



南旋控股有限公司 Nameson Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1982



2019
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Ting Chung, *BBS, JP (Chairman and Chief Executive Officer)*
Mr. Wong Wai Yue (*Vice Chairman*)
Mr. Wong Wai Wing, Raymond
Mr. Wong Ting Chun
Mr. Li Po Sing

Non-executive Directors

Mr. Tam Wai Hung, David
Mr. Wong Ting Kau

Independent 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
Mr. Ip Shu Kwan, Stephen, *GBS, JP*

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

Mr. Kan Chung Nin, Tony, *SBS, JP (Chairman)*
Mr. Wong Ting Chung, *BBS, JP*
Mr. Ong Chor Wei

Nomination Committee

Mr. Wong Ting Chung, *BBS, JP (Chairman)*
Mr. Wong Wai Yue
Mr. Kan Chung Nin, Tony, *SBS, JP*
Mr. Ong Chor Wei
Ms. Lee Bik Kee, Betty

Executive Committee

Mr. Wong Ting Chung, *BBS, JP (Chairman)*
Mr. Wong Wai Yue
Mr. Wong Wai Wing, Raymond
Mr. Wong Ting Chun
Mr. Li Po Sing

COMPANY SECRETARY

Mr. Tao Chi Keung, *HKICPA, ACCA*

AUTHORISED REPRESENTATIVES

Mr. Wong Wai Wing, Raymond
Mr. Tao Chi Keung, *HKICPA, ACCA* (With effect from 31 October 2018)
Ms. Chan Mei Hing, Aurora (Resigned on 31 October 2018)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

CORPORATE INFORMATION (CONTINUED)

AUDITOR

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

LEGAL ADVISER

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Mizuho Bank, Ltd.
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank Limited

STOCK CODE

1982

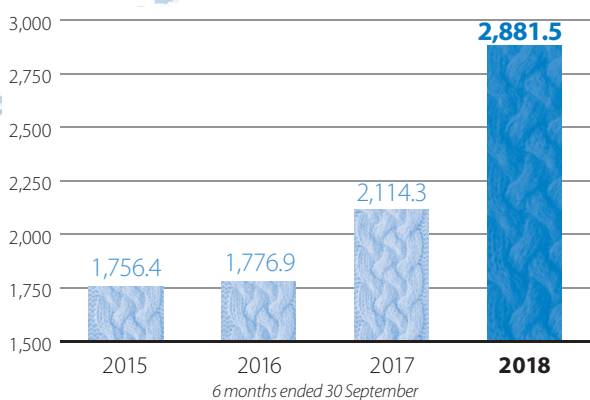
WEBSITE OF THE COMPANY

<http://www.namesonholdings.com>

FINANCIAL HIGHLIGHTS

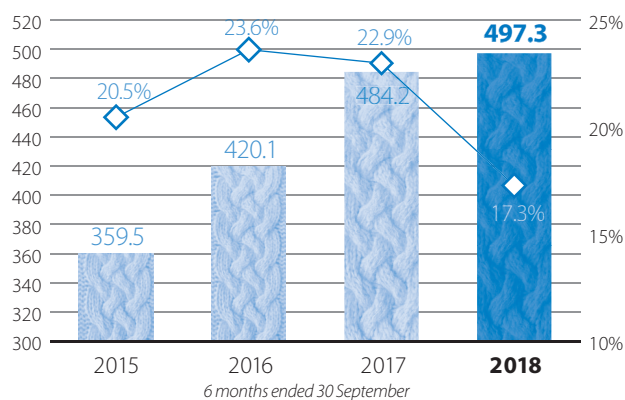
REVENUE

(HK\$'M)



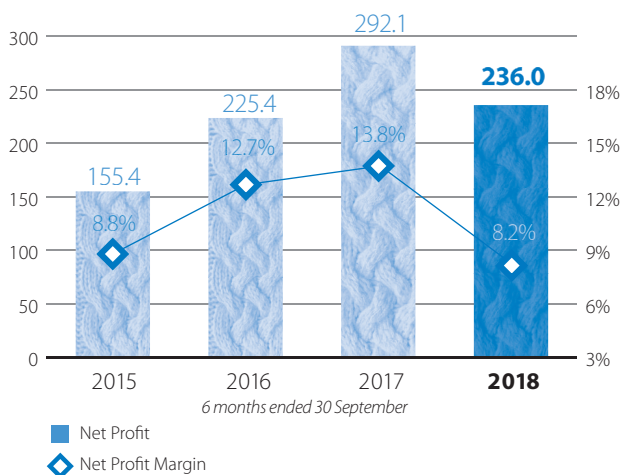
GROSS PROFIT

(HK\$'M)



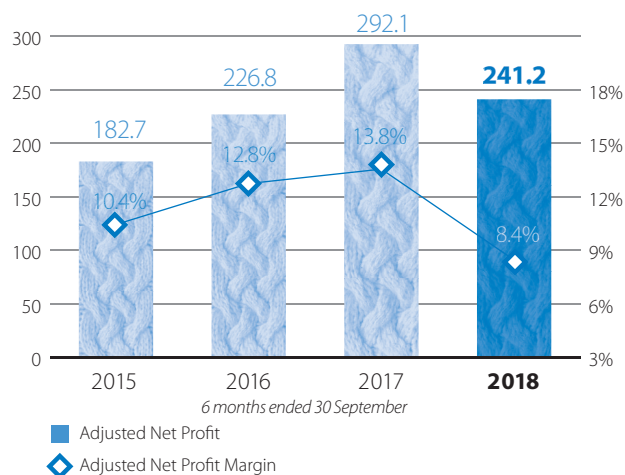
NET PROFIT

(HK\$'M)



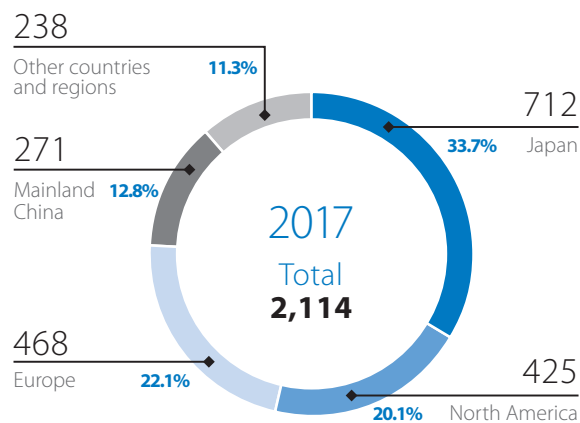
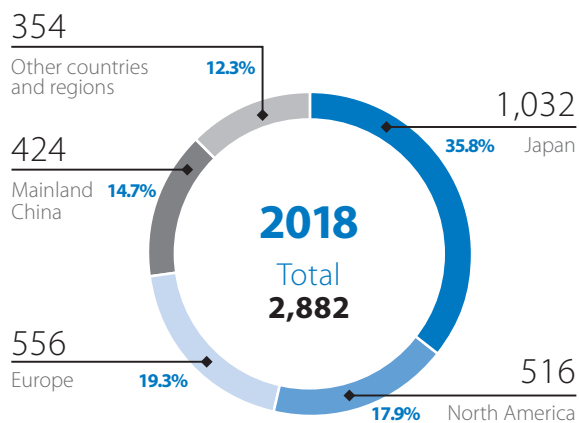
ADJUSTED NET PROFIT (Note)

(HK\$'M)



REVENUE BY GEOGRAPHICAL REGIONS

(HK\$'M)



Note: Adjusted net profit means net profit for the period without taking into account realised and unrealised (losses)/gains from derivative financial instruments.

CHAIRMAN'S STATEMENT

To Our Respected Shareholders,

On behalf of the board of directors (the "Board") of Nameson Holdings Limited (the "Company"), I am pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group" or "Nameson") for the six months ended 30 September 2018 ("First Half of Financial Year 2019").

MARKET REVIEW

The trade imbalance between China and the United States continues to be a burden impacting the overall consumption value chain and bringing uncertainties to the global economy. During the First Half of Financial Year 2019, raw material prices such as wool and cotton recorded notable increases, while the depreciation of the Renminbi, alleviated part of the cost surge, was offset by an increase in other overhead costs. Consequently, the Group's overall operating environment experienced pressure. As a longer term strategy, the Group has provided its customers with flexible production arrangements in view of the trade friction, to better align with potential changes in their procurement strategies. As a result, the utilisation of the Vietnam factory has increased more quickly than originally planned, and the benefit anticipated from production efficiency has yet to be released.

In spite of global economic uncertainties, the knitwear industry in China recorded sales growth during the period. 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 rose by 5.5% to US\$51.4 billion in the First Half of Financial Year 2019, against a drop of 0.9% in the same period last year. The rise in the total export value of knitwear from China to the United States, Japan and Europe were 11.1%, 6.0% and 4.5% respectively. Vietnam is the world's third largest garment exporter, with a total export value of textiles and garments in First Half of Financial Year 2019 surging by 17.7% to US\$16.1 billion when compared with the same period last year, whereas the export value of textiles and garments to Japan and the United States recorded an increase of 25.9% and 11.4% respectively. Despite the uncertain market environment, the Group's production bases in China and Vietnam have been able to offer customers production flexibility and consistently high quality products. Owing to an increase in orders from some customers for fall and winter products, the Group has recorded considerable sales growth during the period.

BUSINESS REVIEW

In the fast-moving fashion industry, there has been increased customer focus on product innovation and quick delivery time. As an industry-leading knitwear manufacturer, the Group has embraced the opportunity to spearhead the adoption of cutting-edge wholegarment knitting technology to manufacture ergonomically sound and stylish, seamless knitted garment products. Consequently, the Group has also benefited from the streamlined linking production processes, shortening of production cycles, reduction in labour cost and diversification of its product offerings. Leveraging its advanced equipment, combined with exquisite knitting techniques, innovative design ideas and strong production capacity, the Group continues to be well-positioned for capturing opportunities in the knitwear market. This has been substantiated by the securing of more orders amidst ongoing consolidation in the global manufacturing industry and unstable market conditions. Regarding the knitted upper for footwear business, the Group believes in its long-term development potential, though the industry has faced intense competition during the period. The Group's revenue has increased by 36.3% to HK\$2,881.5 million during the six months ended 30 September 2018 when compared with the same period last year. This was mainly due to higher sales volume as well as higher average selling price resulting from increased customer demand, enhanced customer penetration and changes in product mix. The revenue of the knitwear business attributable to the Japanese and Chinese markets grew considerably by 44.8% and 40.1% respectively, while that of the North American and European markets increased by 21.1% and 19.0% when compared with the same period last year.

In addition to the development of seamless knitwear products, the Group's cashmere products have also been well received by customers. In view of favorable demand for cashmere products, the Group has established a foothold in the upstream cashmere spinning business via a joint venture with a quality cashmere producer during the period. This will enable the Group to secure a stable supply of raw materials and enhance cost control. In the long run, the Group believes that vertical integration can achieve economies of scale and drive the Group's overall business development.

CHAIRMAN'S STATEMENT (CONTINUED)

During the period, the Group has managed to increase the average selling price of its cashmere products as a means of passing an increase in raw material costs. However, the change in product mix has led to a rise in the proportion of overall raw material costs, while the notable increase in the cost of other raw materials such as wool and cotton has also contributed to the Group's higher costs of sales. The depreciation of Renminbi, though helped in alleviating part of the cost surge, was offset by increase in other overhead costs. In addition, since utilisation of the Vietnam factory has increased quicker than expected, the Group has had to recruit more staff to meet production demand, which has impeded the progress in releasing its production efficiency. Hence, despite achieving respectable growth in revenue during the First Half of Financial Year 2019, the Group's gross profit has merely increased by 2.7% to HK\$497.3 million, while the gross profit margin has declined to 17.3%. Moreover, the ongoing interest rate hikes have resulted in a rise in the Group's finance expenses. The knitted upper for footwear business has recorded a loss in the face of fierce competition during the period. All of the aforementioned factors have led to a reduction in the Group's net profit by 19.2% to HK\$236.0 million. The Board has recommended the payment of an interim dividend of 3.6 HK cents per share to the Group's shareholders as a reward for their unwavering support.

FUTURE STRATEGIES AND PROSPECTS

The intensifying trade friction between China and the United States as well as the interest rate hikes in the United States led to uncertainty to the global economy. During the period, with increased orders from some customers for fall and winter products, the Group recorded considerable growth in revenue, though, as a consequence, required increased production from the Vietnam factory than planned. In order to strike a better balance, the Group will strive to improve production efficiency at its Vietnam factory to enhance overall operational efficiency. The Group has also in place plans for raising production capacity in Vietnam in response to growing customer demand. In addition, the Group will closely examine future market demand with the objective of seizing opportunities for expanding into other Southeast Asian countries. The Group will also cautiously review its cash flow and financing needs, and look for ways to reduce finance expenses amid the rising interest rates trend.

Rising labour costs in China, which is primarily driven by a shortage of labour, will lead to greater operational challenges in the future. In view of this, the Group has been a first mover in terms of investing in wholegarment knitting machines to streamline parts of the labour-intensive linking processes. The Group believes that this technology will also serve as one of its growth drivers, spearheading the production of well-received products while preparing for greater efficiency and better deployment of internal resources. As an industry leader, the Group will continue to direct resources towards enhancing product design and the development of functional materials, with the aim of effectively utilising wholegarment knitting machines to provide customers with better and more innovative product designs.

The establishment of the upstream cashmere spinning business will also enable the Group to further reinforce its leading position in the knitwear manufacturing industry. By securing raw materials supply and more efficiently controlling costs through vertical integration, coupled with strong production capacity and cutting-edge production technologies, the Group will do our best to capitalise on economies of scale, boost overall profitability and enhance returns to its shareholders.

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

Wong Ting Chung

Chairman and Chief Executive Officer

26 November 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Board”) of Nameson Holdings Limited (the “Company”) herewith announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2018. This interim financial report has been reviewed by the Company’s audit committee and the Company’s auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

	Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Revenue	2,881,477	2,114,317
Cost of sales	(2,384,197)	(1,630,089)
Gross profit	497,280	484,228
Other income	4,966	6,672
Other gains, net	6,106	20,908
Selling and distribution expenses	(28,402)	(24,536)
General and administrative expenses	(190,525)	(140,691)
Operating profit	289,425	346,581
Share of post-tax loss of a joint venture	(338)	–
Finance income	2,113	1,530
Finance expenses	(28,209)	(8,995)
Finance expenses, net	(26,096)	(7,465)
Profit before income tax	262,991	339,116
Income tax expenses	(27,010)	(47,002)
Profit for the period attributable to the owners of the Company	235,981	292,114
Add:		
Net realised losses from derivative financial instruments	5,283	–
Adjusted net profit	241,264	292,114

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2018 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 Limited and its subsidiaries ("V. Success Group") in the second half of last financial year, the revenue of V. Success Group generated from sales of knitted upper for footwear and knitted upper shoes amounting to HK\$100.9 million was consolidated into the Group's revenue for the six months ended 30 September 2018.

The Group's revenue significantly increased by 36.3% to HK\$2,881.5 million for the six months ended 30 September 2018 from HK\$2,114.3 million for the six months ended 30 September 2017. The increase was mainly attributable to the increase in average selling price and sales volume of the Group's knitwear products brought by increasing demand from our customers, enhanced customer penetration and changes in product mix.

The increase in the Group's revenue was in line with the increase in both the average selling price and total sales volume of the Group's knitwear products. The average selling price of the Group's knitwear products increased by 13.9% from HK\$103.6 per piece for the six months ended 30 September 2017 to HK\$118.0 per piece for the six months ended 30 September 2018, while the Group's sales volume increased by 15.7% from 20.4 million pieces of knitwear products for the six months ended 30 September 2017 to 23.6 million pieces of knitwear products for the six months ended 30 September 2018.

Consistent with the Group's geographical market distribution for the six months ended 30 September 2017, Japan, North America (mainly the United States of America) and Europe remained as our top three markets for the six months ended 30 September 2018. The revenue attributable to the Japan market, Europe market and North America market accounted for 35.8%, 19.3% and 17.9% respectively of the Group's total revenue for the six months ended 30 September 2018.

Cost of Sales

For the six months ended 30 September 2018, the Group incurred cost of sales of HK\$2,384.2 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation of property, plant and equipment, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the six months ended 30 September 2018, the Group recorded gross profit of HK\$497.3 million and gross profit margin of 17.3% as compared to the gross profit of HK\$484.2 million and gross profit margin of 22.9% for the six months ended 30 September 2017.

The decrease in gross profit margin for the six months ended 30 September 2018 was mainly due to (i) the increase in the cost of raw materials and overall manufacturing overheads in our knitwear products segment was higher than what we expected; and (ii) the revenue from our knitted upper for footwear and knitted upper shoes segment was lower than what we expected.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Income

Other income primarily consisted of rental income from investment properties, government subsidy and miscellaneous other income. The other income decreased by HK\$1.7 million from HK\$6.7 million for the six months ended 30 September 2017 to HK\$5.0 million for the six months ended 30 September 2018. Such decrease was mainly due to the decrease in rental income from investment properties.

Other Gains, Net

Other gains primarily consisted of 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\$14.8 million from HK\$20.9 million for the six months ended 30 September 2017 to HK\$6.1 million for the six months ended 30 September 2018. Such decrease was primarily due to (i) the settlement and unwinding of all of the Group's outstanding forward foreign currency contracts which resulted in net realised losses from derivative financial instruments of HK\$5.3 million for the six months ended 30 September 2018; and (ii) the decrease in net gains on disposal of property, plant and equipment from HK\$17.0 million for the six months ended 30 September 2017 to HK\$0.1 million for the six months ended 30 September 2018.

In summary, the other gains for the six months ended 30 September 2018 mainly represented net foreign exchange gains of HK\$9.1 million, which was partially offset by the net realised losses from derivative financial instruments of HK\$5.3 million.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of transportation costs 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 slightly by HK\$3.9 million, from HK\$24.5 million for the six months ended 30 September 2017 to HK\$28.4 million for the six months ended 30 September 2018. Such increase was largely in line with the increase in the Group's sales volume.

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\$49.8 million from HK\$140.7 million for the six months ended 30 September 2017 to HK\$190.5 million for the six months ended 30 September 2018. Such increase was mainly due to (i) the related expenses of V. Success Group was consolidated into the Group's general and administrative expenses for the six months ended 30 September 2018; and (ii) the increase in staff costs as a result of the expansion of our administrative team for knitwear products segment and the annual salary increment of administrative staff.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance Expenses, Net

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

The Group's net finance expenses increased by HK\$18.6 million from HK\$7.5 million for the six months ended 30 September 2017 to HK\$26.1 million for the six months ended 30 September 2018. The increase in net finance expenses was mainly due to the hike in market interest rates and the increase in borrowings to finance the expansion of business during the six months ended 30 September 2018.

Income Tax Expenses

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

Hong Kong profits tax as applicable to the Group is 16.5% for the six-month periods ended 30 September 2018 and 2017 on the estimated assessable profits arising in or derived from Hong Kong during the relevant periods.

The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax ("CIT") at a rate of 25% on the estimated assessable profits for the six-month periods ended 30 September 2018 and 2017. However, two of the Group's subsidiaries in the PRC are subject to the CIT at the rate of 15% for the 3 years ending 31 December 2018 and 2019 respectively, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current period is within the first 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 rates of the Group were 10.3% and 13.9% for the six-month periods ended 30 September 2018 and 2017 respectively.

Profit for the Period Attributable to the Owners of the Company

As a result of the foregoing, the Group recorded profit attributable to the owners of the Company of HK\$236.0 million and HK\$292.1 million for the six-month periods ended 30 September 2018 and 2017 respectively.

The decrease in net profit for the six months ended 30 September 2018 was primarily due to (i) the decrease in gross profit margin for the six months ended 30 September 2018 which was mainly caused by (a) the increase in cost of raw materials and overall manufacturing overheads in our knitwear products segment was higher than what we expected; and (b) the revenue from our knitted upper for footwear and knitted upper shoes segment was lower than what we expected; (ii) the increase in overall finance costs as a result of the hike in market interest rates and increase in borrowings to finance the expansion of business; and (iii) the decrease in gains on disposal of property, plant and equipment for the six months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Adjusted Net Profit

Adjusted net profit means net profit for the period without taking into account realised and unrealised (losses)/gains from derivative financial instruments.

Based on the above, the Group's adjusted net profit decreased by HK\$50.9 million from HK\$292.1 million for the six months ended 30 September 2017 to HK\$241.2 million for the six months ended 30 September 2018. The adjusted net profit margin decreased from 13.8% for the six months ended 30 September 2017 to 8.4% for the six months ended 30 September 2018.

Consolidated Cash Flow Statement

	Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Net cash generated from operating activities	183,727	178,774
Net cash used in investing activities	(127,509)	(28,365)
Net cash (used in)/generated from financing activities	(251,928)	225,815
Net (decrease)/increase in cash and cash equivalents	(195,710)	376,224
Cash and cash equivalents at beginning of the period	1,009,477	643,197
Net foreign exchange difference	(12,526)	2,897
Cash and cash equivalents at end of the period	801,241	1,022,318

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the six months ended 30 September 2018 was HK\$183.7 million, primarily due to profit before income tax of HK\$263.0 million, adjusted for depreciation of property, plant and equipment of HK\$92.1 million, decrease in inventories of HK\$208.8 million and increases in trade and bills payables of HK\$87.3 million and accruals and other payables of HK\$33.0 million, which was partially offset by the increases in trade receivables of HK\$387.0 million and prepayments, deposits, other receivables and other assets of HK\$125.3 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2018 was HK\$127.5 million, primarily used on the purchase of property, plant and equipment of HK\$129.7 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the six months ended 30 September 2018 was HK\$251.9 million, mainly arising from the net decrease in the Group's borrowings of HK\$238.2 million and the final dividend payment of HK\$13.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Cash and Cash Equivalents

For the six months ended 30 September 2018, the Group's cash and cash equivalents decreased by HK\$195.7 million and the exchange loss was HK\$12.6 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\$801.2 million as at 30 September 2018.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 September 2018, the Group's cash and cash equivalents was mainly used in the expansion of the Group's business operations, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and borrowings and proceeds from the Company's listing on the Stock Exchange. The Group's gearing ratio slightly increased from 29.6% as at 31 March 2018 to 30.1% as at 30 September 2018. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 30 September 2018, the Group's cash and cash equivalents, amounting to HK\$801.2 million, were denominated in US dollars ("US\$") (42.7%), HK\$ (30.7%), Chinese Renminbi ("RMB") (25.5%), Vietnamese Dong ("VND") (0.8%) and other currencies (0.3%).

As at 30 September 2018, the Group's total borrowings (i.e. bank borrowings and finance lease obligations) were due for repayment as follows:

	As at 30 September 2018 HK\$'000	As at 31 March 2018 HK\$'000
Within one year	1,130,015	1,177,180
Between one and two years	337,221	367,238
Between two and five years	433,032	493,873
	1,900,268	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 30 September 2018, the Group's borrowings were denominated in HK\$(73.7%), US\$(24.5%) and RMB(1.8%). 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 as at 30 September 2018 were 3.0% and 1.7% respectively.
- (c) As at 30 September 2018, the Group's certain bank borrowings were secured by financial assets at fair value through profit or loss with carrying amount of HK\$72.1 million; land use rights with carrying amount of HK\$15.2 million; and land and buildings and leasehold improvements with a total carrying amount of HK\$215.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK\$226.2 million for the six months ended 30 September 2018, which were mainly related to the purchase of machinery for our factories and the construction of a new production base in Vietnam. These capital expenditures were fully financed by internal resources and borrowings.

The Group's capital commitments as at 30 September 2018 amounted to approximately HK\$95.0 million which were mainly related to the purchase of machinery for our factories and the construction of a new production base in Vietnam.

Operating Lease Commitments

As at 30 September 2018, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately HK\$1.8 million, with approximately HK\$0.8 million due within one year and approximately HK\$1.0 million due later than one year and not later than five years.

Charge on Assets

As at 30 September 2018, the Group's land use rights with carrying amount of HK\$15.2 million, land and buildings and leasehold improvements with a total carrying amount of HK\$215.4 million and financial assets at fair value through profit or loss with carrying amount of HK\$72.1 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 30 September 2018.

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

The net proceeds from the listing of the Company amounted to approximately HK\$635.4 million. Such proceeds have been used according to the allocation set out in the Company's prospectus dated 30 March 2016. Use of net proceeds from the date of listing to 30 September 2018 is set out below as follows:

Items	Approximate utilised amount up to 30 September 2018 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	11.9
General corporate purposes	54.7
Total	548.8

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investments, Acquisitions and Disposals

The Group established a 55:45 joint venture with a third party to form a strategic alliance for the production of cashmere yarn with the joint venture partner. The Group has agreed to commit RMB55.0 million and provide shareholders loans in the amount of RMB99.0 million to the joint venture. Further information in relation to the formation of the joint venture is disclosed in the Company's announcement dated 24 July 2018.

Save as the aforesaid, the Group had no significant investments, acquisitions and disposals during the six months ended 30 September 2018.

Events after Balance Sheet Date

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

Financial Instruments

The Group did not have any outstanding hedging contracts or financial derivatives as at 30 September 2018.

Financial Risk Management

(a) Foreign Currency Risk

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

The Group entered into forward foreign currency contracts to mitigate its exposures of RMB against US\$. However, due to the depreciation of RMB against US\$ during the six months ended 30 September 2018, the Group decided to unwind all of its outstanding forward foreign currency contracts to crystallise its exposures. As at 30 September 2018, 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 foreign currency risk exposure of our Group and may use financial instruments for hedging purposes as and when necessary.

(b) Interest Rate Risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the six months ended 30 September 2018 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(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 30 September 2018, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong, the PRC and Vietnam which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

(d) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group utilises cash flow forecast and other relevant information to monitor its liquidity requirements and to ensure the Group has sufficient cash and cash equivalents and banking facilities to support its business and operational activities. The Group has not experienced and does not expect to experience any difficulties in meeting credit obligations when they fall due.

Human Resources and Emolument Policy

As at 30 September 2018, the Group had a total of approximately 16,000 full-time employees in the PRC, Vietnam and Hong Kong. For the six months ended 30 September 2018, the total staff costs, including the directors' emoluments, amounted to HK\$504.8 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.

Remuneration Policy

The Directors and senior management of the Group receive compensation in the form of salaries and discretionary bonuses related to the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Group or executing their functions in relation to the Group's operations. The remuneration committee will regularly review and determine the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of the Group.

OTHER INFORMATION

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of 3.6 HK cents per share for the six months ended 30 September 2018 (2017: 5.0 HK cents) to be paid to the shareholders of the Company whose names are recorded on the register of members of the Company at the close of business on Thursday, 13 December 2018. The interim dividend is expected to be payable on or about Friday, 28 December 2018.

The Company's register of members will be closed from Tuesday, 11 December 2018 to Thursday, 13 December 2018 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Monday, 10 December 2018.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. In the opinion of the Directors, save for the deviation from code provision A.2.1 which is explained below, the Company has complied with all the mandatory code provisions set out in the CG Code for the six months ended 30 September 2018.

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

OTHER INFORMATION (CONTINUED)

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

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

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the six months ended 30 September 2018.

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

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

AUDIT COMMITTEE

The audit committee consists of one non-executive Director, Mr. Tam Wai Hung, David, and four independent non-executive Directors, namely, Mr. Ong Chor Wei (chairman of the audit committee who possesses the appropriate professional qualification or accounting or related financial management expertise), Mr. Kan Chung Nin, Tony, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board. An audit committee meeting was held on 26 November 2018 to meet with external auditors of the Company and review the Company's interim financial report for the six months ended 30 September 2018.

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

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

OTHER INFORMATION (CONTINUED)

DISCLOSURE OF INTERESTS

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

Save as disclosed below, as at 30 September 2018, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the Ordinary Shares of the Company

Name of Directors	Nature of interests	Number of ordinary shares held or interested in	Approximate percentage of the issued share capital of the Company ⁽¹⁰⁾
Mr. Wong Ting Chung ⁽¹⁾⁽²⁾	Beneficiary of a trust	1,500,000,000	65.8%
	Beneficial owner	201,500,000	8.8%
Mr. Wong Wai Wing, Raymond ⁽³⁾⁽⁴⁾	Beneficiary of a trust	1,500,000,000	65.8%
	Beneficial owner	1,500,000	0.1%
Mr. Wong Ting Chun ⁽³⁾⁽⁴⁾	Beneficiary of a trust	1,500,000,000	65.8%
	Beneficial owner	1,500,000	0.1%
Mr. Li Po Sing ⁽⁵⁾	Beneficial owner	3,500,000	0.15%
Ms. Chan Mei Hing, Aurora ^{#(6)}	Beneficial owner	3,500,000	0.15%
Mr. Tam Wai Hung, David ⁽⁷⁾	Beneficial owner	2,500,000	0.1%
Mr. Wong Ting Kau ⁽³⁾	Beneficiary of a trust	1,500,000,000	65.8%
Ms. Fan Chiu Fun, Fanny ⁽⁸⁾	Beneficial owner	1,500,000	0.1%
Mr. Kan Chung Nin, Tony ⁽⁸⁾	Beneficial owner	1,500,000	0.1%
Mr. Ong Chor Wei ⁽⁸⁾	Beneficial owner	1,500,000	0.1%
Mr. Fan Chun Wah, Andrew ⁽⁸⁾	Beneficial owner	1,500,000	0.1%
Ms. Lee Bik Kee, Betty ⁽⁸⁾	Beneficial owner	1,500,000	0.1%
Mr. Ip Shu Kwan, Stephen ^{* (9)}	Beneficial owner	1,500,000	0.1%

— Resigned with effect from 31 October 2018

* — Appointed with effect from 16 April 2018

OTHER INFORMATION (CONTINUED)

- Note 1: Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust and therefore he is deemed to be interested in the shares held by the Happy Family Trust under the SFO.
- Note 2: Mr. Wong Ting Chung beneficially owned 200,000,000 shares which were issued by the Company on 15 December 2017 as consideration shares pursuant to the acquisition of V. Success Group and has a beneficial interest in the share options granted to him on 29 August 2016 under the Share Option Scheme (as defined below) and which, if exercised in full, would result in the issue of 1,500,000 shares to him.
- Note 3: Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust and therefore they are deemed to be interested in the shares held by the Happy Family Trust under the SFO.
- Note 4: Each of Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun, has a beneficial interest in the share options granted to him on 29 August 2016 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to each of them.
- Note 5: Mr. Li Po Sing has a beneficial interest in the share options granted to him on 29 August 2016 and 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 3,500,000 shares to him.
- Note 6: Ms. Chan Mei Hing, Aurora beneficially owned 500,000 shares and has a beneficial interest in the share options granted to her on 29 August 2016 and 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 3,000,000 shares to her.
- Note 7: Mr. Tam Wai Hung, David has a beneficial interest in options granted to him on 29 August 2016 and 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 2,500,000 shares to him.
- Note 8: Each of Ms. Fan Chiu Fun, Fanny, Mr. Kan Chung Nin, Tony, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew and Ms. Lee Bik Kee, Betty has a beneficial interest in options granted to him/her on 28 August 2017 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to him/her.
- Note 9: Mr. Ip Shu Kwan, Stephen has a beneficial interest in options granted to him on 20 April 2018 under the Share Option Scheme and which, if exercised in full, would result in the issue of 1,500,000 shares to him.
- Note 10: The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 30 September 2018.

Other than the Share Option Scheme (as defined below), at no time during the six months ended 30 September 2018 was the Company or any of its subsidiaries, holding companies, or any of the subsidiary undertakings (within the meaning of the Companies (Directors' Report) Regulation) of such holding companies a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, none of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

OTHER INFORMATION (CONTINUED)

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

Save as disclosed below, so far as known to the Directors and chief executive of the Company, as at 30 September 2018, the following persons or corporations (other than the Directors and chief executive of the Company) who had interest and/or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in the ordinary shares of the Company

Name of substantial shareholders	Nature of interests	Number of ordinary shares held or interested in	Approximate percentage of the issued share capital of the Company ⁽⁶⁾
Nameson Investments Limited ⁽¹⁾	Beneficial owner	1,500,000,000	65.8%
Happy Family Assets Limited ⁽¹⁾	Interest in a controlled corporation	1,500,000,000	65.8%
East Asia International Trustees Limited ⁽¹⁾	Trustee of a trust	1,500,000,000	65.8%
Ms. Wang Kam Chu ⁽²⁾	Interest of spouse	1,701,500,000	74.6%
Ms. Kwan Ying Tsi, Catherine ⁽³⁾	Interest of spouse	1,501,500,000	65.9%
Ms. Tsoi Suet Ngai ⁽⁴⁾	Interest of spouse	1,501,500,000	65.9%
Ms. Chan Ka Wai ⁽⁵⁾	Interest of spouse	1,500,000,000	65.8%

Notes:

- (1) Nameson Investments Limited is wholly owned by Happy Family Assets Limited, the holding vehicle incorporated in the British Virgin Islands used by East Asia International Trustees Limited, the trustee of the Happy Family Assets Limited which is a trust established by Mr. Wong Ting Chung as the settlor and the protector. Accordingly, each of Happy Family Assets Limited and Mr. Wong Ting Chung is deemed to be interested in the 1,500,000,000 shares held by Nameson Investments Limited under the SFO.
- (2) Ms. Wang Kam Chu is the spouse of Mr. Wong Ting Chung and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Chung under the SFO.
- (3) Ms. Kwan Ying Tsi, Catherine is the spouse of Mr. Wong Wai Wing, Raymond and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Wai Wing, Raymond under the SFO.
- (4) Ms. Tsoi Suet Ngai is the spouse of Mr. Wong Ting Chun and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Chun under the SFO.
- (5) Ms. Chan Ka Wai is the spouse of Mr. Wong Ting Kau and is therefore deemed to be interested in the shares held, directly or indirectly, by Mr. Wong Ting Kau under the SFO.
- (6) The calculation is based on the total number of issued ordinary shares of 2,279,392,000 shares as at 30 September 2018.

OTHER INFORMATION (CONTINUED)

Share Option Scheme

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

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

The maximum number of shares which may be issued upon exercise of all the share options to be granted under the Share Option Scheme and any other share option scheme of the Company (if any) shall not in aggregate exceed 10% of the shares in issue (i.e. a maximum of 200,000,000 shares) immediately after listing unless refreshed. Moreover, unless approved by the shareholders in a general meeting (with the relevant eligible participant and his/her close associates abstaining from voting), the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (if any) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

The subscription price in respect of any share option shall be a price determined by the Board and notified to an eligible participant (subject to any adjustments made pursuant to the terms and conditions of the Share Option Scheme) which must be at least the higher of:

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of the shares.

The Share Option Scheme shall be valid and effective for a period of 10 years from 12 April 2016 (being the listing date), after which period no further share options will be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

For the six months ended 30 September 2018, the total number of share options the Company granted to a Director amounted to 1,500,000 share options. As at 30 September 2018, the number of share options that could still be granted under the Share Option Scheme was 110,600,000 share options representing approximately 4.85% of the issued share capital of the Company as at 30 September 2018.

OTHER INFORMATION (CONTINUED)

Details of the movements of the share options granted under the Share Option Scheme during the six months ended 30 September 2018 are as follows:

Grantee	Date of Grant (Note 1)	Exercise Price HK\$	Exercise Period (Note 2)	Number of Share Options					Balance as at 30 September 2018
				Balance as at 1 April 2018	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Mr. Wong Ting Chung	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
Mr. Wong Wai Wing, Raymond	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
Mr. Wong Ting Chun	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
Mr. Li Po Sing	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,500,000	-	-	-	-	1,500,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	2,000,000	-	-	-	-	2,000,000
Ms. Chan Mei Hing, Aurora #	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,000,000	-	-	-	-	1,000,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	2,000,000	-	-	-	-	2,000,000
Mr. Tam Wai Hung, David	29 August 2016	1.394	29 August 2017 to 28 August 2026	1,000,000	-	-	-	-	1,000,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Ms. Fan Chiu Fun, Fanny	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Mr. Kan Chung Nin, Tony	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Mr. Ong Chor Wei	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Mr. Fan Chun Wah, Andrew	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Ms. Lee Bik Kee, Betty	28 August 2017	1.462	28 August 2018 to 27 August 2027	1,500,000	-	-	-	-	1,500,000
Mr. Ip Shu Kwan, Stephen *	20 April 2018	1.700	20 April 2019 to 19 April 2028	-	1,500,000	-	-	-	1,500,000
Other employees of the Group (Note 3)	29 August 2016	1.394	29 August 2017 to 28 August 2026	15,042,000	-	-	(202,000)	-	14,840,000
	28 August 2017	1.462	28 August 2018 to 27 August 2027	46,400,000	-	-	(3,136,000)	-	43,264,000
Total				82,442,000	1,500,000	-	(3,338,000)	-	80,604,000

— Resigned with effect from 31 October 2018

* — Appointed with effect from 16 April 2018

OTHER INFORMATION (CONTINUED)

Notes:

- The closing price of the shares of the Company immediately before the date on which the share options were granted on (i) 29 August 2016, i.e. 26 August 2016, was HK\$1.40; (ii) 28 August 2017, i.e. 25 August 2017, was HK\$1.48; and (iii) 20 April 2018, i.e. 19 April 2018, was HK\$1.68.
- The share options granted to the above Directors and other employees of the Group shall be vested in three equal tranches. The vesting periods of the share options are between the date of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the share options are as follows:

Share options	Vesting period	Exercise period
<i>Granted on 29 August 2016</i>		
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2017	29 August 2017 to 28 August 2026
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2018	29 August 2018 to 28 August 2026
The remaining share options	29 August 2016 to 28 August 2019	29 August 2019 to 28 August 2026
<i>Granted on 28 August 2017</i>		
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2018	28 August 2018 to 27 August 2027
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2019	28 August 2019 to 27 August 2027
The remaining share options	28 August 2017 to 27 August 2020	28 August 2020 to 27 August 2027
<i>Granted on 20 April 2018</i>		
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	20 April 2018 to 19 April 2019	20 April 2019 to 19 April 2028
One-third of the share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	20 April 2018 to 19 April 2020	20 April 2020 to 19 April 2028
The remaining share options	20 April 2018 to 19 April 2021	20 April 2021 to 19 April 2028

- Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Hong Kong Employment Ordinance.
- The fair value of the share options as at the date of grant, its calculation and the model and assumptions used to estimate the fair value of the share options are set out in note 22 to the interim condensed consolidated financial statements.

OTHER INFORMATION (CONTINUED)

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the date of the 2018 annual report of the Company are set out below:

Name of Director	Details of Changes
Ms. Fan Chiu Fun, Fanny	— The appointment as the chairman of the board of directors of the Hong Kong Science and Technology Parks Corporation was terminated on 30 June 2018

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

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

Date of the agreement	Banking facilities	Specific performance obligations
16 November 2018	Three-year term loan facility of up to HK\$100,000,000	Any one or all of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau shall at all times collectively maintain, direct or indirectly, at least 51% of the beneficial shareholding in the Company and collectively retain management control over the Company
16 March 2018	(i) Term loan facility of up to an aggregate principal amount of HK\$195,000,000, with final maturity date falling on 8 August 2022 (ii) Term loan facility of up to USD30,000,000 or HK\$234,000,000, with final maturity date falling on the day which is five years from the date of drawdown	Management control over the Group by Mr. Wong Ting Chung or his family members
22 June 2017	Three-year committed term loan facility of up to HK\$100,000,000	Mr. Wong Ting Chung or his family trust remains as the majority ultimate beneficial owner holding not less than 50% of the Company with management control in the Company

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)
Six months ended
30 September

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	6	2,881,477	2,114,317
Cost of sales	8	(2,384,197)	(1,630,089)
Gross profit		497,280	484,228
Other income	7	4,966	6,672
Other gains, net	9	6,106	20,908
Selling and distribution expenses	8	(28,402)	(24,536)
General and administrative expenses	8	(190,525)	(140,691)
Operating profit		289,425	346,581
Share of post-tax loss of a joint venture	16	(338)	–
Finance income	10	2,113	1,530
Finance expenses	10	(28,209)	(8,995)
Finance expenses, net	10	(26,096)	(7,465)
Profit before income tax		262,991	339,116
Income tax expenses	11	(27,010)	(47,002)
Profit for the period attributable to the owners of the Company		235,981	292,114
Earnings per share attributable to the owners of the Company during the period			
— Basic (HK cents per share)	12	10.4	14.1
— Diluted (HK cents per share)	12	10.4	14.1

The notes on pages 31 to 62 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

(Unaudited)
Six months ended
30 September

	2018 HK\$'000	2017 HK\$'000
Profit for the period	235,981	292,114
Other comprehensive (loss)/income, net of tax: <i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
— Currency translation differences	(123,431)	15,243
— Share of other comprehensive loss of a joint venture	(252)	–
Other comprehensive (loss)/income for the period, net of tax	(123,683)	15,243
Total comprehensive income for the period attributable to the owners of the Company	112,298	307,357

The notes on pages 31 to 62 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Assets			
Non-current assets			
Land use rights	14	91,654	95,781
Property, plant and equipment	14	1,985,154	1,943,442
Investment properties		2,080	2,148
Intangible assets	15	593,213	599,988
Interest in a joint venture	16	6,428	7,018
Available-for-sale financial assets		–	150,076
Financial assets at fair value through profit or loss	17	152,297	–
Prepayment, deposits, other receivables and other assets		38,523	58,843
		2,869,349	2,857,296
Current assets			
Inventories		603,398	812,172
Trade receivables	18	540,389	149,403
Derivative financial instruments		–	6,577
Prepayment, deposits, other receivables and other assets		295,263	148,676
Cash and cash equivalents		801,241	1,009,477
		2,240,291	2,126,305
Total assets		5,109,640	4,983,601
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital	21	22,794	22,794
Reserves	23	2,527,969	2,425,008
Total equity		2,550,763	2,447,802

The notes on pages 31 to 62 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Liabilities			
Non-current liabilities			
Borrowings	20	757,127	835,902
Deferred income tax liabilities		12,255	16,498
		769,382	852,400
Current liabilities			
Trade and bills payables	19	297,024	208,937
Accruals and other payables		174,002	134,816
Current income tax liabilities		175,328	137,257
Borrowings	20	1,143,141	1,202,389
		1,789,495	1,683,399
Total liabilities		2,558,877	2,535,799
Total equity and liabilities		5,109,640	4,983,601
Net current assets		450,796	442,906

WONG TING CHUNG

Chairman, Chief Executive Officer and Executive Director

WONG WAI YUE

Vice Chairman and Executive Director

The notes on pages 31 to 62 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company (Unaudited)		
	Share capital	Reserves	Total
	(Note 21) HK\$'000	(Note 23) HK\$'000	HK\$'000
As at 1 April 2017	20,750	1,549,246	1,569,996
Profit for the period	–	292,114	292,114
Other comprehensive income:			
Currency translation difference	–	15,243	15,243
Total comprehensive income	–	307,357	307,357
Transactions with owners			
Proceeds from shares issued upon exercise of share options	6	786	792
Equity-settled share-based compensation	–	3,257	3,257
Dividends paid	–	(41,500)	(41,500)
As at 30 September 2017	20,756	1,819,146	1,839,902
As at 1 April 2018	22,794	2,425,008	2,447,802
Profit for the period	–	235,981	235,981
Other comprehensive loss:			
Currency translation difference	–	(123,431)	(123,431)
Share of other comprehensive loss of a joint venture	–	(252)	(252)
Total comprehensive income	–	112,298	112,298
Transactions with owners			
Equity-settled share-based compensation	–	4,339	4,339
Dividends paid	–	(13,676)	(13,676)
As at 30 September 2018	22,794	2,527,969	2,550,763

The notes on pages 31 to 62 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)
Six months ended
30 September

	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities		
Cash generated from operations	203,373	177,630
Interest paid	(26,598)	(1,949)
Income tax refunded, net	6,952	3,093
Net cash generated from operating activities	183,727	178,774
Cash flows from investing activities		
Purchase of property, plant and equipment	(129,703)	(51,066)
Increase in bank deposits with maturity over three months	–	(208)
Proceeds from disposals of property, plant and equipment	81	24,168
Interest received	2,113	1,530
Payment for acquisition of a subsidiary, net	–	(2,789)
Net cash used in investing activities	(127,509)	(28,365)
Cash flows from financing activities		
Proceeds from new bank borrowings	1,517,019	1,176,697
Repayments of bank borrowings	(1,664,336)	(749,117)
Repayments of finance lease obligations	(90,935)	(161,057)
Proceeds from issuance of new ordinary shares	–	792
Dividend paid	(13,676)	(41,500)
Net cash (used in)/generated from financing activities	(251,928)	225,815
Net (decrease)/increase in cash and cash equivalents	(195,710)	376,224
Cash and cash equivalents at beginning of the period	1,009,477	643,197
Exchange difference on cash and cash equivalents	(12,526)	2,897
Cash and cash equivalents at end of the period	801,241	1,022,318

The notes on pages 31 to 62 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing of knitwear products, 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.

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars ("HK\$'000") unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 26 November 2018.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 September 2018 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied by the Group are consistent with those of the annual financial statements for the year ended 31 March 2018, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Impact of standards issued but not yet applied by the Group

(i) HKFRS 16 "Leases"

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, 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.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK\$1,799,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards and interpretations that are not yet effective that would be expected to have material impact on the Group's condensed consolidated interim financial information.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with customers" on the Group's financial information 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 financial information

As explained in notes 3(b)(i) and 3(c)(i) below, HKFRS 9 and HKFRS 15 were generally adopted by the Group without restating comparative information. As a result of the changes in the Group's accounting policies, certain reclassifications and adjustments are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

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 detail below.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on the financial information (Continued)

Condensed 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
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 of approximately HK\$1,873,000 as at 30 September 2018 is included in "Accruals and other payables".

(b) Adoption of HKFRS 9 "Financial instruments"

(i) HKFRS 9 "Financial instruments" — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 "Financial instruments: Recognition and measurement" ("HKAS 39") 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.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policies are set out in note 3(b)(ii) below. In accordance with the transition provisions in HKFRS 9 (7.2.15), the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 9 as an adjustment to the opening balance of retained earnings as at 1 April 2018. Thus the comparative figures have not been restated.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Adoption of HKFRS 9 “Financial instruments” (Continued)

(i) HKFRS 9 “Financial instruments” — Impact of adoption (Continued)

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 effects resulting from this classification are as follows:

- Unlisted investments previously classified as available-for-sale financial assets

The Group elected to present the fair value changes in the profit or loss for its unlisted investments previously classified as available-for-sale financial assets, as the contractual cash flows under such financial assets do not represent solely payments of principal and interest in the principal amount. As a result, assets with a fair value of approximately HK\$150,076,000 were reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss (“FVTPL”) on 1 April 2018.

Other than that, there were no changes to the classification and measurement of financial instruments.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under HKAS 39. The Group has trade receivables and other receivables that are subject to HKFRS 9’s new ECL model.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of ECL on financial assets is insignificant as at 1 April 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Adoption of HKFRS 9 “Financial instruments” (Continued)

(ii) HKFRS 9 “Financial instruments” — Summary of significant accounting policies

The following describes the Group’s updated financial instruments policy to reflect the adoption of HKFRS 9:

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the condensed consolidated statement of comprehensive income.

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the condensed consolidated statement of comprehensive income. Dividends received from such investments continue to be recognised in the condensed consolidated statement of comprehensive income as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in “other gains, net” in the condensed consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Adoption of HKFRS 9 “Financial instruments” (Continued)

(ii) HKFRS 9 “Financial instruments” — Summary of significant accounting policies (Continued)

Impairment of financial assets

From 1 April 2018, the Group assesses on a forward looking basis the ECL associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

(c) Adoption of HKFRS 15 “Revenue from contracts with customers”

(i) HKFRS 15 “Revenue from contracts with customers” — Impact of adoption

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The adoption of HKFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. In accordance with the transition provisions in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings as at 1 April 2018. Thus the comparative figures have not been restated.

The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction contracts” and related interpretations. The new accounting policies are set out in note 3(c)(ii) below. The impacts of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

“Receipt in advance from customers” which was previously included in other payables and accruals, amounting to approximately HK\$2,233,000 as at 1 April 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

Timing of revenue recognition

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of HKFRS 15 “Revenue from contracts with customers” (Continued)

(ii) HKFRS 15 “Revenue from contracts with customers” — Summary of significant accounting policies

The following describes the Group’s updated revenue recognition policy to reflect the adoption of HKFRS 15:

The Group manufactures and sells a range of knitwear products, knitted upper for footwear and knitted upper shoes. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

4 ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 March 2018.

There have been no changes in the risk management policies since 31 March 2018.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's assets that are measured at fair value as at 30 September 2018.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss				
— unlisted investments	-	-	152,297	152,297
	-	-	152,297	152,297

The following table presents the Group's assets that are measured at fair value as at 31 March 2018.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial assets				
— unlisted investments	-	-	150,076	150,076
Derivative financial instruments	-	6,577	-	6,577
	-	6,577	150,076	156,653

There were no transfers between Levels 1, 2 and 3 during the period.

There were no changes in valuation techniques during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Valuation techniques used to derive Level 3 fair values

These unlisted investments in level 3 represent unlisted key management insurance policies. Their fair values are determined by reference to the expected returns from such policies which are primarily based on the financial performance and market price of the underlying portfolio taking into consideration the respective guaranteed minimum returns. Consideration is also placed on the pattern of crystallising the contracts and surrender charges, if any.

5.5 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the period ended 30 September 2018.

	Available-for-sale financial assets HK\$'000	Financial assets at FVTPL HK\$'000	Total HK\$'000
Opening balance as at 1 April 2018	150,076	–	150,076
Reclassification	(150,076)	150,076	–
Net gain on investments	–	2,221	2,221
Closing balance as at 30 September 2018	–	152,297	152,297

6 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, and 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 currently has two operating segments:

- (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 segment based on a measure of gross profit at each segment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's revenue and results by operating segment is as follows:

For the period ended 30 September 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	2,780,573	100,904	2,881,477
Results			
Segment profit	481,593	15,687	497,280
Other income			4,966
Other gains, net			6,106
Selling and distribution expenses			(28,402)
General and administrative expenses			(190,525)
Share of post-tax loss of a joint venture			(338)
Finance income			2,113
Finance expenses			(28,209)
Profit before income tax			262,991
Income tax expenses			(27,010)
Profit for the period			235,981

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

For the period ended 30 September 2017

	Manufacturing of knitwear products HK\$'000	Manufacturing of knitted upper for footwear and knitted upper shoes HK\$'000	Consolidated HK\$'000
Revenue			
Segment revenue	2,114,317	–	2,114,317
Results			
Segment profit	484,228	–	484,228
Other income			6,672
Other gains, net			20,908
Selling and distribution expenses			(24,536)
General and administrative expenses			(140,691)
Finance income			1,530
Finance expenses			(8,995)
Profit before income tax			339,116
Income tax expenses			(47,002)
Profit for the period			292,114

Segments results represent profit earned by each segment without allocating other income, other gains, net, selling and distribution expenses, general and administrative expenses, share of post-tax 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

(a) Revenue by location of goods delivery

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Japan	1,031,659	712,439
North America	515,330	425,466
Europe	556,291	467,483
Mainland China	424,150	271,157
Other countries	354,047	237,772
	2,881,477	2,114,317

(b) Non-current assets

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Hong Kong	58,554	90,130
Mainland China	729,169	811,930
Vietnam	1,329,688	1,198,154
	2,117,411	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 and available-for-sale financial assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

(c) Major customers

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

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Customer A	1,843,567	1,301,875
Customer B	291,432	305,300

The five largest customers accounted for approximately 82.2% (2017: 85.2%) of revenue for the period ended 30 September 2018.

7 OTHER INCOME

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Rental income from investment properties	396	2,201
Rental income from properties occupied by employees	315	412
Others	4,255	4,059
	4,966	6,672

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8 EXPENSES BY NATURE

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

	(Unaudited)	
	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
Amortisation of land use rights (Note 14)	549	547
Auditor's remuneration		
— Audit services	1,285	1,241
— Non-audit services	315	635
Depreciation (Note 14)		
— Owned property, plant and equipment	49,428	53,480
— Property, plant and equipment held under finance leases	42,637	20,513
Amortisation of technical know-how (Note 15)	6,775	–
Employment benefit expenses (including directors' emoluments)	504,769	379,689
Raw materials and consumables used	1,390,127	1,003,970
Changes in inventories of finished goods and work in progress	108,338	(62,416)
Subcontracting charges	267,546	211,089
Commission expenses	1,858	1,555
Operating lease rental in respect of land and buildings	3,226	1,704
Utilities expenses	50,483	34,213
Sample charges	10,921	7,662
Others	164,867	141,434
Total cost of sales, selling and distribution expenses and general and administrative expenses	2,603,124	1,795,316

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9 OTHER GAINS, NET

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Net foreign exchange gains	9,100	1,765
Net gains on investments	2,221	2,173
Net gains on disposals of property, plant and equipment	68	16,970
Net realised losses from derivative financial instruments	(5,283)	–
	6,106	20,908

10 FINANCE EXPENSES, NET

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Finance income		
Interest income from:		
— Bank deposits	2,113	1,530
Finance expenses		
Interest expense on:		
— Bank borrowings	(24,242)	(6,572)
— Finance lease obligations	(3,967)	(2,423)
	(28,209)	(8,995)
Finance expenses, net	(26,096)	(7,465)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11 INCOME TAX EXPENSES

For the period ended 30 September 2018, Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period. The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2017: 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% for the 3 years ending 31 December 2018 and 2019 respectively, 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 certificate, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current period is within the first year of full exemption from BIT, whereas, the other two subsidiaries have no assessable profit for the period, and hence no BIT is provided.

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Hong Kong profits tax	2,041	13,344
China Corporate Income Tax	26,186	33,580
Deferred taxation	(1,217)	78
	27,010	47,002

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the periods ended 30 September 2018 and 2017 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the periods. The weighted average number of ordinary shares are determined after considering the followings:

- (i) the 1 ordinary share of the Company issued on 11 August 2015 (date of incorporation) was treated as if it had been issued since 1 April 2015;
- (ii) the 1,121 ordinary shares of the Company issued in December 2015 as a result of the reorganisation in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange were treated as if they had been issued since 1 April 2015;
- (iii) the 1,499,998,878 ordinary shares of the Company issued on 12 April 2016 under the capitalisation issue were treated as if they had been in issue since 1 April 2015;
- (iv) the 500,000,000 ordinary shares offered to the public were issued on 12 April 2016;
- (v) the 75,000,000 ordinary shares in connection with the exercise of the over-allotment option were issued on 28 April 2016;
- (vi) the 200,000,000 ordinary shares issued as consideration shares on 15 December 2017 to settle part of the consideration for the acquisition of V. Success Limited; and
- (vii) the 4,392,000 ordinary shares issued in connection with the exercise of share options during the year ended 31 March 2018.

	(Unaudited) Six months ended 30 September	
	2018	2017
Profit attributable to the owners of the Company (HK\$'000)	235,981	292,114
Weighted average number of ordinary shares in issue ('000)	2,279,392	2,075,008
Basic earnings per share (HK cents)	10.4	14.1

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

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

	(Unaudited) Six months ended 30 September	
	2018	2017
Profit attributable to the owners of the Company (HK\$'000)	235,981	292,114
Weighted average number of ordinary shares in issue ('000)	2,279,392	2,075,008
Adjustment for potential dilutive effect in respect of outstanding share option ('000)	-	905
Weighted average number of ordinary shares for diluted earnings per share ('000)	2,279,392	2,075,913
Diluted earnings per share (HK cents)	10.4	14.1

13 DIVIDENDS

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Interim dividend of 3.6 HK cents (2017: 5.0 HK cents) per ordinary share	82,058	103,778

At the Board meeting held on 26 November 2018, the Company's Board of Directors declared an interim dividend of 3.6 HK cents (2017: 5.0 HK cents) per share. The interim dividend amounting to approximately HK\$82,058,000 has not been recognised as a liability in this interim financial information. It will be recognised as a distribution in shareholder's equity in the year ending 31 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	(Unaudited)	
	Property, plant and equipment HK\$'000	Land use rights HK\$'000
Six months ended 30 September 2018		
Opening net book amount as at 1 April 2018	1,943,442	95,781
Additions	226,236	–
Disposals	(13)	–
Depreciation/amortisation	(92,065)	(549)
Exchange differences	(92,446)	(3,578)
Closing net book amount as at 30 September 2018	1,985,154	91,654
Six months ended 30 September 2017		
Opening net book amount as at 1 April 2017	1,227,821	42,624
Additions	86,829	52,750
Disposals	(7,198)	–
Depreciation/amortisation	(73,993)	(547)
Transfer to investment properties	(25,669)	–
Exchange differences	11,808	538
Closing net book amount as at 30 September 2017	1,219,598	95,365

15 INTANGIBLE ASSETS

	Goodwill HK\$'000	Technical know-how HK\$'000	Total HK\$'000
	Six months ended 30 September 2018		
Opening net book amount as at 1 April 2018	493,910	106,078	599,988
Amortisation charge	–	(6,775)	(6,775)
Closing net book amount as at 30 September 2018	493,910	99,303	593,213
Six months ended 30 September 2017			
Opening and closing net book amount as at 1 April 2017 and 30 September 2017	–	–	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16 INTEREST IN A JOINT VENTURE

	(Unaudited) Six months ended 30 September	2017 HK\$'000
	2018 HK\$'000	
Beginning of the period	7,018	–
Share of post-tax loss of joint venture	(338)	–
Share of other comprehensive loss of joint venture	(252)	–
End of the period	6,428	–

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Unlisted investments (Note)	152,297	–

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18 TRADE RECEIVABLES

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Trade receivables	540,389	149,403

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

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Up to three months	531,736	145,724
Three to six months	7,446	1,776
Over six months	1,207	1,903
	540,389	149,403

As of 30 September 2018, trade receivables of approximately HK\$33,544,000 (31 March 2018: HK\$15,367,000) were past due but not considered to be impaired because these mainly relate to customers from whom there is no recent history of default. Based on past experience, the Directors of the Company are of the opinion that no provision of impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

19 TRADE AND BILLS PAYABLES

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

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Within one month	161,429	163,136
One to two months	99,400	32,755
Two to three months	34,778	12,844
Over three months	1,417	202
	297,024	208,937

20 BORROWINGS

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Non-current		
Bank borrowings, unsecured	455,244	551,367
Finance lease obligations	301,883	284,535
	757,127	835,902
Current		
Short-term bank borrowings, unsecured	675,833	658,054
Portion of long-term bank borrowings, secured, due for repayment within one year	7,501	7,501
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	625	4,376
Portion of long-term bank borrowings, unsecured, due for repayment within one year	290,911	347,800
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	12,500	20,833
Finance lease obligations	155,771	163,825
	1,143,141	1,202,389
Total borrowings	1,900,268	2,038,291

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20 BORROWINGS (CONTINUED)

The weighted average effective interest rates as at 30 September 2018 and 31 March 2018 are as follows:

	(Unaudited) As at 30 September 2018	(Audited) As at 31 March 2018
Finance lease obligations	1.68%	1.70%
Bank borrowings	2.95%	2.13%

The bank borrowings are due for repayment as follows:

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Within one year	974,245	1,013,355
Between one and two years	217,369	262,287
Between two and five years	251,000	314,289
	1,442,614	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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

20 BORROWINGS (CONTINUED)

The finance lease obligations were due for repayment as follows:

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Gross finance lease obligations — minimum lease payments:		
Within one year	162,459	170,258
Between one and two years	124,140	109,054
Between two and five years	184,310	182,545
	470,909	461,857
Future finance charges on finance leases	(13,255)	(13,497)
Present value of finance lease obligations	457,654	448,360

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

As at 30 September 2018, the Group's certain bank borrowings were secured by financial assets at fair value through profit or loss with carrying amount of HK\$72.1 million; land use rights with carrying amount of HK\$15.2 million; and land and buildings and leasehold improvements with a total carrying amount of HK\$215.4 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

21 SHARE CAPITAL

	(Unaudited)		(Audited)	
	As at 30 September 2018		As at 31 March 2018	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
Ordinary shares of HK\$0.01 each as at 30 September 2018 and 31 March 2018	5,000,000,000	50,000,000	5,000,000,000	50,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
Opening balances as at 1 April 2018/ 1 April 2017	2,279,392,000	22,793,920	2,075,000,000	20,750,000
Issuance of ordinary shares upon acquisition of V. Success Limited (Note (i))	-	-	200,000,000	2,000,000
Issuance of ordinary shares upon exercise of share options (Note (ii))	-	-	4,392,000	43,920
As at 30 September 2018 and 31 March 2018	2,279,392,000	22,793,920	2,279,392,000	22,793,920

Notes:

- (i) On 15 December 2017, 200,000,000 ordinary shares of HK\$0.01 each were issued at the issue price of HK\$2.95 per share as part of the consideration for the acquisition of V. Success Limited ("V. Success").
- (ii) During the year ended 31 March 2018, share options were exercised to subscribe for 4,392,000 shares in the Company at a consideration of approximately HK\$6,117,000, of which approximately HK\$44,000 was credited to share capital and the balance of approximately HK\$6,073,000 was credited to the share premium account.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22 SHARE-BASED PAYMENTS

Movements of the share options under the share option scheme during the period ended 30 September 2018 are as follows:

Date of grant	Exercise price HK\$	Exercise period	Number of Share Options					As at 30 September 2018
			As at 1 April 2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors								
29 August 2016	1.394	29 August 2017 to 28 August 2026	8,000,000	-	-	-	-	8,000,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	13,000,000	-	-	-	-	13,000,000
20 April 2018	1.700	20 April 2019 to 19 April 2028	-	1,500,000	-	-	-	1,500,000
Other employees of the Group								
29 August 2016	1.394	29 August 2017 to 28 August 2026	15,042,000	-	-	(202,000)	-	14,840,000
28 August 2017	1.462	28 August 2018 to 27 August 2027	46,400,000	-	-	(3,136,000)	-	43,264,000
Total			82,442,000	1,500,000	-	(3,338,000)	-	80,604,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22 SHARE-BASED PAYMENTS (CONTINUED)

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

Share options	Vesting period	Exercise period
<i>Granted on 29 August 2016</i>		
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2017	29 August 2017 to 28 August 2026
9,366,666 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	29 August 2016 to 28 August 2018	29 August 2018 to 28 August 2026
9,366,668 share options	29 August 2016 to 28 August 2019	29 August 2019 to 28 August 2026
<i>Granted on 28 August 2017</i>		
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2018	28 August 2018 to 27 August 2027
19,933,333 share options (rounded to the nearest number of share options which represents an integral multiples of one board lot)	28 August 2017 to 27 August 2019	28 August 2019 to 27 August 2027
19,933,334 share options	28 August 2017 to 27 August 2020	28 August 2020 to 27 August 2027
<i>Granted on 20 April 2018</i>		
500,000 share options	20 April 2018 to 19 April 2019	20 April 2019 to 19 April 2028
500,000 share options	20 April 2018 to 19 April 2020	20 April 2020 to 19 April 2028
500,000 share options	20 April 2018 to 19 April 2021	20 April 2021 to 19 April 2028

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22 SHARE-BASED PAYMENTS (CONTINUED)

The Company has used the Binomial model for assessing the fair value of the share options granted. According to the Binomial model, the fair value of the options granted during the period ended 30 September 2018 measured as at the date of grant of 20 April 2018 was approximately in a range of HK\$0.478 to HK\$0.482 for each of the three tranches, taking into account various factors, variables and assumptions which include the following:

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

The total expense for share options granted to directors and employees of HK\$4,339,327 (2017: HK\$3,257,000) are recognised as “employee benefit expenses” in the condensed consolidated statement of comprehensive income.

23 RESERVES

	Attributable to the owners of the Company (Unaudited)				
	Exchange reserve	Retained earnings	Share option reserve	Other reserves (Note (ii))	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2017	111,279	444,190	2,950	990,827	1,549,246
Profit for the period	–	292,114	–	–	292,114
Other comprehensive income:					
— Currency translation difference	15,243	–	–	–	15,243
Total comprehensive income for the period	15,243	292,114	–	–	307,357
Transactions with owners:					
— Proceeds from shares issued upon exercise of share options	–	–	–	786	786
— Equity-settled share-based compensation	–	–	3,257	–	3,257
— Exercise of share options	–	–	(173)	173	–
— Dividend paid	–	(41,500)	–	–	(41,500)
	–	(41,500)	3,084	959	(37,457)
As at 30 September 2017	126,522	694,804	6,034	991,786	1,819,146

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

23 RESERVES (CONTINUED)

	Attributable to the owners of the Company (Unaudited)				
	Exchange reserve HK\$'000	Retained earnings HK\$'000	Share option reserve HK\$'000	Other reserves (Note (i)) HK\$'000	Total HK\$'000
As at 1 April 2018	201,941	625,793	10,963	1,586,311	2,425,008
Profit for the period	-	235,981	-	-	235,981
Other comprehensive loss:					
— Currency translation difference	(123,431)	-	-	-	(123,431)
— Share of other comprehensive loss of a joint venture	(252)	-	-	-	(252)
Total comprehensive income for the period	(123,683)	235,981	-	-	112,298
Transactions with owners:					
— Equity-settled share-based compensation	-	-	4,339	-	4,339
— Dividend paid	-	(13,676)	-	-	(13,676)
	-	(13,676)	4,339	-	(9,337)
As at 30 September 2018	78,258	848,098	15,302	1,586,311	2,527,969

Note:

- (i) Other reserves mainly represent the share premium, and fair value of the consideration given in excess of the paid-in capital of the companies comprising the Group in relation to the Company's reorganisation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

24 COMMITMENTS

(a) Operating lease commitments

As at 30 September 2018 and 31 March 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings as follows:

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Within one year	846	3,331
Later than one year and not later than five years	953	1,119
	1,799	4,450

(b) Operating lease arrangements

As at 30 September 2018 and 31 March 2018, the aggregate future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's investment properties are as follows:

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Within one year	264	264

(c) Capital commitment

As at 30 September 2018 and 31 March 2018, the capital expenditure contracted but not yet incurred is as follows:

	(Unaudited) As at 30 September 2018 HK\$'000	(Audited) As at 31 March 2018 HK\$'000
Property, plant and equipment contracted but not provided for	95,035	171,604

On 24 July 2018, the Group announced to establish a 55:45 non-wholly owned subsidiary with a third party to form a strategic alliance for the production of cashmere yarn. The Group has agreed to commit RMB55,000,000 and provide shareholder loans in the amount of RMB99,000,000 to the non-wholly owned subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

25 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the interim financial information, the following is a summary of significant related party transactions which, in the opinion of the Directors, are entered into the ordinary course of business between the Group and its related parties.

(a) Transactions

Name of related parties	Relationship with the Group
Hanyi Investments Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director), Mr. Wong Ting Chun (Executive Director) and Mr. Wong Ting Kau (Non-executive Director)
Huizhou Lijia Clothing Company Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director), Mr. Wong Ting Chun (Executive Director), Mr. Wong Wai Wing, Raymond (Executive Director), Mr. Wong Ting Kau (Non-executive Director) and Mr. Lau Ka Keung (Non-executive Director, resigned with effect from 16 April 2018)
Huizhou Lixin Technology Company Limited	Controlled by Ms. Teresa Wong (the daughter of Mr. Wong Ting Chung) (Chairman, Chief Executive Officer and Executive Director)
V. Success (HK) Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director) before the completion of the acquisition of V. Success on 15 December 2017
V. Success (Vietnam) Knitting Company Limited	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director) before the completion of the acquisition of V. Success on 15 December 2017
Huizhou Gangsheng Property Co., Ltd	Controlled by Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director), Mr. Wong Wai Yue (Executive Director and Vice Chairman), Mr. Wong Wai Wing, Raymond (Executive Director), Mr. Wong Ting Chun (Executive Director), Mr. Wong Ting Kau (Non-executive Director) and Mr. Lin Xiugao, the cousin of Mr. Wong Ting Chung (Chairman, Chief Executive Officer and Executive Director)
Mr. Tam Wai Hung, David	Non-executive Director
Mr. Wong Ting Chung	Chairman, Chief Executive Officer and Executive Director

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions (Continued)

		(Unaudited) Six months ended 30 September	
	Note	2018 HK\$'000	2017 HK\$'000
Hotel services fee charged by Huizhou Gangsheng Property Co., Ltd	(i)	1,426	968
Consultancy fee charged by Mr. Tam Wai Hung, David	(i)	–	500
Rental charged by Huizhou Lijia Clothing Company Limited and Huizhou Lixin Technology Company Limited	(i)	3,982	–
Rental charged by Hanyi Investments Limited	(i)	1,494	1,393
Rental charged to V. Success (Vietnam) Knitting Company Limited (pre-acquisition)	(i)	–	720
Sales of packaging materials to V. Success (HK) Limited (pre-acquisition)	(i)	–	1,189
Acquisition of the entire share capital of Champ Gear Investments Limited from Mr. Wong Ting Chung	(ii)	–	6,900

Notes:

- (i) Terms of transactions are mutually agreed between the relevant parties.
- (ii) The acquisition made at price mutually agreed by the relevant parties and made reference to the valuation provided by a qualified independent valuer.

(b) Key management compensation

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

	(Unaudited) Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Salaries, pension costs and other short-term employee benefits	10,841	9,774
Equity-settled share-based compensation	2,635	1,714
	13,476	11,488