



南旋控股有限公司 Nameson Holdings Limited

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

2023

Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Tam Wai Hung, David⁽¹⁾

Independent non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Executive Committee

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

COMPANY SECRETARY

Mr. Tao Chi Keung, *HKICPA, ACCA*

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Notes:

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

CORPORATE INFORMATION (CONTINUED)

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

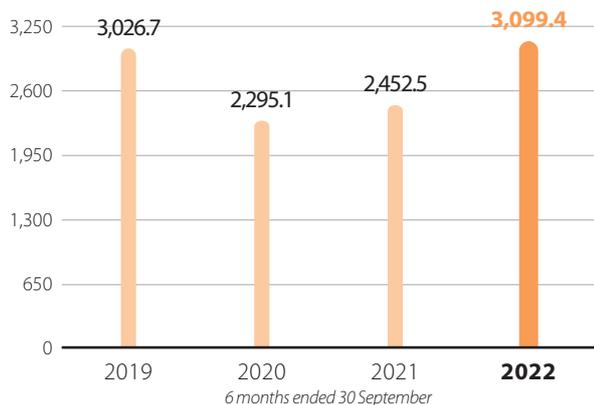
WEBSITE OF THE COMPANY

<http://www.namesonholdings.com>

FINANCIAL HIGHLIGHTS

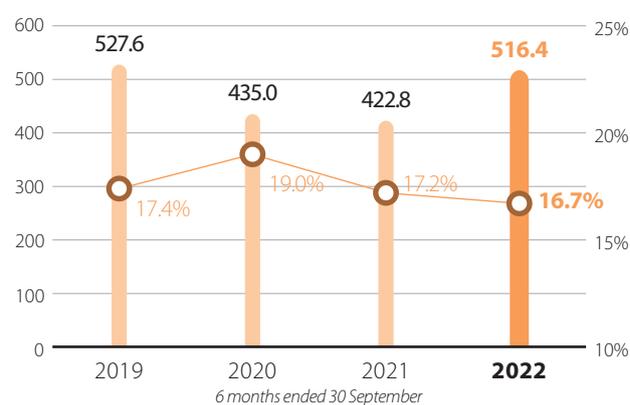
REVENUE

(HK\$'M)



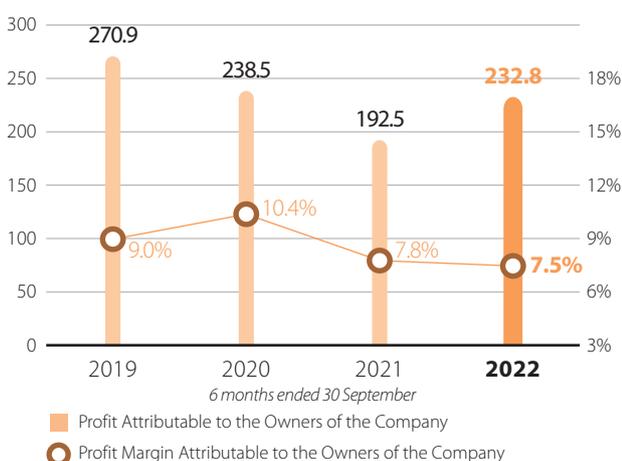
GROSS PROFIT

(HK\$'M)



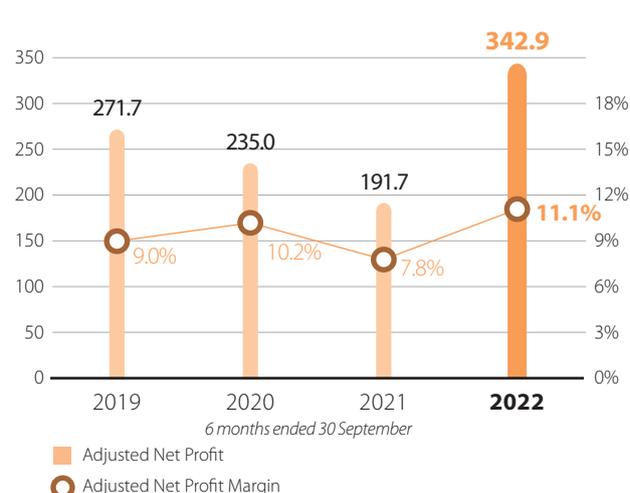
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

(HK\$'M)



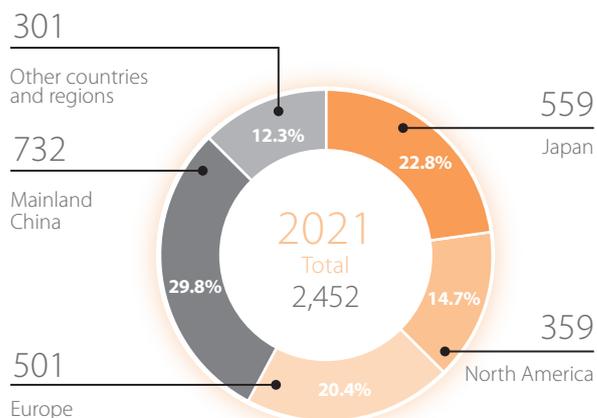
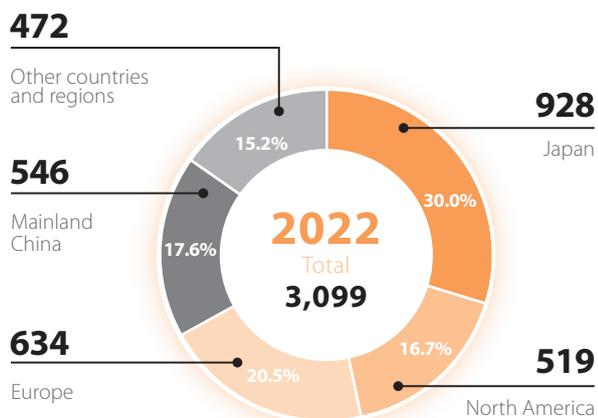
ADJUSTED NET PROFIT (Note)

(HK\$'M)



REVENUE BY GEOGRAPHICAL REGIONS

(HK\$'M)



Note: Adjusted net profit is a non-HKFRS financial measure and derived from profit attributable to the owners of the Company excluding (i) impairment loss on the production base in Myanmar; and (ii) realised and unrealised gains/losses from derivative financial instruments, which are income/expenses not considered as recurring in nature. We believe the adjusted net profit presented herein better reflects the Group's core operating results.

CHAIRMAN'S STATEMENT

To Our Respected Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Nameson Holdings Limited (the "Company"), I am pleased to present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2022 ("First Half of Financial Year 2023").

MARKET REVIEW

There was a temporary rebound of consumer sentiment during the first few months of the First Half of Financial Year 2023 in most markets due to the relaxation of social distancing restrictions and compulsory quarantine measures in regions such as Japan, the United States of America (the "USA") and Europe. Nevertheless, the global economy was adversely affected by the extended conflict between Russia and Ukraine, which led to soaring energy and raw material prices, inflationary pressures, currency fluctuations, and hence weakened signs of consumption patterns. Moreover, the further outbreak of local COVID-19 cases brought by the divergent variants of COVID-19 in the People's Republic of China ("Mainland China") has led to significant activity disruptions as exemplified by the city-wide lockdown measures implemented in various cities from late March 2022.

Despite the many threats posed by the global market, the Group has built a foundation of mutual understanding with quality customers and suppliers over the past few turbulent years. Our strategy to maintain a presence in prominent manufacturing hubs in both Mainland China and Vietnam for achieving risk diversity, as well as our agile management approach have favoured us through the rough times. During the First Half of Financial Year 2023, our Vietnam factory has reverted to full-fledge productivity, enabling us to service our customers' needs when city-wide lockdown measures were implemented in certain cities in Mainland China.

The lockdown in Mainland China, the disruption to the supply chain, coupled with continued trade tensions, has led to a slower growth of the total export value of Mainland China of 11.0%, and consistently, Mainland China's total export value of knitwear (including knitted products and crochet products, as well as knitted or crocheted clothing and accessories) grew by only 10.0% in the First Half of Financial Year 2023. Vietnam, on the other hand, recorded a growth of 18.7% in terms of total export value in the same period. Its export value of textile and garments reached its all-time high which grew robustly by 25.5% during the First Half of Financial Year 2023.

The Group has accumulated experience and strengthened mutual understanding with its business partners over the past few years. We learned that as a quality manufacturer, we must adapt to the "new normal" hand-in-hand with our customers and suppliers.

BUSINESS REVIEW

As Vietnam lifted its COVID-19 related restrictions, the Group's management acted swiftly to bring the productivity back to its normalised levels with enhanced efficiency in order to make up for and minimise the disruptions of productivity in Mainland China. On the backdrop of soaring raw material prices, the Group had a clear focus on offering products with uncompromised quality, and managing through delivery schedules that satisfied customers' fluid needs, the Group was in an enhanced position to negotiate greater value in its pricing.

During this very challenging environment, the Group was able to secure a prominent athleisure new customer which focuses on material functionality and to grow hand-in-hand with us. The Group delivered an increased sales volume of its men's and women's knitwear products to 18.7 million pieces at higher average selling prices compared with the six months ended 30 September 2021 ("First Half of Financial Year 2022"). Despite a decrease in volume of the higher-valued cashmere sweaters, the Group's average selling price for men's and women's knitwear products increased by 23.3% to HK\$136.2 per piece. Coupled with the stable contribution from its cashmere yarn business, as well as the fabric business which is beginning to take shape, the Group's revenue increased by 26.4% to HK\$3,099.4 million for the First Half of Financial Year 2023.

CHAIRMAN'S STATEMENT (CONTINUED)

There was an inevitable pressure on costs during the First Half of Financial Year 2023. For example, there was an increase in raw material and utility costs, as well as an increase in transportation and logistic costs as business travels have been gradually resuming to normal. Meanwhile, labour costs and subcontracting costs as a proportion to revenue dropped slightly with more normalised labour situation as compared to the First Half of Financial Year 2022. The Group's gross profit improved by 22.1% from HK\$422.8 million for the First Half of Financial Year 2022 to HK\$516.4 million for First Half of Financial Year 2023, mainly due to the increase in average selling price and sales volume for knitwear products, and the Group's continuous cost control efforts.

Selling and distribution expenses, together with general and administrative expenses in aggregate recorded a slight drop as a proportion to revenue, demonstrating our continuous cost controls efforts to where possible. In addition, other gains, net increases significantly for the First Half of Financial Year 2023, as compared with the corresponding period. Such increase was mainly attributable to (i) the increase of net gains on disposals of property, plant and equipment as the Group purchased some upgraded machineries, while disposed of some aged machines under the ordinary course of business for the First Half of Financial Year 2023; and (ii) net foreign exchange gains due to currency fluctuations. The Group also recognised an impairment loss on the production base in Myanmar. Taking into account the increase in revenue and other gains, net in aggregate which outweigh the impairment loss on the production base in Myanmar, the Group's operating profit increased by 31.5% to HK\$320.5 million.

Despite the continuous fluctuating trading conditions, the Group's net profit recorded an increase of 25.6% to HK\$255.1 million. To better reflect the Group's core operating results, by excluding the impairment loss on the production base in Myanmar and the net realised and unrealised gains/(losses) from derivative financial instruments, the Group's adjusted net profit improved notably by 78.9% to HK\$342.9 million, and adjusted net profit margin improved from 7.8% to 11.1%.

Considering the Group's prudent cash management directives and its healthy cash flow, the Board has recommended a payment of an interim dividend of 5.1 HK cents per share to the Company's shareholders, in appreciation of our shareholders' trust and support throughout such turbulent times.

FUTURE STRATEGIES AND PROSPECTS

The remaining year will still be full of uncertainties amid global inflationary pressures, interest rate hikes, continued fluctuations in raw material and energy prices, and the timing for the adjustment of the border control of Mainland China to COVID-19 situation. All in all, these uncertainties add up to a more gloomy global outlook. The Group will stay vigilant and respond to changes swiftly, as we have done in the past two years.

Based on the persisting trade tensions between Mainland China and the USA, brand customers are continuing to seek for production origins outside of Mainland China and hence the importance of Vietnam's manufacturing status has increased tremendously. More global customers have established sourcing offices in Vietnam and naturally more suppliers are also setting a footprint in Vietnam. The Group will continue to flex its productivity in its Vietnam production base, strengthen its functions related to customer services such as merchandising teams, sampling offices, testing laboratories, etc. and expand productivity as appropriate, in order to be prepared to tap the increasing demand from the production front.

We continue to see vast potential in Vietnam's immense demand for raw materials. As our new business of weaving, printing and dyeing of fabric is beginning to take shape, we are confident that this business will continue to contribute positively to the Group's development as planned. We shall continue to grasp opportunities relevant to this business.

CHAIRMAN'S STATEMENT (CONTINUED)

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

As an industry leader and a responsible global citizen acting in response to Mainland China's advocate to energy conservation, we continue our efforts in bringing renewable energy to our manufacturing facilities to achieve greater efficiencies on our energy usage. We strive to continue to grow while taking care of the environment.

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

In face of the market volatility and economic uncertainties ahead, the Group will continue to work closely with customers, to adapt and balance our mutual needs. We believe our accumulated experience and swift response led by our dynamic management team will succeed in bringing us forward under all kinds of circumstances.

I would hereby like to express my heartfelt gratitude to our customers, suppliers, shareholders and staff for their unwavering support and trust in our Group, as well as for their contributions and efforts towards our Group's continuous development. Together, we will continue to be able to overcome challenges ahead of us.

Wong Wai Yue

Chairman and Executive Director

25 November 2022

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of Nameson Holdings Limited (the “Company”) herewith announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2022. This interim financial report has been reviewed by the Company’s audit committee and the Company’s auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

FINANCIAL REVIEW

	Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Revenue	3,099,367	2,452,469
Cost of sales	(2,582,967)	(2,029,661)
Gross profit	516,400	422,808
Other income	29,601	13,056
Other gains, net	75,629	980
Selling and distribution expenses	(23,738)	(23,252)
General and administrative expenses	(168,388)	(169,933)
Impairment loss on the production base in Myanmar	(109,034)	–
Operating profit	320,470	243,659
Share of post-tax profit of a joint venture	570	630
Finance income	1,270	769
Finance expenses	(16,453)	(11,638)
Finance expenses, net	(15,183)	(10,869)
Profit before income tax	305,857	233,420
Income tax expenses	(50,727)	(30,345)
Profit for the period	255,130	203,075
Profit for the period attributable to:		
— Owners of the Company	232,848	192,538
Add:		
Impairment loss on the production base in Myanmar	109,034	–
Net realised and unrealised losses/(gains) from derivative financial instruments	1,023	(842)
Adjusted net profit	342,905	191,696

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2022 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 increased by 26.4% to HK\$3,099.4 million for the six months ended 30 September 2022 from HK\$2,452.5 million for the six months ended 30 September 2021. The increase was mainly attributable to the increase in total sales revenue of men's and women's knitwear products for the six months ended 30 September 2022 by HK\$566.3 million to HK\$2,547.2 million as compared to the corresponding period in year 2021, while the sales revenue of cashmere yarns for the six months ended 30 September 2022 decreased by HK\$77.9 million to HK\$280.9 million as compared to the corresponding period in year 2021.

The increase in the total sales revenue of men's and women's knitwear products was due to the increases in sales volume and average selling price. The Group's sales volume of men's and women's knitwear products increased by 4.5% from 17.9 million pieces for the six months ended 30 September 2021 to 18.7 million pieces for the six months ended 30 September 2022, and the average selling price of the Group's men's and women's knitwear products also increased by 23.3% from HK\$110.5 per piece for the six months ended 30 September 2021 to HK\$136.2 per piece for the six months ended 30 September 2022.

On the other hand, consistent with the Group's geographical market distribution for the six months ended 30 September 2021, Japan, Mainland China and Europe remained as the top three markets of our Group for the six months ended 30 September 2022. The revenue attributable to the Japanese market, Chinese market and European market accounted for 30.0%, 17.6% and 20.4% respectively of the Group's total revenue for the six months ended 30 September 2022.

Cost of Sales

For the six months ended 30 September 2022, the Group incurred cost of sales of HK\$2,583.0 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation of property, plant and equipment and right-of-use assets, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the six months ended 30 September 2022, the Group recorded gross profit of HK\$516.4 million and gross profit margin of 16.7% as compared to the gross profit of HK\$422.8 million and gross profit margin of 17.2% for the six months ended 30 September 2021.

The increase in gross profit for the six months ended 30 September 2022 was mainly due to (i) the significant increase in average selling prices for most of the Group's knitwear products which was mainly attributable to our strategic adjustments on the selling prices and the upward trend of raw material market prices; (ii) the increase in sales volume for most of the Group's knitwear products, except for cashmere yarn during the six months ended 30 September 2022 as our production efficiency is resuming to normal even under the impact of COVID-19 pandemic. During the middle of year 2021, the operation of our Group's production base in Vietnam was disrupted as a result of the lockdown caused by COVID-19 pandemic in Vietnam; and (iii) the Group's continuous cost control measures.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Income

Other income primarily consisted of rental income from investment properties, government subsidies, income from claims settled and miscellaneous other income. The other income increased by HK\$16.5 million from HK\$13.1 million for the six months ended 30 September 2021 to HK\$29.6 million for the six months ended 30 September 2022. Such increase was mainly due to the increase in income from claims settled by HK\$11.9 million and the increase in government subsidies by HK\$6.8 million as compared to the corresponding period in year 2021.

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\$74.6 million from HK\$1.0 million for the six months ended 30 September 2021 to HK\$75.6 million for the six months ended 30 September 2022. Such increase was primarily attributable to (i) the turnaround in net foreign exchange losses from HK\$2.8 million for the six months ended 30 September 2021 to net foreign exchange gains of HK\$46.7 million for the six months ended 30 September 2022 as a result of the appreciation of the United States dollars; and (ii) the increase in net gains on disposals on property, plant and machinery by HK\$27.0 million as the Group disposed some aged machineries and other fixed assets and recorded net disposal gains of HK\$27.5 million during the six months ended 30 September 2022.

In summary, other gains for the six months ended 30 September 2022 mainly represented net foreign exchange gains of HK\$46.7 million, net gains on disposals on property, plant and machinery of HK\$27.5 million, net gains on financial assets at fair value through profit or loss of HK\$2.4 million and net realised and unrealised losses from derivative financial instruments of HK\$1.0 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 slightly increased by HK\$0.4 million from HK\$23.3 million for the six months ended 30 September 2021 to HK\$23.7 million for the six months ended 30 September 2022. Such increase was mainly due to the increase in transportation cost.

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\$1.5 million from HK\$169.9 million for the six months ended 30 September 2021 to HK\$168.4 million for the six months ended 30 September 2022. Such decrease was mainly attributable to the Group's continuous cost control measures even when the Group's business was expanding during the six months ended 30 September 2022.

Impairment Loss on the Production Base in Myanmar

The impairment losses on the production base in Myanmar represented impairment provision of HK\$109.0 million on the property, plant and equipment of the Group's production base in Myanmar for the six months ended 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Events and circumstances leading to the recognition of the impairment loss

Since the middle of year 2022, global economic activity has been experiencing an extensive and faster-than-expected slowdown amid a very high global inflation rate. The tightening financial conditions in many countries, and the lingering COVID-19 pandemic all cast a shadow on the economic outlook of coming years. As there are many signs of the economy weakening, the Group's business development in Myanmar has been decelerated. While the Group continues to carefully monitor the economic and political conditions and effects from the COVID-19 pandemic, the expected commencement date of full operation of the Group's Myanmar production base and the estimated knitwear sales order to be allocated to this production base will be further delayed and affected.

The aforementioned and other related commercial factors, including some global fashion brands have reassessed and adjusted their sourcing strategy in Myanmar, were the principal bases for the Board's re-evaluation of the business development of the Group's production base in Myanmar. The Board therefore revised the financial budget and cash flow projection of the Myanmar cash-generating unit (the "Myanmar CGU") and recorded an impairment losses on the Myanmar production base of HK\$109.0 million during the six months ended 30 September 2022. The impairment assessment, valuation methodology, value of inputs and basis and assumptions are explained in more details below.

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 30 September 2022. As the recoverable amount of the Myanmar CGU, which was assessed with reference to the valuation performed by the Valuer, was lower than the carrying amount of the Myanmar CGU and resulted in an impairment loss of HK\$109.0 million on the property, plant and equipment of the Group's production base in Myanmar for the six months ended 30 September 2022.

Valuation methodology, value of inputs and basis and assumptions

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

	Valuation as of 30 September 2022	Valuation as of 31 March 2022
Valuation Date	30 September 2022	31 March 2022
Valuation Methodology	Income Approach	Income Approach
Basis of Valuation	Value in use calculation*	Value in use calculation
Expected Commencement Date of Full Operation	Financial Year 2026	Financial Year 2024
Pre-tax Discount Rate	21.67%	19.67%
Risk-free Rate (10-yr)	16.42%	14.19%
Beta Coefficient	0.81	0.79
Market Risk Premium	18.60%	16.11%
Company Specific Risk Premium	7.00%	7.00%
Small Company Risk Premium	4.80%	5.01%
Net Present Value of Value in Use (HK\$'000)	298,361	429,555

* The calculation uses pre-tax cash flow projection based on financial budgets covering a six-year period from the commencement date of full operation and a long-term average growth rate.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The valuation method referred 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 valuers for current period and last year.

According to HKAS 36 — Impairment of Assets, recoverable amount is defined as the higher of a cash-generating unit's fair value less costs of disposal and its value in use.

For the fair value less costs of disposal, the standard clarifies that costs of disposal, other than those that have been recognised as liabilities, are deducted in determining measuring fair value less costs of disposal. The standard also 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.

We consider income approach to be an appropriate valuation method in this valuation. 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.

Reasons for material changes in the value of the inputs and assumptions adopted in current period from last year

In view of the global economic uncertainties, fast-changing market environment and the lingering COVID-19 pandemic, as explained in more details under the subsection headed "Events and circumstances leading to the recognition of the impairment loss" above, the Group adopted more prudent forecasts for its production base in Myanmar. These commercial considerations had developed after the Company's last assessment of this business in March 2022.

Finance Expenses, Net

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

The Group's net finance expenses increased by HK\$4.3 million from HK\$10.9 million for the six months ended 30 September 2021 to HK\$15.2 million for the six months ended 30 September 2022. The increase in net finance expenses was mainly due to the hike in market interest rates since the middle of year 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 six-month period ended 30 September 2022 and 2021 respectively on the estimated assessable profits arising in or derived from Hong Kong during the relevant periods.

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 six-month period ended 30 September 2022 and 2021 respectively. 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 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 period is the first year subject to the BIT rate of 17%, whereas, the other one subsidiary in Vietnam is entitled to the first year of full exemption from BIT if there is any taxable profit for the six months ended 30 September 2022.

The effective tax rates of the Group were 16.6% and 13.0% for the six-month period ended 30 September 2022 and 2021 respectively.

Profit for the Period 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\$232.8 million and HK\$192.5 million for the six-month period ended 30 September 2022 and 2021 respectively.

The increase in net profit for the six months ended 30 September 2022 was primarily due to (i) the increase in gross profit as a result of the Group's strategic adjustments on the selling prices of certain knitwear products; (ii) higher sales volume in men's and women's knitwear products; (iii) the increase in other income from claims settled; and (iv) the increases in other gains from foreign exchange and other gains on disposals of property, plant and equipment; while such increase was partially offset by the impairment loss on the production base in Myanmar.

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 period after excluding (i) impairment loss on the production base in Myanmar; and (ii) realised and unrealised gains/(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\$151.2 million from HK\$191.7 million for the six months ended 30 September 2021 to HK\$342.9 million for the six months ended 30 September 2022, and the adjusted net profit margin increased from 7.8% for the six months ended 30 September 2021 to 11.1% for the six months ended 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Consolidated Cash Flow Statement

	Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Net cash generated from/(used in) operating activities	168,384	(166,915)
Net cash generated from/(used in) investing activities	28,876	(56,569)
Net cash used in financing activities	(26,804)	(719)
Net increase/(decrease) in cash and cash equivalents	170,456	(224,203)
Cash and cash equivalents at beginning of the period	610,718	793,201
Exchange difference on cash and cash equivalents	(2,257)	34
Cash and cash equivalents at end of the period	778,917	569,032

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the six months ended 30 September 2022 was HK\$168.4 million, primarily due to profit before income tax of HK\$305.9 million, adjusted for depreciation of HK\$118.5 million, impairment loss on the production base in Myanmar of HK\$109.0 million and the decrease in inventories of HK\$368.2 million, which was partially offset by the increases in trade receivables of HK\$491.2 million and prepayments, deposits, other receivables and other assets of HK\$85.3 million and the decrease in trade and bills payables of HK\$113.5 million.

Net Cash Generated from Investing Activities

The Group's net cash generated from investing activities for the six months ended 30 September 2022 was HK\$28.9 million, primarily contributed by the proceeds from disposals of property, plant and equipment of HK\$57.2 million, which was partially offset by the purchase of property, plant and equipment of HK\$29.6 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the six months ended 30 September 2022 was HK\$26.8 million, primarily due to the dividend payments of HK\$34.2 million, which was partially offset by the net increase in the Group's total bank borrowings and lease liabilities of HK\$6.2 million.

Cash and Cash Equivalents

For the six months ended 30 September 2022, the Group's cash and cash equivalents increased by HK\$170.5 million and the exchange loss was HK\$2.3 million. The net increase in the Group's cash and cash equivalents was from HK\$610.7 million as at 31 March 2022 to HK\$778.9 million as at 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 September 2022, the Group's cash and cash equivalents was mainly used in the expansion of the Group's business operations, 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 21.3% as at 31 March 2022 to 18.2% as at 30 September 2022. This 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 30 September 2022, the Group's cash and cash equivalents, amounting to HK\$778.9 million, were denominated in US dollars ("US\$") (54.6%), HK\$ (16.5%), Renminbi ("RMB") (27.6%), Vietnamese Dong ("VND") (1.1%) and other currencies (0.2%).

As at 30 September 2022, the Group's total bank borrowings and lease liabilities were due for repayment as follows:

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Within one year	592,298	328,447
Between one and two years	703,280	451,383
Between two and five years	106,024	533,326
	1,401,602	1,313,156

Notes:

- (a) The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand rights.
- (b) As at 30 September 2022, the Group's total bank borrowings and lease liabilities were denominated in HK\$(88.3%), US\$(9.7%) and RMB(2.0%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rate of the Group's bank borrowings as at 30 September 2022 was 3.57%.
- (c) As at 30 September 2022, the Group's certain bank borrowings were secured by financial assets at fair value through profit or loss with a total carrying amount of HK\$6.6 million.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK\$131.0 million for the six months ended 30 September 2022, which were mainly related to the purchase of machinery for our factories and the construction of a new production base in Myanmar. These capital expenditures were fully financed by internal resources and bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's capital commitments as at 30 September 2022 amounted to approximately HK\$92.8 million which were mainly related to the purchase of machinery for our factories.

Charge on Assets

As at 30 September 2022, the Group's right-of-use assets with a total carrying amount of HK\$13.8 million, buildings and leasehold improvements with a total carrying amount of HK\$149.2 million and financial assets at fair value through profit or loss with a total carrying amount of HK\$6.6 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 30 September 2022.

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

The net proceeds from the listing of the Company amounted to approximately HK\$635.4 million. Such proceeds have been used according to the allocation set out in the Company's prospectus dated 30 March 2016. Use of net proceeds from the date of listing to 30 September 2022 is set out below as follows:

	Proportion (approximately)	Planned use of the total net proceeds (approximately)	Actual utilised amount during the six months ended 30 September 2022 (approximately)	Utilised amount up to 30 September 2022 (approximately)	Unutilised balance as at 30 September 2022 (approximately)	Expected timeline for unutilised net proceeds
	%	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Construction of factory buildings and purchase of machinery for the second phase of our factory in Vietnam	59%	378.1	-	378.1	-	
Repayment of part of our bank loans	14%	93.2	-	93.2	-	
Enhancing design and product development capabilities	9%	54.7	-	22.8	31.9	30 September 2023
Enhancing the existing enterprise resource planning system	9%	54.7	2.6	21.4	33.3	30 September 2023
Working capital and general corporate purposes	9%	54.7	-	54.7	-	
Total	100%	635.4	2.6	570.2	65.2	

The unused balance of HK\$65.2 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 interim 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investments, Acquisitions and Disposals

The Group had no significant investments, acquisitions and disposals during the six months ended 30 September 2022.

Events after Balance Sheet Date

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

Financial Instruments

The Group did not have any outstanding hedging contracts or financial derivatives as at 30 September 2022.

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

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.

During the six months ended 30 September 2022, the Group entered into some 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. The Group did not enter into any financial instruments to hedge against interest rate risk for the six months ended 30 September 2022 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

(c) Credit Risk

The Group has policies in place to ensure that sales on credit are made to customers with an appropriate credit history and the Group also performs credit assessments of its customers on a periodic basis, taking into account their financial position, past payment records, economic environments in which the customers operate in 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 30 September 2022, majority of the Group's bank balances and deposits were held with major financial institutions in Hong Kong, Mainland China and Vietnam which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(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 30 September 2022, the Group had a total of approximately 14,200 full-time employees in Mainland China, Vietnam, Hong Kong and Myanmar. For the six months ended 30 September 2022, the total staff costs, including the directors' emoluments, amounted to HK\$539.7 million.

The Group's emolument policies are formulated based on the performance and experience of individual employee and in line with the salary trends in Mainland China, Vietnam, Hong Kong and Myanmar. 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.

OTHER INFORMATION

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of 5.1 HK cents per share for the six months ended 30 September 2022 (2021: 4.2 HK cents) 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 Tuesday, 13 December 2022. The interim dividend is expected to be payable on or about Wednesday, 21 December 2022.

The Company's register of members will be closed from Friday, 9 December 2022 to Tuesday, 13 December 2022 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the 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 Thursday, 8 December 2022.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of corporate governance. In the opinion of the Directors, the Company has complied with all the mandatory code provisions set out in the CG Code for the six months ended 30 September 2022.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

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

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the six months ended 30 September 2022.

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

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Fan Chun Wah, Andrew (Chairman), Mr. Kan Chung Nin, Tony 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 November 2022 to meet with the external auditors of the Company and review the Company's interim financial report for the six months ended 30 September 2022.

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

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

OTHER INFORMATION (CONTINUED)

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures

Save as disclosed below, as at 30 September 2022, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the Ordinary Shares/Underlying 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%

OTHER INFORMATION (CONTINUED)

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 30 September 2022.

Details of the above individuals' interests in the underlying shares of the Company are set out in the section headed "Share Option Scheme" below. Other than the Share Option Scheme (as defined below), at no time during the six months ended 30 September 2022 was the Company or any of its subsidiaries, holding companies, or any of the subsidiary undertakings (within the meaning of the Companies (Directors' Report) Regulation) of such holding companies a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, none of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

OTHER INFORMATION (CONTINUED)

Substantial Shareholders' Interests 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 30 September 2022, the following persons or corporations (other than the Directors and chief executive of the 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/Underlying Shares of the Company

Name of substantial shareholders	Nature of interests	Number of ordinary shares/ underlying shares held or interested in	Approximate percentage of the 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 30 September 2022.

OTHER INFORMATION (CONTINUED)

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.

The purposes of the Share Option Scheme are to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the eligible participants to optimise their performance efficiency for the benefit of our Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

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 unless refreshed. Moreover, unless approved by the shareholders in a general meeting (with the relevant eligible participant and his/her close associates abstaining from voting), the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (if any) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

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 business days immediately preceding the date of grant; and
- (iii) the nominal value of the shares.

The Share Option Scheme shall be valid and effective for a period of 10 years from 12 April 2016 (being the listing date), after which period no further share options will 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 options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

For the six months ended 30 September 2022, no share options was granted under the Share Option Scheme. As at 30 September 2022, the number of share options that could still be granted under the Share Option Scheme was 110,600,000 share options representing approximately 4.85% of the issued share capital of the Company as at 30 September 2022.

OTHER INFORMATION (CONTINUED)

Details of the movements of the share options granted under the Share Option Scheme during the six months ended 30 September 2022 are as follows:

Grantee	Date of Grant (Note 1)	Exercise Price HK\$	Exercise Period (Note 2)	Number of Share Options					Balance as at 30 September 2022
				Balance as at 1 April 2022	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Mr. Wong Ting Chun	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
Mr. Li Po Sing	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	2,000,000	-	-	-	-	2,000,000
Mr. Tam Wai Hung, David [#]	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,000,000	-	-	(1,000,000)	-	-
	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	(1,500,000)	-	-
Ms. Fan Chiu Fun, Fanny	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Mr. Kan Chung Nin, Tony	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Mr. Ong Chor Wei*	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	(1,500,000)	-	-
Mr. Fan Chun Wah, Andrew	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Ms. Lee Bik Kee, Betty*	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	(1,500,000)	-	-
Mr. Ip Shu Kwan, Stephen	20 April 2018	1.700	20 April 2019 to 19 April 2028	1,500,000	-	-	-	-	1,500,000
Other employees of the Group (Note 3)	29 August 2016	1.394	29 August 2017 to 28 August 2026	12,004,000	-	-	-	-	12,004,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	30,700,000	-	-	(1,900,000)	-	28,800,000
Total				59,204,000	-	-	(7,400,000)	-	51,804,000

[#] Resigned as a non-executive Director with effect from 12 April 2022.

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

OTHER INFORMATION (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

- 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 21 to the condensed consolidated interim financial information.

OTHER INFORMATION (CONTINUED)

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the date of the 2022 annual report of the Company are set out below:

Name of Director	Details of Changes
Ms. Fan Chiu Fun, Fanny	<p>Ceased to be a member of the Executive Council of the Government of the Hong Kong Special Administrative Region with effect from 1 July 2022</p> <p>Appointed as an independent non-executive director of New World Development Company Limited (Stock code: 0017) with effect from 1 December 2022</p>
Mr. Fan Chun Wah, Andrew	<p>Ceased to be an independent non-executive director of Space Group Holdings Limited (Stock code: 2448) with effect from 8 August 2022</p>

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

Date of the agreement	Banking facilities	Specific performance obligations
21 September 2021	Three-year term loan facility of up to HK\$250,000,000	(i) Mr. Wong Ting Chung and his family collectively owns more than 60% share interests in the Company; and (ii) Mr. Wong Ting Chung and his family maintain the majority of the management control of the Company
11 August 2021	Three-year term loan facility of up to HK\$300,000,000	Mr. Wong Ting Chung and/or his family members shall maintain not less than 50% shareholdings in the Company
11 August 2021	Three-year term loan facility of up to HK\$150,000,000	Mr. Wong Ting Chung or his family members are and will remain as the majority ultimate beneficial owner holding not less than 50% of all issued share capital of the Company with management control in the Company

OTHER INFORMATION (CONTINUED)

Date of the agreement	Banking facilities	Specific performance obligations
23 September 2019	Three-year term loan facility of up to HK\$100,000,000	Mr. Wong Ting Chung and his family members will provide prior one month notice to the bank if they consider to reduce their shareholdings to less than 50% beneficial interest in the Company
28 June 2019	Five-year term loan facility of up to HK\$200,000,000	Mr. Wong Ting Chung or his family members maintains management control over the Company and its subsidiaries
16 March 2018	<p>(i) Term loan facility of up to an aggregate principal amount of HK\$195,000,000, with final maturity date falling on 8 August 2022</p> <p>(ii) Term loan facility of up to USD30,000,000 or HK\$234,000,000, with final maturity date falling on the day which is five years from the date of drawdown</p>	Management control over the Group by Mr. Wong Ting Chung or his family members

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) Six months ended 30 September	
	Note	2022 HK\$'000	2021 HK\$'000
Revenue	5	3,099,367	2,452,469
Cost of sales	7	(2,582,967)	(2,029,661)
Gross profit		516,400	422,808
Other income	6	29,601	13,056
Other gains, net	8	75,629	980
Selling and distribution expenses	7	(23,738)	(23,252)
General and administrative expenses	7	(168,388)	(169,933)
Impairment loss on the production base in Myanmar	7, 13	(109,034)	–
Operating profit		320,470	243,659
Share of post-tax profit of a joint venture	14	570	630
Finance income	9	1,270	769
Finance expenses	9	(16,453)	(11,638)
Finance expenses, net		(15,183)	(10,869)
Profit before income tax		305,857	233,420
Income tax expenses	10	(50,727)	(30,345)
Profit for the period		255,130	203,075
Profit for the period attributable to:			
— Owners of the Company		232,848	192,538
— Non-controlling interests		22,282	10,537
		255,130	203,075
Earnings per share attributable to the owners of the Company during the period			
— Basic and diluted (HK cents per share)	11	10.2	8.4

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	(Unaudited) Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Profit for the period	255,130	203,075
Other comprehensive (loss)/income, net of tax: <i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
— Currency translation differences	(31,190)	195
— Share of other comprehensive income of a joint venture	—	31
Other comprehensive (loss)/income for the period, net of tax	(31,190)	226
Total comprehensive income for the period	223,940	203,301
Total comprehensive income for the period attributable to:		
— Owners of the Company	208,261	192,293
— Non-controlling interests	15,679	11,008
	223,940	203,301

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

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,006,908	2,131,132
Right-of-use assets	13	367,743	384,553
Investment properties		1,713	1,754
Interest in a joint venture	14	5,489	4,919
Financial assets at fair value through profit or loss	15	181,274	178,830
Prepayments, deposits, other receivables and other assets		66,528	69,298
Deferred income tax assets		676	694
		2,630,331	2,771,180
Current assets			
Inventories		802,447	1,161,246
Trade receivables	16	637,854	146,193
Derivative financial instruments		–	34
Prepayments, deposits, other receivables and other assets		203,882	124,813
Tax recoverable		–	73
Cash and cash equivalents		778,917	610,718
		2,423,100	2,043,077
Total assets		5,053,431	4,814,257
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	20	22,794	22,794
Reserves	22	2,559,680	2,385,610
		2,582,474	2,408,404
Non-controlling interests		211,337	194,490
Total equity		2,793,811	2,602,894

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

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	18	727,033	935,637
Loan from a non-controlling shareholder of a subsidiary		3,882	3,976
Lease liabilities	19	81,669	47,954
Provision for reinstatement costs		487	426
Deferred income tax liabilities		212	1,753
		813,283	989,746
Current liabilities			
Trade and bills payables	17	303,258	415,942
Accruals and other payables		269,688	240,062
Current income tax liabilities		280,491	236,048
Bank borrowings	18	508,423	254,471
Lease liabilities	19	84,477	75,094
		1,446,337	1,221,617
Total liabilities		2,259,620	2,211,363
Total equity and liabilities		5,053,431	4,814,257
Net current assets		976,763	821,460

Wong Wai Yue
Chairman and Executive Director

Man Yu Hin
Chief Executive Officer and Executive Director

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)				
	Attributable to the owners of the Company				
	Share capital (Note 20) HK\$'000	Reserves (Note 22) HK\$'000	Total HK\$'000	Non- controlling Interests HK\$'000	Total equity HK\$'000
As at 1 April 2022	22,794	2,385,610	2,408,404	194,490	2,602,894
Profit for the period	–	232,848	232,848	22,282	255,130
Other comprehensive loss:					
— Currency translation differences	–	(24,587)	(24,587)	(6,603)	(31,190)
Total comprehensive income	–	208,261	208,261	15,679	223,940
Transactions with owners					
— Capital contribution from non-controlling interests	–	–	–	1,168	1,168
Dividends (Note 12)	–	(34,191)	(34,191)	–	(34,191)
As at 30 September 2022	22,794	2,559,680	2,582,474	211,337	2,793,811
As at 1 April 2021	22,794	2,218,397	2,241,191	174,944	2,416,135
Profit for the period	–	192,538	192,538	10,537	203,075
Other comprehensive (loss)/income:					
— Currency translation differences	–	(276)	(276)	471	195
— Share of other comprehensive income of a joint venture	–	31	31	–	31
Total comprehensive income	–	192,293	192,293	11,008	203,301
Transactions with owners					
Share option scheme					
— Equity-settled share-based compensation	–	4	4	–	4
Dividends (Note 12)	–	(27,353)	(27,353)	–	(27,353)
As at 30 September 2021	22,794	2,383,341	2,406,135	185,952	2,592,087

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities		
Cash generated from/(used in) operations	194,943	(158,024)
Interest paid	(15,806)	(11,802)
Income tax (paid)/refunded, net	(10,753)	2,911
Net cash generated from/(used in) operating activities	168,384	(166,915)
Cash flows from investing activities		
Purchases of property, plant and equipment	(29,560)	(83,086)
Proceeds from disposals of property, plant and equipment	57,166	21,577
Interest received	1,270	769
Repayment of loan from a joint venture	–	4,171
Net cash generated from/(used in) investing activities	28,876	(56,569)
Cash flows from financing activities		
Proceeds from new bank borrowings	609,461	549,846
Repayments of bank borrowings	(564,113)	(454,340)
Payments for lease liabilities	(39,129)	(68,872)
Dividend paid	(34,191)	(27,353)
Capital contribution from non-controlling interests	1,168	–
Net cash used in financing activities	(26,804)	(719)
Net increase/(decrease) in cash and cash equivalents	170,456	(224,203)
Cash and cash equivalents at beginning of the period	610,718	793,201
Exchange difference on cash and cash equivalents	(2,257)	34
Cash and cash equivalents at end of the period	778,917	569,032

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars ("HK\$'000") unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 25 November 2022.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 September 2022 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies applied by the Group are consistent with those of the annual financial statements for the year ended 31 March 2022, except for the adoption of amended standards and accounting guideline as set out below.

(a) Amended standards and accounting guideline adopted by the Group

The Group has applied the following amended standards and accounting guideline for the first time for the current reporting period beginning 1 April 2022:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract
HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 (Amendments)	Annual Improvements to HKFRS Standards 2018 to 2020
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Impact of new and amended standards and interpretation issued but not yet applied by the Group

The following new and amended standards and interpretation that are not effective for periods commencing on or after 1 April 2022 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in process of making an assessment of the impact of these new and amended standards and 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2022.

4 FINANCIAL RISK MANAGEMENT

4.1 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 condensed consolidated interim financial information does not include all financial risk management information and disclosures as required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 March 2022.

There have been no changes in the risk management policies since 31 March 2022.

4.2 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Liquidity risk (Continued)

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 30 September 2022				
Trade and bills payables	303,258	–	–	303,258
Accruals and other payables	166,208	–	–	166,208
Bank borrowings	546,807	685,736	62,920	1,295,463
Loan from a non-controlling shareholder of a subsidiary	–	–	3,882	3,882
Lease liabilities	86,658	39,190	44,389	170,237
	1,102,931	724,926	111,191	1,939,048
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
At 31 March 2022				
Trade and bills payables	415,942	–	–	415,942
Accruals and other payables	151,556	–	–	151,556
Bank borrowings	272,142	421,466	534,123	1,227,731
Loan from a non-controlling shareholder of a subsidiary	–	–	3,976	3,976
Lease liabilities	76,763	46,089	2,366	125,218
	916,403	467,555	540,465	1,924,423

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been 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 value at 30 September 2022 and 31 March 2022.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 September 2022				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investments	–	–	181,274	181,274
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 March 2022				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investments	–	–	178,830	178,830
Derivative financial instruments	–	34	–	34
	–	34	178,830	178,864

There were no transfers among Levels 1, 2 and 3 and changes in valuation techniques during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 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 period ended 30 September 2022 and 31 March 2022, please refer to Note 15.

These unlisted investments in level 3 represent unlisted key management insurance policies. The fair value of key management insurance contracts is determined using the discounted cash flow model with reference to the expected returns from such policies which are primarily based on the financial performance and market price of the underlying portfolio taking into consideration the respective guaranteed minimum returns. The significant unobservable inputs used in the fair value measurement of the Group's key management insurance contracts are ages of life insured persons and the discount rate. While significant increase/(decrease) in the ages of life insured persons would result in a significantly higher/(lower) fair value measurement. While significant increase/(decrease) in the discount rate would result in a significantly (lower)/higher fair value measurement. Consideration is also placed on the pattern of crystallising the contracts and surrender charges, if any.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5 SEGMENT INFORMATION

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

During the sixth months ended 30 September 2022 and 2021, the Group has been operating in a single operating segment, i.e. manufacturing of knitwear products.

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

(a) Revenue by location of goods delivery

	(Unaudited) Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Japan	928,368	559,359
North America	519,238	359,302
Europe	633,759	501,183
Mainland China	546,430	731,688
Other countries	471,572	300,937
	3,099,367	2,452,469

(b) Non-current assets

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Hong Kong	35,490	58,321
Mainland China	584,323	603,775
Vietnam	1,525,555	1,527,630
Myanmar	297,524	397,011
	2,442,892	2,586,737

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5 SEGMENT INFORMATION (CONTINUED)

(c) Major customers

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

	(Unaudited) Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Customer A	1,407,195	992,862

The five largest customers accounted for approximately 70.2% (2021: 68.8%) of revenue for the six months ended 30 September 2022.

(d) Disaggregation of revenue from contracts with customers

For the six months ended 30 September 2022 and 2021, the revenue of the Group was recognised at a point in time.

6 OTHER INCOME

	(Unaudited) Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Rental income from investment properties	360	360
Rental income from properties occupied by employees	659	437
Government subsidies	7,177	383
Income from claims settled (Note)	18,155	6,297
Others	3,250	5,579
	29,601	13,056

Note:

During the six months ended 30 September 2022, the Group received a compensation payment of HK\$18,155,000 from the ex-employees in relation to the claims filed against them.

During the six months ended 30 September 2021, the Group received an income of HK\$6,297,000 from a customer on claims settled for the termination of purchase order.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (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:

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Advertising and promotion expenses	1,679	3,889
Auditor's remuneration		
— audit services	1,473	1,219
— non-audit services	330	531
Depreciation (Note 13)		
— owned property, plant and equipment	100,307	73,213
— right-of-use assets	18,124	40,600
Depreciation of investment properties	41	41
Employment benefit expenses (including directors' emoluments)	539,666	487,602
Raw materials used	1,370,492	1,353,367
Changes in inventories of finished goods and work in progress	340,456	(86,499)
Reversal of impairment of inventories	(9,481)	(7,376)
Impairment loss on the production base in Myanmar (Note 13)	109,034	–
Consumables	74,777	60,341
Subcontracting charges	135,531	130,577
Agency and commission expenses	1,303	1,187
Transportation charges	25,513	20,661
Donations	71	882
Short-term lease payments	249	265
Utilities expenses	93,561	66,408
Sample charges	7,622	5,903
Others	73,379	70,035
Total cost of sales, selling and distribution expenses, general and administrative expenses and impairment loss on the production base in Myanmar	2,884,127	2,222,846

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8 OTHER GAINS, NET

	(Unaudited) Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Net foreign exchange gains/(losses)	46,689	(2,779)
Net gains on financial assets at FVTPL	2,444	2,415
Net gains on disposals of property, plant and equipment	27,519	495
Net realised and unrealised (losses)/gains from derivative financial instruments	(1,023)	842
Others	-	7
	75,629	980

9 FINANCE EXPENSES, NET

	(Unaudited) Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Finance income		
Interest income from:		
— Bank deposits	1,270	769
Finance expenses		
Interest expenses on:		
— Bank borrowings	(14,999)	(9,089)
— Lease liabilities	(1,454)	(2,549)
	(16,453)	(11,638)
Finance expenses, net	(15,183)	(10,869)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

10 INCOME TAX EXPENSES

For the six months ended 30 September 2022, Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the period. The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2021: 25%) on estimated assessable profits. However, two (2021: two) of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15% after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for 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 period is the first year subject to the BIT rate of 17%, whereas, the other one subsidiary in Vietnam is entitled to the first year of full exemption from BIT if there is any taxable profit for the six months ended 30 September 2022.

	(Unaudited) Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Current and deferred income tax		
— Hong Kong profits tax	13,880	12,547
— China corporate income tax	38,370	18,242
— Deferred taxation	(1,523)	(444)
	50,727	30,345

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six-month period ended 30 September 2022 and 2021 respectively 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 respective periods.

	(Unaudited) Six months ended 30 September	
	2022	2021
Profit attributable to the owners of the Company (HK\$'000)	232,848	192,538
Weighted average number of ordinary shares in issue ('000)	2,279,392	2,279,392
Basic earnings per share (HK cents)	10.2	8.4

(b) Diluted

Diluted earnings per share for the six-month period ended 30 September 2022 and 2021 respectively equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

12 DIVIDENDS

At the board meeting held on 25 November 2022, the Board of Directors declared an interim dividend of 5.1 HK cents per share. The interim dividend amounting to approximately HK\$116,249,000 has not been recognised as a liability in this interim financial information. It will be recognised as a distribution of shareholder's equity for the year ending 31 March 2023.

At the board meeting held on 24 June 2022, the Board of Directors recommended a final dividend for the year ended 31 March 2022 of 1.5 HK cents per share amounting to a total of HK\$34,191,000 and paid on 20 September 2022.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	(Unaudited)	
	Property, plant and equipment HK\$'000	Right-of-use assets HK\$'000
Six months ended 30 September 2022		
Opening net book amount at 1 April 2022	2,131,132	384,553
Additions	41,824	89,250
Disposals	(29,647)	-
Reclassification	85,902	(85,902)
Depreciation (Note 7)	(100,307)	(18,124)
Exchange differences	(12,962)	(2,034)
Impairment (Note 7)	(109,034)	-
Closing net book amount at 30 September 2022	2,006,908	367,743
Six months ended 30 September 2021		
Opening net book amount at 1 April 2021	1,770,817	830,109
Additions	97,965	12,991
Disposals	(22,072)	-
Lease modification	-	(157)
Reclassification	155,650	(155,650)
Depreciation (Note 7)	(73,213)	(40,600)
Exchange differences	9,604	3,062
Closing net book amount at 30 September 2021	1,938,751	649,755

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

Note:

As at 30 September 2022, the Group had certain property, plant and equipment, right-of-use assets, prepayments for property, plant and equipment and other operating assets in Myanmar with carrying amounts of approximately HK\$361,149,000, HK\$30,382,000, HK\$15,026,000 and HK\$838,000 (31 March 2022: HK\$349,773,000, HK\$30,382,000, HK\$16,856,000 and HK\$1,107,000) respectively which have been allocated to the cash-generating unit (the "Myanmar CGU") for impairment testing. Due to the incidents in Myanmar in recent years, the construction and development progress of the production base in Myanmar is affected. The directors of the Company have carried out an impairment assessment of these assets by using value-in-use method. The recoverable amount of the Myanmar CGU is determined by using cash flow projection based on the financial budgets covering a six-year period from the commencement date of full operation, and a pre-tax discount rate of 21.7% per annum.

The directors of the Company plan to allocate part of the Group's knitwear sales orders to Myanmar for production and the financial model assumes the Group's revenue of knitwear sales have an annual growth rate of 7.00% for financial years ending 31 March 2023 and 31 March 2024; an annual growth rate of 2.50% for financial years ending 31 March 2025 to 31 March 2026 and an annual growth rate of 1.25% for financial years ending 31 March 2027 to 31 March 2031. The terminal growth rate is assumed to be 3.00% per annum beyond the forecast period, taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors. However, due to the deterioration of the global economy and the current situation in Myanmar, the Group's business development in Myanmar has been decelerated. The expected commencement date of full operation of the Group's Myanmar production base will be further delayed to the financial year ending 31 March 2026 and the allocation of part of the Group's knitwear sales orders to Myanmar for production will be also delayed and affected.

The directors assessed the recoverable amount of the Myanmar CGU with reference to the valuation performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer. As at 30 September 2022, the recoverable amount of the Myanmar CGU determined based on the value-in-use calculations was lower than the carrying amount of the Myanmar CGU and resulted in a provision for impairment of property, plant and equipment of HK\$109,034,000 (2021: nil) for the six months ended 30 September 2022.

The Group has performed a sensitivity analysis for the recoverable amount of the Myanmar CGU as at 30 September 2022. The below analysis shows how total provision for impairment of property, plant and equipment would be increased/(decreased) as a result of 0.5% change in the significant assumptions:

Assumptions	Increase in 0.5%	Decrease in 0.5%
	HK\$'000	HK\$'000
— Discount rate	14,866	(15,827)
— Gross margin	(22,763)	22,763
— Sales orders allocated to Myanmar production base with no change in forecasted gross margin	(15,553)	15,553

The above sensitivity analysis is based on the assumption that changes in significant assumptions are not correlated and therefore it does not take into account the correlations between the significant assumptions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14 INTEREST IN A JOINT VENTURE

	(Unaudited) Six months ended 30 September	2021 HK\$'000
	2022 HK\$'000	
Beginning of the period	4,919	8,297
Repayment of loan from a joint venture (Note)	—	(4,171)
Share of post-tax profit of joint venture	570	630
Share of other comprehensive income of joint venture	—	31
End of the period	5,489	4,787

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 Group and the joint venture.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Financial assets at FVTPL		
— Unlisted investments (Note)	181,274	178,830

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 condensed consolidated statement of comprehensive income based on the estimated years that the Group intends to hold such contracts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16 TRADE RECEIVABLES

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Trade receivables	637,854	146,193

The credit periods granted by the Group to its customers generally range from 0 to 90 days. As at 30 September 2022 and 31 March 2022, the ageing analysis of the trade receivables based on invoice date is as follows:

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Up to three months	601,836	123,830
Three to six months	27,547	12,751
Over six months	8,471	9,612
	637,854	146,193

There was no movement of impairment of trade receivables during the six months ended 30 September 2022 and 2021.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17 TRADE AND BILLS PAYABLES

As at 30 September 2022 and 31 March 2022, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Within one month	108,300	215,390
One to two months	77,018	71,319
Two to three months	55,407	72,358
Over three months	62,533	56,875
	303,258	415,942

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

Note: As at 30 September 2022, trade and bills payables include trade payables to related companies of approximately HK\$3,525,000 (31 March 2022: HK\$8,825,000) (Note 24(b)).

18 BANK BORROWINGS

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Current		
Short-term bank borrowings, unsecured	183,692	–
Portion of long-term bank borrowings, secured, due for repayment within one year which contain a repayment on demand clause	1,032	1,033
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	602	1,118
Portion of long-term bank borrowings, unsecured, due for repayment within one year	323,097	252,320
	508,423	254,471
Non-current		
Bank borrowings, unsecured	727,033	935,637
Total bank borrowings	1,235,456	1,190,108

The weighted average effective interest rate as at 30 September 2022 is 3.57% (31 March 2022: 1.75%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18 BANK BORROWINGS (CONTINUED)

The bank borrowings are due for repayment as follows:

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Within one year	507,821	253,353
Between one and two years	665,135	405,739
Between two and five years	62,500	531,016
	1,235,456	1,190,108

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

As at 30 September 2022, the Group's certain bank borrowings are secured by financial assets at FVTPL with a total carrying amount of HK\$6,645,000 (31 March 2022: HK\$6,526,000).

As at 30 September 2022, the Group's right-of-use assets with a total carrying amount of HK\$13,770,000 (31 March 2022: HK\$14,339,000), land and buildings and leasehold improvements with a total carrying amount of HK\$149,217,000 (31 March 2022: HK\$162,034,000) and financial assets at fair value through profit or loss with a total carrying amount of HK\$6,645,000 (31 March 2022: HK\$6,526,000) were pledged to banks to secure certain banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19 LEASE LIABILITIES

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Current		
Lease liabilities due for repayment within one year	84,477	75,094
Non-current		
Lease liabilities due for repayment after one year:		
Between one and two years	38,145	45,644
Between two and five years	43,524	2,310
	81,669	47,954
Total lease liabilities	166,146	123,048

The weighted average effective interest rate as at 30 September 2022 is 1.76% (31 March 2022: 1.80%).

The lease liabilities were due for repayment as follows:

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Gross lease liabilities — minimum lease payments:		
Within one year	86,658	76,763
Between one and two years	39,190	46,089
Between two and five years	44,389	2,366
	170,237	125,218
Future finance charges on leases	(4,091)	(2,170)
Present value of lease liabilities	166,146	123,048

The carrying amounts of lease liabilities are denominated in US dollars, Renminbi and HK\$.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20 SHARE CAPITAL

	(Unaudited) As at 30 September 2022		(Audited) As at 31 March 2022	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
Ordinary shares at HK\$0.01 each	5,000,000,000	50,000,000	5,000,000,000	50,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	2,279,392,000	22,793,920	2,279,392,000	22,793,920

21 SHARE-BASED PAYMENTS

Movements of the share options under the share option scheme during the six months ended 30 September 2022 are as follows:

Date of Grant	Exercise Price HK\$	Exercise Period	Number of share options				As at 30 September 2022
			As at 1 April 2022	Granted during the period	Exercised during the period	Cancelled during the period	
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	-	-	-	12,004,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	30,700,000	-	-	(1,900,000)	28,800,000
Total			59,204,000	-	-	(7,400,000)	51,804,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

21 SHARE-BASED PAYMENTS (CONTINUED)

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

21 SHARE-BASED PAYMENTS (CONTINUED)

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 have taken into account various factors, variables and assumptions which include the following:

	Date of grant		
	29 August 2016	28 August 2017	20 April 2018
Risk-free interest rate	1.01%	1.50%	1.50%
Expected volatility	40.28%	39.02%	39.02%
Expected annual dividend yield	3.95%	3.83%	3.83%

The total expense of HK\$4,000 for share options granted to directors and employees was recognised as “employment benefit expenses” in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2021 while no expense was recognised for the six months ended 30 September 2022.

22 RESERVES

	Attributable to the owners of the Company (Unaudited)				
	Other reserves (Note) HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April 2022	1,586,311	121,789	18,248	659,262	2,385,610
Profit for the period	-	-	-	232,848	232,848
Other comprehensive loss:					
— Currency translation differences	-	(24,587)	-	-	(24,587)
Total comprehensive (loss)/income for the period	-	(24,587)	-	232,848	208,261
Transactions with owners					
Share option scheme					
— Transfer of reserve upon expiry of share options	-	-	(3,736)	3,736	-
Dividends (Note 12)	-	-	-	(34,191)	(34,191)
As at 30 September 2022	1,586,311	97,202	14,512	861,655	2,559,680

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22 RESERVES (CONTINUED)

	Attributable to the owners of the Company (Unaudited)				
	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 2021	1,586,311	94,795	19,512	517,779	2,218,397
Profit for the period	–	–	–	192,538	192,538
Other comprehensive (loss)/income:					
— Currency translation differences	–	(276)	–	–	(276)
— Share of other comprehensive income of a joint venture	–	31	–	–	31
Total comprehensive (loss)/income for the period	–	(245)	–	192,538	192,293
Transactions with owners					
Share option scheme					
— Equity-settled share-based compensation	–	–	4	–	4
— Transfer of reserve upon expiry of share options	–	–	(1,268)	1,268	–
Dividends (Note 12)	–	–	–	(27,353)	(27,353)
As at 30 September 2021	1,586,311	94,550	18,248	684,232	2,383,341

Note: Other reserves mainly represent 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

23 COMMITMENTS

(a) Operating lease arrangements

As at 30 September 2022 and 31 March 2022, the aggregate future lease payments receivable under non-cancellable operating leases in respect of the Group's investment properties are as follows:

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Within one year	240	240

(b) Capital commitments

As at 30 September 2022 and 31 March 2022, the capital expenditure contracted but not yet incurred is as follows:

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Property, plant and equipment and right-of-use assets contracted but not provided for	92,775	62,734

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

24 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the interim financial information, 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 transactions.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

24 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions

		(Unaudited) Six months ended 30 September	
	Note	2022 HK\$'000	2021 HK\$'000
Hotel services fee charged by Huizhou Gangsheng Property Co., Ltd	(i), (vi)	900	705
Rental charged by Hanyi Investments Limited	(ii), (vi)	1,494	1,494
Rental charged by Hebei Yuteng Cashmere Products Co., Ltd.	(iii), (vi)	4,794	5,381
Rental charged by Tongxiang Yuteng Cashmere Clothing Co., Ltd.	(iv), (vi)	479	446
Rental charged by Huizhou Chuang Ye Xing Property Management Co., Ltd	(v), (vi)	210	205
Purchase of cashmere from Hebei Yuteng Cashmere Products Co., Ltd.	(i), (vi)	413,711	441,284
Purchase of mask and Covid-19 rapid test kit from Huizhou Huaerkang Technology Co., Ltd.	(i), (vi)	888	510
Purchase of labels and hang tags from SML & FT (Vietnam) Limited	(i)	4,879	6,230
Sales of knitted 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 operating lease agreement with Hanyi Investments Limited on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK\$4,362,000 at 30 September 2022 (31 March 2022: HK\$5,816,000). The lease payments to this related company under this agreement for the six months ended 30 September 2022 was HK\$1,494,000 (2021: HK\$1,494,000).
- (iii) The Group has renewed its operating 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\$22,808,000 at 30 September 2022 (31 March 2022: No right-of-use asset was recognised at 31 March 2022 as the right-of-use asset was fully depreciated during the year ended 31 March 2022 upon the expiry of the lease agreement). The lease payments to this related company under this agreement for the six months ended 30 September 2022 was HK\$4,794,000 (2021: HK\$5,381,000).
- (iv) The Group has entered into an operating lease agreement with Tongxiang Yuteng Cashmere Clothing Co., Ltd. on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK\$653,000 and HK\$1,114,000 at 30 September 2022 and 31 March 2022 respectively. The lease payments to this related company under this agreement for the six months ended 30 September 2022 was HK\$479,000 (2021: HK\$446,000).
- (v) The Group has entered into an operating lease agreement with Huizhou Chuang Ye Xing Property Management Co., Ltd. on terms mutually agreed by both parties. The Group has recognised a right-of-use asset of HK\$497,000 and HK\$713,000 at 30 September 2022 and 31 March 2022 respectively. The lease payments to this related company under this agreement for the six months ended 30 September 2022 was HK\$210,000 (2021: HK\$205,000).
- (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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

24 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Period/year end balances

	Note	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Prepayment to Hebei Yuteng Cashmere Products Co., Ltd.	(i)	80,617	19,959
Deposit to Tongxiang Yuteng Cashmere Clothing Co., Ltd.	(i)	118	48
Trade payable to SML & FT (Vietnam) Limited	(ii)	3,525	2,853
Trade payable to Hebei Meixian Cashmere Textile Technology Co., Ltd.	(ii)	–	5,972
Other payable to Hebei Yuteng Cashmere Products Co., Ltd.	(iii)	79,412	82,647
Lease liability due to Hanyi Investments Limited		4,423	5,870
Lease liability due to Hebei Yuteng Cashmere Products Co., Ltd.		22,901	–
Lease liability due to Tongxiang Yuteng Cashmere Clothing Co., Ltd.		716	1,196
Lease liabilities due to Huizhou Chuang Ye Xing Property Management Co., Ltd		505	721
Loan from a non-controlling shareholder of a subsidiary	(iv)	3,882	3,976

Notes:

- (i) Prepayment and deposit were presented in the condensed consolidated balance sheet within "Prepayments, deposits, other receivables and other assets".
- (ii) Payables were presented in the condensed consolidated balance sheet within "Trade and bills payables".
- (iii) Payables were presented in the condensed consolidated balance sheet within "Accruals and other payables".
- (iv) The loan from a non-controlling shareholder of a subsidiary is unsecured, interest-free, denominated in RMB and will mature in December 2026.

(c) Key management compensation

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

	(Unaudited) Six months ended 30 September 2022 HK\$'000	2021 HK\$'000
Salaries, pension costs and other short-term employee benefits	6,351	6,356
Equity-settled share-based compensation	–	4
	6,351	6,360