)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	298,358	151,534
Other comprehensive income/(loss), net of tax: <i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
— Currency translation differences	49,867	(34,225)
— Share of other comprehensive income of a joint venture	173	—
Other comprehensive income/(loss) for the year, net of tax	50,040	(34,225)
Total comprehensive income for the year	348,398	117,309
Total comprehensive income for the year attributable to:		
— Owners of the Company	353,608	125,193
— Non-controlling interests	(5,210)	(7,884)
	348,398	117,309

CONSOLIDATED BALANCE SHEET

As at 31 March 2021

(Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,770,817	1,515,721
Right-of-use assets		830,109	996,899
Investment properties		1,836	1,918
Intangible assets	10	–	–
Interest in a joint venture		8,297	8,064
Financial assets at fair value through profit or loss		173,113	167,295
Prepayments, deposits, other receivables and other assets		84,499	94,424
Deferred income tax assets		691	608
		<u>2,869,362</u>	<u>2,784,929</u>
Current assets			
Inventories		721,606	806,451
Trade receivables	11	143,866	163,977
Prepayments, deposits, other receivables and other assets		124,605	340,045
Tax recoverable		2,970	17,835
Cash and cash equivalents		793,201	713,128
		<u>1,786,248</u>	<u>2,041,436</u>
Total assets		<u><u>4,655,610</u></u>	<u><u>4,826,365</u></u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		22,794	22,794
Reserves		2,218,397	1,951,166
Capital and reserves attributable to the owners of the Company		2,241,191	1,973,960
Non-controlling interests		174,944	122,654
Total equity		<u><u>2,416,135</u></u>	<u><u>2,096,614</u></u>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings	<i>13</i>	342,967	1,136,100
Lease liabilities	<i>14</i>	112,757	288,713
Provision for reinstatement costs		381	659
Deferred income tax liabilities		2,355	2,562
		<u>458,460</u>	<u>1,428,034</u>
Current liabilities			
Trade and bills payables	<i>12</i>	314,378	390,416
Accruals and other payables		183,798	158,593
Current income tax liabilities		219,224	183,174
Bank borrowings	<i>13</i>	881,317	371,619
Lease liabilities	<i>14</i>	182,298	197,915
		<u>1,781,015</u>	<u>1,301,717</u>
Total liabilities		<u>2,239,475</u>	<u>2,729,751</u>
Total equity and liabilities		<u>4,655,610</u>	<u>4,826,365</u>
Net current assets		<u>5,233</u>	<u>739,719</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The actual results may differ from these estimates.

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for the financial year beginning 1 April 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform — Phase 1
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amended standards did not have any significant impact on the amounts recognised in prior or current periods.

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

The following new and amended standards have been issued but are not effective for the Group's financial year beginning 1 April 2020 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
Amendments to HKFRS 16	COVID-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvement Project	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	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 upon initial application, and has concluded on a preliminary basis that the adoption of these new and amended standards is not expected to have a significant impact on the Group's results of operations or financial position.

3. SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors and senior management of the Company led by the Group's chief executive officer, being the Group's chief operating decision-maker ("CODM"), which are used for the purposes of assessing performance and making strategic decisions.

Prior to 1 April 2020, the Group had two operating segments namely (i) Manufacturing of knitwear products; and (ii) Manufacturing of knitted upper for footwear and knitted upper shoes.

During the year ended 31 March 2021, the Group restructured and streamlined the business of manufacturing of knitted upper for footwear and knitted upper shoes. Upon the restructuring of this segment, CODM reassessed the Group's segment reporting and decided that, for the purposes of financial reporting, manufacturing of knitted upper for footwear and knitted upper shoes segment should be combined with the manufacturing of knitwear products segment as the resources allocation, performance assessment and decision making of these two operating segments are no longer considered separately.

For the year ended 31 March 2021, the Group operates as a single operating segment. The impact of the abovementioned change in the Group's reportable operating segments for the year ended 31 March 2020 is considered retrospectively and the Group's operating segment information is restated as if the Group had been operating as a single operating segment in that period. Accordingly, the Group has not presented separate segment information.

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

(a) Revenue by location of goods delivery

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Japan	1,307,153	1,492,617
North America	535,357	674,888
Europe	708,818	731,157
Mainland China	916,227	1,050,383
Other countries	380,999	531,663
	<u>3,848,554</u>	<u>4,480,708</u>

(b) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	32,797	58,706
Mainland China	703,166	772,344
Vietnam	1,635,424	1,672,090
Myanmar	315,874	105,822
	<u>2,687,261</u>	<u>2,608,962</u>

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

(c) Major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	<u>2,025,804</u>	<u>2,487,093</u>

The five largest customers accounted for approximately 73.1% (2020: 73.7%) of revenue for the year ended 31 March 2021.

(d) Disaggregation of revenue from contracts with customers

For the years ended 31 March 2021 and 2020, 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract liabilities — receipts in advance	<u>18,272</u>	<u>9,642</u>

Contract liabilities for sales of goods contracts have increased by HK\$8,630,000 (2020: HK\$4,828,000) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>9,509</u>	<u>3,654</u>

4. OTHER GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net foreign exchange gains	15,632	23,501
Net gains on financial assets at fair value through profit or loss	5,818	5,859
Net gains on disposals of property, plant and equipment	1,133	375
Net realised and unrealised gains/(losses) from derivative financial instruments	8,213	(717)
Others	<u>211</u>	<u>—</u>
	<u>31,007</u>	<u>29,018</u>

5. EXPENSES BY NATURE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Advertising and promotion expenses	7,166	7,723
Auditor's remuneration		
— audit services	2,849	2,849
— non-audit services	651	651
Depreciation		
— owned property, plant and equipment	126,322	141,005
— right-of-use assets	89,692	78,965
Depreciation of investment properties	82	96
Amortisation of technical knowhow (<i>Note 10</i>)	–	9,651
Employment benefit expenses (including directors' emoluments)	871,918	915,267
Raw materials and consumables used	1,861,087	2,130,835
Changes in inventories of finished goods and work in progress	42,176	190,167
Provision for impairment of inventories	5,570	30,796
Provision for impairment of property, plant and equipment	21,916	25,197
(Reversal of)/provision for impairment of trade receivables	(1,737)	1,737
Provision for impairment of prepayments and other receivables	–	7,094
Subcontracting charges	169,328	297,870
Agency and commission expenses	1,407	3,493
Transportation charges	32,886	35,160
Sample charges	10,866	22,365
Donations	3,056	1,394
Expense related to short-term leases	764	501
Utilities expenses	93,626	99,661
Others	189,377	230,497
	<u>3,529,002</u>	<u>4,232,974</u>
Total cost of sales, selling and distribution expenses, general and administration expenses and (reversal of)/provision for impairment losses on financial assets	<u>3,529,002</u>	<u>4,232,974</u>

Following the outbreak of the novel coronavirus (“COVID-19”) pandemic since late January 2020, the Group's management acknowledged that it was becoming extremely difficult to continue to deploy heavy resources to run its knitted uppers for footwear and knitted upper shoes business as an independent business under the current market condition and global economic environment.

Therefore, the Group has started to restructure and streamline this business and incurred costs and expenses totalling approximately HK\$86,252,000 which are directly and indirectly related to the restructuring and streamlining of this business for the year ended 31 March 2020. All of these costs and expenses are charged to the consolidated income statement for the year ended 31 March 2020, comprising impairment loss on intangible assets of HK\$55,096,000, provision for impairment of property, plant and equipment of HK\$22,864,000, provision for impairment of inventories of HK\$4,296,000, provision for impairment of trade receivables of HK\$1,737,000 and provision for impairment of other receivables of HK\$2,259,000.

For the year ended 31 March 2020, provision for impairment of property, plant and equipment of HK\$22,864,000 and provision for impairment of inventories of HK\$4,296,000 have been respectively charged to “general and administrative expenses” and “cost of sales” in the consolidated income statement. Moreover, provision for impairment of trade receivables of HK\$1,737,000 and provision for impairment of other receivables of HK\$2,259,000 have been charged to “provision for impairment losses on financial assets” in the consolidated income statement.

6. FINANCE EXPENSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income		
Interest income from:		
— Bank deposits	<u>2,861</u>	<u>5,728</u>
Finance expenses		
Interest expenses on:		
— Bank borrowings	(28,372)	(60,132)
— Lease liabilities	<u>(7,513)</u>	<u>(8,440)</u>
	<u>(35,885)</u>	<u>(68,572)</u>
Finance expenses, net	<u>(33,024)</u>	<u>(62,844)</u>

7. INCOME TAX EXPENSES

For the year ended 31 March 2021, Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year and the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2020: 25%) on estimated assessable profits. However, two (2020: three) of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is within the third year of 50% reduction in the BIT rate, whereas, all the subsidiaries in Vietnam have no assessable profit for the year ended 31 March 2021, and hence no BIT is provided.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong profits tax	14,311	1,150
China corporate income tax	22,290	29,435
Vietnam business income tax	–	1,084
Deferred taxation	<u>(292)</u>	<u>(8,852)</u>
	<u>36,309</u>	<u>22,817</u>

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 March 2021 and 2020 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.

	2021	2020
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>313,677</u>	<u>157,045</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,279,392</u>	<u>2,279,392</u>
Basic earnings per share (<i>HK cents</i>)	<u>13.76</u>	<u>6.89</u>

(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 2021 and 2020 equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

9. DIVIDENDS

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

At a meeting held on 25 June 2021, the Board recommended a final dividend of 1.2 HK cents per share amounting to a total of HK\$27,353,000. The proposed dividends are not reflected as a dividend payable in these consolidated financial statements and will be reflected as appropriation of retained earnings for the year ending 31 March 2022.

At the board meeting held on 22 November 2019, the Board declared an interim dividend for the year ended 31 March 2020 of 4.3 HK cents per share amounting to a total of HK\$98,014,000 and paid on 24 December 2019.

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

10. INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Technical knowhow <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2019			
Cost	493,910	110,208	604,118
Accumulated amortisation	–	(17,794)	(17,794)
Accumulated impairment loss	(493,910)	(27,667)	(521,577)
	<u>–</u>	<u>64,747</u>	<u>64,747</u>
Net book amount	<u>–</u>	<u>64,747</u>	<u>64,747</u>
Year ended 31 March 2020			
Opening net book amount	–	64,747	64,747
Amortisation charge (<i>Note 5</i>)	–	(9,651)	(9,651)
Impairment loss	–	(55,096)	(55,096)
	<u>–</u>	<u>–</u>	<u>–</u>
Closing net book amount	<u>–</u>	<u>–</u>	<u>–</u>
At 31 March 2020 and 2021			
Cost	493,910	110,208	604,118
Accumulated amortisation	–	(27,445)	(27,445)
Accumulated impairment loss	(493,910)	(82,763)	(576,673)
	<u>–</u>	<u>–</u>	<u>–</u>
Net book amount	<u>–</u>	<u>–</u>	<u>–</u>

For the year ended 31 March 2021, no amortisation expense (2020: HK\$9,651,000) has been charged to “general and administrative expenses” in the consolidated income statement.

Impairment test of intangible assets

Goodwill and technical knowhow were acquired through the acquisition of V. Success Limited and its subsidiaries (“V. Success Group”) and have been allocated to the cash-generating unit (the “CGU”) for impairment testing. For the year ended 31 March 2020, the recoverable amount of the CGU is determined based on a value-in-use calculation which uses the cash flow projection based on the financial budgets of V. Success Group covering a five-year period, and a pre-tax discount rate of 15.8% per annum.

The financial model assumes a decline of 51.6% in revenue for the financial year ending 31 March 2021 and annual growth of 5.5% in the following four years. The terminal growth rate is assumed to be 3.0% per annum beyond the five-year period, taking into account long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors of the Company assessed the recoverable amount of the CGU with reference to the valuation performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer. As at 31 March 2020, the recoverable amount of the CGU, which was determined based on the value-in-use calculations, was lower than the carrying amount of the CGU and resulting in a provision for impairment of technical knowhow of HK\$55,096,000 for the year ended 31 March 2020.

11. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	143,866	165,714
Less: Provision for impairment of trade receivables	–	(1,737)
	<u>143,866</u>	<u>163,977</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
US\$	78,812	81,919
RMB	65,054	82,058
	<u>143,866</u>	<u>163,977</u>

The credit periods granted by the Group to its customers generally range from 0 to 90 days. As at 31 March 2021 and 2020, the ageing analysis of the trade receivables based on the invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Up to three months	109,788	143,478
Three to six months	23,799	13,082
Over six months	10,279	9,154
	<u>143,866</u>	<u>165,714</u>

The Group applies HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There was no loss allowance for the trade receivables as at 31 March 2021 (2020: HK\$1,737,000).

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

12. TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
US\$	216,063	191,381
HK\$	31,071	20,913
RMB	67,244	178,104
Others	–	18
	<u>314,378</u>	<u>390,416</u>

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

Note: As at 31 March 2021, trade and bills payables includes trade payables to related companies of approximately HK\$7,640,000 (2020: HK\$134,688,000).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one month	151,750	211,392
One to two months	55,594	77,134
Two to three months	65,374	8,640
Over three months	41,660	93,250
	<u>314,378</u>	<u>390,416</u>

13. BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current		
Short-term bank borrowings, unsecured	–	26,215
Portion of long-term bank borrowings, secured, due for repayment within one year which contain a repayment on demand clause	1,033	1,033
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	2,151	3,183
Portion of long-term bank borrowings, unsecured, due for repayment within one year	878,133	341,188
	<u>881,317</u>	<u>371,619</u>
Non-current		
Bank borrowings, unsecured	342,967	1,136,100
Total bank borrowings	<u>1,224,284</u>	<u>1,507,719</u>

The weighted average effective interest rate as at 31 March 2021 is 1.57% (2020: 2.94%).

The bank borrowings are due for repayment as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	879,166	368,436
Between one and two years	147,333	874,166
Between two and five years	197,785	265,117
	<u>1,224,284</u>	<u>1,507,719</u>

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.

As at 31 March 2021, 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\$6,318,000 (2020: HK\$6,100,000).

14. LEASE LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current		
Lease liabilities due for repayment within one year	<u>182,298</u>	<u>197,915</u>
Non-current		
Lease liabilities due for repayment after one year:		
Between one and two years	70,811	186,211
Between two and five years	<u>41,946</u>	<u>102,502</u>
	<u>112,757</u>	<u>288,713</u>
Total lease liabilities	<u>295,055</u>	<u>486,628</u>

The weighted average effective interest rate as at 31 March 2021 is 1.78% (2020: 1.79%).

The lease liabilities are due for repayment as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gross lease liabilities — minimum lease payments:		
Within one year	186,118	205,144
Between one and two years	72,708	190,126
Between two and five years	<u>42,348</u>	<u>104,208</u>
	301,174	499,478
Future finance charges on leases	<u>(6,119)</u>	<u>(12,850)</u>
Present value of lease liabilities	<u>295,055</u>	<u>486,628</u>

As at 31 March 2021, the carrying amounts of lease liabilities are denominated in US\$, RMB and HK\$ (2020: US\$, RMB, HK\$ and VND).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The overall market condition of the year ended 31 March 2021 (“Financial Year 2021”) was largely impeded by the extended global outbreak of the novel coronavirus (COVID-19). Coupled with the continued uncertainties on trade relations, the market has seen profound impact on the landscape of manufacturing, trade, retail sentiment and consumption behaviors.

Despite the complex trade relations between the People’s Republic of China (“China” or “Mainland China”) and the United States of America, China was the first major economy to resume full-fledged business activities, and have recorded a growth of 41.1% in total export value in Financial Year 2021, with obvious growth especially in the second half of the Financial Year 2021. However, China’s total export value of knitwear (including knitted products and crochet products, knitted or crocheted clothing and accessories) was still down by 3.5% in Financial Year 2021, even though China has recorded a distinguished increase in the second half of the Financial Year 2021 while other South-east Asian countries were faced with increased outbreaks of COVID-19 during that period.

Vietnam, being more susceptible to the effects of the pandemic than China, recorded a decline of 8.5% for its exports of textile and garments in the Financial Year 2021, being the first decline in two decades. However, with the outstanding management and strenuous efforts of our operations team in Vietnam, we are very pleased to report that our production volume from Vietnam continued to grow as expected during the Financial Year 2021, demonstrating our resilience even during such testing times.

The lockdowns in the United States of America and Europe for the first few months of Financial Year 2021 impeded orders for those months. While our key customers’ stores resumed operations in the following months, our Group’s sales volume of men’s and women’s knitwear products still recorded a decline of 10.1% to 31.0 million pieces for the year. The decline in sales volume was mainly recorded in the first half of the Financial Year 2021, while the orders for the second half of the Financial Year 2021 have resumed to normalised, stable levels.

Faced with the challenges on global economies brought by the pandemic during the Financial Year 2021, it has been a year where we had to strike the best possible balance between carefully managing our production allocation while minimising health risks for our staff, catering to customers’ reshuffled sales plans, optimising number of styles with customers for more agile delivery schedules, carefully assessing business risks involved with customers and suppliers, and at the same time, persevering through our ongoing quest to enhance operational efficiencies. We are pleased to report that our endeavors on all these areas were conducive to the better overall performance of the Group.

BUSINESS REVIEW

Apart from the decline in sales volume, the average selling price for the Group's men's and women's knitwear products also recorded a decline of 5.0% mainly due to lower raw material costs. The Group's total revenue dropped by 14.1% to HK\$3,848.6 million, compared with HK\$4,480.7 million from last financial year.

During the year, we exercised better allocation of our resources, mitigating raw material risks and effectively lowering direct labour costs and subcontracting costs. Hence, despite a decline in total revenue, we managed to improve our gross profit by 1.6% to HK\$701.4 million and our gross profit margin improved from 15.4% last financial year to 18.2% this financial year, which testifies to the effectiveness of our production and operations management despite lower sales volume and lower pricing environment.

The Group is amongst the first manufacturers to set up a production base in Vietnam to benefit from lower costs and the current trade environment. With the EU-Vietnam Free Trade Agreement, Vietnam's prominence in Asian manufacturing industry will continue to strengthen when the pandemic begins to subside. We are appreciative that our operations were not only running smoothly amidst global concern for the pandemic, we even went the extra mile to succeed in further improving operational efficiency by careful allocation of orders, and the production ratio of our Group's Vietnam production base continued to increase as planned. We believe our professional production management worked in favour to customers' fluid sales plans, which reaffirms our position as their supplier of choice.

The Group continued to exert emphasis on managing its expenses in light of the current business environment, achieving savings on selling, general and administrative expenses, allowing the operating profit to lift impressively by 55.5% to HK\$367.6 million, and enhancing the operating profit margin from 5.3% in last financial year to 9.6% in this financial year. Finance costs were also on a downward trend as a result of the lower market interest rates and the Group's prudent cash management directives.

The profit attributable to the owners of the Company improved by 99.8% to HK\$313.7 million in Financial Year 2021. The growth of the adjusted net profit would still have been respectable at 25.2% at HK\$305.5 million, while adjusted net profit margin would also have been enhanced from 5.4% in last financial year to 7.9% in this financial year. The Board has recommended the payment of a final dividend of 1.2 HK cents per share to the Company's shareholders, in appreciation to their trust and support in such difficult times.

FUTURE STRATEGIES AND PROSPECTS

This difficult year enabled us to progress via resolving challenges and threats. What is of more importance is that quality customers require quality suppliers who resonate in business ethics and financial health, maintain lean and efficient management control, and possess the agility to adjust in times that are less favourable than other times. During Financial Year 2021, we have fostered tighter working relationships with customers to overcome challenges together, which marks another important milestone for us to grow together in the years to come.

However, despite the launch of vaccination programs and stimuli measures offered by certain markets, the pace of global recovery is still protracted. This results in short-term reduction in order size — customers being generally more cautious in global buying patterns, demands smaller but quicker replenish order requirements driven by the quickly accelerated development of e-commerce, and consumers' preference to spend on products with lower price-points. Nonetheless, we believe that we have sharpened our edges as a preferred supplier by servicing our customers with distinguished research and development capabilities, and we have the scale, ability and efficiency to facilitate fast response to orders with delivery in time for our customers.

We also continue to see positive market responses for our Wholegarment products. We are very confident that our dedication through collaboration with customers to originate distinguished designs would help us further develop the full potential of such products.

The Group's development of the Myanmar production base is currently put on hold. We will carefully examine the situation with priority placed on the safety of our staff. We expect trial production to be further delayed until the unrest and the pandemic in Myanmar becomes less severe. Even though China's export figures are currently positive due to the prolonged outbreak of the pandemic in other South-east Asian countries, in the long term, with softened demand, rising costs, and the appreciation of Renminbi, brand customers will be faced with increased exerted pressure to source products from China. As such, China's share in the major manufacturing market is likely to continue to spiral down in textile and garment exports. Hence, we still see Myanmar in an advantageous position enjoying tariff concessions exporting to China, Japan and Europe. Our ultimate goal is to further increase production capacity ratio to overseas production in response to customers' changing preferences. At the same time, we are confident that there is still room for us to enhance efficiency of our Vietnam production base, catering to customers' procurement requirements.

China's status, on the other hand, has continually seen its consumption surpassing other major economies. This is further bolstered by the recent complementing measures to boost its population and economy. Our well-established manufacturing foothold in China is well-positioned to tap the rising domestic demand, and this is evidenced by working with domestic brands with vast growth potential and seeing our increased proportion of sales to China over the past couple of years. We believe that the Group has potential to further grow meaningfully in this market.

While Vietnam's status in global manufacturing is unquestioned, it currently still relies on imports for raw materials. We are confident that our devotion of resources in developing the business of weaving, printing and dyeing of fabric, even though there was delay due to the pandemic, will fill in the gap for the demand for Vietnam's domestic supply of raw materials. It is expected that such business will begin to contribute to the Group in the next financial year.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2021 mainly represented revenue from sales of knitwear products, including womenswear, menswear and other products such as cashmere yarns, knitted upper for footwear, childrenswear, scarfs, hats and gloves, to our customers.

The Group's revenue decreased by 14.1% to HK\$3,848.6 million for the year ended 31 March 2021 from HK\$4,480.7 million for the year ended 31 March 2020. The decrease was mainly attributable to the decrease in sales revenue of men's and women's knitwear products.

The decrease in the total sales revenue of men's and women's knitwear products was due to the decreases in sales volume and average selling price. The Group's sales volume of men's and women's knitwear products decreased by 10.1% from 34.5 million pieces for the year ended 31 March 2020 to 31.0 million pieces for the year ended 31 March 2021, while the average selling price of the Group's men's and women's knitwear products decreased by 5.0% from HK\$114.1 per piece for the year ended 31 March 2020 to HK\$108.4 per piece for the year ended 31 March 2021.

Consistent with the Group's geographical market distribution for the year ended 31 March 2020, Japan, Mainland China and Europe remained as the top three markets of the Group for the year ended 31 March 2021. The revenue attributable to the Japanese market, Chinese market and European market accounted for 34.0%, 23.8% and 18.4% respectively of the Group's total revenue for the year ended 31 March 2021.

Cost of Sales

For the year ended 31 March 2021, the Group incurred cost of sales of HK\$3,147.1 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 2021, the Group recorded gross profit of HK\$701.4 million and gross profit margin of 18.2% as compared to the gross profit of HK\$690.1 million and gross profit margin of 15.4% for the year ended 31 March 2020.

The increase in gross profit margin for the year ended 31 March 2021 was mainly due to the decreases in cost of inventories and total direct labour costs and subcontracting charges as we have been streamlining the production process in order to have better control of raw materials usage and increase the overall production efficiency, such increase was partially offset by the unsatisfactory gross profit margin of other knitwear products, mainly cashmere yarns.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidies and miscellaneous other income. The other income of the Group increased by HK\$2.4 million from HK\$14.7 million for the year ended 31 March 2020 to HK\$17.1 million for the year ended 31 March 2021. Such increase was mainly due to the increase in government subsidies, which was partially offset by the decrease in miscellaneous other income.

Other Gains, Net

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

Other gains slightly increased by HK\$2.0 million from HK\$29.0 million for the year ended 31 March 2020 to HK\$31.0 million for the year ended 31 March 2021. The increase is primarily due to the realised and unrealised gains/losses from derivative financial instruments was changed from HK\$0.7 million losses for the year ended 31 March 2020 to HK\$8.2 million gains for the year ended 31 March 2021, and such increase was partially offset by the decrease in net foreign exchange gains from HK\$23.5 million for the year ended 31 March 2020 to HK\$15.6 million for the year ended 31 March 2021.

In summary, other gains for the year ended 31 March 2021 mainly represented net foreign exchange gains of HK\$15.6 million, net realised and unrealised gains from derivative financial instruments of HK\$8.2 million and net gains on financial assets at fair value through profit or loss of HK\$5.8 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\$5.0 million, from HK\$46.0 million for the year ended 31 March 2020 to HK\$41.0 million for the year ended 31 March 2021. Such decrease was largely in line with the decrease in the Group's sales volume of men's and women's knitwear products.

General and Administrative Expenses

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

The Group's general and administrative expenses decreased by HK\$49.6 million from HK\$392.3 million for the year ended 31 March 2020 to HK\$342.7 million for the year ended 31 March 2021. Such decrease was mainly due to (i) no amortisation expense on technical knowhow for the year ended 31 March 2021; and (ii) the decrease in staff costs and other incidental office expenses (e.g. travelling expenses) as the Group has implemented more cost control measures during the year ended 31 March 2021 to address the turbulent market conditions as a result of the COVID-19 pandemic.

Impairment Loss on Intangible Assets

There was no impairment loss on intangible assets for the year ended 31 March 2021.

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

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

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

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

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

Valuation methodology, value of inputs and basis and assumptions

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

	Valuation as at 31 March 2020
Valuation Date	31 March 2020
Valuation Methodology	Income Approach
Basis of Valuation	Value in use calculation*
Pre-tax Discount Rate	15.76%
Risk-free Rate (10-yr)	2.59%
Beta Coefficient	0.64
Market Risk Premium	5.89%
Company Specific Risk Premium	5.00%
Small Company Risk Premium	3.39%
Net Present Value of Value in Use (HK\$'000)	172,502
Adjustments:	
Net Non-operating Assets (HK\$'000)	(2,992)
Debts (HK\$'000)	(221,607)
Excess Cash (HK\$'000)	13,432
Final Result of Value in Use (HK\$'000)	<u>(38,665)</u>

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

Sale Revenue (HK\$'000) & Growth Rate

Year 1	91,872 (-51.6%)
Year 2	96,925 (5.5%)
Year 3	102,256 (5.5%)
Year 4	107,880 (5.5%)
Year 5	113,814 (5.5%)

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

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

- (1) an estimate of the future cash flows the entity expects to derive from the asset;
- (2) expectations about possible variations in the amount or timing of those future cash flows;
- (3) the time value of money, represented by the current market risk-free rate of interest;

- (4) the price for bearing the uncertainty inherent in the asset; and
- (5) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

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

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

Reversal of/(Provision for) Impairment Losses on Financial Assets

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

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

Details of the costs and expenses directly or indirectly related to the restructuring of the knitted uppers for footwear and knitted upper shoes business for the year ended 31 March 2020 are set out in Note 5 to the Notes to the Consolidated Financial Statements.

Finance Expenses, Net

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

The Group's net finance expenses decreased by HK\$29.8 million from HK\$62.8 million for the year ended 31 March 2020 to HK\$33.0 million for the year ended 31 March 2021. The decrease in net finance expenses was mainly due to (i) the drop in market interest rates; and (ii) more effective financial management strategies implemented during the year ended 31 March 2021.

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 2021 and 2020 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 2021 and 2020. However, two of the Group's subsidiaries in Mainland China are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is within the third year of 50% reduction in the BIT rate, whereas, all the subsidiaries in Vietnam have no assessable profit for the year ended 31 March 2021, and hence no BIT is provided.

The Group's effective tax rates based on the net profit were 10.8% and 13.1% for the years ended 31 March 2021 and 2020 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\$313.7 million and HK\$157.0 million for the years ended 31 March 2021 and 2020 respectively.

The Group's profit increased by HK\$156.7 million from HK\$157.0 million for the year ended 31 March 2020 to HK\$313.7 million for the year ended 31 March 2021. It was mainly due to (i) costs and expenses directly and indirectly related to the restructuring of V. Success Group of approximately HK\$86.3 million have been recorded in the year ended 31 March 2020, while no such costs and expenses were recorded for the year ended 31 March 2021 as the restructuring of V. Success Group has been completed in the year ended 31 March 2020; and (ii) the improvement in operating profit margin as a result of various control measures adopted during the year ended 31 March 2021.

Adjusted Net Profit

Adjusted net profit is a non-HKFRS financial measure and it is derived from profit attributable to the owners of the Company for the year after excluding (i) costs and expenses directly or indirectly related to the restructuring of V. Success Group; and (ii) realised and unrealised gains/losses from derivative financial instruments. We believe that the adjusted net profit presented herein better reflects the Group's core operating results.

Based on the formula above, the Group's adjusted net profit increased by HK\$61.5 million from HK\$244.0 million for the year ended 31 March 2020 to HK\$305.5 million for the year ended 31 March 2021. The adjusted net profit margin increased from 5.4% for the year ended 31 March 2020 to 7.9% for the year ended 31 March 2021.

Consolidated Cash Flow

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 March 2021 was HK\$849.3 million, primarily due to profit before income tax of HK\$334.7 million, adjusted for income tax refunded of HK\$14.4 million, provision for impairment of property, plant and equipment of HK\$21.9 million, depreciation of HK\$216.1 million and decreases in prepayments, deposits, other receivables and other assets of HK\$219.6 million and inventories of HK\$80.4 million respectively.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 March 2021 was HK\$270.3 million, primarily due to the purchase of property, plant and equipment of HK\$278.5 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the year ended 31 March 2021 was HK\$509.1 million, which was attributable to the net decrease in the Group's total bank borrowings and lease liabilities of HK\$480.0 million and the dividend payments of HK\$86.6 million, which was partially offset by the capital contribution from non-controlling interests of HK\$57.5 million.

Cash and Cash Equivalents

For the year ended 31 March 2021, the Group's cash and cash equivalents increased by HK\$69.9 million and the exchange gain was HK\$10.2 million. The net increase in the Group's cash and cash equivalents was from HK\$713.1 million as at 31 March 2020 to HK\$793.2 million as at 31 March 2021.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the year ended 31 March 2021, 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 37.9% as at 31 March 2020 to 23.1% as at 31 March 2021.

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 2021, the Group's cash and cash equivalents, amounting to HK\$793.2 million, were denominated in US dollars ("US\$") (50.2%), HK\$ (23.0%), Chinese Renminbi ("RMB") (25.2%), Vietnamese Dong ("VND") (1.0%) and other currencies (0.6%).

As at 31 March 2021, the Group's total bank borrowings and lease liabilities were due for repayment as follows:

	2021	2020
	HK\$'000	HK\$'000
Within one year	1,061,464	566,351
Between one and two years	218,144	1,060,377
Between two and five years	239,731	367,619
	<u>1,519,339</u>	<u>1,994,347</u>

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 2021, the Group's total bank borrowings and lease liabilities were denominated in HK\$(80.3%), US\$(18.7%) and RMB(1.0%). 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 2021 were 1.57% and 1.78% respectively.
- (c) As at 31 March 2021, 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\$6.3 million.

Capital Expenditures

The Group incurred capital expenditures of approximately HK\$291.9 million for the year ended 31 March 2021, which were mainly related to the purchase of machinery and equipment for our factories and the construction of new production bases in Vietnam and Myanmar. These capital expenditures were fully financed by internal resources and bank borrowings.

Capital Commitments

The Group's capital commitments as at 31 March 2021 amounted to approximately HK\$95.5 million which were mainly related to the purchase of machinery and equipment for our factories and the construction of new production bases in Vietnam and Myanmar.

Charge on Assets

As at 31 March 2021, the Group's right-of-use assets with a total carrying amount of HK\$14.5 million, land and buildings and leasehold improvements with a total carrying amount of HK\$173.4 million and financial assets at fair value through profit or loss with a total carrying amount of HK\$6.3 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liability as at 31 March 2021.

Significant Investments, Acquisitions and Disposals

The Group had no significant investments, acquisitions and disposals during the year ended 31 March 2021.

Financial Instruments

The Group did not have any outstanding hedging contracts or financial derivatives as at 31 March 2021.

Financial Risk Management

(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.

As at 31 March 2021, the Group did not have any outstanding hedging contracts or financial derivatives to hedge against foreign currency risk but the Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

(b) Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk and bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the year ended 31 March 2021 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

(c) Credit Risk

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

As at 31 March 2021, 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.

Human Resources and Emolument Policy

As at 31 March 2021, the Group had a total of approximately 14,500 full-time employees in Mainland China, Vietnam and Hong Kong. For the year ended 31 March 2021, the total staff costs, including the directors' emoluments, amounted to HK\$871.9 million.

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

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

OTHER INFORMATION

Dividend and Closure of Register of Members

The Board has resolved to declare a final dividend of 1.2 HK cents per share for the year ended 31 March 2021 to be paid to the shareholders of the Company whose names are recorded on the register of members of the Company at the close of business on Wednesday, 8 September 2021. The final dividend, subject to the approval by the shareholders at the annual general meeting (the "AGM"), is expected to be payable on or about Tuesday, 21 September 2021. The Company's register of members will be closed from Monday, 6 September 2021 to Wednesday, 8 September 2021 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Friday, 3 September 2021.

For the purpose of determining the eligibility of the shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 24 August 2021 to Friday, 27 August 2021, both days inclusive. During such period, no transfer of the Company's shares will be registered. In order to be entitled to attend and vote at the AGM, 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 not later than 4:30 p.m. on Monday, 23 August 2021.

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

The net proceeds from the listing of the Company amounted to approximately HK\$635.4 million. Such proceeds have been used according to the allocation set out in the prospectus. Use of net proceeds from the date of listing to 31 March 2021 is set below as follows:

Items	Approximate utilised amount up to 31 March 2021 HK\$(million)
Construction of factory buildings and purchase of machinery for the second phase of our factory in Vietnam	378.1
Repayment of part of our bank loans	93.2
Enhancing design and product development capabilities	19.1
Enhancing existing enterprise resource planning system	16.7
General corporate purposes	54.7
	<hr/>
Total	<u>561.8</u>

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 31 March 2021, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

Directors' and Relevant Employees' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code for securities transactions by the Directors.

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the year ended 31 March 2021.

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 2021.

Corporate Governance Code

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

In the opinion of the Directors, save for the deviation from code provision A.2.1 which is explained below, the Company has complied with all the mandatory code provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2021.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Ting Chung (“Mr. Wong”) has been the chairman and the chief executive officer of the Group during the year ended 31 March 2021. In view of the fact that Mr. Wong is one of the founders of the Group and has been assuming day-to-day responsibilities in operating and managing the Group since September 1990, the Board believes that it is in the best interest of the Group to have Mr. Wong taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from the code provision A.2.1 is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group’s operations, while sufficient checks and balances are in place and will not impair the balance of power and authority between the Board and the management of the Company.

Audit Committee

The audit committee of the Company comprises one non-executive Director, Mr. Tam Wai Hung, David, and four independent non-executive Directors, namely, Mr. Ong Chor Wei (Chairman), Mr. Kan Chung Nin, Tony, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen. The principal duties of the audit committee include the review and supervision of the Group’s financial reporting process and internal control system. An audit committee meeting was held on 25 June 2021 to meet with the external auditor of the Company and review the Company’s annual report and consolidated financial statements for the year ended 31 March 2021.

Review of Preliminary Announcement

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

Publication of the Audited Consolidated Annual Results and 2021 Annual Report on the websites of the Stock Exchange and the Company

This results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website at <http://www.namesonholdings.com>. The Annual Report for 2021 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board of
Nameson Holdings Limited
Mr. Wong Wai Yue
Chairman

25 June 2021

As at the date of this announcement, the Board comprises Mr. Wong Wai Yue (Chairman), Mr. Man Yu Hin (Chief executive officer), Mr. Wong Ting Chun and Mr. Li Po Sing, as executive Directors; Mr. Tam Wai Hung, David, as non-executive Director; Ms. Fan Chiu Fun, Fanny GBM, GBS, JP, Mr. Kan Chung Nin, Tony SBS, JP, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew JP, Ms. Lee Bik Kee, Betty and Mr. Ip Shu Kwan, Stephen GBS, JP, as independent non-executive Directors.