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 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 March		
	2020	2019	Change
	HK$' million	*HK$' million*	
Revenue	**4,480.7**	4,359.1	2.8%
Gross profit	**690.1**	672.4	2.6%
Gross profit margin	**15.4%**	15.4%	– p.p.
Profit/(loss) attributable to the owners of the Company	**157.0**	(298.5)	N/A
Adjusted net profit *(Note)*	**244.0**	227.4	7.3%
Adjusted net profit margin	**5.4%**	5.2%	0.2 p.p.
Earnings/(loss) per share — Basic and diluted	**6.89 HK cents**	(13.10) HK cents	N/A
Interim dividend per share	**4.3 HK cents**	3.6 HK cents	
Proposed final dividend per share	**Nil HK cent**	Nil HK cent	

Note: Adjusted net profit is a non-HKFRS financial measure and derived from profit/(loss) attributable to the owners of the Company excluding (a) impairment loss on intangible assets; (b) costs and expenses directly or indirectly related to the restructuring of V. Success Group and (c) realised and unrealised losses from derivative financial instruments, which are 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 2020, together with the comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Note	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*3*	**4,480,708**	4,359,050
Cost of sales	*5*	**(3,790,582)**	(3,686,670)
Gross profit		**690,126**	672,380
Other income		**14,714**	16,332
Other gains, net	*4*	**29,018**	10,625
Selling and distribution expenses	*5*	**(46,049)**	(44,584)
General and administrative expenses	*5*	**(392,347)**	(363,065)
Impairment loss on intangible assets	*10*	**(55,096)**	(521,577)
Net impairment losses on financial assets	*5*	**(3,996)**	–
Operating profit/(loss)		**236,370**	(229,889)
Share of post-tax profit/(loss) of a joint venture		**825**	(496)
Finance income		**5,728**	4,205
Finance expenses		**(68,572)**	(48,863)
Finance expenses, net	*6*	**(62,844)**	(44,658)
Profit/(loss) before income tax		**174,351**	(275,043)
Income tax expenses	*7*	**(22,817)**	(25,425)
Profit/(loss) for the year		**151,534**	(300,468)
Profit/(loss) for the year attributable to:			
— Owners of the Company		**157,045**	(298,511)
— Non-controlling interests		**(5,511)**	(1,957)
		151,534	(300,468)
Earnings/(loss) per share attributable to the owners of the Company during the year			
— Basic and diluted (HK cents per share)	*8*	**6.89**	(13.10)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	2020	2019
	HK$'000	*HK$'000*
Profit/(loss) for the year	**151,534**	(300,468)
Other comprehensive loss, net of tax:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Currency translation differences	**(34,225)**	(114,965)
— Share of other comprehensive loss of a joint venture	**–**	(213)
Other comprehensive loss for the year, net of tax	**(34,225)**	(115,178)
Total comprehensive income/(loss) for the year	**117,309**	(415,646)
Total comprehensive income/(loss) for the year attributable to:		
— Owners of the Company	**125,193**	(413,736)
— Non-controlling interests	**(7,884)**	(1,910)
	117,309	(415,646)

CONSOLIDATED BALANCE SHEET

As at 31 March 2020
(Expressed in Hong Kong dollars)

	Note	**2020**	2019
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Land use rights		**–**	108,976
Property, plant and equipment		**1,515,721**	2,087,863
Right-of-use assets		**996,899**	–
Investment properties		**1,918**	2,014
Intangible assets	*10*	**–**	64,747
Interest in a joint venture		**8,064**	6,309
Financial assets at fair value through profit or loss		**167,295**	155,543
Prepayments, deposits, other receivables and other assets		**94,424**	113,368
Deferred income tax assets		**608**	557
		2,784,929	2,539,377
Current assets			
Inventories		**806,451**	1,110,733
Trade receivables	*11*	**163,977**	141,188
Derivative financial instruments		**–**	937
Prepayments, deposits, other receivables and other assets		**340,045**	404,046
Tax recoverable		**17,835**	12,472
Cash and cash equivalents		**713,128**	414,844
		2,041,436	2,084,220
Total assets		**4,826,365**	4,623,597
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**22,794**	22,794
Reserves		**1,951,166**	1,921,168
Capital and reserves attributable to the owners of the Company		**1,973,960**	1,943,962
Non-controlling interests		**122,654**	103,005
Total equity		**2,096,614**	2,046,967

	Note	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	*13*	**1,136,100**	648,122
Lease liabilities	*14*	**288,713**	–
Finance lease obligations	*14*	**–**	276,745
Provision for reinstatement costs		**659**	–
Deferred income tax liabilities		**2,562**	11,364
		1,428,034	936,231
Current liabilities			
Trade and bills payables	*12*	**390,416**	312,635
Accruals and other payables		**158,593**	162,541
Current income tax liabilities		**183,174**	159,419
Bank borrowings	*13*	**371,619**	862,391
Lease liabilities	*14*	**197,915**	–
Finance lease obligations	*14*	**–**	143,413
		1,301,717	1,640,399
Total liabilities		**2,729,751**	2,576,630
Total equity and liabilities		**4,826,365**	4,623,597
Net current assets		**739,719**	443,821

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 (the "Stock Exchange") since 12 April 2016.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015–2017 Cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16 Leases ("HKFRS 16"). The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in Note 2.2. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

The following new and amended standards have been issued but are not effective for the Group's financial year beginning 1 April 2019 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Hedge Accounting	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group is in process of making an assessment of the impact of these new and amended standards upon initial application, and has concluded on a preliminary basis that the adoption of these new and amended standards is not expected to have a significant impact on the Group's results of operations or financial position.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the adoption of HKFRS 16 are therefore recognised in the opening consolidated balance sheet on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.72%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amounts of the right-of-use assets and the lease liabilities at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 April 2019;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

(ii) Measurement of lease liabilities

	2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	32,945
Future lease payments for land use rights recognised as other payables as at 31 March 2019	5,358
	38,303
Discounted using the lessee's incremental borrowing rate at the date of initial application	35,861
Add: Finance lease liabilities recognised as at 31 March 2019	420,158
Less: Short-term leases recognised on a straight-line basis as expenses	(29)
Less: Adjustments as a result of a different treatment of extensions and termination options	13,376
Lease liabilities recognised as at 1 April 2019	469,366
Of which are:	
— Current lease liabilities	161,810
— Non-current lease liabilities	307,556
	469,366

(iii) Measurement of right-of-use assets

The right-of-use assets were measured at the amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to that leases recognised in the consolidated balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised in the consolidated balance sheet on 1 April 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1 April 2019:

- property, plant and equipment — decrease by HK$1,040,560,000
- right-of-use assets — increase by HK$1,193,396,000
- land use rights — decrease by HK$108,976,000
- prepayments — decrease by HK$10,000
- other payables — decrease by HK$5,358,000
- lease liabilities — increase by HK$469,366,000
- finance lease obligations — decrease by HK$420,158,000

(v) Lessor accounting

- The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

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 during the years ended 31 March 2020 and 2019:

(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 2020

	Manufacturing of knitwear products *HK$'000*	**Manufacturing of knitted upper for footwear and knitted upper shoes** *HK$'000*	**Consolidated** *HK$'000*
Revenue			
Total segment revenue	**4,295,437**	**191,825**	**4,487,262**
Inter-segment revenue	**–**	**(6,554)**	**(6,554)**
Revenue from external customers	**4,295,437**	**185,271**	**4,480,708**
Results			
Segment profit	**656,833**	**33,293**	**690,126**
Other income			**14,714**
Other gains, net			**29,018**
Selling and distribution expenses			**(46,049)**
General and administrative expenses			**(392,347)**
Impairment loss on intangible assets			**(55,096)**
Net impairment losses on financial assets			**(3,996)**
Share of post-tax profit of a joint venture			**825**
Finance income			**5,728**
Finance expenses			**(68,572)**
Profit before income tax			**174,351**
Income tax expenses			**(22,817)**
Profit for the year			**151,534**

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			
Total segment revenue	4,164,337	199,446	4,363,783
Inter-segment revenue	–	(4,733)	(4,733)
Revenue from external customers	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)

Segment results represent profit earned by each segment without allocating other income, other gains, selling and distribution expenses, general and administrative expenses, impairment loss on intangible assets, net impairment losses on financial assets, share of post-tax profit/(loss) of a joint venture, 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

	2020 ***HK$'000***	2019 *HK$'000*
Japan	**1,492,617**	1,660,551
North America	**674,888**	717,917
Europe	**731,157**	714,304
Mainland China	**1,050,383**	694,038
Other countries	**531,663**	572,240
	4,480,708	4,359,050

(b) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**58,706**	59,648
Mainland China	**772,344**	799,208
Vietnam	**1,672,090**	1,433,299
Myanmar	**105,822**	20,066
	2,608,962	2,312,221

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

(c) Major customers

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

	2020	2019
	HK$'000	*HK$'000*
Customer A	**2,487,093**	2,729,404

The five largest customers accounted for approximately 73.7% (2019: 79.2%) of revenue for the year ended 31 March 2020.

(d) Disaggregation of revenue from contracts with customers

For the years ended 31 March 2020 and 2019, 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:

	2020	2019
	HK$'000	*HK$'000*
Contract liabilities — receipts in advance	**9,642**	4,814

Contract liabilities for sales of goods contracts have increased by HK$4,828,000 (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**3,654**	1,826

4. OTHER GAINS, NET

	2020	2019
	HK$'000	*HK$'000*
Net foreign exchange gains	**23,501**	8,904
Net gains on financial assets at fair value through profit or loss	**5,859**	5,467
Net gains on disposals of property, plant and equipment	**375**	600
Net realised and unrealised losses from derivative financial instruments	**(717)**	(4,346)
	29,018	10,625

5. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and net impairment losses on financial assets are analysed as follows:

	2020	2019
	HK$'000	*HK$'000*
Advertising and promotion expenses	**7,723**	4,436
Amortisation of land use rights	**–**	1,086
Auditor's remuneration		
— audit services	**2,849**	2,770
— non-audit services	**651**	630
Depreciation		
— owned property, plant and equipment	**141,005**	91,997
— property, plant and equipment held under finance leases	**–**	94,257
— right-of-use assets	**78,965**	–
Depreciation of investment properties	**96**	134
Amortisation of technical knowhow *(Note 10)*	**9,651**	13,664
Employment benefit expenses (including directors' emoluments)	**915,267**	919,885
Raw materials and consumables used	**2,130,835**	2,317,646
Changes in inventories of finished goods and work in progress	**190,167**	(194,056)
Provision for impairment of inventories	**30,796**	6,836
Provision for impairment of property, plant and equipment	**25,197**	–
Provision for impairment of trade receivables	**1,737**	–
Provision for impairment of prepayments, deposits and other receivables	**7,094**	–
Subcontracting charges	**297,870**	431,247
Agency and commission expenses	**3,493**	4,633
Transportation charges	**35,160**	36,286
Sample charges	**22,365**	23,809
Donations	**1,394**	1,953
Expense relating to short-term leases	**501**	–
Operating lease rental in respect of land and buildings	**–**	6,145
Utilities expenses	**99,661**	91,009
Others	**230,497**	239,952
Total cost of sales, selling and distribution expenses, general and administration expenses and net impairment losses on financial assets	**4,232,974**	4,094,319

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

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

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

6. FINANCE EXPENSES, NET

	2020	2019
	HK$'000	*HK$'000*
Finance income		
Interest income from:		
— Bank deposits	**5,728**	4,205
Finance expenses		
Interest expenses on:		
— Bank borrowings	**(60,132)**	(40,937)
— Finance lease obligations	**–**	(7,926)
— Lease liabilities	**(8,440)**	–
	(68,572)	(48,863)
Finance expenses, net	**(62,844)**	(44,658)

7. INCOME TAX EXPENSES

For the year ended 31 March 2020, Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 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% (2019: 25%) on estimated assessable profits. However, three of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are 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 50% reduction in the BIT rate, whereas, the other two subsidiaries have no assessable profit for the year, and hence no BIT is provided.

	2020	2019
	HK$'000	*HK$'000*
Hong Kong profits tax	**1,150**	421
China corporate income tax	**29,435**	30,695
Vietnam business income tax	**1,084**	–
Deferred taxation	**(8,852)**	(5,691)
	22,817	25,425

8. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share for the years ended 31 March 2020 and 2019 are calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit/(loss) attributable to the owners of the Company *(HK$'000)*	**157,045**	(298,511)
Weighted average number of ordinary shares in issue *('000)*	**2,279,392**	2,279,392
Basic earnings/(loss) per share *(HK cents)*	**6.89**	(13.10)

(b) Diluted

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

Diluted earnings/(loss) per share for the years ended 31 March 2020 and 2019 equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

9. DIVIDENDS

At the board meeting held on 26 November 2018, the Board 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 Board did not recommend the payment of final dividend for the year ended 31 March 2019.

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

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

10. INTANGIBLE ASSETS

	Goodwill *HK$'000*	Technical knowhow *HK$'000*	Total *HK$'000*
At 1 April 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)
Accumulated impairment loss	(493,910)	(27,667)	(521,577)
Net book amount	–	64,747	64,747
Year ended 31 March 2020			
Opening net book amount	**–**	**64,747**	**64,747**
Amortisation charge *(Note 5)*	**–**	**(9,651)**	**(9,651)**
Impairment loss	**–**	**(55,096)**	**(55,096)**
Closing net book amount	**–**	**–**	**–**
At 31 March 2020			
Cost	**493,910**	**110,208**	**604,118**
Accumulated amortisation	**–**	**(27,445)**	**(27,445)**
Accumulated impairment loss	**(493,910)**	**(82,763)**	**(576,673)**
Net book amount	**–**	**–**	**–**

For the year ended 31 March 2020, amortisation of HK$9,651,000 (2019: HK$13,664,000) has been charged to "general and administrative expenses" in the consolidated income statement.

Impairment test of intangible assets

Goodwill and technical knowhow were acquired through the acquisition of V. Success Limited ("V. Success") and its subsidiaries ("V. Success Group") and have been allocated to the cash-generating unit (the "CGU") for impairment testing. The recoverable amount of the CGU is determined based on a value-in-use calculation which uses the cash flow projection based on the financial budgets of V. Success Group covering a five-year period, and a pre-tax discount rate of 15.8% (2019: 15.4%) per annum.

The financial model assumes a decline of 51.6% in revenue for the financial year ending 31 March 2021 and annual growth of 5.5% in the following four years (2019: an average growth rate of 8.4% for five-year period budgets). The terminal growth rate is assumed to be 3.0% (2019: 3.0%) per annum beyond the five-year period, taking into account long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors of the Company (the "Directors") assessed the recoverable amount of the CGU with reference to the valuation performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer. As at 31 March 2020, the recoverable amount of the CGU, which was determined based on the value-in-use calculations, was lower than the carrying amount of the CGU and resulting in a provision for impairment of technical knowhow of HK$55,096,000 for the year ended 31 March 2020 (2019: provisions for impairment of goodwill and technical knowhow of HK$493,910,000 and HK$27,667,000 respectively).

11. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**165,714**	141,188
Less: Provision for impairment of trade receivables	**(1,737)**	–
	163,977	141,188

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

	2020	2019
	HK$'000	*HK$'000*
US$	**81,919**	69,966
RMB	**82,058**	71,222
	163,977	141,188

The credit periods granted by the Group to its customers generally ranging from 0 to 60 days. As at 31 March 2020 and 2019, the ageing analysis of the trade receivables based on the invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Up to three months	**143,478**	132,969
Three to six months	**13,082**	6,398
Over six months	**9,154**	1,821
	165,714	141,188

The Group applies HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in loss allowance of HK$1,737,000 for the trade receivables as at 31 March 2020 (31 March 2019: Nil).

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

12. TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	2020	2019
	HK$'000	*HK$'000*
US$	**191,381**	146,278
HK$	**20,913**	31,172
RMB	**178,104**	135,185
Others	**18**	–
	390,416	312,635

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

Note: As at 31 March 2020, trade and bills payables includes trade payables to related companies of approximately HK$134,688,000 (2019: HK$74,945,000).

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

	2020	2019
	HK$'000	*HK$'000*
Within one month	**211,392**	191,442
One to two months	**77,134**	111,970
Two to three months	**8,640**	7,193
Over three months	**93,250**	2,030
	390,416	312,635

13. BANK BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Current		
Short-term bank borrowings, unsecured	**26,215**	632,938
Portion of long-term bank borrowings, secured, due for repayment within one year	**1,033**	4,376
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**3,183**	–
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**341,188**	220,911
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	**–**	4,166
	371,619	862,391
Non-current		
Bank borrowings, unsecured	**1,136,100**	648,122
Total bank borrowings	**1,507,719**	1,510,513

The weighted average effective interest rate as at 31 March 2020 is 2.94% (2019: 2.67%).

The bank borrowings are due for repayment as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**368,436**	858,225
Between one and two years	**874,166**	246,188
Between two and five years	**265,117**	406,100
	1,507,719	1,510,513

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

As at 31 March 2020, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK$6,100,000 (2019: HK$73,376,000).

14. LEASE LIABILITIES/FINANCE LEASE OBLIGATIONS

	2020	2019
	HK$'000	*HK$'000*
Current		
Lease liabilities/finance lease obligations due for repayment within one year	**197,915**	143,413
Non-current		
Lease liabilities/finance lease obligations due for repayment after one year:		
Between one and two years	**186,211**	153,411
Between two and five years	**102,502**	123,334
	288,713	276,745
Total lease liabilities/finance lease obligations	**486,628**	420,158

The weighted average effective interest rate as at 31 March 2020 is 1.79% (2019: 1.68%).

As at 1 April 2019, finance lease obligations were reclassified to lease liabilities in the process of adopting the new leasing standard. Please refer to Note 2.2 for further information about the change in accounting policy for leases.

The lease liabilities/finance lease obligations are due for repayment as follows:

	2020	2019
	HK$'000	*HK$'000*
Gross lease liabilities/finance lease obligations — minimum lease payments:		
Within one year	**205,144**	149,470
Between one and two years	**190,126**	157,154
Between two and five years	**104,208**	124,708
	499,478	431,332
Future finance charges on leases	**(12,850)**	(11,174)
Present value of lease liabilities/finance lease obligations	**486,628**	420,158

As at 31 March 2020, the carrying amounts of lease liabilities are denominated in US$, RMB, HK$ and VND (2019: finance lease obligations are denominated in US$).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The ongoing amplifying and complex trade relations between China and the United States continued to impede the growth of economy as well as trade scale of both nations. The knitwear industry in China recorded a sales decline during the year ended 31 March 2020 ("Financial Year 2020"). 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 dropped by 4.5% to US$86.8 billion. The total export value of knitwear from China to Europe, the United States and Japan declined by 23.0%, 10.0% and 9.2% respectively, while Vietnam recorded a slower growth of 5.0% in exports of textiles and garments as compared to the year ended 31 March 2019 ("Financial Year 2019"). The decline in China's exports and the slower growth of Vietnam's exports were partially attributable to the impact brought by the outbreak of novel coronavirus (COVID-19) during the latter part of the Financial Year 2020.

According to the government measures for COVID-19 pandemic in China and Vietnam, where our production bases are located, the outbreak has led to quarantine of factory staff who returned from their hometowns after the Lunar New Year. The pandemic has also caused delay in certain order shipments, and temporary disruptions to the supply chain. Utilising the advantage of having two production bases, we strategically shifted some orders to be produced in Vietnam when our production base in China was temporarily short of staff, and we were also in proximate contact with all suppliers to ensure stable supply of raw materials once available, in order to push our delay in shipments to a minimum. The sales volume of the Financial Year 2020 was 34.9 million pieces of knitted sweaters, largely in line with our original expectation.

Besides, our management team has been at the forefront, leading by example, to take the Group forward during this difficult time. We facilitated work-from-home arrangements for non-production staff, we immediately sourced and provided preventive masks and disinfectant sanitisers to all our staff. We put in our best effort in fending the effect from the outbreak, to strike a balance in the best interests of our staff, customers, suppliers and other stakeholders.

Despite the tremendous effort placed into safeguarding the Group's interests, the later global spread of COVID-19 has swiftly curbed global consumption, and rippled quickly to order demand interruption. We promptly examined the Group's business risk exposure to make decisions correspondingly and one of the strategic decisions we made was to restructure the business of knitted upper for footwear and knitted upper shoes. Although this caused short-term negative effect to the Group's financial results, we believe this restructuring will be conducive to bringing better returns to our shareholders when the global situation normalises.

BUSINESS REVIEW

During the Financial Year 2020, the Group saw a slight lift of average selling price for the knitted sweater business mainly contributed by changes in product mix, as well as the Group's attempt to uphold prices as a quality supplier. Despite overall lower sales volume of knitted sweaters, the demand for our WholeGarment products continued to increase. The Group's revenue grew slightly by 2.8% to HK$4,480.7 million due to an increase in the sales of other products in the knitwear products segment.

We worked meticulously to better allocate our resources and thus we saw a notable decrease in the total direct labour costs and subcontracting charges. However, with lower overall sales volume in knitted sweaters and the addition of cashmere yarn upstream business that has a lower gross profit margin, we managed to achieve growth in our gross profit by 2.6% to HK$690.1 million as compared to the Financial Year 2019, and maintain our gross profit margin at 15.4%. The Group will continue to place high priority in the effort to achieve better overall business efficiency.

Vietnam officially commenced implementing the Comprehensive Progressive Trans-Pacific Partnership, and the recent ratification of EU-Vietnam Free Trade Agreement places Vietnam in a position to grasp further growth arising from the favourable export policies. The Group was amongst the first manufacturers to set up a production base in Vietnam, providing customers with flexibility in their production deployment. In line with the Group's capacity allocation plan in response to customers' procurement preferences, we continued to make headway to optimise the utilisation rate at our Vietnam production base during the Financial Year 2020.

China's manufacturing positioning, on the other hand, will evolve into manufacturing orders with more elements of customisation, craftsmanship, and quick production lead time. Our gratification in spearheading industry development in areas of sustainability, developing products with enhanced functionality, and virtual solutions on raising efficiency in sampling procedures have all been well-received by our customers. These efforts together with the new cashmere yarn business enabled us to grow more in-depth in the partnership with domestic customers in China. The Group's revenue attributable to the Chinese market, hence, increased by 51.3% during the Financial Year 2020 as compared to the Financial Year 2019.

The Group placed strenuous effort in managing its overall expenses in light of the addition of the cashmere yarn business in the Financial Year 2020. If excluding the impairment losses on intangible assets, the restructuring costs and expenses associated with the business of knitted upper for footwear and knitted upper shoes and realised and unrealised losses from derivative financial instruments in both financial years, the Group's adjusted net profit increased by 7.3% from HK$227.4 million to HK$244.0 million, and adjusted net profit margin improved slightly to 5.4%.

FUTURE STRATEGIES AND PROSPECTS

The outbreak of COVID-19 increases the necessity of close-knit servicing to customers more than ever. The effects of the outbreak have caused tremendous disruption along the whole value chain. By satisfying customers' needs after cautiously examining potential business risks involved, it is now an imperative time to grow critical partnership that can extend into far-reaching business relationships.

The Group's development of the Myanmar production base is in progress as scheduled and it is expected to commence trial production by the end of the next financial year. We believe the intensified trade tensions will provide tailwind for customers to shift their orders to manufacturers with presence in Southeast Asian regions other than Vietnam.

Meanwhile, the export value of textile and garments after the outbreak of the COVID-19 saw an increase from China in April and May 2020, signaling the previous delay in market was on track for recovery. However, the export value of Vietnam recorded a steep decline, which partially displayed the shortcomings of supply chain sufficiency in Vietnam. It will give rise to the increased demand for the domestic supply of raw materials in Vietnam — our devoted resources in developing the business of weaving, printing and dyeing of fabric is expected to commence trial production in coming months. We have every confidence that, our entrance into the market to provide quality upstream products, will easily gain traction for the business to bear fruit for the Group in the years to come.

The year ahead poses crucial challenges for the garment manufacturing industry. Apart from facing external factors such as certain shipment delays requested by customers and order cancellation on softer overall demand, making constructive internal arrangements to production allocation, quickly imposing cost control measures and exercising careful control over financial resources are all of great importance to withstand the headwinds. The Group's consistent prudency in maintaining healthy cash flows, as well as the quality and diversity of our customer mix will help us weather through the storm, and puts us in a better position when market recovers.

As a pioneer in the industry, while expanding into more diversified businesses and establishing a foothold in the vertical industry chain, the Group carefully attends to its product design and material development ability and will continue to enhance its production technique and production efficiency to boost the overall profitability and strive for better returns to shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2020 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as childrenswear, scarfs, hats, gloves and cashmere yarns, to our customers. As a result of the acquisition of V. Success Group in December 2017, the Group's revenue for the years ended 31 March 2020 and 2019 also included the revenue generated from sales of knitted upper for footwear and knitted upper shoes of HK$185.3 million and HK$194.7 million respectively.

The Group's revenue from sales of knitwear products slightly increased by 3.1% to HK$4,295.4 million for the year ended 31 March 2020 from HK$4,164.3 million for the year ended 31 March 2019. The increase was mainly attributable to the increase in sales revenue of other knitwear products, which was partially offset by the decrease in sales revenue of men's and women's knitwear products.

The slight decrease in the total sales revenue of men's and women's knitwear products was mainly due to the decrease in sales volume, which was partially offset by the increase in average selling price. The Group's sales volume of men's and women's knitwear products decreased by 6.3% from 36.8 million pieces for the year ended 31 March 2019 to 34.5 million pieces for the year ended 31 March 2020, while the average selling price of the Group's men's and women's knitwear products increased by 2.9% from HK$110.9 per piece for the year ended 31 March 2019 to HK$114.1 per piece for the year ended 31 March 2020.

With the expansion of the Group's business scope and customer base, the Group's top three markets for the year ended 31 March 2020 were Japan, Mainland China and Europe. The revenue attributable to the Japanese market, Chinese market and European market accounted for 33.3%, 23.4% and 16.3% respectively of the Group's total revenue for the year ended 31 March 2020.

Cost of Sales

For the year ended 31 March 2020, the Group incurred cost of sales of HK$3,790.6 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the year ended 31 March 2020, the Group recorded a slight increase in gross profit of HK$17.7 million to HK$690.1 million and its gross profit margin was maintained at 15.4% as compared to the gross profit of HK$672.4 million and gross profit margin of 15.4% for the year ended 31 March 2019.

The stable gross profit margin for the year ended 31 March 2020 was mainly contributed by the decrease in total direct labour costs and subcontracting charges as we have been streamlining the production process to increase the overall production efficiency in our knitwear products segment, such benefit was partially offset by the lower gross profit margin of other knitwear products.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidies and miscellaneous other income. The other income of the Group decreased by HK$1.6 million from HK$16.3 million for the year ended 31 March 2019 to HK$14.7 million for the year ended 31 March 2020. Such decrease was mainly due to the decrease in government subsidies, which was partially offset by the increase in miscellaneous other income.

Other Gains, Net

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

Other gains increased by HK$18.4 million from HK$10.6 million for the year ended 31 March 2019 to HK$29.0 million for the year ended 31 March 2020. The increase is primarily due to the increase in net foreign exchange gains from HK$8.9 million for the year ended 31 March 2019 to HK$23.5 million for the year ended 31 March 2020.

In summary, other gains for the year ended 31 March 2020 mainly represented net foreign exchange gains of HK$23.5 million and net gains on financial assets at fair value through profit or loss of HK$5.9 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 increased by HK$1.4 million, from HK$44.6 million for the year ended 31 March 2019 to HK$46.0 million for the year ended 31 March 2020. Such increase was mainly due to the increase in advertising and promotion expenses.

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$29.2 million from HK$363.1 million for the year ended 31 March 2019 to HK$392.3 million for the year ended 31 March 2020. Such increase was mainly due to the expansion of the Group's other knitwear products business and the impairment loss on property, plant and equipment of HK$25.2 million, which was mainly associated with the restructuring of V. Success Group's knitted uppers for footwear and knitted upper shoes business.

Impairment Loss on Intangible Assets

For the year ended 31 March 2020, the impairment loss on intangible assets represented impairment provision of HK$55.1 million for the technical knowhow of V. Success Group, while the amount for the year ended 31 March 2019 represented impairment provisions of HK$493.9 million and HK$27.7 million for the goodwill and technical knowhow of V. Success Group respectively. The impairment provision took into account many factors, including but not limited to the global economic uncertainties on a macro level given the COVID-19 pandemic and trade tensions between the United States of America and Mainland China, fast-changing market environment and intense competition faced by V. Success Group in relation to its knitted uppers for footwear and knitted upper shoes business, as explained in more details below.

Events and circumstances leading to the recognition of the impairment loss for the years ended 31 March 2020 and 2019

During the year ended 31 March 2019, it had come to the Board's attention that due to the fierce competition in knitted upper for footwear and knitted upper shoes industry, the average selling price and gross profit margin of such products were under continuous downward pressure, and the sales volume to certain major customers of V. Success Group for knitted uppers for footwear and knitted upper shoes was on continuous decline. Sales to new customers could not offset the decline in overall revenue of the knitted uppers for footwear and knitted upper shoes. In response to the decline in selling price and order volume, in late November 2018, the Board revised the sales and profit forecast for knitted uppers for footwear and knitted upper shoes business downwards for the full financial year ending 31 March 2019. V. Success Group had intensified its outreach to new customers (including famous domestic sports brands in China and international clothing brands), aiming to boost the sales, revenue and profits for the business of knitted uppers for footwear and knitted upper shoes. As part of its efforts, V. Success Group also explored opportunities to produce knitted upper shoes for one of the Group's major customers for knitted uppers for footwear. Despite its efforts to boost sales, the declining trends in average selling price and orders from major customers continued in the fourth quarter of the year ended 31 March 2019. Based on the discernible declining trends as described above, the Board came to a view by late March 2019 that the historically higher profitability in this industry had attracted so many entrants that it was not likely that there would be a recovery in average selling prices or sales volumes by V. Success Group in the reasonably foreseeable future. Prospects were further compounded by macroeconomic events such as the intensification of trade war which the Board believed may also have dampened short term demand.

These and other related commercial factors were the principal bases for the Board's re-evaluation of the prospects of the knitted uppers for footwear and knitted upper shoes business. The Board therefore decided that it would be prudent to make further reductions to the revenue and profits forecast for the knitted uppers for footwear and knitted upper shoes business for the financial years after the year ended 31 March 2019.

The Company engaged an independent professional valuer, Vincorn Consulting and Appraisal Limited (the "Vincorn" or "Valuer"), to assess the value in use of V. Success Group in relation to its business in knitted uppers for footwear and knitted upper shoes as at 31 March 2019. The Valuer is based in Hong Kong and has a track record of advising Hong Kong listed companies on valuations of business. As the recoverable amount of the cash generating unit in relation to V. Success Group, which was assessed with reference to the valuation performed by the Valuer, was lower than the carrying amount of the cash generating unit and resulting in a provision for impairment of intangible assets of HK$521.6 million for the year ended 31 March 2019.

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

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

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

Valuation methodology, value of inputs and basis and assumptions

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

	Valuation as at 31 March 2020	Valuation as at 31 March 2019
Valuation Date	**31 March 2020**	31 March 2019
Valuation Methodology	**Income Approach**	Income Approach
Basis of Valuation	**Value in use calculation***	Value in use calculation*
Pre-tax Discount Rate	**15.76%**	15.40%
Risk-free Rate (10-yr)	**2.59%**	3.07%
Beta Coefficient	**0.64**	0.54
Market Risk Premium	**5.89%**	5.89%
Company Specific Risk Premium	**5.00%**	4.00%
Small Company Risk Premium	**3.39%**	3.67%
Net Present Value of Value in Use (HK$'000)	**172,502**	339,028
Adjustments:		
Net Non-operating Assets (HK$'000)	**(2,992)**	(2,458)
Debts (HK$'000)	**(221,607)**	(286,223)
Excess Cash (HK$'000)	**13,432**	29,930
Final Result of Value in Use (HK$'000)	**(38,665)**	80,277

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

Sale Revenue (HK$'000) & Growth Rate

Year 1	91,872 (-51.6%)	211,608 (6%)
Year 2	96,925 (5.5%)	234,885 (11%)
Year 3	102,256 (5.5%)	260,723 (11%)
Year 4	107,880 (5.5%)	289,402 (11%)
Year 5	113,814 (5.5%)	298,084 (3%)

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

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

(1) an estimate of the future cash flows the entity expects to derive from the asset;

(2) expectations about possible variations in the amount or timing of those future cash flows;

(3) the time value of money, represented by the current market risk-free rate of interest;

(4) the price for bearing the uncertainty inherent in the asset; and

(5) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

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

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

Net Impairment Losses on Financial Assets

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

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

Finance Expenses, Net

Net finance expenses mainly consisted of interest expenses on bank borrowings and lease liabilities/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$18.1 million from HK$44.7 million for the year ended 31 March 2019 to HK$62.8 million for the year ended 31 March 2020. 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 2020.

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 2020 and 2019 on the estimated assessable profits arising in or derived from Hong Kong during the relevant years.

The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax (the "CIT") at a rate of 25% on the estimated assessable profits for the years ended 31 March 2020 and 2019. However, three of the Group's subsidiaries in Mainland China are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

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

The Group's effective tax rates based on the adjusted net profit were 9.3% and 11.2% for the years ended 31 March 2020 and 2019 respectively.

Profit/(loss) for the Year Attributable to Owners of the Company

As a result of the foregoing, the Group recorded profit attributable to the owners of the Company of HK$157.0 million and loss attributable to the owners of the Company of HK$298.5 million for the years ended 31 March 2020 and 2019 respectively.

The principal reason of the result for the year ended 31 March 2020 to turn from loss to profit was due to the impairment loss on the intangible assets relating to V. Success Group of HK$521.6 million being recorded in the year ended 31 March 2019. For the year ended 31 March 2020, the Group has implemented various additional measures to restructure the business of V. Success Group and the costs and expenses directly or indirectly related to the restructuring, including the impairment charges to the relevant assets, is only HK$86.3 million, which is substantially less than the impairment loss on intangible assets of HK$521.6 million for the year ended 31 March 2019.

Adjusted Net Profit

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

Based on the formula above, the Group's adjusted net profit increased by HK$16.6 million from HK$227.4 million for the year ended 31 March 2019 to HK$244.0 million for the year ended 31 March 2020. The adjusted net profit margin increased from 5.2% for the year ended 31 March 2019 to 5.4% for the year ended 31 March 2020.

Consolidated Cash Flow

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 March 2020 was HK$876.3 million, primarily due to profit before income tax of HK$174.4 million, adjusted for income tax paid of HK$15.8 million, impairment losses on intangible assets and property, plant and equipment of HK$55.1 million and HK$25.2 million respectively, depreciation of HK$220.1 million, decrease in inventories of HK$272.8 million and increase in trade and bills payables of HK$78.9 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 March 2020 was HK$308.5 million, primarily due to the purchase of property, plant and equipment of HK$307.9 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the year ended 31 March 2020 was HK$265.0 million, which was attributable to the net decrease in the Group's total bank borrowings and lease liabilities/finance lease obligations of HK$194.5 million and the dividend payments of HK$98.0 million, which was partially offset by the capital contribution from non-controlling interests of HK$27.5 million.

Cash and Cash Equivalents

For the year ended 31 March 2020, the Group's cash and cash equivalents increased by HK$302.8 million and the exchange loss was HK$4.5 million. The net increase in the Group's cash and cash equivalents was from HK$414.8 million as at 31 March 2019 to HK$713.1 million as at 31 March 2020.

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Liquidity and Financial Resources

For the year ended 31 March 2020, the Group's cash and cash equivalents was mainly used in the Group's business operations and expansion, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and bank borrowings. The Group's gearing ratio decreased from 42.6% as at 31 March 2019 to 37.9% as at 31 March 2020. Such decrease was mainly due to the fact that the Group has tried to maintain a higher cash level amid the COVID-19 pandemic and market uncertainties.

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

As at 31 March 2020, the Group's cash and cash equivalents, amounting to HK$713.1 million, were denominated in US dollars ("US$") (56.9%), HK$ (19.4%), Chinese Renminbi ("RMB") (22.1%), Vietnamese Dong ("VND") (1.1%) and other currencies (0.5%).

As at 31 March 2020, the Group's total bank borrowings and lease liabilities/finance lease obligations were due for repayment as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**566,351**	1,001,638
Between one and two years	**1,060,377**	399,599
Between two and five years	**367,619**	529,434
	1,994,347	1,930,671

Notes:

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

(b) As at 31 March 2020, the Group's total bank borrowings and lease liabilities were denominated in HK$(75.0%), US$(23.9%) and RMB(1.1%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and lease liabilities for the year ended 31 March 2020 were 2.94% and 1.79% respectively.

(c) As at 31 March 2020, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK$6.1 million.

Capital Expenditures

The Group incurred capital expenditures of approximately HK$535.6 million for the year ended 31 March 2020, which were mainly related to the purchase of machinery and equipment for our factories and the construction of new production bases in Vietnam and Myanmar. These capital expenditures were fully financed by internal resources, bank borrowings and lease liabilities.

Capital Commitments

The Group's capital commitments as at 31 March 2020 amounted to approximately HK$80.1 million which were mainly related to the purchase of machinery and equipment for our factories and the construction of new production bases in Vietnam and Myanmar.

Charge on Assets

As at 31 March 2020, the Group's right-of-use assets with a total carrying amount of HK$14.1 million, land and buildings and leasehold improvements with a total carrying amount of HK$183.2 million and financial assets at fair value through profit or loss with a total carrying amount of HK$6.1 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 2020.

Significant Investments, Acquisitions and Disposals

The Group had no significant investments, acquisitions and disposals during the year ended 31 March 2020.

Financial Instruments

The Group did not have any outstanding hedging contracts or financial derivatives as at 31 March 2020.

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.

As at 31 March 2020, the Group did not have any outstanding hedging contracts or financial derivatives to hedge against foreign currency risk but the Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

(b) *Interest Rate Risk*

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk and bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the year ended 31 March 2020 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 2020, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong, Mainland China and Vietnam which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

(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 2020, the Group had a total of approximately 15,500 full-time employees in Mainland China, Vietnam and Hong Kong. For the year ended 31 March 2020, the total staff costs, including the directors' emoluments, amounted to HK$915.3 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, Mainland China and Vietnam. Other employee benefits include performance-related bonuses, insurance and medical coverage and share options.

Since human resources management is an important factor in maintaining and enhancing the Group's strong expertise in the manufacturing of knitwear products, 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, 18 August 2020 to Friday, 21 August 2020, 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, 17 August 2020.

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 2020 is set below as follows:

Items	**Approximate utilised amount up to 31 March 2020** *HK$(million)*
Construction of factory buildings and purchase of machinery for the second phase of our factory in Vietnam	378.1
Repayment of part of our bank loans	93.2
Enhancing design and product development capabilities	10.9
Enhancing existing enterprise resource planning system	15.3
General corporate purposes	54.7
Total	552.2

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

For the year ended 31 March 2020, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

Directors' and Relevant Employees' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2020.

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 2020.

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 2020.

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, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen. The principal duties of the audit committee include the review and supervision of the Group's financial reporting process and internal control system. An audit committee meeting was held on 19 June 2020 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 2020.

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 2020 as set out in the announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

Publication of the Audited Consolidated Annual Results and 2020 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 2020 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

26 June 2020

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 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.