



(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1982

Interim Report 2017

Nameson Holdings Limited

南旋控股有限公司





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Mr. Wong Wai Wing, Raymond

Mr. Wong Ting Chun

Mr. Li Po Sing

Ms. Chan Mei Hing, Aurora

Non-executive Directors

Mr. Tam Wai Hung, David

Mr. Wong Ting Kau

Mr. Wong Wai Yue

Mr. Lau Ka Keung, *MH, JP*

Independent non-executive Directors

Ms. Fan Chiu Fun, Fanny, *GBS, JP*

Mr. Kan Chung Nin, Tony, *SBS, JP*

Mr. Ong Chor Wei

Mr. Fan Chun Wah, Andrew, *JP*

Ms. Lee Bik Kee, Betty

BOARD COMMITTEES

Audit Committee

Mr. Ong Chor Wei (*Chairman*)

Mr. Kan Chung Nin, Tony, *SBS, JP*

Mr. Tam Wai Hung, David

Mr. Fan Chun Wah, Andrew, *JP*

Remuneration Committee

Mr. Kan Chung Nin, Tony, *SBS, JP (Chairman)*

Mr. Wong Ting Chung, *BBS, JP*

Mr. Ong Chor Wei

Nomination Committee

Mr. Wong Ting Chung, *BBS, JP (Chairman)*

Mr. Kan Chung Nin, Tony, *SBS, JP*

Mr. Ong Chor Wei

COMPANY SECRETARY

Mr. Tao Chi Keung, *HKICPA, ACCA*

AUTHORISED REPRESENTATIVES

Mr. Wong Wai Wing, Raymond

Ms. Chan Mei Hing, Aurora

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units A–C, 21/F, Block 1

Tai Ping Industrial Centre

57 Ting Kok Road

Tai Po, New Territories

Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716

17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

CORPORATE INFORMATION (CONTINUED)

AUDITOR

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

LEGAL ADVISER

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

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

1982

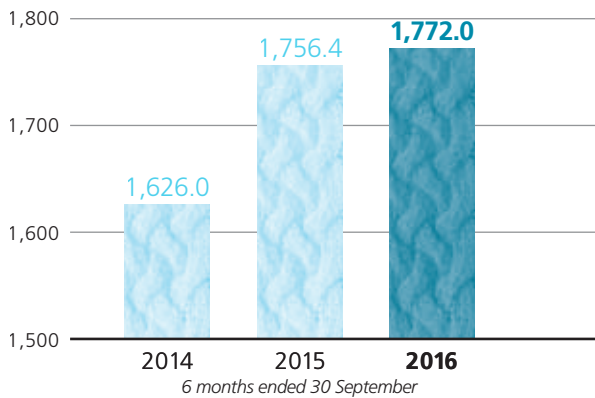
WEBSITE OF THE COMPANY

<http://www.namesonholdings.com>

FINANCIAL HIGHLIGHTS

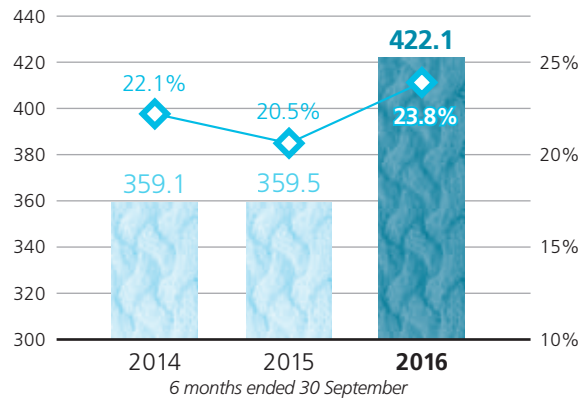
REVENUE

(HK\$'M)



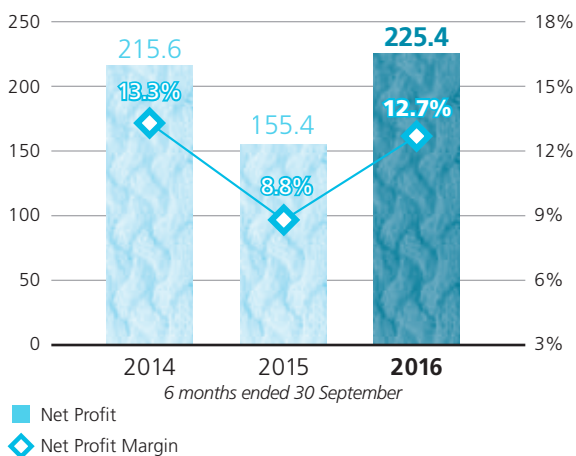
GROSS PROFIT

(HK\$'M)



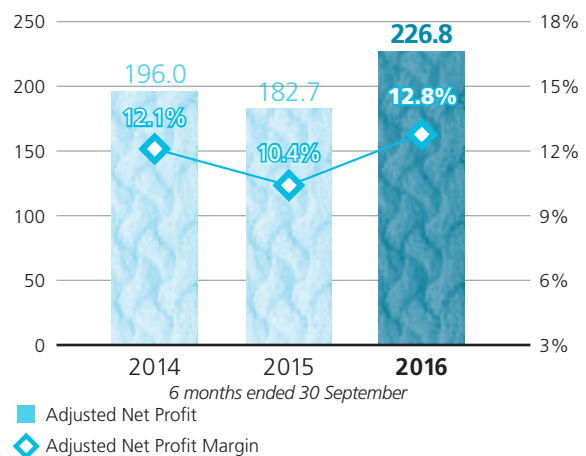
NET PROFIT

(HK\$'M)



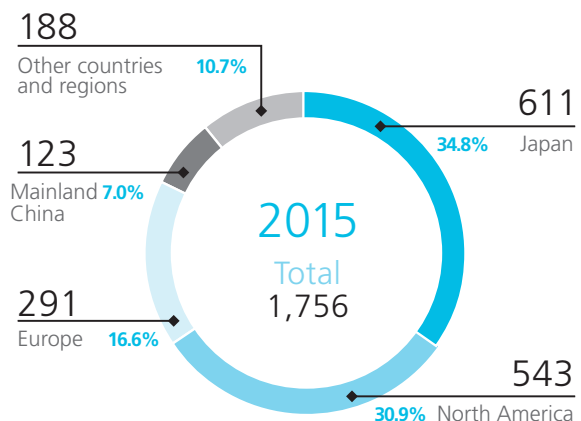
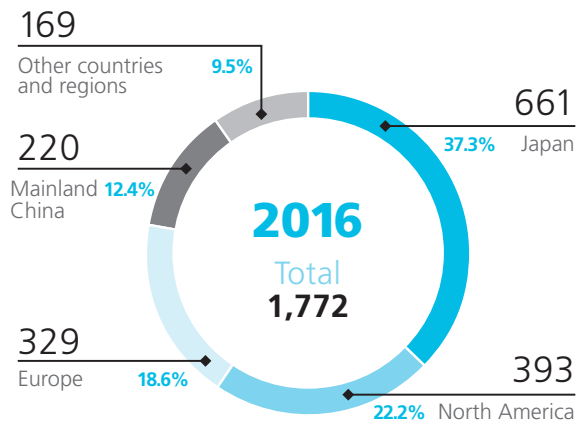
ADJUSTED NET PROFIT (Note)

(HK\$'M)



REVENUE BY GEOGRAPHICAL REGIONS

(HK\$'M)



Note: Adjusted net profit is derived from profit attributable to the owners of the Company excluding (a) realised and unrealised gains/(losses) from derivative financial instruments and (b) listing expenses which are expenses not considered recurring in nature.

CHAIRMAN'S STATEMENT

To Our Respected Shareholders,

On behalf of the board of directors (the "Board") of Nameson Holdings Limited (the "Company"), I am pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2016.

MARKET REVIEW

During the first three quarters of 2016, uncertainties affected the global economy, resulting in a challenging operating environment for businesses. Although the overall statistics of the third quarter this year in the United States indicated that the economy had grown moderately, the pressure to raise interest rates had kept increasing, and that plus the uncertainty of the United States presidential election added to the instability of the country's economy. In Europe, economic growth weakened in part due to the underlying factors of Brexit. Inflation in Japan continued to trend down and, in the absence of drive from structural reforms, the economic outlook of the country remained challenging. As for the Chinese economy, despite feeling continuous downward pressure, it recorded positive economic data for the third quarter indicative of its relatively steady economic growth.

With the macro economy ridden with challenges, the operating environment has also been testing for the knitwear industry in China. According to China Customs statistics, the total export value of knitwear (including knitted products and crochet products as well as knitted or crocheted clothing and accessories) from China between January and September 2016 amounted to US\$67.6 billion, representing a slight decrease of 7.2% compared with the same period last year. The total export value to the United States, Japan and Europe from January to September 2016 also decreased compared with the same period last year. Despite that consumption was generally weak in different countries, the textile and garment industry in Vietnam recorded export growth of a good extent. According to Vietnam Customs statistics, the country's total export value of textile and garments between January and September 2016 amounted to US\$17.78 billion, representing an increase of 4.6% compared with the same period last year. The total export value to Japan grew by 5.7% to US\$2.15 billion and that to the United States was up by 3.7%, compared with the same period last year.

BUSINESS REVIEW

Expecting the low cost advantages, stable labour supply and favourable tariff policies in Vietnam to benefit its long-term development, the Group commenced strategic expansion of its production base in Vietnam back in 2014. That plus the persistent demand among international apparel brand customers for high-quality and innovative knitwear products and its effective cost control measures, the Group achieved satisfactory growth in both net profit and adjusted net profit in the first half of financial year 2017 in spite of the uncertain macroeconomic environment. Compared with the same period last year, net profit rose by 45.0% to HK\$225.4 million and net profit margin increased to approximately 12.7%.

During the reporting period, the Group's total sales amounted to HK\$1,772.0 million, representing an increase of 0.9% compared with the same period last year. With the first phase of the Vietnam Factory in operation since the first quarter of 2015, giving the Group enhanced production capacity, and the Group's quality production technology and designs and development capabilities enabling it to secure more orders from the Japanese and Chinese markets, sales to the Japanese and Chinese markets in the first half of financial year 2017 increased significantly by 8.0% and 79.4% to HK\$660.6 million and HK\$220.1 million respectively, compared with the same period last year, which in turn boosted the Group's total sales. The substantial increase in orders from the Chinese market also enabled the Group's PRC Factory to maintain high utilisation of production capacity. Due to the weak consumer sentiment in the United States, sales to the North American market, which amounted to HK\$393.3 million in the first half of financial year 2017, was down by 27.6% compared with the same period last year. During the period, the Group was able to increase its gross profit margin to 23.8% through cost control measures, optimising production equipment and processes, as well as actively enhancing operational efficiency. In addition, the relatively low exchange rate of Renminbi during the first half of financial year 2017 continued to help the Group's PRC Factory to save operating cost.

CHAIRMAN'S STATEMENT (CONTINUED)

Expansion of the Group's production base in Vietnam is making good progress. Since the first phase of the Vietnam Factory commenced production in the first quarter of 2015, its production capacity has reached the planned level with steady improvement in production efficiency. Works on second phase expansion have also been progressing on schedule with production expected to commence in the second half of financial year 2017. By then, the total designed production capacity of the Group will reach the target of 46.9 million pieces of knitwear products per annum. The Vietnam production base has not only opened the Group to opportunities to secure more orders from existing customers and new customers, but also given it enhanced flexibility in production arrangement, as it is able to have different production bases serving different customers depending on the specific requirements of individual customers, and that can further enhance production efficiency. Vietnam is one of the major garment exporting countries to the European Union and the rest of the world and the Vietnamese government has been active in co-operating with a number of countries to promote economic and trade development. Of such cooperation, the Japan-Vietnam Economic Partnership Agreement, which waives tariffs on knitwear products exported from Vietnam to Japan, continues to facilitate the landing of new customers in Japan by the Group, helping it further consolidate its competitive edge in the Japanese market. In addition, pursuant to the Vietnam-EU Free Trade Agreement (VEFTA), the textile and garment products produced in Vietnam and exported to the European Union can gradually enjoy zero tariffs within seven years after the agreement takes effect, and that will enable the Group to further tap into the European market and maintain its competitive advantage. Although the Trans-Pacific Partnership Agreement (TPP), which was officially signed in February 2016, has seen slow progress, the Group can still benefit from its Vietnam production base enjoying preferential tax treatment, low domestic production cost, tariff concessions under existing trade agreements, and stable and abundant labour supply. Meanwhile, after the second phase of the Vietnam Factory commences operation, the efficiency of and profit contribution from the Group's production base in Vietnam will become increasingly obvious.

To make the best of the opportunities bred by Vietnam's favourable business conditions and attributes, the Group has actively optimised and upgraded the production equipment and operating efficiency of its factory there. During the reporting period, the Group had purchased as planned additional equipment including fully-automated knitting machines to enhance the production capacity of the Vietnam Factory. At the same time, the Group continued to invest in its research and development team to make sure it can provide customers with high-quality knitwear designs and continue to enhance yarn blends. In September 2016, our designers won the "Fresh Designers Champion of the Sixth Knitwear Designer Competition (《第六屆青年毛織設計師大賽新晉設計師冠軍》)" title presented by the Knitwear Innovation and Design Society. Garnering the top award in this one of the most influential awards in the knitwear industry not only testified to the strengths of our research and development team, but has also boosted the confidence of our customers in the Group's product designs.

FUTURE STRATEGIES AND PROSPECTS

Looking forward, uncertainties continue to loom in the global economy, including the slowdown of growth in the United States, the Brexit referendum affecting investor confidence and the sluggish Japanese economy. Growth of Chinese economy is also likely to slow down and the overall global economy is expected to continue to grow slowly. The textile and garment industry in China is going to face keener yet competition from Southeast Asian countries such as Vietnam, Bangladesh and Myanmar, which enjoy low operating costs and preferential tariff treatments.

Nonetheless, market demand for knitwear products will remain enormous and stable. The Group will adhere to its set development strategy. It will push forward to achieve the goals of internationalisation of its production facilities and automation and standardisation of production technology, while closely monitoring market trends. With the second phase of the Vietnam Factory to progressively commence operation in the second half of financial year 2017, the Group will strive to strengthen the synergies between the production bases in China and Vietnam, enhance flexibility of production arrangements, and further increase the efficiency brought by the internationalisation of its production facilities.

CHAIRMAN'S STATEMENT (CONTINUED)

By adopting the forward-looking strategy of seizing the opportune time to expand its production base in Vietnam, the Group has secured competitive advantages in the industry and laid a solid foundation for long-term development. At the same time, thanks to its high-quality knitwear products, the Group has succeeded in enlarging its market share in Japan and China. In the future, the Group will continue to strengthen its product design as well as research and development capabilities so as to achieve product diversification and attract more new international apparel brand customers. The Group believes that, by adopting carefully formulated development strategies and correct market positioning, it can firmly grasp business opportunities in the knitwear manufacturing industry and achieve sustainable and stable growth.

I hereby would like to express my heartfelt gratitude to the customers, suppliers, shareholders and staff of the Group for their support of and trust in the Group, as well as their contribution and efforts toward the Group's development.

Wong Ting Chung

Chairman and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of Nameson Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2016. This interim financial report has been reviewed by the Company's audit committee and the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

FINANCIAL REVIEW

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Revenue	1,772,029	1,756,432
Cost of sales	(1,349,888)	(1,396,923)
Gross profit	422,141	359,509
Other income	8,119	7,664
Other gains/(losses), net	6,175	(2,153)
Selling and distribution expenses	(29,307)	(32,692)
General and administrative expenses	(133,310)	(136,573)
Operating profit	273,818	195,755
Finance income	945	360
Finance expenses	(10,159)	(15,643)
Finance expenses, net	(9,214)	(15,283)
Profit before income tax	264,604	180,472
Income tax expenses	(39,217)	(25,042)
Profit for the period attributable to the owners of the Company	225,387	155,430
Add:		
Realised and unrealised losses from derivative financial instruments	–	12,316
Listing expenses	1,378	14,923
Adjusted net profit	226,765	182,669

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue

Revenue of the Group represents revenue from sales of knitwear products, namely womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves, to our customers.

The Group's revenue slightly increased by 0.9% to HK\$1,772.0 million for the six months ended 30 September 2016 from HK\$1,756.4 million for the six months ended 30 September 2015. The increase was primarily due to increase in sales volume of womenswear, which was partially offset by the decrease in sales volume of menswear.

The increase in the Group's revenue was largely in line with the increase in the Group's sales volume. The Group's sales volume increased by 3.7% from 18.8 million pieces of knitwear products for the six months ended 30 September 2015 to 19.5 million pieces of knitwear products for the six months ended 30 September 2016.

Consistent with the Group's geographical market distribution for the six months ended 30 September 2015, Japan, North America (mainly the United States of America) and Europe were still our top three markets for the six months ended 30 September 2016. The revenue attributable to the Japanese market, North America market and Europe market accounted for 37.3%, 22.2% and 18.6% of the Group's total revenue for the six months ended 30 September 2016.

Cost of Sales

For the six months ended 30 September 2016, the Group incurred cost of sales of HK\$1,349.9 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation of property, plant and equipment, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the six months ended 30 September 2016, the Group recorded gross profit of HK\$422.1 million and gross profit margin of 23.8% as compared to the gross profit of HK\$359.5 million and gross profit margin of 20.5% for the six months ended 30 September 2015.

The significant increase in gross profit margin for the six months ended 30 September 2016 was mainly due to (i) improvement in cost and production efficiency as a result of cost control measures and streamlining of production process in our PRC Factory and Vietnam Factory; and (ii) continuous depreciation of RMB during the period.

Other Income

Other income primarily consisted of sample sales income, rental income from staff quarter and rental income from investment properties. The other income of the Group increased by HK\$0.4 million from HK\$7.7 million for the six months ended 30 September 2015 to HK\$8.1 million for the six months ended 30 September 2016. Such increase was mainly due to the increase in miscellaneous other income, which was partially offset by the decrease in sample sales income as the Group chose not to charge our customers for certain samples produced by us.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Gains/(Losses), Net

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

Other gains increased by HK\$8.4 million, turning other losses of HK\$2.2 million for the six months ended 30 September 2015 to other gains of HK\$6.2 million for the six months ended 30 September 2016. This is primarily due to the settlement and unwinding of all of the Group's outstanding forward foreign currency contracts which resulted in a net realised loss from derivative financial instruments of HK\$12.3 million for the six months ended 30 September 2015. For the six months ended 30 September 2016, the Group did not enter into any derivative financial instruments and did not have any realised and unrealised gains/(losses) from derivative financial instruments.

The other gains for the six months ended 30 September 2016 mainly represented net foreign exchange gains of HK\$3.9 million and net gains on investments of HK\$2.4 million.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses slightly decreased by HK\$3.4 million, from HK\$32.7 million for the six months ended 30 September 2015 to HK\$29.3 million for the six months ended 30 September 2016. Such decrease was mainly due to the decreases in advertising and promotion expenses and sample charges as a result of cost control measures.

General and Administrative Expenses

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

The Group's general and administrative expenses decreased by HK\$3.3 million from HK\$136.6 million for the six months ended 30 September 2015 to HK\$133.3 million for the six months ended 30 September 2016. Such decrease was mainly due to the decrease in listing expenses from HK\$14.9 million for the six months ended 30 September 2015 to HK\$1.4 million for the six months ended 30 September 2016 as the Company's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 April 2016, which was partially offset by the increase in staff costs as a result of expansion of our administrative staff team and the annual salary increment of our administrative staff.

Finance Expenses, Net

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

The Group's net finance expenses decreased by HK\$6.1 million from HK\$15.3 million for the six months ended 30 September 2015 to HK\$9.2 million for the six months ended 30 September 2016. The decrease in net finance expenses was mainly due to our decreased average borrowings during the six months ended 30 September 2016 and this is consistent with the lower gearing ratio and stronger liquidity of our Group during the same period.

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 periods ended 30 September 2016 and 2015 on the estimated assessable profits arising in or derived from Hong Kong during the relevant periods.

The Group’s subsidiaries in the PRC are subject to the China Corporate Income Tax at a rate of 25% on the estimated assessable profits for the six-month periods ended 30 September 2016 and 2015.

The Group’s subsidiary in Vietnam was subjected to preferential business income tax (“BIT”) at the rate of 20% (standard BIT rate: 22%) till 31 December 2015. Since 1 January 2016, the preferential BIT rate is lowered to 17% (standard BIT rate: 20%). According to the investment certificate, the subsidiary is subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiary is entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and is eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No provision has been made for BIT as the Group’s subsidiary in Vietnam did not generate any taxable profit subject to BIT for the six-month periods ended 30 September 2016 and 2015.

The effective tax rates of the Group were 14.8% and 13.9% for the six-month periods ended 30 September 2016 and 2015 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\$225.4 million and HK\$155.4 million for the six-month periods ended 30 September 2016 and 2015 respectively.

The increase in net profit for the six months ended 30 September 2016 was primarily due to (i) increase in gross profit margin as a result of cost control measures and streamlining of production process in our production bases and continuous depreciation of RMB; (ii) decrease in listing expenses incurred in connection with the Company’s listing as the Company’s shares were successfully listed on the Main Board of the Stock Exchange on 12 April 2016; and (iii) net losses of HK\$12.3 million from derivative financial instruments were recognised for the six months ended 30 September 2015 whilst no such (losses)/gains from derivative financial instruments for the six months ended 30 September 2016.

Adjusted Net Profit

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

Based on the above, the Group’s adjusted net profit increased by HK\$44.1 million from HK\$182.7 million for the six months ended 30 September 2015 to HK\$226.8 million for the six months ended 30 September 2016. As a percentage of revenue, the adjusted net profit margin increased from 10.4% for the six months ended 30 September 2015 to 12.8% for the six months ended 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Consolidated Cash Flow Statement

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Net cash generated from operating activities	281,795	80,937
Net cash used in investing activities	(215,184)	(216,519)
Net cash generated from financing activities	448,587	186,135
Net increase in cash and cash equivalents	515,198	50,553
Cash and cash equivalents at beginning of the period	221,637	333,740
Net foreign exchange difference	(2,190)	(2,883)
Cash and cash equivalents at end of the period	734,645	381,410

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the six months ended 30 September 2016 was HK\$281.8 million, primarily due to profit before income tax of HK\$264.6 million, adjusted for depreciation of property, plant and equipment of HK\$75.5 million, decrease in inventories of HK\$97.8 million, increases in trade and bills payables of HK\$49.6 million and accruals and other payables of HK\$53.6 million, which was partially offset by the increase in trade receivables of HK\$241.9 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2016 was HK\$215.2 million, primarily due to the purchase of property, plant and equipment of HK\$168.0 million and increase in bank deposits with maturity over three months of HK\$50.0 million.

Net Cash Generated from Financing Activities

The Group's net cash generated from financing activities for the six months ended 30 September 2016 was HK\$448.6 million, which was mainly attributable to the proceeds from the Company's listing on the Stock Exchange on 12 April 2016 of HK\$690.0 million, which was partially offset by the net decrease in the Group's borrowings of HK\$218.6 million.

Cash and Cash Equivalents

For the six months ended 30 September 2016, the Group's cash and cash equivalents increased by HK\$515.2 million and the exchange loss was HK\$2.2 million. The net increase in the Group's cash and cash equivalents was from HK\$221.6 million as at 31 March 2016 to HK\$734.6 million as at 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 September 2016, the Group's cash and cash equivalents was mainly used in the development of the second phase of our Vietnam Factory, 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 proceeds from initial public offering, cash generated from operating activities and borrowings. The Group's gearing ratio decreased from 49.1% as at 31 March 2016 to 0% as at 30 September 2016 as the Group had a net cash position as at 30 September 2016. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 30 September 2016, the Group's cash and cash equivalents, amounting to HK\$734.6 million, were denominated in US dollars ("US\$") (28.4%), HK\$ (53.2%), Chinese Renminbi ("RMB") (15.9%), Vietnamese Dong ("VND") (2.3%) and other currencies (0.2%).

As at 30 September 2016, the Group's total borrowings (i.e. bank borrowings and finance lease obligations) were due for repayment as follows:

	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000
Within one year	330,367	484,079
Between one and two years	185,278	156,749
Between two and five years	186,138	214,822
	701,783	855,650

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 2016, the Group's borrowings were denominated in HK\$ (71.1%) and US\$ (28.9%). All the Group's borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and finance lease obligations as at 30 September 2016 were 2.00% and 1.70% respectively.
- (c) As at 30 September 2016, the Group's bank borrowings were secured by land use rights with carrying amount of HK\$16.4 million and land and buildings and leasehold improvements with a total carrying amount of HK\$230.6 million.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK\$255.7 million for the period ended 30 September 2016, which were mainly related to the construction of the factory buildings and purchase of machinery for the second phase of our Vietnam Factory. These capital expenditures were fully financed by internal resources, borrowings and proceeds from the Company's listing on the Stock Exchange in April 2016.

The Group's capital commitments as at 30 September 2016 amounted to approximately HK\$175.2 million which were mainly related to the purchase of machinery for the second phase of our Vietnam Factory.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Operating Lease Commitments

As at 30 September 2016, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately HK\$0.3 million, which is due within one year.

Charge on Assets

As at 30 September 2016, the Group's land use rights with carrying amount of HK\$16.4 million and land and buildings and leasehold improvements with total carrying amount of HK\$230.6 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liability as at 30 September 2016.

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

The Company was listed on the Main Board of the Stock Exchange on 12 April 2016 and raised net proceeds of approximately HK\$635.4 million by issuing 575,000,000 new ordinary shares at an issue price of HK\$1.2 per share in the initial public offering.

The Group intends to utilise the net proceeds in the same manner and proportion as set out in the Company's prospectus dated 30 March 2016.

Significant Investments, Acquisitions and Disposals

During the six months ended 30 September 2016, the Group had no significant investments, acquisitions and disposals.

Financial Instruments

The Group did not have any outstanding hedging contracts or financial derivatives during the six months ended 30 September 2016.

Financial Risk Management

(a) Foreign Currency Risk

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

The Group entered into forward foreign currency contracts to mitigate its exposures of RMB against US\$. However, due to the depreciation of RMB against US\$ in early August 2015, the Group decided to unwind all of its outstanding forward foreign currency contracts by 30 September 2015 so as to crystallise its exposures and avoid the risk of any additional losses. During the six months ended 30 September 2016, the Group did not use any financial instruments to hedge against foreign currency risk but the Board will continue to closely monitor the foreign currency risk exposure of our Group and may use financial instruments for hedging purposes as and when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(b) Interest Rate Risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the six months ended 30 September 2016 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

(c) Credit Risk

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

As at 30 September 2016, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong, the PRC and Vietnam which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

(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 2016, the Group had a total of approximately 10,000 full-time employees in the PRC, Vietnam and Hong Kong. For the six months ended 30 September 2016, the total staff costs, including the directors' emoluments, amounted to HK\$312.3 million.

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

Since human resources management is an important factor in maintaining and enhancing the Group's strong expertise in the manufacturing of knitwear products, 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 3.8 HK cents per share for the six months ended 30 September 2016 to be paid to the shareholders of the Company whose names recorded on the register of members of the Company at the close of business on Thursday, 15 December 2016. The interim dividend is expected to be payable on or about Friday, 30 December 2016.

The Company's register of members will be closed from Tuesday, 13 December 2016 to Thursday, 15 December 2016 (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 Monday, 12 December 2016.

CORPORATE GOVERNANCE

Corporate Governance Code

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

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. In the opinion of the Directors, save for the deviation from code provision A.2.1 which is explained below, the Company has complied with all the mandatory code provisions set out in the CG Code since the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 April 2016 (the "Listing Date") to 30 September 2016.

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

OTHER INFORMATION (CONTINUED)

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 since the Listing Date to 30 September 2016.

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 consists of one non-executive Director, Mr. Tam Wai Hung, David, and three independent non-executive Directors, namely, Mr. Ong Chor Wei (chairman of the audit committee who possesses the appropriate professional qualification or accounting or related financial management expertise), Mr. Kan Chung Nin, Tony, and Mr. Fan Chun Wah, Andrew. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board. The audit committee has reviewed the interim financial report of the Group for the six months ended 30 September 2016.

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

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

OTHER INFORMATION (CONTINUED)

DISCLOSURE OF INTERESTS

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

As at 30 September 2016, 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 of the Company

Name of Directors	Nature of interest	Number of ordinary shares held or interested in	Approximate percentage of issued share capital of the Company ⁽⁸⁾
Mr. Wong Ting Chung ⁽¹⁾⁽²⁾	Beneficiary of a trust	1,500,000,000	72.3%
	Beneficial owner	1,500,000	0.1%
Mr. Wong Wai Wing, Raymond ⁽¹⁾⁽³⁾	Beneficiary of a trust	1,500,000,000	72.3%
	Beneficial owner	1,500,000	0.1%
Mr. Wong Ting Chun ⁽¹⁾⁽⁴⁾	Beneficiary of a trust	1,500,000,000	72.3%
	Beneficial owner	1,500,000	0.1%
Mr. Li Po Sing ⁽⁵⁾	Beneficial owner	1,500,000	0.1%
Ms. Chan Mei Hing, Aurora ⁽⁶⁾	Beneficial owner	1,500,000	0.1%
Mr. Tam Wai Hung, David ⁽⁷⁾	Beneficial owner	1,000,000	0.05%
Mr. Wong Ting Kau ⁽¹⁾	Beneficiary of a trust	1,500,000,000	72.3%

Note 1: Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust, while Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust. Therefore, they are deemed to be interested in the shares held by the Happy Family Trust under the SFO.

Note 2: Mr. Wong Ting Chung has a beneficial interest in options granted to him under the Share Option Scheme (as defined below) and which, if exercised in full, would result in the issue to him of 1,500,000 shares.

OTHER INFORMATION (CONTINUED)

- Note 3: Mr. Wong Wai Wing, Raymond has a beneficial interest in options granted to him under the Share Option Scheme (as defined below) and which, if exercised in full, would result in the issue to him of 1,500,000 shares.
- Note 4: Mr. Wong Ting Chun has a beneficial interest in options granted to him under the Share Option Scheme (as defined below) and which, if exercised in full, would result in the issue to him of 1,500,000 shares.
- Note 5: Mr. Li Po Sing has a beneficial interest in options granted to him under the Share Option Scheme (as defined below) and which, if exercised in full, would result in the issue to him of 1,500,000 shares.
- Note 6: Ms. Chan Mei Hing, Aurora has a beneficial interest in options granted to her under the Share Option Scheme (as defined below) and which, if exercised in full, would result in the issue to her of 1,500,000 shares.
- Note 7: Mr. Tam Wai Hung, David has a beneficial interest in options granted to him under the Share Option Scheme (as defined below) and which, if exercised in full, would result in the issue to him of 1,000,000 shares.
- Note 8: The calculation is based on the total number of issued ordinary shares of 2,075,000,000 shares as at 30 September 2016.

Details of the interests of the Directors and chief executive in the options (being regarded as unlisted physically settled equity derivatives) granted to them under the Share Option Scheme (as defined below) are set out in the section headed “Share Option Scheme” in this interim report.

Saved as above, as at 30 September 2016, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than the Share Option Scheme (as defined below), at no time during the period from the Listing Date to 30 September 2016 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' and Short Positions in the Shares and Underlying Shares

So far as is known to the Directors and chief executive of the Company, as at 30 September 2016, the following persons or corporations (other than the Directors and chief executive of our Company) who had interest and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in the ordinary shares of the Company

Name of substantial shareholders	Nature of interest	Number of ordinary shares held or interested in	Approximate percentage of issued share capital of the Company ⁽⁶⁾
Nameson Investment Limited ⁽¹⁾	Beneficial owner	1,500,000,000	72.3%
Happy Family Assets Limited ⁽¹⁾	Interest in a controlled corporation	1,500,000,000	72.3%
East Asia International Trustees Limited ⁽¹⁾	Trustee of a trust	1,500,000,000	72.3%
Ms. Wang Kam Chu ⁽²⁾	Interest of spouse	1,501,500,000	72.4%
Ms. Kwan Ying Tsi, Catherine ⁽³⁾	Interest of spouse	1,501,500,000	72.4%
Ms. Tsoi Suet Ngai ⁽⁴⁾	Interest of spouse	1,501,500,000	72.4%
Ms. Chan Ka Wai ⁽⁵⁾	Interest of spouse	1,500,000,000	72.3%

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 shares held by Nameson Investments Limited under the SFO.
- (2) Ms. Wang Kam Chu is the spouse of Mr. Wong Ting Chung and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Chung under the SFO.
- (3) Ms. Kwan Ying Tsi, Catherine is the spouse of Mr. Wong Wai Wing, Raymond and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Wai Wing, Raymond under the SFO.
- (4) Ms. Tsoi Suet Ngai is the spouse of Mr. Wong Ting Chun and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Chun under the SFO.
- (5) Ms. Chan Ka Wai is the spouse of Mr. Wong Ting Kau and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Kau under the SFO.
- (6) The calculation is based on the total number of issued ordinary shares of 2,075,000,000 shares as at 30 September 2016.

OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 September 2016, the Directors and chief executive of the Company were not aware of any other person or corporation (other than the Directors and chief executive of our Company) having an interest and/or short positions in the shares or underlying shares of the Company which would fall to 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 by the Company under Section 336 of the SFO.

Share Option Scheme

The Company has approved and adopted a share option scheme on 29 January 2016 (the "Share Option Scheme"). After the Listing Date, the eligible participants may be granted share options pursuant to the Share Option Scheme.

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 numbers 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 the Listing Date, after which period no further share options will be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

For the six months ended 30 September 2016, the total number of share options the Company granted to the employees and some of the Directors amounted to 28,100,000 share options. As at the date of this interim report, the number of share options that could still be granted under the Share Option Scheme was 171,900,000 share options representing approximately 8.28% of the existing issued share capital of the Company.

OTHER INFORMATION (CONTINUED)

Details of the movements of the share options under the Share Option Scheme during the six months ended 30 September 2016 are as follows:

Grantee	Date of Grant	Exercise Price HK\$	Exercise Period	Number of Share Options					Balance as at 30 September 2016
				Balance as at 1 April 2016	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Mr. Wong Ting Chung	29 August 2016	1.394	29 August 2017 to 28 August 2026	–	1,500,000	–	–	–	1,500,000
Mr. Wong Wai Wing, Raymond	29 August 2016	1.394	29 August 2017 to 28 August 2026	–	1,500,000	–	–	–	1,500,000
Mr. Wong Ting Chun	29 August 2016	1.394	29 August 2017 to 28 August 2026	–	1,500,000	–	–	–	1,500,000
Mr. Li Po Sing	29 August 2016	1.394	29 August 2017 to 28 August 2026	–	1,500,000	–	–	–	1,500,000
Ms. Chan Mei Hing, Aurora	29 August 2016	1.394	29 August 2017 to 28 August 2026	–	1,500,000	–	–	–	1,500,000
Mr. Tam Wai Hung, David	29 August 2016	1.394	29 August 2017 to 28 August 2026	–	1,000,000	–	–	–	1,000,000
Other employees of the Group*	29 August 2016	1.394	29 August 2017 to 28 August 2026	–	19,600,000	–	–	–	19,600,000
Total				–	28,100,000	–	–	–	28,100,000

* Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Hong Kong Employment Ordinance.

OTHER INFORMATION (CONTINUED)

Notes:

1. The closing price of the shares of the Company immediately before the date of grant (i.e. as at 26 August 2016) was HK\$1.40.
2. The share options granted to the above Directors and other employees of the Group shall be vested in three equal tranches. The vesting periods of the share options are between the date of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the share options are as follows:

Share options	Vesting period	Exercise period
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

3. 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 19 to the condensed consolidated interim financial information.

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the date of the 2016 annual report of the Company are set out below:

Mr. Kan Chung Nin, Tony, an independent non-executive Director of the Company, has resigned as a non-executive director of Midland Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1200), with effect from 18 October 2016. With effect from the same day, Mr. Kan has been appointed as a non-executive director of Midland IC&I Limited, a company listed on the Main Board of the Stock Exchange (stock code: 459).

Mr. Fan Chun Wah, Andrew, an independent non-executive Director of the Company, has resigned as an independent non-executive director of On Real International Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8245), with effect from 31 August 2016.

Mr. Ong Chor Wei, an independent non-executive Director of the Company, has resigned as a non-executive director of Hong Wei (Asia) Holdings Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8191), with effect from 12 October 2016.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Revenue	5	1,772,029	1,756,432
Cost of sales	7	(1,349,888)	(1,396,923)
Gross profit		422,141	359,509
Other income	6	8,119	7,664
Other gains/(losses), net	8	6,175	(2,153)
Selling and distribution expenses	7	(29,307)	(32,692)
General and administrative expenses	7	(133,310)	(136,573)
Operating profit		273,818	195,755
Finance income	9	945	360
Finance expenses	9	(10,159)	(15,643)
Finance expenses, net	9	(9,214)	(15,283)
Profit before income tax		264,604	180,472
Income tax expenses	10	(39,217)	(25,042)
Profit for the period attributable to the owners of the Company		225,387	155,430
Earnings per share attributable to the owners of the Company during the period			
— Basic (HK cents per share)	11	11.1	10.4
— Diluted (HK cents per share)	11	11.1	10.4

The notes on pages 30 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Profit for the period	225,387	155,430
Other comprehensive income, net of tax:		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
— Currency translation differences	(7,996)	(45,758)
— Fair value gains/(losses) on available-for-sale financial assets	31	(31)
— Release of investment reserve upon disposal of available-for-sale financial assets	(135)	–
Other comprehensive income for the period, net of tax	(8,100)	(45,789)
Total comprehensive income attributable to the owners of the Company	217,287	109,641

The notes on pages 30 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
	Note		
Assets			
Non-current assets			
Land use rights	13	43,719	44,871
Property, plant and equipment	13	1,014,144	847,841
Investment properties		2,349	2,416
Deferred income tax assets		592	768
Available-for-sale financial assets	14	141,778	139,867
Prepayment, deposits, other receivables and other assets		61,843	49,768
		1,264,425	1,085,531
Current assets			
Inventories		326,376	422,244
Trade receivables	15	286,713	42,550
Prepayment, deposits, other receivables and other assets		40,146	40,099
Short-term bank deposits		50,000	–
Cash and cash equivalents		734,645	221,637
		1,437,880	726,530
Total assets		2,702,305	1,812,061
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital	18	20,750	–
Reserves	20	1,521,506	657,293
Total equity		1,542,256	657,293

The notes on pages 30 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Liabilities			
Non-current liabilities			
Borrowings	17	316,314	170,960
Deferred income tax liabilities		565	434
		316,879	171,394
Current liabilities			
Trade and bills payables	16	177,311	128,276
Accruals and other payables		150,175	77,502
Current income tax liabilities		130,215	92,906
Borrowings	17	385,469	684,690
		843,170	983,374
Total liabilities		1,160,049	1,154,768
Total equity and liabilities		2,702,305	1,812,061
Net current assets/(liabilities)		594,710	(256,844)

WONG TING CHUNG

Chairman, Chief Executive Officer and Executive Director

WONG WAI WING, RAYMOND

Executive Director

The notes on pages 30 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company		
	Share capital/ paid-in capital	Reserves	Total
	(Note 18) HK\$'000	(Note 20) HK\$'000	HK\$'000
As at 1 April 2015	337,335	784,000	1,121,335
Profit for the period	–	155,430	155,430
Other comprehensive income:			
— Loss on revaluation of available-for-sale financial assets	–	(31)	(31)
— Currency translation difference	–	(45,758)	(45,758)
	–	(45,789)	(45,789)
Total comprehensive income	–	109,641	109,641
Transactions with owners			
Dividends	–	(120,000)	(120,000)
As at 30 September 2015 (Audited)	337,335	773,641	1,110,976
As at 1 April 2016	–	657,293	657,293
Profit for the period	–	225,387	225,387
Other comprehensive income:			
— Currency translation difference	–	(7,996)	(7,996)
— Gain on revaluation of available-for-sale financial assets	–	31	31
— Release of investment reserve upon disposal of available-for-sale financial assets	–	(135)	(135)
	–	(8,100)	(8,100)
Total comprehensive income	–	217,287	217,287
Transactions with owners			
Issuance of ordinary shares upon capitalisation issue	15,000	(15,000)	–
Issuance of ordinary shares upon initial public offering	5,000	595,000	600,000
Issuance of ordinary shares upon over-allotment	750	89,250	90,000
Share issuance cost	–	(22,765)	(22,765)
Equity-settled share-based compensation	–	441	441
As at 30 September 2016 (Unaudited)	20,750	1,521,506	1,542,256

The notes on pages 30 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Cash flows from operating activities		
Cash generated from operations	292,994	100,712
Interest paid	(10,546)	(16,015)
Income tax paid	(653)	(3,760)
Net cash generated from operating activities	281,795	80,937
Cash flows from investing activities		
Purchase of property, plant and equipment	(168,010)	(26,636)
Increase in bank deposits with maturity over three months	(50,000)	–
Proceeds from disposals of property, plant and equipment	1,479	728
Dividend income from available-for-sale financial assets	27	3
Proceeds from disposal of available-for-sale financial assets	375	–
Decrease in pledged bank deposits	–	8,242
Interest received	945	360
Net increase in amounts due from related companies and shareholders	–	(199,216)
Net cash used in investing activities	(215,184)	(216,519)
Cash flows from financing activities		
Proceeds from new bank borrowings	905,202	1,371,959
Repayments of bank borrowings	(1,107,633)	(1,048,002)
Repayments of finance lease obligations	(16,217)	(17,822)
Proceeds from issuance of new ordinary shares	690,000	–
Payment of issuance cost	(22,765)	–
Dividends paid	–	(120,000)
Net cash generated from financing activities	448,587	186,135
Net increase in cash and cash equivalents	515,198	50,553
Cash and cash equivalents at beginning of the period	221,637	333,740
Exchange difference on cash and cash equivalents	(2,190)	(2,883)
Cash and cash equivalents at end of the period	734,645	381,410

The notes on pages 30 to 48 form an integral part of this condensed consolidated interim financial information.

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 and its subsidiaries 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 ("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 28 November 2016.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the period ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standard ("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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2016, except as described below.

(a) Share-based payments

There has been no share option plan and related accounting policy being disclosed in the annual financial statements for the year ended 31 March 2016. During the period ended 30 September 2016, the Company newly operates an equity-settled, share-based compensation plan under which the Group receives services from employees as consideration for equity instruments of the Company. As such, the accounting policy in relation to share-based payments was disclosed for the period ended 30 September 2016. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price) and the impact of any non-vesting conditions; but
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 ACCOUNTING POLICIES (CONTINUED)

(a) Share-based payments (Continued)

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) The following amendments to standards are mandatory for the first time for the financial year beginning 1 April 2016:

HKAS 1 (Amendments)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKFRS 14	Regulatory deferral accounts
HKFRSs (Amendments)	Annual improvements 2012–2014 cycle

The Group has adopted these standards and the adoption of these standards did not have significant impacts on the Group's results and financial position.

There are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	No mandatory effective date yet determined
HKAS 7 (Amendments)	Statement of cash flows	1 January 2017
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 2 (Amendments)	Share-based payment	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

4 ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments 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 2016.

5 SEGMENT INFORMATION

During the period, the Group has principally engaged in the manufacturing of knitwear products.

The Group has been operating in a single operating segment, i.e. manufacturing of knitwear products.

Management monitors the operating performance of its business as a whole for the purpose of resources allocation and performance assessment.

The Board assesses the performance of the operating segment based on a measure of profit before income tax.

(a) Revenue by location of goods delivery

	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Japan	660,572	611,648
North America	393,278	543,141
Europe	329,196	291,010
Mainland China	220,144	122,731
Other countries	168,839	187,902
	1,772,029	1,756,432

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5 SEGMENT INFORMATION (CONTINUED)

(b) Non-current assets

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Hong Kong	73,197	61,218
Mainland China	432,218	504,618
Vietnam	616,640	379,060
	1,122,055	944,896

The non-current asset information above is based on the location of the assets and excludes deferred income tax assets and available-for-sale financial assets.

(c) Major customers

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

	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Customer A	1,044,818	875,239
Customer B	354,129	473,188
Customer C	N/A	139,426

The five largest customers accounted for approximately 88.8% (2015: 91.9%) of revenue for the period ended 30 September 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 OTHER INCOME

	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Sample sales income	4,838	6,347
Rental income from investment properties	396	384
Rental income from properties occupied by employees	266	355
Dividend income from listed available-for-sale financial assets	27	3
Others	2,592	575
	8,119	7,664

7 EXPENSES BY NATURE

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

	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Amortisation of land use rights (Note 13)	556	588
Auditor's remuneration (excluding listing related services)		
— Audit services	1,205	1,000
— Non-audit services	540	—
Depreciation (Note 13)		
— Owned property, plant and equipment	67,279	86,555
— Property, plant and equipment held under finance leases	8,243	200
Employment benefit expenses (including directors' emoluments)	312,337	337,388
Cost of inventories	748,205	741,436
Subcontracting charges	214,931	235,772
Commission expenses	2,061	3,127
Operating lease rental in respect of land and buildings	1,535	218
Utilities expenses	29,829	31,587
Sample charges	6,878	8,043
Listing expenses	1,378	14,923
Others	117,528	105,351
	1,512,505	1,566,188

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8 OTHER GAINS/(LOSSES), NET

	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Realised and unrealised losses from derivative financial instruments	–	(12,316)
Net foreign exchange gains	3,880	7,395
Net gains on investments	2,390	2,664
Net (losses)/gains on disposals of property, plant and equipment	(95)	105
Others	–	(1)
	6,175	(2,153)

9 FINANCE EXPENSES, NET

	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Finance income		
Interest income from:		
— Bank deposits	945	360
Finance expenses		
Interest expense on:		
— Bank borrowings	(8,850)	(13,427)
— Finance lease obligations	(1,309)	(2,216)
	(10,159)	(15,643)
Finance expenses, net	(9,214)	(15,283)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

10 INCOME TAX EXPENSES

For the period ended 30 September 2016, Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 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% (2015: 25%) on estimated assessable profits.

The Group's subsidiary in Vietnam was subjected to preferential business income tax ("BIT") at the rate of 20% (standard BIT rate: 22%) till 31 December 2015. Since 1 January 2016, the preferential BIT rate is lowered to 17% (standard BIT rate: 20%). According to the investment certificate, the subsidiary is subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiary is entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and is eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No income tax has been provided for the subsidiary in Vietnam since the subsidiary has no assessable profit for the periods ended 30 September 2016 and 2015.

	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Hong Kong profits tax	13,988	10,086
China Corporate Income Tax	24,922	15,284
Deferred taxation	307	(328)
	39,217	25,042

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the periods ended 30 September 2016 and 2015 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 period. The weighted average number of ordinary shares in issue are determined as follows:

- (i) the 1 ordinary share of the Company issued on 11 August 2015 (date of incorporation) was treated as if it had been issued since 1 April 2015;
- (ii) the 1,121 ordinary shares of the Company issued in December 2015 as a result of the reorganisation in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange were treated as if they had been issued since 1 April 2015;
- (iii) the 1,499,998,878 ordinary shares of the Company issued on 12 April 2016 under the capitalisation issue were treated as if they had been in issue since 1 April 2015;
- (iv) the 500,000,000 ordinary shares offered to the public were issued on 12 April 2016; and

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11 EARNINGS PER SHARE (CONTINUED)

(a) Basic (Continued)

- (v) the 75,000,000 ordinary shares in connection with the exercise of the over-allotment option were issued on 28 April 2016.

	(Unaudited) Six months ended 30 September 2016	(Audited) Six months ended 30 September 2015
Profit attributable to the owners of the Company (HK\$'000)	225,387	155,430
Weighted average number of ordinary shares in issue ('000)	2,033,880	1,500,000
Basic earnings per share (HK cents)	11.1	10.4

(b) Diluted

Diluted earnings per share for the period ended 30 September 2016 equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

Diluted earnings per share for the period ended 30 September 2015 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

12 DIVIDENDS

At the Board meeting held on 28 November 2016, the Company's Board of Directors declared an interim dividend of 3.8 HK cents per share. The interim dividend amounting to HK\$78,850,000 has not been recognised as a liability in this interim financial information. It will be recognised as a distribution in shareholder's equity in the year ending 31 March 2017.

Dividend of HK\$120,000,000 relating to the period ended 30 September 2015 represented dividends declared by the companies now comprising the Group to the equity holder of these companies before the group reorganisation for the listing, after elimination of intra-group dividends.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Property, plant and equipment	Land use rights
	HK\$'000	HK\$'000
Six months ended 30 September 2016 (Unaudited)		
Opening net book amount at 1 April 2016	847,841	44,871
Additions	255,749	–
Disposals	(1,574)	–
Depreciation/amortisation	(75,522)	(556)
Exchange differences	(12,350)	(596)
Closing net book amount at 30 September 2016	1,014,144	43,719
Six months ended 30 September 2015 (Audited)		
Opening net book amount at 1 April 2015	874,910	48,792
Additions	27,452	–
Disposals	(623)	–
Depreciation/amortisation	(86,755)	(588)
Exchange differences	(26,813)	(2,773)
Closing net book amount at 30 September 2015	788,171	45,431

Bank borrowings are secured by certain land use rights, land and buildings and leasehold improvements with carrying amounts of HK\$16,355,000 and HK\$230,578,000 as of 30 September 2016 (31 March 2016: HK\$17,183,000 and HK\$246,992,000) respectively. In respect of the bank borrowings, the Group has to comply with certain restrictive financial covenants.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2016	2016
	HK\$'000	HK\$'000
Available-for-sale financial assets		
— Equity securities listed in Hong Kong, at fair value	–	345
— Unlisted investments, at fair value (Note)	141,778	139,522
	141,778	139,867

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 TRADE RECEIVABLES

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Trade receivables	286,713	42,550

The Group grants credit period to customers ranging from 0 to 60 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Up to three months	286,454	41,860
Three to six months	152	590
Over six months	107	100
	286,713	42,550

As of 30 September 2016, trade receivables of HK\$21,426,000 (31 March 2016: HK\$3,835,000) were past due but not considered to be impaired because these mainly relate to customers from whom there is no recent history of default. Based on past experience, the directors of the Group are of the opinion that no provision of impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Past due by:		
Up to three months	21,211	3,666
Three to six months	108	164
Over six months	107	5
	21,426	3,835

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16 TRADE AND BILLS PAYABLES

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

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

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Within one month	89,120	93,467
One to two months	71,435	19,234
Two to three months	13,164	13,722
Over three months	3,592	1,853
	177,311	128,276

17 BORROWINGS

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Non-current		
Bank borrowings, secured	218,833	84,605
Finance lease obligations	97,481	86,355
	316,314	170,960
Current		
Short-term bank borrowings, secured	173,911	268,728
Portion of long-term bank borrowings, secured	149,615	391,457
Finance lease obligations	61,943	24,505
	385,469	684,690
Total borrowings	701,783	855,650

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17 BORROWINGS (CONTINUED)

The weighted average effective interest rates as at 30 September 2016 and 2015 are as follows:

	(Unaudited) Six months ended 30 September 2016	(Audited) Six months ended 30 September 2015
Finance lease obligations	1.70%	1.70%
Bank borrowings	2.00%	3.22%

The bank borrowings are due for repayment as follows:

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Within one year	268,424	459,574
Between one and two years	120,800	113,935
Between two and five years	153,135	171,281
	542,359	744,790

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

As at 30 September 2016, the above borrowings are secured by certain land use rights with carrying amount of HK\$16,355,000 (31 March 2016: HK\$17,183,000) (Note 13); and certain land and buildings and leasehold improvements with a total carrying amount of HK\$230,578,000 (31 March 2016: HK\$246,992,000) (Note 13).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18 SHARE CAPITAL

	(Unaudited) As at 30 September 2016		(Audited) As at 31 March 2016	
	Number of shares	Nominal value HK\$	Number of Shares	Nominal value HK\$
Authorised:				
Ordinary shares at HK\$0.01 each as at 30 September 2016 and 31 March 2016	5,000,000,000	50,000,000	5,000,000,000	50,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
Opening balances at 1 April 2016/11 August 2015 (date of incorporation)	1,122	11	1	–
Issue of ordinary shares	–	–	1,121	11
Issuance of ordinary shares upon capitalisation issue (Note (i))	1,499,998,878	14,999,989	–	–
Issuance of ordinary shares upon initial public offering (Note (ii))	500,000,000	5,000,000	–	–
Issuance of ordinary shares upon over-allotment (Note (ii))	75,000,000	750,000	–	–
At 30 September 2016 and 31 March 2016	2,075,000,000	20,750,000	1,122	11

Notes:

- (i) On 12 April 2016, an amount of HK\$14,999,988.78 was capitalised from share premium to share capital of the Company.
- (ii) On 12 April 2016, 500,000,000 ordinary shares of HK\$0.01 each were issued at an offer price of HK\$1.20 per share for a total consideration of HK\$600,000,000 with HK\$574,124,000, after taking into account of the issuance costs, being credited to the share premium account of the Company. On 25 April 2016, the over-allotment option has been exercised by the Company with 75,000,000 ordinary shares of HK\$0.01 each. These shares were issued at an offer price of HK\$1.20 per share for the total consideration of HK\$90,000,000 with HK\$87,361,000, after taking into account of the issuance costs, being credited to the share premium account of the Company. This resulted in share premium of approximately HK\$661,485,000 in total.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19 SHARE-BASED PAYMENTS

Under the share option scheme which was granted on 29 August 2016, the exercise price of the granted options is equal to HK\$1.394. Options are conditional on completing ranging from one to three years of services (the vesting period). The options are exercisable within ten years from the grant date and are expiring on 28 August 2026 (both days inclusive).

Movements of the share options under the share option scheme during the period ended 30 September 2016 are as follows:

Grantee	Date of Grant	Exercise Price HK\$	Exercise Period	Number of Share Options					
				As at 1 April 2016	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 30 September 2016
Directors	29 August 2016	1.394	29 August 2017 to 28 August 2026	-	8,500,000	-	-	-	8,500,000
Other employees of the Group	29 August 2016	1.394	29 August 2017 to 28 August 2026	-	19,600,000	-	-	-	19,600,000
Total				-	28,100,000	-	-	-	28,100,000

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
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

No option was exercised during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19 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 during the period ended 30 September 2016 measured as at the date of grant of 29 August 2016 was approximately in a range of HK\$0.3047 to HK\$0.4493 for each of the three tranches, taking into account various factors, variables and assumptions which include the following:

- (i) the risk-free interest rate used was 1.01%;
- (ii) the expected volatility was about 40.28%; and
- (iii) the expected annual dividend yield of 3.95%.

The total expense for share options granted to directors and employees of HK\$441,000 are recognised as “employee benefit expenses” in the consolidated income statement.

20 RESERVES

	Attributable to the owners of the Company (Audited)				
	Investment revaluation reserve	Exchange reserve	Shareholder's contribution	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2015	92	158,886	100,000	525,022	784,000
Profit for the period	–	–	–	155,430	155,430
Other comprehensive income:					
— Loss on revaluation of available-for-sale financial assets	(31)	–	–	–	(31)
— Currency translation difference	–	(45,758)	–	–	(45,758)
	(31)	(45,758)	–	–	(45,789)
Total comprehensive income	(31)	(45,758)	–	155,430	109,641
Transactions with owners					
Dividend (Note 12)	–	–	–	(120,000)	(120,000)
As at 30 September 2015	61	113,128	100,000	560,452	773,641

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20 RESERVES (CONTINUED)

	Attributable to the owners of the Company (Unaudited)					Total HK\$'000
	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Share option reserve HK\$'000	Other Reserves (Note (i)) HK\$'000	
As at 1 April 2016	104	117,940	194,909	-	344,340	657,293
Profit for the period	-	-	225,387	-	-	225,387
Other comprehensive income:						
— Currency translation difference	-	(7,996)	-	-	-	(7,996)
— Gain on revaluation of available-for-sale financial assets	31	-	-	-	-	31
— Release of investment reserve upon disposal of available-for-sale financial assets	(135)	-	-	-	-	(135)
Total comprehensive income for the period	(104)	(7,996)	225,387	-	-	217,287
Transactions with owners:						
Issue of ordinary shares upon capitalisation issue	-	-	-	-	(15,000)	(15,000)
Issue of ordinary shares upon initial public offering	-	-	-	-	595,000	595,000
Issue of ordinary shares upon over-allotment	-	-	-	-	89,250	89,250
Share issuance costs	-	-	-	-	(22,765)	(22,765)
Share option scheme:						
Equity-settled share-based compensation	-	-	-	441	-	441
	-	-	-	441	646,485	646,926
As at 30 September 2016	-	109,944	420,296	441	990,825	1,521,506

Note:

- (i) 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)

21 COMMITMENTS

(a) Operating lease commitments

As at 30 September 2016 and 31 March 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings as follows:

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Within one year	264	357

(b) Operating lease arrangements

As at 30 September 2016 and 31 March 2016, the aggregate future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's investment properties are as follows:

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Within one year	364	792
Later than one year and not later than five years	86	132
	450	924

(c) Capital commitment

As at 30 September 2016 and 31 March 2016, the capital expenditure contracted but not yet incurred is as follows:

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Property, plant and equipment contracted but not provided for	175,210	191,927

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22 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.

(a) Transactions

Name of entities	Relationship with the Group
Hanyi Investments Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director), Mr. Wong Ting Chun (Executive Director) and Mr. Wong Ting Kau (Non-executive Director)
Kings (H.K.) Health Food Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director)
惠州港升置業有限公司	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director), Mr. Wong Wai Wing, Raymond (Executive Director), Mr. Wong Ting Chun (Executive director), Mr. Wong Ting Kau (Non-executive Director), Mr. Wong Wai Yue (Non-Executive Director) and Mr. Lin Xiugao, the cousin of Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director)
Mr. Tam Wai Hung, David	Non-executive Director

	Note	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Hotel services fee charged by 惠州港升置業有限公司	(i)	1,305	1,258
Consultancy fee charged by Mr. Tam Wai Hung, David	(i)	500	500
Rental charged by Hanyi Investments Limited	(i)	1,393	–
Advertising and promotion fee charged by Kings (H.K.) Health Food Limited	(i)	–	435

Notes:

- (i) Terms of transactions are mutually agreed between the relevant parties.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

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

	(Unaudited) Six months ended 30 September 2016 HK\$'000	(Audited) Six months ended 30 September 2015 HK\$'000
Salaries, pension costs and other short-term employee benefits	9,381	6,246
Share options benefit	251	–
Bonuses	–	950
	9,632	7,196