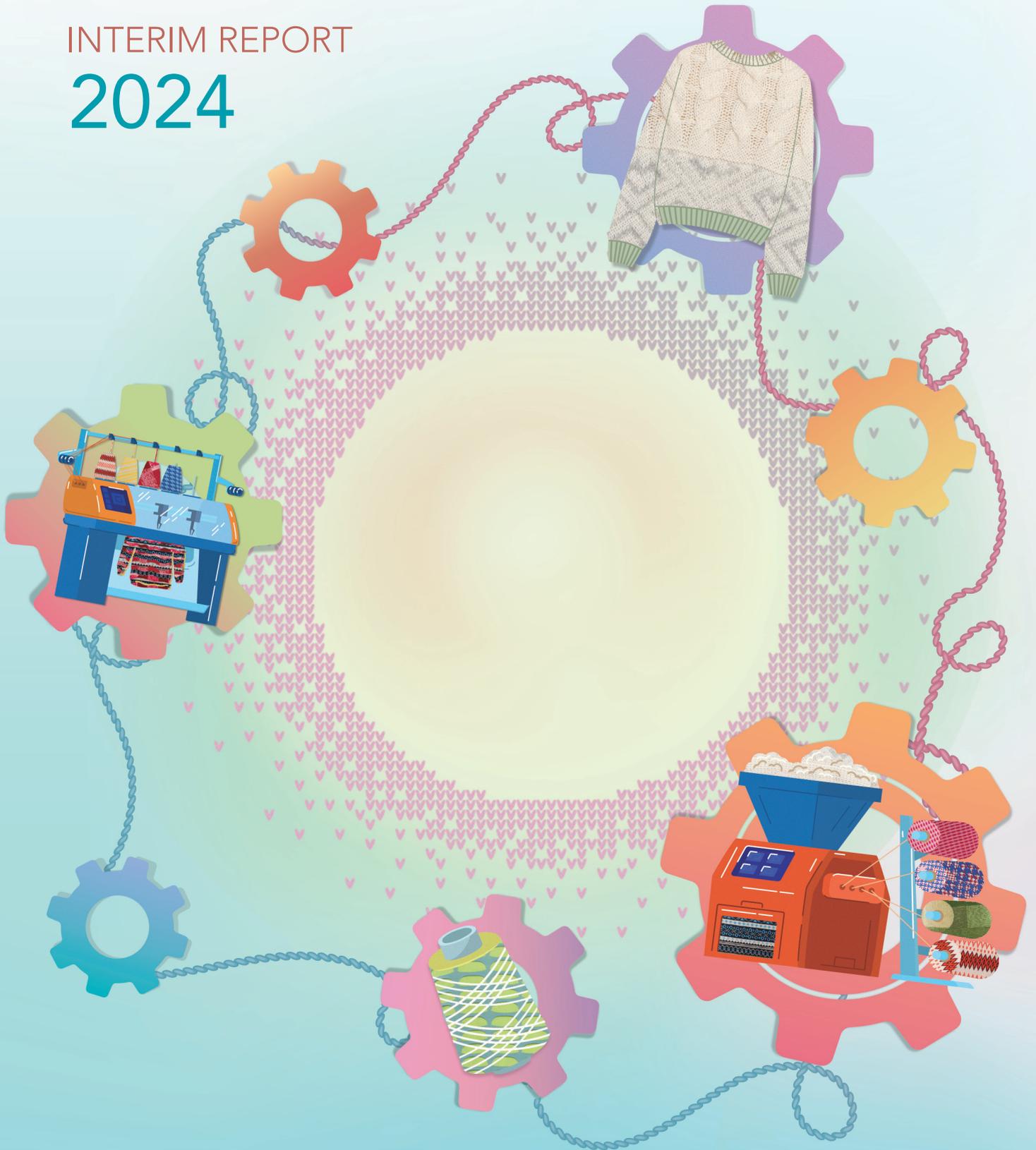




# 南旋控股有限公司 Nameson Holdings Limited

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

## INTERIM REPORT 2024





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent non-executive Directors

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

## BOARD COMMITTEES

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Executive Committee

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

## COMPANY SECRETARY

Mr. Tao Chi Keung, *HKICPA, ACCA*

## AUTHORISED REPRESENTATIVES

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

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## 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

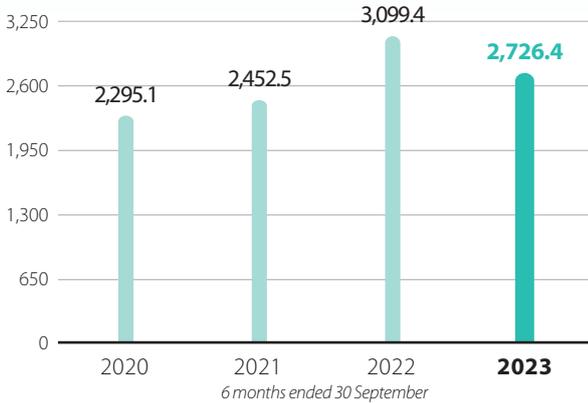
### WEBSITE OF THE COMPANY

<http://www.namesonholdings.com>

# FINANCIAL HIGHLIGHTS

## REVENUE

(HK\$'M)



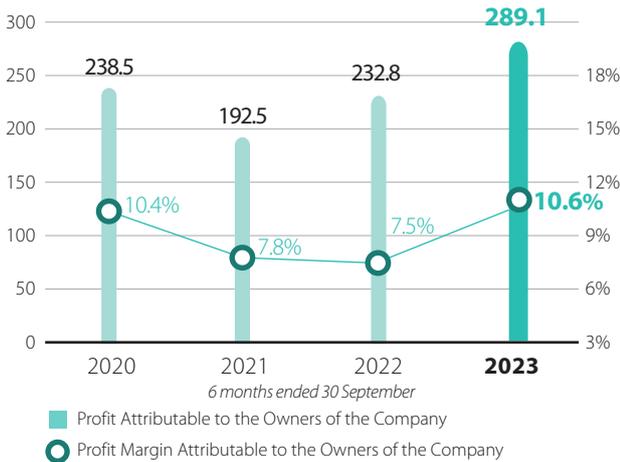
## GROSS PROFIT

(HK\$'M)



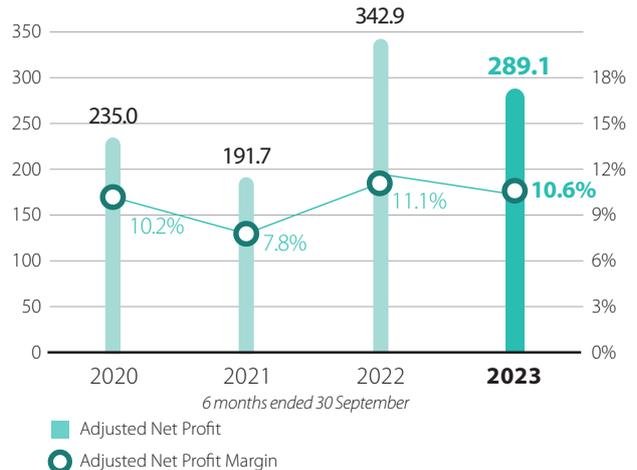
## PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

(HK\$'M)



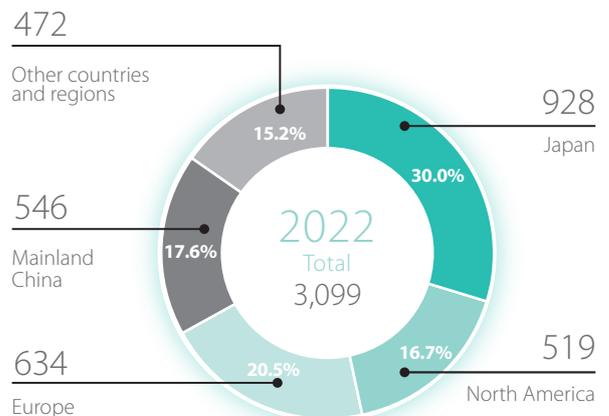
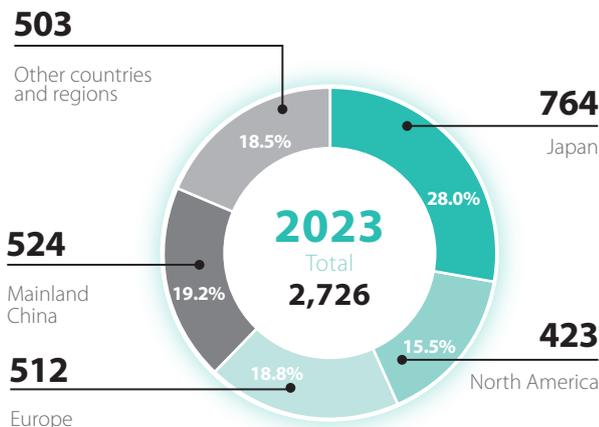
## ADJUSTED NET PROFIT (Note)

(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 2023 ("First Half of Financial Year 2024").

## MARKET REVIEW

The global market sentiment continued to be pummeled by geopolitical conflicts that showed no signs of abating, causing fluctuating currencies, trade tensions that bring about repercussions for deteriorating consumer spending in Europe, the United States of America ("USA") and Japan. In the absence of trade cooperation, the reliance on the People's Republic of China ("Mainland China" or "PRC") manufacturing persistently declined, while the post-COVID-19 reopening of the PRC brings some restoration in domestic demand, the overall weak sentiment creates a vicious cycle in the slower growth of the global economy.

The Group maintains a healthy customer portfolio in all geographical locations to balance business risks. On the supply side, the Group acted swiftly by increasing its production capacity in Vietnam, responding to client needs timely. Our strong foundation built with quality customers and suppliers, and our agility to increase our productivity in Vietnam have favoured us during these challenging times.

The overall weak consumer demand is reflected in the decline in total export values across Mainland China and Vietnam. The total export value in Mainland China showed a decline of 8.2% for the First Half of Financial Year 2024. The total export value of knitwear (including knitted products and crochet products, as well as knitted or crocheted clothing and accessories) from Mainland China dropped by a similar magnitude of 10.8% in the First Half of Financial Year of 2024. Mainland Chinese exports of knitwear to Europe, the USA and Japan declined by 19.5%, 15.0% and 12.3% respectively as compared with the corresponding period.

The total export value in Vietnam also showed a decline of 7.0% during the same period. Vietnam's export value of textile and garments also dropped by 12.4% in the First Half of Financial Year 2024, its exports of textile and garments to Europe, the USA and Japan also declined by 13.4%, 16.3% and 3.3% respectively as compared with the corresponding period.

Following the re-opening of Mainland China, the domestic demand showed some recovery during the First Half of Financial Year 2024. However, slower import growth, property market crackdown, currency fluctuation and the increase in youth unemployment rate also gave rise to economic concerns on the growth of Mainland China's economic recovery.



## CHAIRMAN'S STATEMENT (CONTINUED)

### BUSINESS REVIEW

Seeing the strong inclination to shift more production to Southeast Asian countries by brand customers, the Group was well prepared by swiftly increasing its production capacity in Vietnam in the previous year. Despite the softer end-consumer demand, the Group's increased productivity in Vietnam remedied the drop in its production in Mainland China. The Group spent careful consideration in selecting the location for the increase in production capacity in terms of ease of recruitment, proximity to supplies, and logistics, which appeals to customers and benefits the Group in the long run.

Driven by the Group's strategy to focus more on higher margin orders, the sales volume for cashmere sweaters has seen a drop in quantity. Moreover, some Wholgarment products also experienced a drop in selling prices mainly due to the product mix and mutually agreed price adjustments, and hence the Group's average selling price for men's and women's knitwear products declined. While most customers were more cautious in making orders during the First Half of Financial Year 2024, one of our domestic customers showed obvious signs of recovery, partly offsetting the drop in sales orders by other customers. During the First Half of Financial Year 2024, we managed to maintain the total sales volume of men's and women's knitwear products at a slight increase of 1.6% to 19.0 million pieces compared with the six months ended 30 September 2022 despite the overall softer demand. This testifies to the Group's resilience backed by our team of professionals. Nevertheless, the revenue for knitwear business saw a drop because of the decline in the abovementioned average selling price.

In spite of a decline in cashmere sweaters, our cashmere yarn business expanded its customer reach and made more sales to external customers, which clearly indicates our flexibility to adjust to different market conditions. Nonetheless, our relatively new fabric business was more prone to economic effects and resulted in a sharper decline in its orders as customers in this segment were dealing with the excess inventory during the First Half of Financial Year 2024.

The Group's total revenue dropped by 12.0% to HK\$2,726.4 million for the First Half of Financial Year of 2024. We continued our relentless effort on cost control and hence our gross profit declined by 3.6%, which was a smaller magnitude as compared with the decline in revenue. Gross profit margin improved from 16.7% in the corresponding period to 18.3% for the First Half of Financial Year 2024.

Selling and distribution expenses, together with general and administrative expenses in aggregate recorded a slight drop, demonstrating our continuing attention on cost management. For the First Half of Financial Year 2024, the Group recorded lower other gains as compared with the corresponding period mainly due to the decrease in foreign exchange gains and the decrease in net gains on disposals of property, plant and equipment. In addition, in the absence of any impairment loss in the First Half of Financial Year 2024, compared with an impairment loss on the production base in Myanmar recorded in the last corresponding period, the Group's operating profit increased by 16.0% to HK\$371.7 million.

Even though the market interest rates have continued to increase during the First Half of Financial Year 2024, the Group's financial management efforts enabled its finance costs to stay at a healthy level. The Group's net profit recorded an increase of 19.8% to HK\$305.6 million. To better reflect the Group's core operating results, if impairment losses recorded for the six months ended 30 September 2022 were excluded, the Group's adjusted net profit would drop by 15.7% to HK\$289.1 million for the six months ended 30 September 2023.

Considering the Group's prudent cash management directives, its healthy cash flow, as well as its improved gearing ratio, the Board is pleased to declare the payment of an interim dividend of 9.5 HK cents per share to the Company's shareholders, which represents an increase of payout ratio to approximately 75%, in appreciation for our shareholders' trust and support throughout the challenging times.

## CHAIRMAN'S STATEMENT (CONTINUED)

### FUTURE STRATEGIES AND PROSPECTS

Brand customers have continuously displayed strong inclination to shift more production to Southeast Asian countries. Therefore, the Group's manufacturing capacities in Mainland China as a whole is expected to contract, and be utilised for products which require more sophisticated craftsmanship or technicality, or for orders which require quicker response time. Nonetheless, the Group is required to carefully balance between customers' instructions to take on more fast orders in Mainland China and our overall planning of order allocation, which remains an area for mutual planning. We see a fluid need for taking fast orders in Mainland China in the coming months, and in the years ahead.

On the other hand, the supply from Southeast Asian countries will continue to expand. The Group has already put in place a larger focal point in its Vietnam manufacturing facilities. Step by step, it has already strengthened its functions in Vietnam including its merchandising team, customer services, sampling offices, testing laboratories, etc. as well as expanded its capacity in central Vietnam which has attracted extensive interest from global customers with vast potential. Its carefully selected location has placed emphasis on considering the ease of recruitment, logistics, close proximity to its necessary supplies, etc. Together with quality suppliers, Vietnam is now an established supply and manufacturing hub for many global brands, we believe the Group is extremely well-positioned to further tap into larger potentials with global customers.

Our Myanmar manufacturing facility, on the contrary, is facing larger hurdles even with the gradual ease of its COVID-19 restrictions. There has been an increasing number of brand customers who have displayed their reluctance to procure from Myanmar due to political considerations. Nonetheless, the Group will still place efforts on tapping into customers' interest, yet it only gets even more difficult at this point.

Even though the demand for fabric is slower in the short-term, we continue to see vast potential in Vietnamese garment manufacturers' immense demand for raw materials. We took the effort to enhance our operational works of our new business of weaving, printing and dyeing of fabric, and we are confident that we will be in a better position when the business revives from the economic cyclicity. We shall continue to observe opportunities with relevancy to this business.

As a responsible global citizen acting in response to Mainland China's advocate to energy conservation, we continue to increase the level of renewable energy to our manufacturing facilities to achieve greater efficiencies on our energy usage. We are also accelerating, together with our customers, to increase the usage of sustainable materials in our products, in order to utilise recycled and upcycled materials to continue to add value in closing the loop and playing our part as an industry leader.

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

Despite the fact that the remaining of the year and the upcoming year is still filled with uncertainty, especially driven by geopolitical conflicts, the management team will remain open-minded and respond to the changing conditions, as we have done so in the past couple of years, and remain focused on generating greater returns to our shareholders as a long-term commitment.

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

#### **Wong Wai Yue**

*Chairman and Executive Director*

24 November 2023

# 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 2023. 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

	<b>Six months ended 30 September</b>	
	<b>2023 HK\$'000</b>	2022 HK\$'000
<b>Revenue</b>	<b>2,726,382</b>	3,099,367
Cost of sales	<b>(2,228,388)</b>	(2,582,967)
<b>Gross profit</b>	<b>497,994</b>	516,400
Other income	<b>7,062</b>	29,601
Other gains, net	<b>46,676</b>	75,629
Selling and distribution expenses	<b>(17,829)</b>	(23,738)
General and administrative expenses	<b>(162,218)</b>	(168,388)
Impairment loss on the production base in Myanmar	–	(109,034)
<b>Operating profit</b>	<b>371,685</b>	320,470
Share of post-tax profit of a joint venture	<b>758</b>	570
Finance income	<b>10,628</b>	1,270
Finance expenses	<b>(33,684)</b>	(16,453)
Finance expenses, net	<b>(23,056)</b>	(15,183)
<b>Profit before income tax</b>	<b>349,387</b>	305,857
Income tax expenses	<b>(43,804)</b>	(50,727)
Profit for the period	<b>305,583</b>	255,130
<b>Profit for the period attributable to:</b>		
— Owners of the Company	<b>289,122</b>	232,848
<b>Add:</b>		
Impairment loss on the production base in Myanmar	–	109,034
Net realised and unrealised (gains)/losses from derivative financial instruments	<b>(54)</b>	1,023
<b>Adjusted net profit</b>	<b>289,068</b>	342,905

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW

#### Revenue

The Group's revenue for the six months ended 30 September 2023 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as cashmere yarns, knitted upper for footwear, children's wear, scarfs, hats and gloves, to our customers.

The Group's revenue decreased by 12.0% to HK\$2,726.4 million for the six months ended 30 September 2023 from HK\$3,099.4 million for the six months ended 30 September 2022. The decrease was mainly attributable to the decrease in total sales revenue of men's and women's knitwear products for the six months ended 30 September 2023 by HK\$292.2 million to HK\$2,255.0 million as compared to the corresponding period in year 2022, while the sales revenue of cashmere yarns for the six months ended 30 September 2023 increased by HK\$49.1 million to HK\$330.0 million as compared to the corresponding period in year 2022.

The decrease in the total sales revenue of men's and women's knitwear products was due to the decrease in average selling price. The Group's sales volume of men's and women's knitwear products slightly increased by 1.6% from 18.7 million pieces for the six months ended 30 September 2022 to 19.0 million pieces for the six months ended 30 September 2023, but the average selling price of the Group's men's and women's knitwear products decreased by 12.9% from HK\$136.2 per piece for the six months ended 30 September 2022 to HK\$118.7 per piece for the six months ended 30 September 2023.

On the other hand, consistent with the Group's geographical market distribution for the six months ended 30 September 2022, Japan, Mainland China and Europe remained as the top three markets of our Group for the six months ended 30 September 2023. The revenue attributable to the Japanese market, Chinese market and European market accounted for 28.0%, 19.2% and 18.8% respectively of the Group's total revenue for the six months ended 30 September 2023.

#### Cost of Sales

For the six months ended 30 September 2023, the Group incurred cost of sales of HK\$2,228.4 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 2023, the Group recorded gross profit of HK\$498.0 million and gross profit margin of 18.3% as compared to the gross profit of HK\$516.4 million and gross profit margin of 16.7% for the six months ended 30 September 2022.

The decrease in gross profit for the six months ended 30 September 2023 was mainly due to the weaker performance of the Group's fabric and cashmere yarns business as the overall textile market sentiment was affected by the global inflation and the weak demand of some fashion retailers due to their high inventory levels in recent years. However, the Group's business performance in other areas was still quite stable and displayed its resilience to the ever-changing business environment.



## 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 decreased by HK\$22.5 million from HK\$29.6 million for the six months ended 30 September 2022 to HK\$7.1 million for the six months ended 30 September 2023. Such decrease was mainly due to the decrease in income from claims settled by HK\$18.2 million and the decrease in government subsidies by HK\$4.1 million as compared to the corresponding period in year 2022.

### 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 decreased by HK\$28.9 million from HK\$75.6 million for the six months ended 30 September 2022 to HK\$46.7 million for the six months ended 30 September 2023. Such decrease was primarily attributable to (i) the decrease in net foreign exchange gains from HK\$46.7 million for the six months ended 30 September 2022 to net foreign exchange gains of HK\$24.7 million for the six months ended 30 September 2023 as a result of the smaller appreciation of the United States dollars during the six months ended 30 September 2023; and (ii) the decrease in net gains on disposals of property, plant and machinery by HK\$8.1 million as the Group disposed a smaller number of aged machines and recorded net disposal gains of HK\$19.5 million during the six months ended 30 September 2023.

In summary, other gains for the six months ended 30 September 2023 represented net foreign exchange gains of HK\$24.7 million, net gains on disposals of property, plant and machinery of HK\$19.5 million and net gains on financial assets at fair value through profit or loss of HK\$2.5 million.

### Selling and Distribution Expenses

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

The Group's selling and distribution expenses decreased by HK\$5.9 million from HK\$23.7 million for the six months ended 30 September 2022 to HK\$17.8 million for the six months ended 30 September 2023. Such decrease was mainly due to the decrease 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 decreased by HK\$6.2 million from HK\$168.4 million for the six months ended 30 September 2022 to HK\$162.2 million for the six months ended 30 September 2023. Such decrease was mainly attributable to the Group's continuous cost control measures.

### Impairment Loss on the Production Base in Myanmar

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

## 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 casted a shadow on the economic outlook of coming years. As there were many signs of the economy weakening, the Group's business development in Myanmar had 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 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 2023. As the recoverable amount of the Myanmar CGU, which was assessed with reference to the valuation performed by the Valuer, was not lower than the net carrying amount of the Myanmar CGU after impairment and no additional impairment provision or reversal of impairment provision on the property, plant and equipment of the Group's production base in Myanmar is considered necessary for the six months ended 30 September 2023 since the Board considered that the factors of last year's impairment assessment have fundamentally remained unchanged.

### 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:

	<b>Valuation as of 30 September 2023</b>	Valuation as of 31 March 2023
Valuation Date	<b>30 September 2023</b>	31 March 2023
Valuation Methodology	<b>Income Approach</b>	Income Approach
Basis of Valuation	<b>Value in use calculation*</b>	Value in use calculation
Expected Commencement Date of Full Operation	<b>Financial Year 2026</b>	Financial Year 2026
Pre-tax Discount Rate	<b>27.80%</b>	27.97%
Risk-free Rate (10-yr)	<b>19.77%</b>	20.74%
Beta Coefficient	<b>0.95</b>	0.76
Market Risk Premium	<b>20.18%</b>	23.20%
Company Specific Risk Premium	<b>7.00%</b>	7.00%
Small Company Risk Premium	<b>4.83%</b>	4.80%

\* The calculation uses pre-tax cash flow projection based on financial budgets covering a five-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 Valuer for the 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 for the six months ended 30 September 2022 from the year ended 31 March 2022**

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 for the year ended 31 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\$7.9 million from HK\$15.2 million for the six months ended 30 September 2022 to HK\$23.1 million for the six months ended 30 September 2023. Since the Group's gearing ratio has been maintained at a low level, the increase in net finance expenses was mainly due to the continuous 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 2023 and 2022 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 2023 and 2022 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 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 subject to the BIT rate of 17%, whereas, the other two subsidiaries in Vietnam are entitled to the first year of full exemption from BIT if there is any taxable profit for the six months ended 30 September 2023.

The effective tax rates of the Group were 12.5% and 16.6% for the six-month period ended 30 September 2023 and 2022 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\$289.1 million and HK\$232.8 million for the six-month period ended 30 September 2023 and 2022 respectively.

The increase in net profit for the six months ended 30 September 2023 was primarily due to no impairment loss on the production base in Myanmar for the six months ended 30 September 2023, while the Group incurred an impairment loss of HK\$109.0 million on the production in Myanmar for the six months ended 30 September 2022. However, the aforementioned positive effect on the net profit for the six months ended 30 September 2023 was partially offset by (i) the decrease in gross profit as a result of the weaker performance of the Group's fabric and cashmere yarns businesses; (ii) the decrease in other income from claims settled; and (iii) the decreases in other gains from foreign exchange and other gains on disposals of property, plant and equipment.

### 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 decreased by HK\$53.8 million from HK\$342.9 million for the six months ended 30 September 2022 to HK\$289.1 million for the six months ended 30 September 2023, and the adjusted net profit margin decreased from 11.1% for the six months ended 30 September 2022 to 10.6% for the six months ended 30 September 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Consolidated Cash Flow Statement

	<b>Six months ended 30 September</b>	
	<b>2023 HK\$'000</b>	2022 HK\$'000
Net cash generated from operating activities	<b>383,632</b>	168,384
Net cash (used in)/generated from investing activities	<b>(34,117)</b>	28,876
Net cash generated from/(used in) financing activities	<b>52,945</b>	(26,804)
Net increase in cash and cash equivalents	<b>402,460</b>	170,456
Cash and cash equivalents at beginning of the period	<b>717,027</b>	610,718
Exchange difference on cash and cash equivalents	<b>1,237</b>	(2,257)
Cash and cash equivalents at end of the period	<b>1,120,724</b>	778,917

#### Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the six months ended 30 September 2023 was HK\$383.6 million, primarily due to profit before income tax of HK\$349.4 million, adjusted for depreciation of HK\$114.9 million and the decrease in inventories of HK\$394.2 million, which was partially offset by the increase in trade receivables of HK\$319.6 million and the decrease in trade and bills payables of HK\$72.0 million.

#### Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2023 was HK\$34.1 million, primarily due to the purchase of property, plant and equipment of HK\$72.8 million, which was partially offset by the proceeds from disposals of property, plant and equipment of HK\$28.1 million.

#### Net Cash Generated from Financing Activities

The Group's net cash generated from financing activities for the six months ended 30 September 2023 was HK\$52.9 million, primarily due to the net increase in the Group's total bank borrowings of HK\$110.3 million, which was partially offset by the dividend payments of HK\$13.7 million and the payments for lease liabilities of HK\$42.6 million.

#### Cash and Cash Equivalents

For the six months ended 30 September 2023, the Group's cash and cash equivalents increased by HK\$402.5 million and the exchange gain was HK\$1.2 million. The net increase in the Group's cash and cash equivalents was from HK\$717.0 million as at 31 March 2023 to HK\$1,120.7 million as at 30 September 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### OTHER FINANCIAL INFORMATION

#### Liquidity and Financial Resources

For the six months ended 30 September 2023, 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 13.2% as at 31 March 2023 to 3.1% as at 30 September 2023. 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 2023, the Group's cash and cash equivalents, amounting to HK\$1,120.7 million, were denominated in US dollars ("US\$") (65.3%), HK\$ (13.1%), Renminbi ("RMB") (20.5%), Vietnamese Dong ("VND") (1.0%) and other currencies (0.1%).

As at 30 September 2023, the Group's total bank borrowings and lease liabilities were due for repayment as follows:

	<b>As at 30 September 2023 HK\$'000</b>	As at 31 March 2023 HK\$'000
Within one year	<b>721,137</b>	481,805
Between one and two years	<b>164,357</b>	553,301
Between two and five years	<b>323,052</b>	59,398
	<b>1,208,546</b>	1,094,504

Notes:

- (a) The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand rights.
- (b) As at 30 September 2023, the Group's total bank borrowings and lease liabilities were denominated in HK\$(86.7%), US\$(11.8%) and RMB(1.5%). 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 2023 was 5.91%.

#### Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK\$118.9 million for the six months ended 30 September 2023, which were mainly related to the purchase of machinery for our factories and the construction of a new production base in Vietnam. These capital expenditures were fully financed by internal resources, bank borrowings and lease liabilities.

The Group's capital commitments as at 30 September 2023 amounted to approximately HK\$90.7 million which were mainly related to the purchase of machinery for our factories and the construction of new production bases in Vietnam.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Charge on Assets

As at 30 September 2023, the Group's right-of-use assets with a total carrying amount of HK\$12.3 million and buildings and leasehold improvements with a total carrying amount of HK\$96.3 million were pledged to banks to secure certain banking facilities granted to the Group.

### Contingent Liabilities

The Group had no material contingent liability as at 30 September 2023.

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

The net proceeds from the listing of the Company amounted to approximately HK\$635.4 million. Such proceeds have been used according to the allocation set out in the Company's prospectus dated 30 March 2016 and/or the subsequent change in use of net proceeds set out in the Company's announcement dated 27 September 2023. Use of net proceeds from the date of listing to 30 September 2023 is set out below as follows:

	Proportion after the change in use of net proceeds %	Planned use of the total net proceeds after the change in use of net proceeds HK\$ million	Actual utilised amount during the six months ended 30 September 2023 HK\$ million	Utilised amount up to 30 September 2023 HK\$ million	Unutilised balance as at 30 September 2023 HK\$ million	Expected timeline for unutilised net proceeds
	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)	
Construction of factory buildings and purchase of machinery for the second phase of our factory in the Tay Ninh Province, Vietnam	59.5%	378.1	–	378.1	–	
Repayment of part of our bank loans	14.7%	93.2	–	93.2	–	
Enhancing design and product development capabilities	3.6%	22.8	–	22.8	–	
Enhancing the existing enterprise resource planning system	3.6%	23.0	1.0	23.0	–	
Working capital and general corporate purposes	8.6%	54.7	–	54.7	–	
Construction of factory buildings and purchase of machinery for our factory in the Dak Lak Province, Vietnam	10.0%	63.6	–	–	63.6	30 September 2024
<b>Total</b>	<b>100.0%</b>	<b>635.4</b>	<b>1.0</b>	<b>571.8</b>	<b>63.6</b>	

The unused balance of HK\$63.6 million was placed in the bank accounts of several reputable commercial banks in Hong Kong as the Group's bank deposits.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at the date of this interim report, the Board has no intention to change the planned use of the net proceeds as disclosed 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.

### Significant Investments, Acquisitions and Disposals

The Group had no significant investments, acquisitions and disposals during the six months ended 30 September 2023.

### Events after Balance Sheet Date

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

### Financial Instruments

As at 30 September 2023, the Group had an outstanding HK\$ interest rate swap contract with a total notional principal amount of HK\$130.0 million.

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

### 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 2023, the Group did not enter into any forward foreign currency contracts to mitigate its exposures of RMB against US\$. The Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

#### (b) Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk and bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the six months ended 30 September 2023, the Group entered into a HK\$ interest rate swap contract to mitigate some of its interest rate risk in light of the market interest rate hike during the period. The Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

#### (c) Credit Risk

The Group has policies in place to ensure that sales on credit are made to customers with an appropriate credit history and the Group also performs credit assessments of its customers on a periodic basis, taking into account their financial position, past payment records, 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 2023, 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 2023, the Group had a total of approximately 15,100 full-time employees in Mainland China, Vietnam, Hong Kong and Myanmar. For the six months ended 30 September 2023, the total staff costs, including the directors' emoluments, amounted to HK\$534.2 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 9.5 HK cents per share for the six months ended 30 September 2023 (2022: 5.1 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, 12 December 2023. The interim dividend is expected to be payable on or about Wednesday, 20 December 2023.

The Company's register of members will be closed from Friday, 8 December 2023 to Tuesday, 12 December 2023 (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, 7 December 2023.

## 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 2023.

## 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 2023.

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 24 November 2023 to meet with the external auditors of the Company and review the Company's interim financial report for the six months ended 30 September 2023.

## OTHER INFORMATION (CONTINUED)

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

During the six months ended 30 September 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### 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 2023, 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 <sup>(7)</sup>
Mr. Man Yu Hin <sup>(1)</sup>	Interest of spouse	700,000	0.03%
Mr. Wong Ting Chun <sup>(2)(3)</sup>	Beneficiary of a trust	1,500,000,000	65.81%
	Beneficial owner	1,500,000	0.07%
Mr. Li Po Sing <sup>(4)</sup>	Beneficial owner	3,500,000	0.15%
Ms. Fan Chiu Fun, Fanny <sup>(5)</sup>	Beneficial owner	1,500,000	0.07%
Mr. Kan Chung Nin, Tony <sup>(5)</sup>	Beneficial owner	1,500,000	0.07%
Mr. Fan Chun Wah, Andrew <sup>(5)</sup>	Beneficial owner	1,500,000	0.07%
Mr. Ip Shu Kwan, Stephen <sup>(6)</sup>	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 2023.

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 2023 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 2023, 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 <sup>(8)</sup>
Nameson Investments Limited <sup>(1)</sup>	Beneficial owner	1,500,000,000	65.81%
Happy Family Assets Limited <sup>(1)</sup>	Interest in a controlled corporation	1,500,000,000	65.81%
East Asia International Trustees Limited <sup>(1)</sup>	Trustee of a trust	1,500,000,000	65.81%
Mr. Wong Ting Chung <sup>(2)(3)</sup>	Beneficiary of a trust Beneficial owner	1,500,000,000 200,000,000	65.81% 8.77%
Ms. Wang Kam Chu <sup>(4)</sup>	Interest of spouse	1,700,000,000	74.58%
Mr. Wong Ting Kau <sup>(5)</sup>	Beneficiary of a trust	1,500,000,000	65.81%
Ms. Tsoi Suet Ngai <sup>(6)</sup>	Interest of spouse	1,501,500,000	65.87%
Ms. Chan Ka Wai <sup>(7)</sup>	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 2023.

## 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. Share options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme. As at the date of this interim report, the Share Option Scheme had a remaining life of approximately 3 years.

For the six months ended 30 September 2023, no share options was granted under the Share Option Scheme. As at 30 September 2023, 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 2023 (1 April 2023: 110,600,000).

## OTHER INFORMATION (CONTINUED)

Details of the movements of the share options granted under the Share Option Scheme during the six months ended 30 September 2023 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 2023 (Note 3)
				Balance as at 1 April 2023	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
Ms. Fan Chiu Fun, Fanny	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Mr. Kan Chung Nin, Tony	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Mr. Fan Chun Wah, Andrew	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Mr. Ip Shu Kwan, Stephen	20 April 2018	1.700	20 April 2019 to 19 April 2028	1,500,000	-	-	-	-	1,500,000
Other employees of the Group (Note 4)	29 August 2016	1.394	29 August 2017 to 28 August 2026	11,504,000	-	-	(300,000)	-	11,204,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	27,000,000	-	-	(400,000)	-	26,600,000
<b>Total</b>				<b>49,504,000</b>	<b>-</b>	<b>-</b>	<b>(700,000)</b>	<b>-</b>	<b>48,804,000</b>

## 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
<b>Granted on 29 August 2016</b>		
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
<b>Granted on 28 August 2017</b>		
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
<b>Granted on 20 April 2018</b>		
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	20 April 2018 to 19 April 2019	20 April 2019 to 19 April 2028
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	20 April 2018 to 19 April 2020	20 April 2020 to 19 April 2028
The remaining share options	20 April 2018 to 19 April 2021	20 April 2021 to 19 April 2028

- The weighted average exercise price of the outstanding share options as at 30 September 2023 was HK1.450.
- Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Hong Kong Employment Ordinance.
- The fair value of the share options as at the date of grant, its calculation and the model and assumptions used to estimate the fair value of the share options are set out in note 21 to the condensed consolidated interim financial information.
- As the Share Option Scheme was adopted before the amended Chapter 17 of the Listing Rules which became effective on 1 January 2023, certain terms of the Share Option Scheme may not be in full compliance with the amended Chapter 17 of the Listing Rules. The Company will comply with the transitional arrangements for share schemes existing as at 1 January 2023, including but not limited to the scope of eligible participants of share option schemes and the minimum vesting period requirements.

## OTHER INFORMATION (CONTINUED)

### DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

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

## OTHER INFORMATION (CONTINUED)



<b>Date of the agreement/ facility letter</b>	<b>Banking facilities</b>	<b>Specific performance obligations</b>
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
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

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

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

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	(Unaudited) Six months ended 30 September	
		2023 HK\$'000	2022 HK\$'000
Revenue	5	<b>2,726,382</b>	3,099,367
Cost of sales	7	<b>(2,228,388)</b>	(2,582,967)
<b>Gross profit</b>		<b>497,994</b>	516,400
Other income	6	<b>7,062</b>	29,601
Other gains, net	8	<b>46,676</b>	75,629
Selling and distribution expenses	7	<b>(17,829)</b>	(23,738)
General and administrative expenses	7	<b>(162,218)</b>	(168,388)
Impairment loss on the production base in Myanmar	7,13	-	(109,034)
<b>Operating profit</b>		<b>371,685</b>	320,470
Share of post-tax profit of a joint venture	14	<b>758</b>	570
Finance income	9	<b>10,628</b>	1,270
Finance expenses	9	<b>(33,684)</b>	(16,453)
Finance expenses, net		<b>(23,056)</b>	(15,183)
<b>Profit before income tax</b>		<b>349,387</b>	305,857
Income tax expenses	10	<b>(43,804)</b>	(50,727)
<b>Profit for the period</b>		<b>305,583</b>	255,130
<b>Profit for the period attributable to:</b>			
— Owners of the Company		<b>289,122</b>	232,848
— Non-controlling interests		<b>16,461</b>	22,282
		<b>305,583</b>	255,130
<b>Earnings per share attributable to the owners of the Company during the period</b>			
— Basic and diluted (HK cents per share)	11	<b>12.7</b>	10.2

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	
	2023 HK\$'000	2022 HK\$'000
<b>Profit for the period</b>	<b>305,583</b>	255,130
<b>Other comprehensive loss, net of tax:</b>		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
— Currency translation differences	<b>(29,384)</b>	(31,190)
— Share of other comprehensive income of a joint venture	<b>141</b>	–
Other comprehensive loss for the period, net of tax	<b>(29,243)</b>	(31,190)
<b>Total comprehensive income for the period</b>	<b>276,340</b>	223,940
<b>Total comprehensive income for the period attributable to:</b>		
— Owners of the Company	<b>266,145</b>	208,261
— Non-controlling interests	<b>10,195</b>	15,679
	<b>276,340</b>	223,940

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 2023 HK\$'000	(Audited) As at 31 March 2023 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1,763,146	1,780,432
Right-of-use assets	13	337,628	334,450
Investment properties		1,631	1,672
Interest in a joint venture	14	6,382	5,483
Financial assets at fair value through profit or loss	15	187,419	184,930
Prepayments, deposits, other receivables and other assets		66,237	74,632
Deferred income tax assets		691	676
		<b>2,363,134</b>	2,382,275
<b>Current assets</b>			
Inventories		658,502	1,032,006
Trade receivables	16	453,085	132,691
Derivative financial instruments		289	–
Prepayments, deposits, other receivables and other assets		200,664	165,041
Tax recoverable		–	61
Cash and cash equivalents		1,120,724	717,027
		<b>2,433,264</b>	2,046,826
<b>Total assets</b>		<b>4,796,398</b>	4,429,101
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital	20	22,794	22,794
Reserves	22	2,504,729	2,252,260
		<b>2,527,523</b>	2,275,054
Non-controlling interests		212,815	202,620
<b>Total equity</b>		<b>2,740,338</b>	2,477,674

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

## CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	<b>(Unaudited)</b> <b>As at</b> <b>30 September</b> <b>2023</b> <b>HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	18	<b>382,500</b>	530,930
Loans from non-controlling shareholders of subsidiaries		<b>4,663</b>	5,767
Lease liabilities	19	<b>104,909</b>	81,683
Provision for reinstatement costs		<b>2,800</b>	487
Deferred income tax liabilities		<b>154</b>	166
		<b>495,026</b>	619,033
<b>Current liabilities</b>			
Trade and bills payables	17	<b>291,438</b>	363,392
Accruals and other payables		<b>254,988</b>	224,636
Current income tax liabilities		<b>293,471</b>	262,475
Bank borrowings	18	<b>664,533</b>	405,825
Lease liabilities	19	<b>56,604</b>	76,066
		<b>1,561,034</b>	1,332,394
<b>Total liabilities</b>		<b>2,056,060</b>	1,951,427
<b>Total equity and liabilities</b>		<b>4,796,398</b>	4,429,101
<b>Net current assets</b>		<b>872,230</b>	714,432

**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			Non-controlling Interests	Total equity
	Share capital (Note 20) HK\$'000	Reserves (Note 22) HK\$'000	Total HK\$'000		
<b>As at 1 April 2023</b>	<b>22,794</b>	<b>2,252,260</b>	<b>2,275,054</b>	<b>202,620</b>	<b>2,477,674</b>
Profit for the period	–	<b>289,122</b>	<b>289,122</b>	<b>16,461</b>	<b>305,583</b>
<b>Other comprehensive loss:</b>					
— Currency translation difference	–	<b>(23,118)</b>	<b>(23,118)</b>	<b>(6,266)</b>	<b>(29,384)</b>
— Share of other comprehensive income of joint venture	–	<b>141</b>	<b>141</b>	–	<b>141</b>
Total comprehensive income	–	<b>266,145</b>	<b>266,145</b>	<b>10,195</b>	<b>276,340</b>
<b>Transaction with owners</b>					
Dividends (Note 12)	–	<b>(13,676)</b>	<b>(13,676)</b>	–	<b>(13,676)</b>
<b>As at 30 September 2023</b>	<b>22,794</b>	<b>2,504,729</b>	<b>2,527,523</b>	<b>212,815</b>	<b>2,740,338</b>
<b>As at 1 April 2022</b>	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
<b>Other comprehensive loss:</b>					
— Currency translation difference	–	(24,587)	(24,587)	(6,603)	(31,190)
Total comprehensive income	–	208,261	208,261	15,679	223,940
<b>Transactions with owners</b>					
Capital contribution from non-controlling interests	–	–	–	1,168	1,168
Dividends (Note 12)	–	(34,191)	(34,191)	–	(34,191)
<b>As at 30 September 2022</b>	22,794	2,559,680	2,582,474	211,337	2,793,811

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 September</b>	
	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	<b>444,426</b>	194,943
Interest paid	<b>(33,175)</b>	(15,806)
Income tax paid, net	<b>(27,619)</b>	(10,753)
Net cash generated from operating activities	<b>383,632</b>	168,384
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	<b>(72,810)</b>	(29,560)
Proceeds from disposals of property, plant and equipment	<b>28,065</b>	57,166
Interest received	<b>10,628</b>	1,270
Net cash (used in)/generated from investing activities	<b>(34,117)</b>	28,876
<b>Cash flows from financing activities</b>		
Proceeds from new bank borrowings	<b>370,000</b>	609,461
Repayments of bank borrowings	<b>(259,722)</b>	(564,113)
Repayment of a loan from a non-controlling shareholder of a subsidiary	<b>(1,008)</b>	–
Payments for lease liabilities	<b>(42,649)</b>	(39,129)
Dividend paid	<b>(13,676)</b>	(34,191)
Capital contribution from non-controlling interests	<b>–</b>	1,168
Net cash generated from/(used in) financing activities	<b>52,945</b>	(26,804)
<b>Net increase in cash and cash equivalents</b>	<b>402,460</b>	170,456
Cash and cash equivalents at beginning of the period	<b>717,027</b>	610,718
Exchange difference on cash and cash equivalents	<b>1,237</b>	(2,257)
Cash and cash equivalents at end of the period	<b>1,120,724</b>	778,917

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 24 November 2023.

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 2023 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 2023, 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 2023, except for the adoption of new and amended standards as set out below.

### (a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for the current reporting period beginning 1 April 2023:

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

The adoption of these new and amended standards 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) Amended standards and revised interpretation issued but not yet adopted by the Group

The following amended standards and revised interpretation have been issued that are not effective for periods commencing on or after 1 April 2023 and have not been early adopted by the Group:

		<b>Effective for accounting period beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 7 and HKAS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
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 amended standards and revised interpretation upon initial application, and has concluded on a preliminary basis that these are not expected to have a significant impact on the Group's results of operations or financial position.



## 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 expenses. 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 2023.

### 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 2023.

There have been no changes in the risk management policies since 31 March 2023.

#### 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
<b>At 30 September 2023</b>				
Trade and bills payables	291,438	–	–	291,438
Accruals and other payables	154,651	–	–	154,651
Bank borrowings	704,617	147,219	259,114	1,110,950
Loans from non-controlling shareholders of subsidiaries	–	–	4,663	4,663
Lease liabilities	61,762	38,012	73,580	173,354
	<b>1,212,468</b>	<b>185,231</b>	<b>337,357</b>	<b>1,735,056</b>

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
<b>At 31 March 2023</b>				
Trade and bills payables	363,392	–	–	363,392
Accruals and other payables	131,956	–	–	131,956
Bank borrowings	436,429	538,905	–	975,334
Loans from non-controlling shareholders of subsidiaries	–	–	5,767	5,767
Lease liabilities	79,481	24,700	61,553	165,734
	1,011,258	563,605	67,320	1,642,183

# 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 2023 and 31 March 2023.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 30 September 2023</b>				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investments	–	–	187,419	187,419
Derivative financial instruments	–	289	–	289
	–	289	187,419	187,708
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 31 March 2023</b>				
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investments	–	–	184,930	184,930
	–	–	184,930	184,930

There were no transfers among Levels 1, 2 and 3 and no 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 2023 and 31 March 2023, 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 six months ended 30 September 2023 and 2022, 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

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 September</b>	
	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Japan	<b>764,182</b>	928,368
North America	<b>423,311</b>	519,238
Europe	<b>511,823</b>	633,759
Mainland China	<b>524,447</b>	546,430
Other countries	<b>502,619</b>	471,572
	<b>2,726,382</b>	3,099,367

#### (b) Non-current assets

	<b>(Unaudited)</b> <b>As at</b> <b>30 September</b> <b>2023</b> <b>HK\$'000</b>		(Audited) As at 31 March 2023 HK\$'000
	Hong Kong	<b>48,198</b>	48,883
Mainland China	<b>474,449</b>	514,031	
Vietnam	<b>1,467,247</b>	1,450,856	
Myanmar	<b>178,748</b>	177,416	
	<b>2,168,642</b>	2,191,186	

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:

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 September</b>	
	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Customer A	<b>1,307,649</b>	1,407,195
Customer B	<b>284,741</b>	N/A*

The five largest customers accounted for approximately 72.4% (2022: 70.2%) of revenue for the six months ended 30 September 2023.

\* The revenue from customer B did not contribute over 10% of the total revenue of the Group for the six months ended 30 September 2022.

#### (d) Disaggregation of revenue from contracts with customers

For the six months ended 30 September 2023 and 2022, the revenue of the Group was recognised at a point in time.

### 6 OTHER INCOME

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 September</b>	
	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Rental income from investment properties	<b>380</b>	360
Rental income from properties occupied by employees	<b>611</b>	659
Government subsidies (Note (a))	<b>3,125</b>	7,177
Income from claims settled (Note (b))	<b>–</b>	18,155
Others	<b>2,946</b>	3,250
	<b>7,062</b>	29,601

Notes:

(a) During the six months ended 30 September 2023, the government subsidies consisted of HK\$3,125,000 granted by the government of the Mainland China.

During the six months ended 30 September 2022, the government subsidies consisted of HK\$5,222,000 in respect of the anti-epidemic fund granted by the government of Hong Kong Special Administrative Region and HK\$1,955,000 granted by the government of the Mainland China.

(b) 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.

## 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	
	2023 HK\$'000	2022 HK\$'000
Advertising and promotion expenses	4,579	1,679
Auditor's remuneration		
— audit services	1,507	1,473
— non-audit services	356	330
Depreciation (Note 13)		
— owned property, plant and equipment	98,891	100,307
— right-of-use assets	15,934	18,124
Depreciation of investment properties	41	41
Employment benefit expenses (including directors' emoluments)	534,218	539,666
Raw materials used	1,167,981	1,370,492
Changes in inventories of finished goods and work in progress	297,676	340,456
Reversal of impairment of inventories	(22,383)	(9,481)
Impairment loss on the production base in Myanmar (Note 13)	–	109,034
Consumables	58,157	74,777
Subcontracting charges	91,632	135,531
Agency and commission expenses	421	1,303
Transportation charges	15,912	25,513
Donations	140	71
Short-term lease payments	240	249
Utilities expenses	65,590	93,561
Sample charges	4,883	7,622
Others	72,660	73,379
Total cost of sales, selling and distribution expenses, general and administrative expenses and impairment loss on the production base in Myanmar	<b>2,408,435</b>	2,884,127

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 8 OTHER GAINS, NET

	(Unaudited) Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
Net foreign exchange gains	24,680	46,689
Net gains on financial assets at FVTPL	2,489	2,444
Net gains on disposals of property, plant and equipment	19,453	27,519
Net realised and unrealised gains/(losses) from derivative financial instruments	54	(1,023)
	<b>46,676</b>	75,629

### 9 FINANCE EXPENSES, NET

	(Unaudited) Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
<b>Finance income</b>		
Interest income from:		
— Bank deposits	10,628	1,270
<b>Finance expenses</b>		
Interest expenses on:		
— Bank borrowings	(30,921)	(14,999)
— Lease liabilities	(2,763)	(1,454)
	<b>(33,684)</b>	(16,453)
Finance expenses, net	<b>(23,056)</b>	(15,183)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 10 INCOME TAX EXPENSES

For the six months ended 30 September 2023, Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 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% (2022: 25%) on estimated assessable profits. However, two (2022: 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 subject to the BIT rate of 17%, whereas, the other two subsidiaries in Vietnam are entitled to the first year of full exemption from BIT if there is any taxable profit for the six months ended 30 September 2023.

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 September</b>	
	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Current and deferred income tax</b>		
— Hong Kong profits tax	<b>9,653</b>	13,880
— China corporate income tax	<b>32,400</b>	38,370
— Vietnam business income tax	<b>1,778</b>	–
— Deferred taxation	<b>(27)</b>	(1,523)
	<b>43,804</b>	50,727

# 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 2023 and 2022 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.

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 September</b>	
	<b>2023</b>	2022
Profit attributable to the owners of the Company (HK\$'000)	<b>289,122</b>	232,848
Weighted average number of ordinary shares in issue ('000)	<b>2,279,392</b>	2,279,392
Basic earnings per share (HK cents)	<b>12.7</b>	10.2

### (b) Diluted

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

Diluted earnings per share for the six-month period ended 30 September 2023 and 2022 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 24 November 2023, the Board of Directors declared an interim dividend of 9.5 HK cents per share. The interim dividend amounting to approximately HK\$216,542,000 has not been recognised as a liability in this interim financial information. It will be recognised as a distribution in shareholder's equity for the year ending 31 March 2024.

At the board meeting held on 23 June 2023, the Board of Directors declared a second interim dividend for the year ended 31 March 2023 of 0.6 HK cent per share (in lieu of a final dividend) amounting to a total of HK\$13,676,000 and paid on 25 July 2023.

At the board meeting held on 25 November 2022, the Board of Directors declared an interim dividend for the year ended 31 March 2023 of 5.1 HK cents per share amounting to a total of HK\$116,249,000 and paid on 21 December 2022.

At the board meeting held on 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.

## 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
<b>Six months ended 30 September 2023</b>		
Opening net book amount at 1 April 2023	<b>1,780,432</b>	<b>334,450</b>
Additions	<b>69,288</b>	<b>49,575</b>
Disposals	<b>(8,612)</b>	–
Lease modification	–	<b>(323)</b>
Reclassification	<b>29,500</b>	<b>(29,500)</b>
Depreciation (Note 7)	<b>(98,891)</b>	<b>(15,934)</b>
Exchange differences	<b>(8,571)</b>	<b>(640)</b>
Closing net book amount at 30 September 2023	<b>1,763,146</b>	<b>337,628</b>
<b>Six months ended 30 September 2022</b>		
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

# 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 2023, the Group's production base in Myanmar had certain assets with a net total carrying amount, after impairment, of approximately HK\$180,676,000, which included property, plant and equipment, right-of-use assets, prepayments for property, plant and equipment and other operating assets. These assets have been allocated to the Myanmar cash-generating unit (the "Myanmar CGU") for impairment testing.

The construction and development progress of the production base in Myanmar has been affected by the incidents in Myanmar in recent years. The directors of the Company have carried out impairment assessments over the Myanmar CGU with reference to the valuations performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer, for the interim and year-end periods. The recoverable amounts of the Myanmar CGU are determined by using value-in-use calculations based on cash flow forecasts covering a five-year period from the expected commencement date of full operation.

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 has an annual growth rate of 7.00% for financial year ending 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 2030.

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.

During the six months ended 30 September 2022, due to the deterioration of the global economy and the unfavorable developments in Myanmar, the Group's business development in Myanmar had been decelerated. In carrying out the impairment assessment, the expected commencement date of full operation of the Group's Myanmar production base was assessed to 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 would be also delayed and affected. The pre-tax discount rate used in the value-in-use calculations was 21.7% per annum to reflect the overall changes in risk premiums. With the delay in operating cash flow and the larger discounting effect, 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 for the six months ended 30 September 2022.

During the six months ended 30 September 2023, the directors of the Company assessed the recoverable amount of the Myanmar CGU based on the value-in-use calculations without change in events and circumstances as compared to the last impairment assessment performed for the year ended 31 March 2023 and the pre-tax discount rate used in value-in-use calculation was 27.8% per annum. As at 30 September 2023, the recoverable amount of the Myanmar CGU was not lower than the net carrying amount of the Myanmar CGU after impairment and therefore no additional provision for impairment of the Myanmar CGU was required to be recognised for the six months ended 30 September 2023.

The Group has performed a sensitivity analysis for the recoverable amount of the Myanmar CGU as at 30 September 2023. The below analysis shows how the recoverable amount of Myanmar CGU would be changed as a result of change in the significant assumptions, with all the variables taken in isolation:

Assumptions	Increase in 0.5%	Decrease in 0.5%
	HK\$'000	HK\$'000
Discount rate	9,241 lower	9,722 higher
Gross margin	21,062 higher	21,062 lower
Revenue from productions orders allocated to Myanmar out of the Group total's knitwear sales	13,954 higher	13,980 lower

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 14 INTEREST IN A JOINT VENTURE

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30 September</b>	2022
	<b>2023</b> <b>HK\$'000</b>	HK\$'000
Beginning of the period	<b>5,483</b>	4,919
Share of post-tax profit of joint venture	<b>758</b>	570
Share of other comprehensive income of joint venture	<b>141</b>	–
End of the period	<b>6,382</b>	5,489

### 15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>(Unaudited)</b> <b>As at</b> <b>30 September</b> <b>2023</b> <b>HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
Financial assets at FVTPL		
— Unlisted investments, at fair value (Note)	<b>187,419</b>	184,930

Note:

Unlisted investments represent unlisted key management insurance contracts which are debt instruments classified as financial assets at FVTPL. Minimum returns are guaranteed under these contracts with upside variable returns and the respective fixed and determinable returns are recognised as part of "Other gains, net". The portion allocated as insurance premium is recognised as prepayment and is amortised to the 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

	<b>(Unaudited)</b> <b>As at</b> <b>30 September</b> <b>2023</b> <b>HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
Trade receivables	<b>453,085</b>	132,691

The credit periods granted by the Group to its customers generally range from 0 to 90 days. As at 30 September 2023 and 31 March 2023, the ageing analysis of the trade receivables based on invoice date is as follows:

	<b>(Unaudited)</b> <b>As at</b> <b>30 September</b> <b>2023</b> <b>HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
Up to three months	<b>429,596</b>	115,676
Three to six months	<b>18,707</b>	11,010
Over six months	<b>4,782</b>	6,005
	<b>453,085</b>	132,691

There was no movement of impairment of trade receivables during the six months ended 30 September 2023 and 2022.

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 2023 and 31 March 2023, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	<b>(Unaudited) As at 30 September 2023 HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
Within one month	<b>187,291</b>	192,633
One to two months	<b>70,241</b>	109,117
Two to three months	<b>27,418</b>	54,213
Over three months	<b>6,488</b>	7,429
	<b>291,438</b>	363,392

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

Note: As at 30 September 2023, trade and bills payables include trade payables to related companies of approximately HK\$4,771,000 (31 March 2023: HK\$2,776,000) (Note 24(b)).

### 18 BANK BORROWINGS

	<b>(Unaudited) As at 30 September 2023 HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
<b>Current</b>		
Portion of long-term bank borrowings, secured, due for repayment within one year which contain a repayment on demand clause	–	1,032
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	–	86
Portion of long-term bank borrowings, unsecured, due for repayment within one year	<b>664,533</b>	404,707
	<b>664,533</b>	405,825
<b>Non-current</b>		
Bank borrowings, unsecured	<b>382,500</b>	530,930
Total bank borrowings	<b>1,047,033</b>	936,755

The weighted average effective interest rate as at 30 September 2023 is 5.91% (31 March 2023: 4.63%).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 18 BANK BORROWINGS (CONTINUED)

The bank borrowings are due for repayment as follows:

	<b>(Unaudited) As at 30 September 2023 HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
Within one year	<b>664,533</b>	405,739
Between one and two years	<b>130,000</b>	531,016
Between two and five years	<b>252,500</b>	–
	<b>1,047,033</b>	936,755

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

As at 31 March 2023, the Group's certain bank borrowings were secured by financial assets at FVTPL with a total carrying amount of HK\$6,742,000.

### 19 LEASE LIABILITIES

	<b>(Unaudited) As at 30 September 2023 HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
<b>Current</b>		
Lease liabilities due for repayment within one year	<b>56,604</b>	76,066
<b>Non-current</b>		
Lease liabilities due for repayment after one year:		
Between one and two years	<b>34,357</b>	22,285
Between two and five years	<b>70,552</b>	59,398
	<b>104,909</b>	81,683
Total lease liabilities	<b>161,513</b>	157,749

The weighted average effective interest rate as at 30 September 2023 is 3.52% (31 March 2023: 2.77%).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 19 LEASE LIABILITIES (CONTINUED)

The lease liabilities were due for repayment as follows:

	<b>(Unaudited) As at 30 September 2023 HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
Gross lease liabilities — minimum lease payments:		
Within one year	<b>61,762</b>	79,481
Between one and two years	<b>38,012</b>	24,700
Between two and five years	<b>73,580</b>	61,553
Future finance charges on leases	<b>173,354 (11,841)</b>	165,734 (7,985)
Present value of lease liabilities	<b>161,513</b>	157,749

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

### 20 SHARE CAPITAL

	<b>(Unaudited) As at 30 September 2023</b>		(Audited) As at 31 March 2023	
	<b>Number of shares</b>	<b>Nominal value HK\$</b>	Number of shares	Nominal value HK\$
Authorised:				
Ordinary shares at HK\$0.01 each	<b>5,000,000,000</b>	<b>50,000,000</b>	5,000,000,000	50,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<b>2,279,392,000</b>	<b>22,793,920</b>	2,279,392,000	22,793,920

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 21 SHARE-BASED PAYMENTS

Movements of the share options under the share option scheme during the six months ended 30 September 2023 are as follows:

Date of Grant	Exercise Price HK\$	Exercise Period	Number of share options				As at 30 September 2023
			As at 1 April 2023	Granted during the period	Exercised during the period	Cancelled during the period	
<b>Directors</b>							
29 August 2016	1.394	29 August 2017 to 28 August 2026	3,000,000	-	-	-	3,000,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	6,500,000	-	-	-	6,500,000
20 April 2018	1.700	20 April 2019 to 19 April 2028	1,500,000	-	-	-	1,500,000
<b>Other employees of the Group</b>							
29 August 2016	1.394	29 August 2017 to 28 August 2026	11,504,000	-	-	(300,000)	11,204,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	27,000,000	-	-	(400,000)	26,600,000
Total			49,504,000	-	-	(700,000)	48,804,000

## 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%

No expenses 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 2023 and 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
<b>As at 1 April 2023</b>	<b>1,586,311</b>	<b>4,035</b>	<b>13,981</b>	<b>647,933</b>	<b>2,252,260</b>
Profit for the period	-	-	-	289,122	289,122
<b>Other comprehensive loss:</b>					
— Currency translation difference	-	(23,118)	-	-	(23,118)
— Share of other comprehensive income of a joint venture	-	141	-	-	141
Total comprehensive loss for the period	-	(22,977)	-	289,122	266,145
<b>Transactions with owners:</b>					
<b>Share option scheme</b>					
— Transfer of reserve upon expiry of share options	-	-	(159)	159	-
<b>Dividends (Note 12)</b>	-	-	-	(13,676)	(13,676)
<b>As at 30 September 2023</b>	<b>1,586,311</b>	<b>(18,942)</b>	<b>13,822</b>	<b>923,538</b>	<b>2,504,729</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 22 RESERVES (CONTINUED)

	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
<b>As at 1 April 2022</b>	1,586,311	121,789	18,248	659,262	2,385,610
Profit for the period	–	–	–	232,848	232,848
<b>Other comprehensive loss:</b>					
— Currency translation difference	–	(24,587)	–	–	(24,587)
Total comprehensive (loss)/income for the period	–	(24,587)	–	232,848	208,261
<b>Transactions with owners:</b>					
<b>Share option scheme</b>					
— Transfer of reserve upon expiry of share options	–	–	(3,736)	3,736	–
<b>Dividends (Note 12)</b>	–	–	–	(34,191)	(34,191)
<b>As at 30 September 2022</b>	1,586,311	97,202	14,512	861,655	2,559,680

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 2023 and 31 March 2023, the aggregate future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's investment properties are as follows:

	<b>(Unaudited) As at 30 September 2023 HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
Within one year	<b>260</b>	120

#### (b) Capital commitments

As at 30 September 2023 and 31 March 2023, the capital expenditure contracted but not yet incurred is as follows:

	<b>(Unaudited) As at 30 September 2023 HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
Property, plant and equipment and right-of-use assets contracted but not provided for	<b>90,690</b>	160,623

## 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 <sup>#</sup> , Mr. Wong Ting Chun <sup>#</sup> (Executive Director) and Mr. Wong Ting Kau <sup>#</sup>
Huizhou Gangsheng Property Co., Ltd <sup>*</sup>	Controlled by Mr. Wong Ting Chung <sup>#</sup> , Mr. Wong Wai Yue (Chairman and Executive Director), Mr. Wong Ting Chun <sup>#</sup> (Executive Director), Mr. Wong Ting Kau <sup>#</sup> and Mr. Lin Xiugao, the cousin of Mr. Wong Ting Chung <sup>#</sup>
Huizhou Huaerkang Technology Co., Ltd. <sup>*</sup>	Controlled by Mr. Wong Wai Yue (Chairman and Executive Director)
Hebei Yuteng Cashmere Products Co., Ltd <sup>*</sup>	The non-controlling interests of a subsidiary of the Group
Huizhou Chuang Ye Xing Property Management Co., Ltd <sup>*</sup>	Controlled by Mr. Wong Ting Chung <sup>#</sup>
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. <sup>*</sup>	Wholly owned subsidiary of the non-controlling interests of a subsidiary of the Group
Sunicon Apparel Limited and Huizhou Jiayu Clothing Co., Ltd. <sup>*</sup>	Controlled by Mr. Wong Ting Chung <sup>#</sup> , Mr. Wong Ting Chun <sup>#</sup> (Executive Director), Mr. Wong Ting Kau <sup>#</sup> , Mr. Wong Wai Yue (Chairman and Executive Director), Ms. Wong Wai Ling, the sister of Mr. Wong Ting Chung <sup>#</sup> and Mr. Shum Ho Chi

<sup>#</sup> 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.

<sup>\*</sup> English translation of company names in Chinese is for identification purposes only.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 24 RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Transactions

	Note	(Unaudited) Six months ended 30 September	
		2023 HK\$'000	2022 HK\$'000
Hotel services fee charged by Huizhou Gangsheng Property Co., Ltd	(i), (vi)	569	900
Rental charged by Hanyi Investments Limited	(ii), (vi)	1,494	1,494
Rental charged by Hebei Yuteng Cashmere Products Co., Ltd.	(iii), (vi)	4,454	4,794
Rental charged by Tongxiang Yuteng Cashmere Clothing Co., Ltd.	(iv), (vi)	446	479
Rental charged by Huizhou Chuang Ye Xing Property Management Co., Ltd	(v), (vi)	21	210
Purchase of cashmere from Hebei Yuteng Cashmere Products Co., Ltd.	(i), (vi)	309,570	413,711
Purchase of mask and Covid-19 rapid test kit from Huizhou Huaerkang Technology Co., Ltd.	(i), (vi)	38	888
Purchase of labels and hang tags from SML & FT (Vietnam) Limited	(i)	5,329	4,879
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\$1,454,000 at 30 September 2023 (31 March 2023: HK\$2,908,000). The lease payments to this related company under this agreement for the six months ended 30 September 2023 was HK\$1,494,000 (2022: 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\$12,644,000 at 30 September 2023 (31 March 2023: HK\$17,233,000). The lease payments to this related company under this agreement for the six months ended 30 September 2023 was HK\$4,454,000 (2022: HK\$4,794,000).
- (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\$2,159,000 and HK\$206,000 at 30 September 2023 and 31 March 2023 respectively. The lease payments to this related company under this agreement for the six months ended 30 September 2023 was HK\$446,000 (2022: HK\$479,000).
- (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\$143,000 at 31 March 2023. The lease payments to this related company under this agreement for the six months ended 30 September 2023 was HK\$21,000 (2022: HK\$210,000).
- (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	<b>(Unaudited) As at 30 September 2023 HK\$'000</b>	(Audited) As at 31 March 2023 HK\$'000
Prepayment to Hebei Yuteng Cashmere Products Co., Ltd.	(i)	<b>57,093</b>	46,314
Deposit to Tongxiang Yuteng Cashmere Clothing Co., Ltd.	(i)	<b>109</b>	111
Trade payable to SML & FT (Vietnam) Limited	(ii)	<b>4,771</b>	2,776
Other payable to Hebei Yuteng Cashmere Products Co., Ltd.	(iii)	<b>73,370</b>	87,491
Lease liability due to Hanyi Investments Limited		<b>1,488</b>	2,963
Lease liability due to Hebei Yuteng Cashmere Products Co., Ltd.		<b>12,800</b>	17,374
Lease liability due to Tongxiang Yuteng Cashmere Clothing Co., Ltd.		<b>2,167</b>	231
Lease liabilities due to Huizhou Chuang Ye Xing Property Management Co., Ltd		<b>–</b>	143
Loans from non-controlling shareholders of subsidiaries	(iv)	<b>4,663</b>	5,767

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 loans from non-controlling shareholders of subsidiaries are unsecured, interest-free, denominated in RMB and will mature in December 2026.

#### (c) Key management compensation

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

	<b>(Unaudited) Six months ended 30 September 2023 HK\$'000</b>	2022 HK\$'000
Salaries, pension costs and other short-term employee benefits	<b>6,539</b>	6,351