南旋控股有限公司

NAMESON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1982)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 March		
	2019	2018	Change
	HK$' million	*HK$' million*	
Revenue	**4,359.1**	3,446.4	+26.5%
Gross profit	**672.4**	712.1	-5.6%
Gross profit margin	**15.4%**	20.7%	-5.3 p.p.
(Loss)/profit attributable to the owners of the Company	**(298.5)**	327.0	N/A
Adjusted net profit *(Note)*	**227.4**	320.4	-29.0%
Adjusted net profit margin	**5.2%**	9.3%	-4.1 p.p.
(Loss)/earnings per share			
— Basic	**(13.10) HK cents**	15.32 HK cents	N/A
— Diluted	**(13.10) HK cents**	15.14 HK cents	N/A
Interim dividend per share	**3.6 HK cents**	5.0 HK cents	
Proposed final dividend per share	**Nil HK cent**	0.6 HK cent	

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

The Board of directors (the "Board") of Nameson Holdings Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*3*	**4,359,050**	3,446,415
Cost of sales	*5*	**(3,686,670)**	(2,734,273)
Gross profit		**672,380**	712,142
Other income		**16,332**	12,423
Other gains, net	*4*	**10,625**	35,243
Selling and distribution expenses	*5*	**(44,584)**	(50,385)
General and administrative expenses	*5*	**(363,065)**	(313,792)
Impairment loss on intangible assets	*10*	**(521,577)**	–
Operating (loss)/profit		**(229,889)**	395,631
Share of post-tax loss of a joint venture		**(496)**	(2)
Finance income		**4,205**	4,263
Finance expenses		**(48,863)**	(22,943)
Finance expenses, net	*6*	**(44,658)**	(18,680)
(Loss)/profit before income tax		**(275,043)**	376,949
Income tax expenses	*7*	**(25,425)**	(49,981)
(Loss)/profit for the year		**(300,468)**	326,968
(Loss)/profit for the year attributable to:			
— Owners of the Company		**(298,511)**	326,968
— Non-controlling interests		**(1,957)**	–
		(300,468)	326,968
(Loss)/earnings per share attributable to the owners of the Company during the year			
— Basic (HK cents per share)	*8*	**(13.10)**	15.32
— Diluted (HK cents per share)	*8*	**(13.10)**	15.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(300,468)**	326,968
Other comprehensive (loss)/income, net of tax:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Currency translation differences	**(114,965)**	90,662
— Share of other comprehensive loss of a joint venture	**(213)**	–
Other comprehensive (loss)/income for the year, net of tax	**(115,178)**	90,662
Total comprehensive (loss)/income for the year	**(415,646)**	417,630
Total comprehensive (loss)/income for the year attributable to:		
— Owners of the Company	**(413,736)**	417,630
— Non-controlling interests	**(1,910)**	–
	(415,646)	417,630

CONSOLIDATED BALANCE SHEET
As at 31 March 2019
(Expressed in Hong Kong dollars)

	Note	**2019** *HK$'000*	2018 *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**108,976**	95,781
Property, plant and equipment		**2,087,863**	1,943,442
Investment properties		**2,014**	2,148
Intangible assets	*10*	**64,747**	599,988
Interest in a joint venture		**6,309**	7,018
Available-for-sale financial assets		**–**	150,076
Financial assets at fair value through profit or loss		**155,543**	–
Prepayments, deposits, other receivables and other assets		**113,368**	58,843
Deferred income tax assets		**557**	–
		2,539,377	2,857,296
Current assets			
Inventories		**1,110,733**	812,172
Trade receivables	*11*	**141,188**	149,403
Derivative financial instruments		**937**	6,577
Prepayments, deposits, other receivables and other assets		**404,046**	148,676
Tax recoverable		**12,472**	–
Cash and cash equivalents		**414,844**	1,009,477
		2,084,220	2,126,305
Total assets		**4,623,597**	4,983,601
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**22,794**	22,794
Reserves		**1,921,168**	2,425,008
Capital and reserves attributable to the owners of the Company		**1,943,962**	2,447,802
Non-controlling interests		**103,005**	–
Total equity		**2,046,967**	2,447,802

	Note	**2019**	2018
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings	*13*	**648,122**	551,367
Finance lease obligations	*14*	**276,745**	284,535
Deferred income tax liabilities		**11,364**	16,498
		936,231	852,400
Current liabilities			
Trade and bills payables	*12*	**312,635**	208,937
Accruals and other payables		**162,541**	134,816
Current income tax liabilities		**159,419**	137,257
Bank borrowings	*13*	**862,391**	1,038,564
Finance lease obligations	*14*	**143,413**	163,825
		1,640,399	1,683,399
Total liabilities		**2,576,630**	2,535,799
Total equity and liabilities		**4,623,597**	4,983,601
Net current assets		**443,821**	442,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the manufacturing of knitwear products, knitted upper for footwear and knitted upper shoes. 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

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

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

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

The Group has applied the following new and amended standards, and interpretations for the first time for the financial year beginning 1 April 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies and make retrospective adjustments, where relevant, as a result of adopting HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". Save as disclosed in Note 2.2, the adoption of other amendments on standards and interpretation did not have any material impact on the consolidated financial statements of the Group for any prior years or current year.

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

The following new and amended standards, and interpretations have been issued but are not effective for the Group's financial year beginning 1 April 2018 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019

The Group is in the process of making an assessment of the impact of these new and amended standards and interpretations in the period of initial application. So far the Group has identified some aspects of HKFRS 16 Leases ("HKFRS 16") which may have impacts on the consolidated financial statements and further details on the expected impacts are discussed below.

HKFRS 16

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. As at 31 March 2019 the Group has non-cancellable operating leases commitments of approximately HK$33 million in respect of properties, the majority of which is payable later than one year after the reporting date. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be recognised, after taking into account the effects of discounting, as at 1 April 2019. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the lease.

The Group has not yet fully assessed the adjustments, if any, that are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

HKFRS 16 is mandatory for financial years beginning on or after 1 January 2019. The Group will apply the standard from its mandatory adoption date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the Group in the prior, current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") on the Group's consolidated financial statements and the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more details below.

Consolidated balance sheet (extract)

	As at 31 March 2018	**HKFRS 9**	**HKFRS 15**	**As at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 2.2(b)	*Note 2.2(c)*	
Non-current assets				
Available-for-sale financial assets	150,076	(150,076)	–	–
Financial assets at fair value through profit or loss	–	150,076	–	150,076
Current liabilities				
Accruals and other payables	134,816	–	(2,233)	132,583
Contract liabilities	–	–	2,233	2,233

Note: Contract liabilities which represents receipts in advance from customers of approximately HK$4,814,000 as at 31 March 2019 is included in "Accruals and other payables".

(b) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

In accordance with the transition provisions in HKFRS 9, comparative figures have not been restated.

Impact of adoption:

(i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The main effect was that the Group had to reclassify unlisted investments with a fair value of approximately HK$150,076,000 previously classified as available-for-sale financial assets to financial assets at fair value through profit or loss ("FVTPL") on 1 April 2018. The unlisted investments are not held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

— trade receivables

— other financial assets at amortised cost (including bank deposits, cash and cash equivalents, deposits, other receivables and other assets)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group of receivables is estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any material additional impairment loss for trade receivables as at 1 April 2018.

Other financial assets at amortised cost

For other financial assets at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the resulted increase in loss allowance at 1 April 2018 was immaterial.

(c) Adoption of HKFRS 15

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue" which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts" which specified the accounting for construction contracts. The Group has elected to use the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings at 1 April 2018 without restating comparative information. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

The adoption of HKFRS 15 and the new accounting policies did not have any material impact on the Group's consolidated financial position and results of operation for the year and its retained earnings as at 1 April 2018.

The only impact is a reclassification on the Group's consolidated balance sheet to present "receipts in advance from customers" of approximately HK$2,233,000 as at 1 April 2018 as contract liabilities within "other payables and accruals" to reflect the terminology of HKFRS 15.

3. SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors and senior management of the Company led by the Group's chief executive officer, being the Group's chief operating decision-maker ("CODM"), which are used for the purposes of assessing performance and making strategic decisions. The Group's operating segments are structured and managed separately according to the nature of their operations, the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group has two operating segments after the acquisition of V. Success Limited during the year ended 31 March 2018:

(a) Manufacturing of knitwear products; and

(b) Manufacturing of knitted upper for footwear and knitted upper shoes

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

An analysis of the Group's revenue, results and other selected financial information by operating segment are as follows:

For the year ended 31 March 2019

	Manufacturing of knitwear products *HK$'000*	**Manufacturing of knitted upper for footwear and knitted upper shoes** *HK$'000*	**Consolidated** *HK$'000*
Revenue			
Segment revenue	**4,164,337**	**194,713**	**4,359,050**
Results			
Segment profit	**649,348**	**23,032**	**672,380**
Other income			**16,332**
Other gains, net			**10,625**
Selling and distribution expenses			**(44,584)**
General and administrative expenses			**(363,065)**
Impairment loss on intangible assets			**(521,577)**
Share of post-tax loss of a joint venture			**(496)**
Finance income			**4,205**
Finance expenses			**(48,863)**
Loss before income tax			**(275,043)**
Income tax expenses			**(25,425)**
Loss for the year			**(300,468)**

For the year ended 31 March 2018

	Manufacturing of knitwear products *HK$'000*	Manufacturing of knitted upper for footwear and knitted upper shoes *HK$'000*	Consolidated *HK$'000*
Revenue			
Segment revenue	3,374,581	71,834	3,446,415
Results			
Segment profit	693,066	19,076	712,142
Other income			12,423
Other gains, net			35,243
Selling and distribution expenses			(50,385)
General and administrative expenses			(313,792)
Share of post-tax loss of a joint venture			(2)
Finance income			4,263
Finance expenses			(22,943)
Profit before income tax			376,949
Income tax expenses			(49,981)
Profit for the year			326,968

Segment results represent profit earned by each segment without allocating other income, other gains, selling and distribution expenses, general and administrative expenses, share of post-tax loss of a joint venture, impairment loss on intangible assets, finance income, finance expenses and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

(a) Revenue by location of goods delivery

	2019 ***HK$'000***	2018 *HK$'000*
Japan	**1,660,551**	1,346,527
North America	**717,917**	643,581
Europe	**714,304**	638,478
Mainland China	**694,038**	416,892
Other countries	**572,240**	400,937
	4,359,050	3,446,415

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**59,648**	90,130
Mainland China	**799,208**	811,930
Vietnam	**1,433,299**	1,198,154
Other countries	**20,066**	–
	2,312,221	2,100,214

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

(c) Major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A	**2,729,404**	2,151,930
Customer B	**N/A**	429,551

The five largest customers accounted for approximately 79.2% (2018: 83.7%) of revenue for the year ended 31 March 2019.

(d) Disaggregation of revenue from contracts with customers

For the years ended 31 March 2019 and 2018, the revenue of the Group was recognised at a point in time.

(e) Liabilities related to contracts with customers

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

	31 March 2019 *HK$'000*	1 April 2018 *HK$'000*
Contract liabilities — receipts in advance	**4,814**	2,233

Contract liabilities for sales of goods contracts have increased by HK$2,581,000 due to an increase in overall contract activities.

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

	2019 *HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**1,826**

4. OTHER GAINS, NET

	2019 *HK$'000*	2018 *HK$'000*
Net foreign exchange gains	**8,904**	6,015
Net gains on investments	**5,467**	5,276
Net gains on disposals of property, plant and equipment	**600**	17,375
Net realised and unrealised (losses)/gains from derivative financial instruments	**(4,346)**	6,577
	10,625	35,243

5. EXPENSES BY NATURE

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

	2019 *HK$'000*	2018 *HK$'000*
Advertising and promotion expenses	**4,436**	4,185
Amortisation of land use rights	**1,086**	1,103
Auditor's remuneration		
— audit services	**2,770**	3,078
— non-audit services	**630**	1,634
Depreciation		
— owned property, plant and equipment	**91,997**	112,521
— property, plant and equipment held under finance leases	**94,257**	50,325
Depreciation of investment properties	**134**	134
Amortisation of technical knowhow	**13,664**	4,130
Employment benefit expenses (including directors' emoluments)	**919,885**	759,013
Raw materials and consumables used	**2,317,646**	1,715,026
Changes in inventories of finished goods and work in progress	**(194,056)**	(303,579)
Provision for impairment of inventories	**6,836**	7,537
Subcontracting charges	**431,247**	374,175
Commission expenses	**4,633**	4,553
Transportation charges	**36,286**	40,823
Sample charges	**23,809**	21,070
Donations	**1,953**	2,831
Operating lease rental in respect of land and buildings	**6,145**	4,301
Utilities expenses	**91,009**	62,218
Others	**239,952**	233,372
Total cost of sales, selling and distribution expenses and general and administration expenses	**4,094,319**	3,098,450

6. FINANCE EXPENSES, NET

	2019	2018
	HK$'000	*HK$'000*
Finance income		
Interest income from:		
— Bank deposits	**4,205**	4,263
Finance expenses		
Interest expenses on:		
— Bank borrowings	**(40,937)**	(17,609)
— Finance lease obligations	**(7,926)**	(5,334)
	(48,863)	(22,943)
Finance expenses, net	**(44,658)**	(18,680)

7. INCOME TAX EXPENSES

For the year ended 31 March 2019, Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year and the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2018: 25%) on estimated assessable profits. However, two of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15%, after being assessed as high and new technology enterprises.

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax	**421**	15,663
China corporate income tax	**30,695**	34,969
Deferred taxation	**(5,691)**	(651)
	25,425	49,981

8. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share for the years ended 31 March 2019 and 2018 are calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
(Loss)/profit attributable to the owners of the Company *(HK$'000)*	**(298,511)**	326,968
Weighted average number of ordinary shares in issue *('000)*	**2,279,392**	2,134,538
Basic (loss)/earnings per share *(HK cents)*	**(13.10)**	15.32

(b) Diluted

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

	2019	2018
(Loss)/profit attributable to the owners of the Company *(HK$'000)*	**(298,511)**	326,968
Weighted average number of ordinary shares in issue *('000)*	**2,279,392**	2,134,538
Adjustment for potential dilutive effect in respect of outstanding share option *('000)*	**–**	25,302
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**2,279,392**	2,159,840
Diluted (loss)/earnings per share *(HK cents)*	**(13.10)**	15.14

9. DIVIDENDS

At the board meeting held on 27 November 2017, the Company's Board of Directors declared an interim dividend for the year ended 31 March 2018 of 5.0 HK cents per share amounting to a total of HK$103,865,000 and paid on 29 December 2017.

At the board meeting held on 22 June 2018, the Company's Board of Directors declared a final dividend for the year ended 31 March 2018 of 0.6 HK cent per share amounting to a total of HK$13,676,000 and paid on 18 September 2018.

At the board meeting held on 26 November 2018, the Company's Board of Directors declared an interim dividend for the year ended 31 March 2019 of 3.6 HK cents per share amounting to a total of HK$82,058,000 and paid on 28 December 2018.

At the board meeting held on 21 June 2019, the Company's Board of Directors did not recommend the payment of final dividend for the year ended 31 March 2019.

10. INTANGIBLE ASSETS

	Goodwill *HK$'000*	Technical knowhow *HK$'000*	Total *HK$'000*
At 1 April 2017			
Cost	–	–	–
Accumulated amortisation	–	–	–
Net book amount	–	–	–
Year ended 31 March 2018			
Opening net book amount	–	–	–
Acquisition of a subsidiary	493,910	110,208	604,118
Amortisation charge *(Note 5)*	–	(4,130)	(4,130)
Closing net book amount	493,910	106,078	599,988
At 31 March 2018			
Cost	493,910	110,208	604,118
Accumulated amortisation	–	(4,130)	(4,130)
Net book amount	493,910	106,078	599,988
Year ended 31 March 2019			
Opening net book amount	**493,910**	**106,078**	**599,988**
Amortisation charge *(Note 5)*	**–**	**(13,664)**	**(13,664)**
Impairment loss	**(493,910)**	**(27,667)**	**(521,577)**
Closing net book amount	**–**	**64,747**	**64,747**
At 31 March 2019			
Cost	**493,910**	**110,208**	**604,118**
Accumulated amortisation	**–**	**(17,794)**	**(17,794)**
Impairment loss	**(493,910)**	**(27,667)**	**(521,577)**
Net book amount	**–**	**64,747**	**64,747**

On 28 September 2017, Nameson Group Limited ("Nameson Group"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Wong Ting Chung ("Mr. Wong"), pursuant to which Nameson Group agreed to acquire the entire issued share capital of V. Success Limited ("V. Success") held by Mr. Wong. The acquisition was completed on 15 December 2017. Goodwill arising from such acquisition amounted to HK$493,910,000 has been allocated to the cash-generating unit (the "CGU") for manufacturing of knitted upper for footwear and knitted upper shoes. Technical knowhow, arising from the acquisition of V. Success, represent technical knowhow in relation to specific technique, with which V. Success and its subsidiaries ("V. Success Group") manufacture footwear products.

For the year ended 31 March 2019, amortisation of HK$13,664,000 (2018: HK$4,130,000) has been charged to "cost of sales" in the consolidated income statement.

Impairment test of intangible assets

Goodwill and technical knowhow acquired through acquisition of V. Success have been allocated to the CGU for impairment testing. The recoverable amount of the CGU is determined based on a value-in-use calculation which uses cash flow projection based on the financial budgets of V. Success Group covering a five-year period, and a pre-tax discount rate of 15.4% per annum.

Assumed growth rate is used to extrapolate the cash flows in the following years. The financial budgets are prepared based on a 5-year business plan which is appropriate after considering the sustainability of business growth, stability of core business developments and achievement of business targets. The financial model assumes an average growth rate of 8.4% for five-year period budgets and a terminal growth rate of 3.0% per annum beyond the 5-year period taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors assessed the recoverable amount of CGU with reference to the valuation performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer. As at 31 March 2019, the recoverable amount of the CGU determined based on the value-in-use calculation was lower than the carrying amount of the CGU by approximately HK$521,577,000. Hence, provisions for impairment of goodwill and technical knowhow of HK$493,910,000 and HK$27,667,000 respectively were recognised in the consolidated income statement for the year ended 31 March 2019.

The impairment is mainly due to the fierce competition in knitted upper for footwear and knitted upper shoes industry, leading to a substantial decline in revenue of V.Suceess Group during the year ended 31 March 2019 as compared to prior financial budgets, and the overall average selling price and gross profit margin were also under downward pressure. Therefore, considering the global economic uncertainties, fast-changing market environment and intense competition currently faced by V.Success Group in relation to its knitted uppers for footwear and knitted upper shoes business, provisions for impairment of goodwill and technical knowhow of HK$493,910,000 and HK$27,667,000 respectively were recognised in the consolidated income statement for the year ended 31 March 2019.

11. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**141,188**	149,403

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

	2019	2018
	HK$'000	*HK$'000*
US$	**69,966**	113,082
RMB	**71,222**	36,060
Others	**–**	261
	141,188	149,403

The Group grants credit periods to customers ranging from 0 to 60 days. As at 31 March 2019 and 2018, the ageing analysis of the trade receivables based on the invoice date was as follows:

	2019	2018
	HK$'000	*HK$'000*
Up to three months	**132,969**	145,724
Three to six months	**6,398**	1,776
Over six months	**1,821**	1,903
	141,188	149,403

The Group applies HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This has not resulted in loss allowance for any trade receivables as at 1 April 2018 and 31 March 2019.

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

12. TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
US$	**146,278**	135,729
HK$	**31,172**	29,439
RMB	**135,185**	43,769
	312,635	208,937

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

Note: As at 31 March 2019, trade and bills payables includes trade payables to related companies of approximately HK$74,945,000 (2018: HK$ nil).

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

	2019	2018
	HK$'000	*HK$'000*
Within one month	**191,442**	163,136
One to two months	**111,970**	32,755
Two to three months	**7,193**	12,844
Over three months	**2,030**	202
	312,635	208,937

13. BANK BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Current		
Short-term bank borrowings, unsecured	**632,938**	658,054
Portion of long-term bank borrowings, secured, due for repayment within one year	**4,376**	7,501
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**–**	4,376
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**220,911**	347,800
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	**4,166**	20,833
	862,391	1,038,564
Non-current		
Bank borrowings, unsecured	**648,122**	551,367
Total bank borrowings	**1,510,513**	1,589,931

The weighted average effective interest rate as at 31 March 2019 is 2.67% (2018: 2.13%).

The bank borrowings are due for repayment as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**858,225**	1,013,355
Between one and two years	**246,188**	262,287
Between two and five years	**406,100**	314,289
	1,510,513	1,589,931

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 31 March 2019, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK$73,376,000 (2018: available-for-sale financial assets with a total carrying amount of HK$71,052,000).

14. FINANCE LEASE OBLIGATIONS

	2019	2018
	HK$'000	*HK$'000*
Current		
Finance lease obligations due for repayment within one year	**143,413**	163,825
Non-current		
Finance lease obligations due for repayment after one year:		
Between one and two years	**153,411**	104,951
Between two and five years	**123,334**	179,584
	276,745	284,535
Total finance lease obligations	**420,158**	448,360

The weighted average effective interest rate as at 31 March 2019 is 1.68% (2018: 1.70%).

The finance lease obligations were due for repayment as follows:

	2019	2018
	HK$'000	*HK$'000*
Gross finance lease obligations — minimum lease payments:		
Within one year	**149,470**	170,258
Between one and two years	**157,154**	109,054
Between two and five years	**124,708**	182,545
	431,332	461,857
Future finance charges on finance leases	**(11,174)**	(13,497)
Present value of finance lease obligations	**420,158**	448,360

The carrying amount of finance lease obligations was denominated in US$.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The escalation in trade tension between China and the United States has hampered the global economic sentiment, and has generally negatively impacted the global consumption value chain. During the year, the Group not only increased its utilisation rate in our Vietnam plant timely, but also accelerated its pace in increasing its designed capacity in response to the changing customer procurement preferences, in order to better service our customers and make flexible arrangements when required. As such, the increase in utilisation of our Vietnam factory was quicker than originally expected and its operational efficiency has yet to be fully released. In addition, raw material prices have not seen evident paths of decline which continued to pose challenges to the Group's overall production costs. Furthermore, during the year, the Group made an impairment provision on the intangible assets of V. Success Limited and its subsidiaries ("V. Success Group") in relation to its business in knitted uppers for footwear and knitted upper shoes. Though the impairment provision is non-cash in nature, it has contributed to the Group making a loss in Financial Year 2019.

With more market players setting up their production facilities in the garment export countries in the Southeast Asian regions other than China, the textile industry in China is undergoing increased pressure. 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 decreased significantly by 16.5% to US$74.6 billion in Financial Year 2019 as compared with last year. On the contrary, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") officially took effect in Vietnam in January 2019, pursuant to which the import tariff for textile apparel between Vietnam and other member countries is waived, this effectively strengthens the competitiveness of the Vietnam textile apparel export industry. Based on the Vietnam Customs statistics, the total export value of textile and garment in Vietnam recorded a significant increase of 16.1% to US$31.2 billion in Financial Year 2019, as compared with last year. The export value of textiles and garments to Japan and the United States from Vietnam recorded a notable increase of 18.5% and 10.9% respectively. According to the rules of origin of CPTPP, member countries have to purchase their production materials from CPTPP member countries from spinning, and the relevant production process must be carried out within the CPTPP regions and export to CPTPP member countries to enjoy the zero tariff benefit. Such trading agreement will continue to attract peers in the industry to invest and set up their factories in Vietnam, resulting in a more mature value chain in the Vietnam apparel manufacturing industry. The Group was amongst the first manufacturers to set up a production base in Vietnam which has commenced full operation, providing customers with flexibility in their production deployment.

BUSINESS REVIEW

Leveraging on its exquisite knitting techniques, innovative designs and quality production, the Group's products are well perceived by its customers. For its knitwear business, the Group recorded satisfactory growth in orders in all its product segments in its wholegarment knitwear, cashmere knitwear as well as traditional knitwear in Financial Year 2019. The increase was mainly driven by the increase of orders by our major customers, as well as recording a notable increase in orders in the Chinese market. The revenue attributable to the Japanese and Chinese markets grew considerably by 23.3% and 54.8% respectively. Despite the uncertainties brought by the trade tension between China and the United States, the Group has accelerated its pace in increasing its utilisation rate in the Vietnam factory, this makes the Group a preferred business partner to service our customers with our production capabilities in China and Vietnam factories, enabling customers flexibility in production allocation as required. However, the quicker than expected raise in utilisation rate in Vietnam means the Vietnam factory will take relatively longer to release its operational efficiency, coupled with the stagnant raw material prices in Financial Year 2019, the Group's production cost continued to be under pressure.

For its knitted upper for footwear business, there is still an abundant number of suppliers in the market, resulting in fierce competition in knitted upper for footwear manufacturing industry. The overall average selling price and gross profit margin for the industry were under downward pressure. Under such fierce competition, the Group's knitted upper for footwear business recorded disappointing sales performance and was loss-making in the year. As such, the Group made an impairment provision for the intangible assets of V. Success Group in relation to its knitted upper for footwear and knitted upper shoes business.

The Group's revenue in Financial Year 2019 increased by 26.5% from last year to HK$4,359.1 million. The increase was mainly attributable to an increase in sales volume as well as higher average selling price resulting from the change of product mix in the Group's knitwear business. Despite the growth in revenue, the Group's gross profit dropped by 5.6% to HK$672.4 million and gross profit margin also contracted to 15.4%, which was mainly due to the stagnant raw material prices and higher proportion of raw materials driven by product mix change. Taking into account the HK$521.6 million non-cash impairment of intangible assets of the knitted upper for footwear business, the Group recorded a loss of HK$300.5 million. However, such impairment has no actual effect on the Group's tangible assets and cash flow.

FUTURE STRATEGIES AND PROSPECTS

Looking ahead, as the overall supply of cashmere material is relatively limited; its price therefore represents a premium in the value chain and the price of cashmere raw material tends to be more prone to fluctuation in response to the market demand each year. To secure the supply of cashmere material and more effective cost control, the Group expanded into the upstream business and jointly established a cashmere spinning factory with a quality cashmere manufacturer during the year. The designed annual capacity of 10 production lines in operation of the factory is 700 tonnes of cashmere yarn and production is expected to gradually commence in Financial Year 2020. The Group aims for vertical integration via the business move and further drive business development.

The Group was amongst one of the first-movers in setting up a production base in Vietnam to enjoy the advantage of providing flexibility in production deployment for our customers under the uncertain trading relations between China and the United States. Riding on its successful expansion into the Vietnam factory, and seeing a trend for more customers seeking to shift their orders to other South Asian regions, the Group has decided to establish a new factory in Myanmar. In the long term, the Group will continue to utilise its China factory to satisfy the growing orders from our Chinese customers, while seeking to further increase the production capacity ratio to overseas production in response to the changing market demand.

Following the implementation of CPTPP, we expect enhanced potential in the mid-stream apparel industry in Vietnam. Since the demand for the local fabric in the Vietnam apparel industry still exceeds its supply, the Group is devoted in developing the business projects of weaving, printing and dyeing of fabric for production, with designed annual capacity of 36 million pounds of fabric. It is expected that trial production will commence in the second half of Financial Year 2020. The Group believes that developing a diversified product portfolio will contribute to an expansion in our income source and customer base, as well as further strengthen the leading position of the Group in the industry.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2019 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves, to our customers. As a result of the acquisition of V. Success Group in December 2017, the Group's revenue for the year ended 31 March 2019 also included V. Success Group's full-year revenue of HK$194.7 million. The revenue of V. Success Group is related to the operating segment for manufacturing and sales of knitted upper for footwear and knitted upper shoes.

The Group's revenue significantly increased by 26.5% to HK$4,359.1 million for the year ended 31 March 2019 from HK$3,446.4 million for the year ended 31 March 2018. The increase was primarily due to an increase in both the average selling price of the Group's knitwear products and sales volume of womenswear, which was partially offset by the decrease in sales volume of menswear. Such increase was mainly attributable to the increase in demand from our customers, enhanced customer penetration due to supplier consolidation and changes in product mix (e.g. increase in the proportion of cashmere knitwear and wholegarment knitwear products).

The increase in the Group's revenue generated from sale of knitwear products was largely in line with the increase in both the average selling price and total sales volume. The average selling price of the Group's knitwear products increased by 13.1% from HK$98.1 per piece for the year ended 31 March 2018 to HK$111.0 per piece for the year ended 31 March 2019, while the Group's sales volume of knitwear products increased by 7.6% from 34.4 million pieces for the year ended 31 March 2018 to 37.0 million pieces for the year ended 31 March 2019.

Consistent with the Group's geographical market distribution for the year ended 31 March 2018, Japan, North America (mainly the United States of America) and Europe were still our top three markets for the year ended 31 March 2019. The revenue attributable to the Japanese, North American and European markets accounted for 38.1%, 16.5% and 16.4% of the Group's total revenue for the year ended 31 March 2019.

Cost of Sales

For the year ended 31 March 2019, the Group incurred cost of sales of HK$3,686.7 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 year ended 31 March 2019, the Group recorded a decrease in gross profit of HK$39.7 million to HK$672.4 million and a decrease in gross profit margin of 5.3 percentage points to 15.4% as compared to the gross profit of HK$712.1 million and gross profit margin of 20.7% for the year ended 31 March 2018.

The decrease in gross profit margin for the year ended 31 March 2019 was mainly due to (i) the substantial increase of raw material prices; and (ii) changes in product mix.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidy and miscellaneous other income. The other income of the Group increased by HK$3.9 million from HK$12.4 million for the year ended 31 March 2018 to HK$16.3 million for the year ended 31 March 2019. Such increase was mainly due to the increase in government subsidy.

Other Gains, Net

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

Other gains decreased by HK$24.6 million from HK$35.2 million for the year ended 31 March 2018 to HK$10.6 million for the year ended 31 March 2019. The decrease is primarily due to the Group disposed of some old machines during the year ended 31 March 2018 resulting in net gains on disposal of property, plant and equipment of HK$17.4 million, which was higher than current year's amount of HK$0.6 million by HK$16.8 million.

In summary, other gains for the year ended 31 March 2019 mainly represented net foreign exchange gains of HK$8.9 million and net gains on investments of HK$5.5 million, which was partially offset by the net realised and unrealised losses from derivative financial instruments of HK$4.3 million.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses decreased by HK$5.8 million, from HK$50.4 million for the year ended 31 March 2018 to HK$44.6 million for the year ended 31 March 2019. Such decrease was mainly due to the decrease in transportation cost as we had better controls on the production and delivery schedule this year.

General and Administrative Expenses

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

The Group's general and administrative expenses increased by HK$49.3 million from HK$313.8 million for the year ended 31 March 2018 to HK$363.1 million for the year ended 31 March 2019. Such increase was mainly due to (i) the first full-year effect on V. Success Group's general and administration expenses and (ii) the increase in staff costs as a result of expansion of our administrative staff team and the annual salary increment of our administrative staff.

Impairment loss on intangible assets

The impairment loss on intangible assets consisted of impairment provisions of HK$493.9 million and HK$27.7 million for the goodwill and technical knowhow relating to V. Success Group respectively. The impairment provision is arrived at on a prudent basis after considering the global economic uncertainties, fast-changing market environment and intense competition currently faced by V. Success Group in relation to its knitted uppers for footwear and knitted upper shoes business.

Due to the fierce competition in knitted upper for footwear and knitted upper shoes industry, the revenue of V. Success Group had a substantial decline during the year ended 31 March 2019 and the overall average selling price and gross profit margin were also under downward pressure. Therefore, we have adjusted the financial budgets based on the current industry situation and market environment.

The recoverable amount of the cash generating unit in relation to V. Success Group is determined based on value-in-use calculation. The calculation uses pre-tax cash flow projection based on financial budgets covering a five-year period and a long-term average growth rate.

Finance Expenses, Net

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

The Group's net finance expenses increased by HK$26.0 million from HK$18.7 million for the year ended 31 March 2018 to HK$44.7 million for the year ended 31 March 2019. The increase in net finance expenses was mainly due to (i) the hike in market interest rates; and (ii) our increased average bank borrowings to cope with the Group's business development and expansion during the year ended 31 March 2019.

Income Tax Expenses

Under the current laws of the Cayman Islands and the British Virgin Islands ("BVI"), neither the Company nor its BVI subsidiary is subject to tax on its income or capital gains. In addition, any payments of dividends are not subject to withholding tax in the Cayman Islands or the BVI.

Hong Kong profits tax as applicable to the Group is 16.5% for the years ended 31 March 2019 and 2018 on the estimated assessable profits arising in or derived from Hong Kong during the relevant years.

The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax (the "CIT") at a rate of 25% on the estimated assessable profits for the years ended 31 March 2019 and 2018. However, two of the Group's subsidiaries in the PRC are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

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

The effective tax rate of the Group was 13.3% for the year ended 31 March 2018.

(Loss)/profit for the Year Attributable to Owners of the Company

As a result of the foregoing, the Group recorded loss attributable to the owners of the Company of HK$298.5 million and profit attributable to the owners of the Company of HK$327.0 million for the years ended 31 March 2019 and 2018 respectively.

The result for the year ended 31 March 2019 turned from profit to loss was due to the impairment loss on the intangible assets relating to V. Success Group. However, to a certain extent, this situation was intensified by the decrease in gross profit margin which was mainly caused by (i) the substantial increase of raw material prices; and (ii) changes in product mix.

Adjusted Net Profit

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

Based on the formula above, the Group's adjusted net profit decreased by HK$93.0 million from HK$320.4 million for the year ended 31 March 2018 to HK$227.4 million for the year ended 31 March 2019. As a percentage of revenue, the adjusted net profit margin decreased from 9.3% for the year ended 31 March 2018 to 5.2% for the year ended 31 March 2019.

Consolidated Cash Flow

Net Cash Used in Operating Activities

The Group's net cash used in operating activities for the year ended 31 March 2019 was HK$8.7 million, primarily due to loss before income tax of HK$275.0 million, adjusted for income tax paid of HK$23.5 million, impairment loss on intangible assets of HK$521.6 million, depreciation of property, plant and equipment of HK$186.3 million, increases in inventories of HK$305.4 million and prepayments, deposits, other receivables and other assets of HK$244.0 million, which was partially offset by the increase in trade and bills payables of HK$112.8 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 March 2019 was HK$330.2 million, primarily due to the purchase of property, plant and equipment of HK$322.9 million and acquisition of land use rights of HK$12.5 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the year ended 31 March 2019 was HK$238.5 million, which was attributable to the net decrease in the Group's total bank borrowings and finance lease obligations of HK$247.7 million and the dividend payments of HK$95.7 million, which was partially offset by the capital contribution from non-controlling interests of HK$104.9 million.

Cash and Cash Equivalents

For the year ended 31 March 2019, the Group's cash and cash equivalents decreased by HK$577.4 million and the exchange loss was HK$17.3 million. The net decrease in the Group's cash and cash equivalents was from HK$1,009.5 million as at 31 March 2018 to HK$414.8 million as at 31 March 2019.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the year ended 31 March 2019, the Group's cash and cash equivalents was mainly used in the Group's business operations and expansion, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities, bank borrowings and proceeds from the Company's listing on the Stock Exchange. The Group's gearing ratio increased from 29.6% as at 31 March 2018 to 42.6% as at 31 March 2019. Such increase was mainly due to (i) the decrease in equity as a result of the HK$521.6 million impairment loss on the intangible assets relating to V, Success Group; and (ii) the increases in inventory and prepayment levels to cope with the production schedule after the year end date and business expansion.

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

As at 31 March 2019, the Group's cash and cash equivalents, amounting to HK$414.8 million, were denominated in US dollars ("US$") (37.2%), HK$ (25.2%), Chinese Renminbi ("RMB") (35.4%), Vietnamese Dong ("VND") (1.7%) and other currencies (0.5%).

As at 31 March 2019, the Group's total bank borrowings and finance lease obligations were due for repayment as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Within one year	**1,001,638**	1,177,180
Between one and two years	**399,599**	367,238
Between two and five years	**529,434**	493,873
	1,930,671	2,038,291

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 31 March 2019, the Group's total bank borrowings and finance lease obligations were denominated in HK$ (78.0%) and US$ (22.0%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and finance lease obligations for the year ended 31 March 2019 were 2.67% and 1.68% respectively.

(c) As at 31 March 2019, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK$73.4 million.

Capital Expenditures

The Group incurred capital expenditures of approximately HK$441.3 million for the year ended 31 March 2019, which were mainly related to the purchase of machinery and equipment for our factories and the construction of a new production base in Vietnam. These capital expenditures were fully financed by internal resources, bank borrowings and finance lease obligations.

Capital Commitments

The Group's capital commitments as at 31 March 2019 amounted to approximately HK$82.6 million which were mainly related to the purchase of machinery and equipment for our factories.

Operating Lease Commitments

As at 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately HK$32.9 million, with approximately HK$12.6 million due within one year and approximately HK$20.3 million due later than one year and not later than five years.

Charge on Assets

As at 31 March 2019, the Group's land use rights with a total carrying amount of HK$15.0 million, land and buildings and leasehold improvements with a total carrying amount of HK$206.2 million and financial assets at fair value through profit or loss with a total carrying amount of HK$73.4 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liability as at 31 March 2019.

Significant Investments, Acquisitions and Disposals

Other than the establishment of a joint venture company for the production of cashmere yarn (i.e. Hebei Nanguan Technology Co., Ltd.) as disclosed the Company's announcement dated 24 July 2018, the Group had no significant investments, acquisitions and disposals during the year ended 31 March 2019.

Financial Instruments

As at 31 March 2019, the Group had outstanding forward foreign currency contracts to sell US$ and purchase RMB with a notional principal amount of HK$46.5 million (2018: HK$108.5 million).

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.

During the year ended 31 March 2019, the Group entered into some forward foreign currency contracts to mitigate its exposures of RMB against US$ in light of the appreciation of RMB during the second half of the year. The Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

(b) *Interest Rate Risk*

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk and bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the year ended 31 March 2019 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

(c) *Credit Risk*

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

As at 31 March 2019, 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 31 March 2019, the Group had a total of approximately 15,400 full-time employees in the PRC, Vietnam and Hong Kong. For the year ended 31 March 2019, the total staff costs, including the directors' emoluments, amounted to HK$919.9 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, knitted upper for footwear and knitted upper shoes, the Group will provide appropriate training programs to the new recruits before they are assigned to work at the manufacturing facilities of the Group. From time to time, different on-the-job training will be provided to employees in order to ensure continuous staff development and skills upgrading.

OTHER INFORMATION

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 20 August 2019 to Friday, 23 August 2019, both days inclusive. During such period, no transfer of the Company's shares will be registered. In order to be entitled to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 19 August 2019.

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

The net proceeds from the listing of the Company amounted to approximately HK$635.4 million. Such proceeds have been used according to the allocation set out in the prospectus. Use of net proceeds from the date of listing to 31 March 2019 is set below as follows:

Items	**Approximate utilised amount up to 31 March 2019** *HK$(million)*
Construction of factory buildings and purchase of machinery for the second phase of our Vietnam Factory	378.1
Repayment of part of our bank loans	93.2
Enhancing design and product development capabilities	10.9
Enhancing existing enterprise resource planning system	13.1
General corporate purposes	54.7
Total	550.0

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

For the year ended 31 March 2019, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

Directors' and Relevant Employees' Securities Transactions

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

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the year ended 31 March 2019.

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

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company for the year ended 31 March 2019.

Corporate Governance Code

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

In the opinion of the Directors, save for the deviation from code provision A.2.1 which is explained below, the Company has complied with all the mandatory code provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2019.

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.

Audit Committee

The audit committee of the Company comprises one non-executive Director, Mr. Tam Wai Hung, David, and four independent non-executive Directors, namely, Mr. Ong Chor Wei (Chairman), Mr. Kan Chung Nin, Tony and Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen. An audit committee meeting was held on 21 June 2019 to meet with the external auditor of the Company and review the Company's annual report and consolidated financial statements for the year ended 31 March 2019.

Review of Preliminary Announcement

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Publication of the Audited Consolidated Annual Results and 2019 Annual Report on the websites of the Stock Exchange and the Company

This results announcement is published on the website of the Stock Exchange (**http://www.hkexnews.hk**) and the Company's website at **http://www.namesonholdings.com**. The Annual Report for 2019 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board of
Nameson Holdings Limited
Mr. Wong Ting Chung *BBS, JP*
Chairman

21 June 2019

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