



南旋控股有限公司

NAMESON HOLDINGS LIMITED

Stock Code : 1982.HK

FY2022

ANNUAL RESULTS

June 2022



Disclaimer

- This presentation was prepared by Nameson Holdings Limited (the “Company”) for reference only. This presentation may not be reproduced or redistributed to any persons without explicit authorisation from the Company.
- Neither the Company nor any of its respective subsidiaries, directors, employees or advisors, directly or indirectly, gives any representation or warranty as to the completeness and accuracy of all the information contained in this presentation (including all forward-looking statements). The information contained in this presentation should be considered in the context of the circumstances prevailing at the time of presentation and has not been, and will not be, updated to reflect material developments which may occur after the date of the presentation.
- This presentation contains statements that reflect the Company’s beliefs and expectations about the future. These forward-looking statements are based on a number of assumptions about the Company’s operations and factors which are beyond the Company’s control, and accordingly, actual results may differ materially from these forward-looking statements. The Company does not undertake to revise forward-looking statements to reflect future events or circumstances.
- The Company expressly disclaims all liability (in negligence or otherwise) for any loss incurred or sustained by the participants of this presentation, their employers, entities, agents or any of their related parties as a result of using the information contained in this presentation.
- The materials and information in this presentation are for informational purposes only and do not constitute an offer or solicitation for the purchases or sale of any securities or financial instruments or to provide any investment service or investment advice.



Presenters



 **Benny Wong**
Chairman &
Executive Director



 **Jason Man**
CEO &
Executive Director



 **Stephen Tao**
CFO &
Company Secretary



南旋控股有限公司
NAMESON HOLDINGS LIMITED

Agenda

- 1 **Results Overview**
- 2 **Financial Highlights**
- 3 **Business Review**
- 4 **Corporate Strategies**
- 5 **Question & Answer**





南旋控股有限公司
NAMESON HOLDINGS LIMITED

RESULTS OVERVIEW



Results Overview



REVENUE (HK\$)

4,040.5mn ▲ 5.0%



- Volume of sweaters 29.0 mn, -6.5%
- ASP HK\$110.4, +1.8%



- COVID-19 variants impacted VN productivity in 1H, some production reallocation to CN, 2H VN gradually resuming to normal levels of production
- Port congestion, some delay in shipment
- Less aggressive in receiving 2H orders
- Increase contributed by increase in cashmere yarn and fabric sales



GROSS PROFIT (HK\$)

706.1mn ▲ 0.7%

GROSS PROFIT MARGIN

17.5% ▼ 0.7%pt



- Increased labour costs (more incentives to VN staff during lockdown and continued increase in CN labour costs)
- Increased subcontracting costs for alternations in allocation on urgent basis
- Surging utility costs and other overhead for pandemic prevention
- Margin pressure was partially offset by higher revenue and gross profit margin contribution from cashmere yarn sales



NET PROFIT (HK\$)

275.6mn ▼ 7.6%

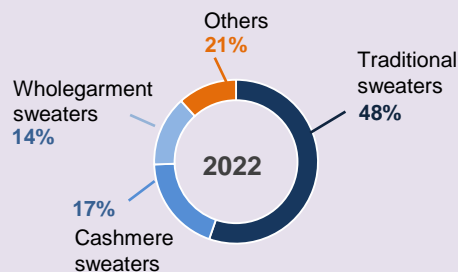
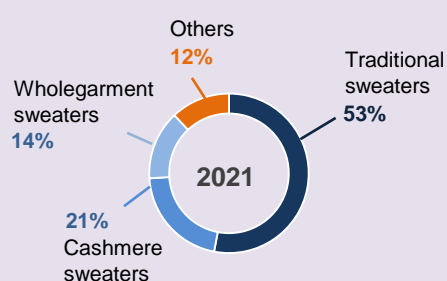
NET PROFIT MARGIN

6.8% ▼ 1.0%pt

EARNINGS PER SHARE
(HK cents)

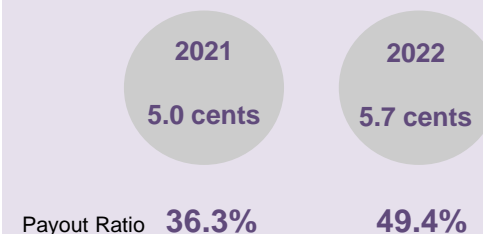
11.55 cents ▼ 16.1%

BREAKDOWN BY BUSINESSES



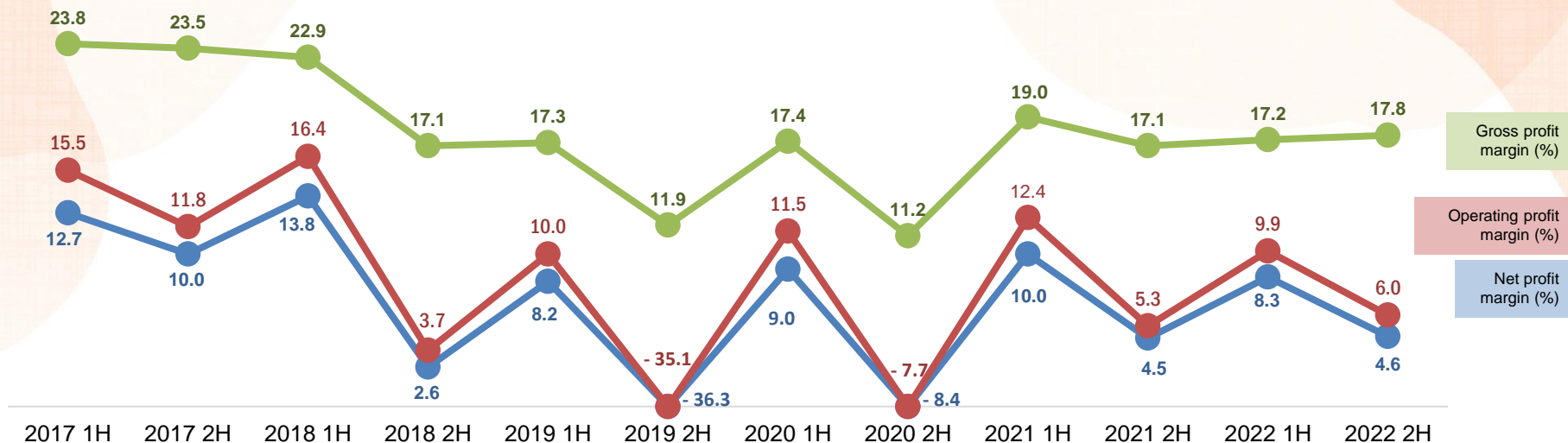
— includes cashmere yarn, fabric, knitted upper for footwear, children's wear, scarfs, hats, gloves, etc.

DIVIDEND PER SHARE (HK CENTS)



南旋控股有限公司
NAMESON HOLDINGS LIMITED

Profit Ratio Trends



- Increased production of cashmere products for key customer

- Impairment of intangible assets of HK\$521.6mn in relation to shoe upper business

- Restructuring costs of HK\$86.3mn in relation to shoe upper business

- Vietnam factory improving on efficiency

- Despite effects of COVID-19, our efforts led to sequential improvement on gross margin

Volume ('mn) <i>(Menswear and womenswear knitwear only)</i>												
	2017 1H	2017 2H	2018 1H	2018 2H	2019 1H	2019 2H	2020 1H	2020 2H	2021 1H	2021 2H	2022 1H	2022 2H
VN	2.5	2.8	4.3	4.1	8.0	5.5	7.9	6.0	9.7	7.3	8.9	4.7
CN	16.5	10.1	15.7	9.6	15.3	8.0	13.5	7.1	8.6	5.4	9.0	6.4



南旋控股有限公司
NAMESON HOLDINGS LIMITED



南旋控股有限公司
NAMESON HOLDINGS LIMITED

FINANCIAL HIGHLIGHTS



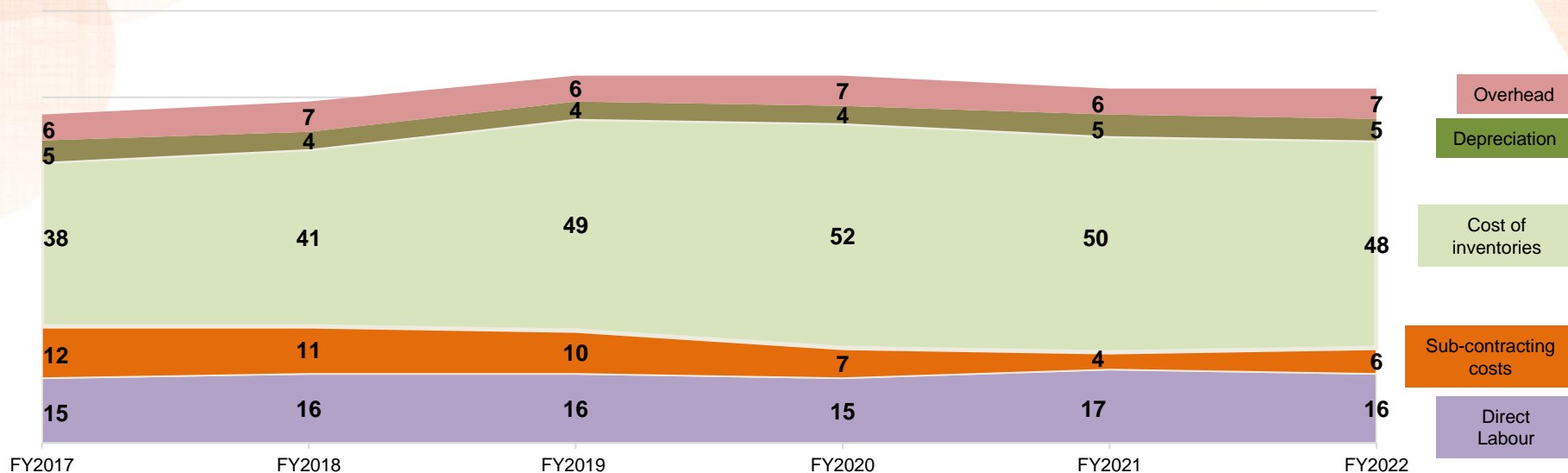
Financial Review

<i>(HK\$ 'mn)</i>	FY2021	FY2022	Change
Revenue	3,848.6	4,040.5	5.0%
Gross Profit	701.4	706.1	0.7%
<i>Gross Profit Margin</i>	18.2%	17.5%	-0.7 ppt
Operating Profit	367.6	339.4	-7.7%
<i>Operating Profit Margin</i>	9.6%	8.4%	-1.2 pts
Profit before Tax	334.7	319.0	-4.7%
Net Profit	298.4	275.6	-7.6%
<i>Net Profit Margin</i>	7.8%	6.8%	-1.0 ppt
Profit attributable to the owners of the Company	313.7	263.3	-16.1%
<i>(HK¢ cents)</i>	FY2021	FY2022	Change
Basic Earnings Per Share (EPS)	13.76	11.55	-16.1%
Interim Dividend Per Share	3.8	4.2	
Proposed Final Dividend Per Share	1.2	1.5	
Payout Ratio	36.3%	49.4%	



Cost of Sales Breakdown

(as % of revenue)



- Commenced production of cashmere products with higher costs of inventories

- Streamlining production processes: sub-contracting costs effectively decreased with better allocation of internal resources

- Effects of COVID-19: Higher proportion of sub-contracting costs with some re-allocation of orders, as well as higher utility costs and other overhead expenses in relation to pandemic prevention measures at all production bases



Financial Position

(HK\$ 'mn)	As at 31 Mar 2021	As at 31 Mar 2022	Change
Cash and cash equivalents	793.2	610.7	-23.0%
Inventories	721.6	1,161.2	+60.9%
Trade Receivables	143.9	146.2	+1.6%
Trade and Bills Payables	314.4	415.9	+32.3%
Current Assets	1,786.2	2,043.1	+14.4%
Total Assets	4,655.6	4,814.3	+3.4%
Total Bank Borrowings and Lease Liabilities	1,519.3	1,313.2	-13.6%
Net Debt	726.1	702.5	-3.3%
Total Equity	2,416.1	2,602.9	+7.7%
Gearing Ratio (%) #	23.1%	21.3%	-1.8 pts
Return on Equity (%)	12.4%	10.6%	-1.8 pts
Return on Assets (%)	6.4%	5.7%	-0.7 ppt

Calculation of Gearing Ratio: Net debt divided by the sum of net debt and total capital. Total capital is the sum of equity and net debt

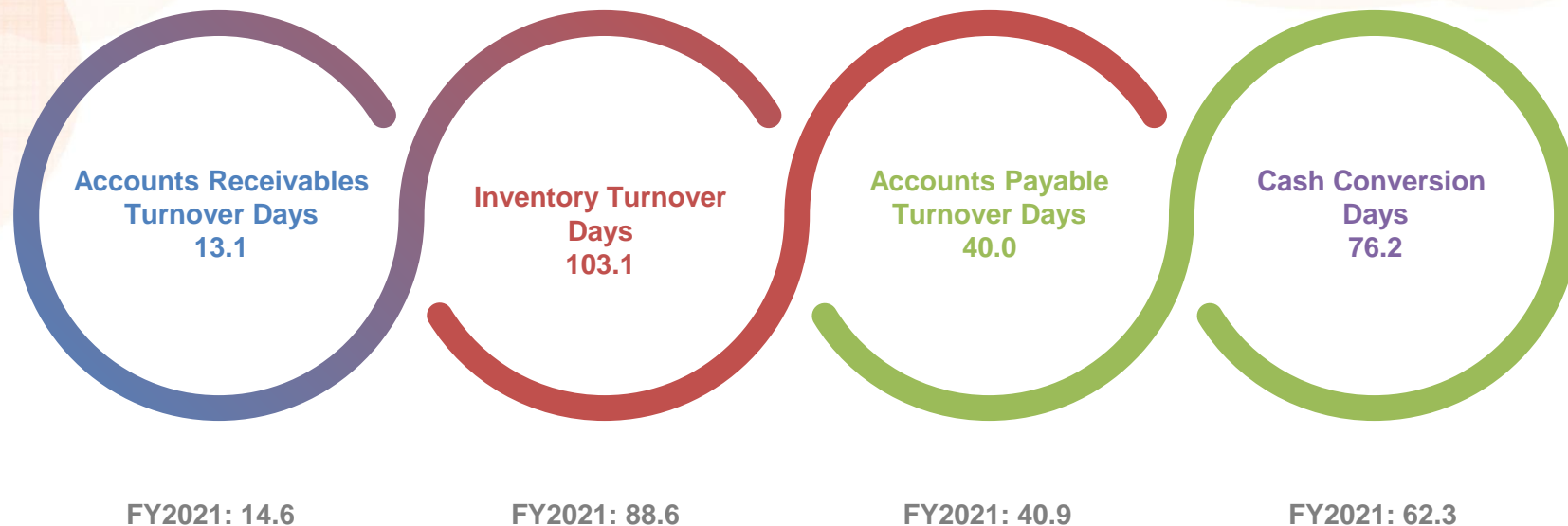


Summary of Cash Flow

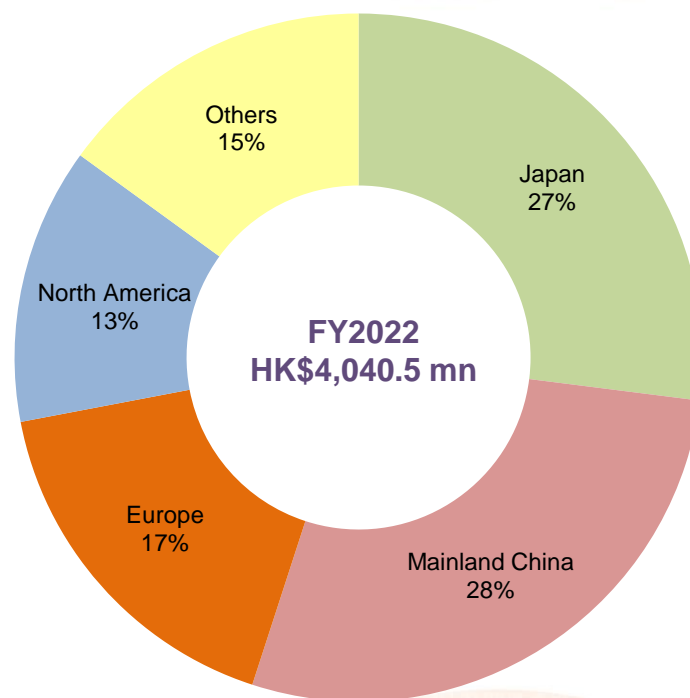
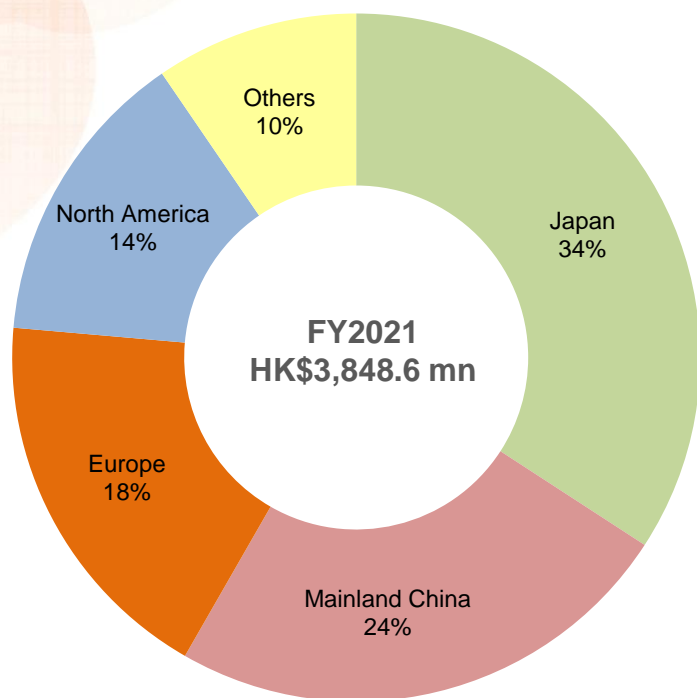
(HK\$ 'mn)	FY2021	FY2022
Net cash generated from operating activities	849.3	244.0
<i>Profit before income tax</i>	334.7	319.0
<i>Adjusted for</i>		
<i>Income tax refunded/ (paid), net</i>	14.4	(26.5)
<i>Provision for impairment of property, plant and equipment</i>	21.9	-
<i>Depreciation</i>	216.1	226.2
<i>Decrease in prepayment, deposits, other receivable and other assets</i>	219.6	2.3
<i>Decrease / (Increase) in inventories</i>	80.4	(443.7)
<i>(Decrease) / Increase in trade and bills payables</i>	(71.5)	101.5
<i>Increase in accruals and other payables</i>	11.6	65.0
<i>Others</i>	22.1	0.2
Net cash used in investing activities	(270.3)	(90.5)
<i>Purchases of property, plant and equipment</i>	(278.5)	(150.3)
<i>Proceeds from disposals of property, plant and equipment</i>	5.3	53.0
<i>Others</i>	2.9	6.8
Net cash used in financing activities	(509.1)	(337.7)
<i>Decrease in bank borrowings and lease liabilities</i>	(480.0)	(220.6)
<i>Dividend payment</i>	(86.6)	(123.1)
<i>Capital contribution from non-controlling interests</i>	57.5	6.0
Net Inflow / (Outflow) of Cash	69.9	(184.2)



Cash Conversion Cycle



Geographic Breakdown by Revenue



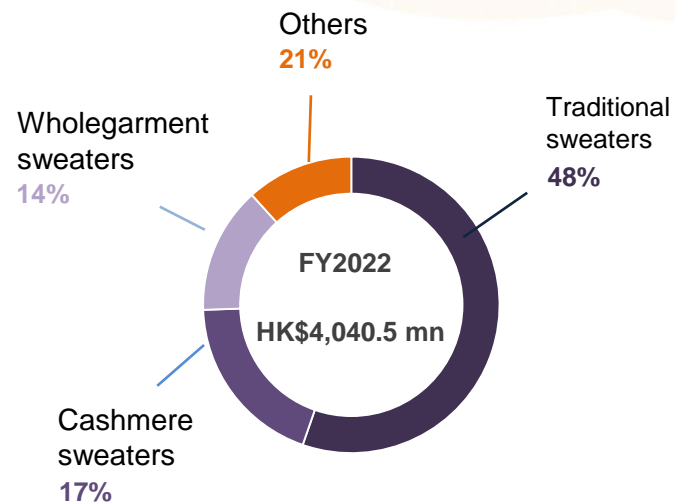
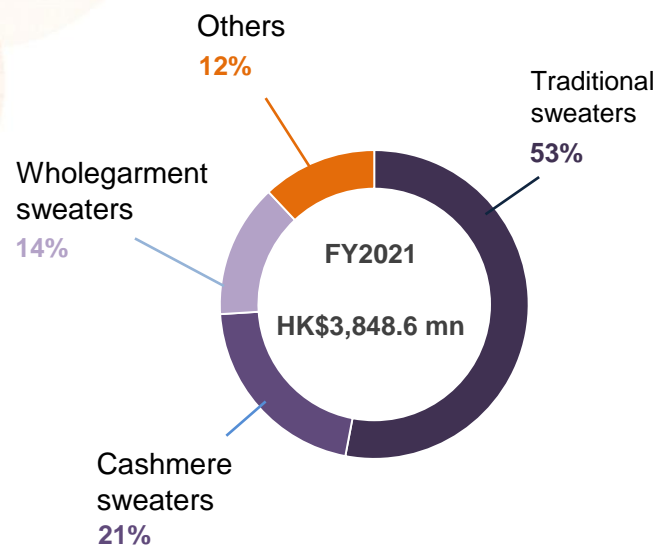


南旋控股有限公司
NAMESON HOLDINGS LIMITED

BUSINESS REVIEW



Breakdown By Business



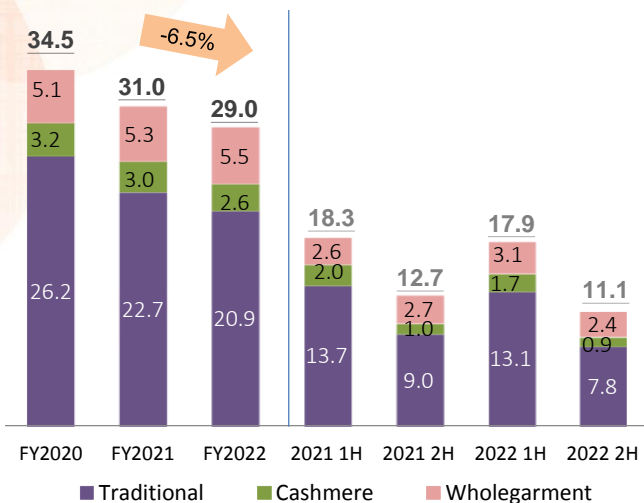
	FY2021	FY2022
 Men's and Women's Knitwear Products	88%	79%
 Others	12%	21%

"Others" includes cashmere yarn, fabric, knitted upper for footwear, children's wear, scarfs, hats, gloves, etc.



Core Product: Sweaters

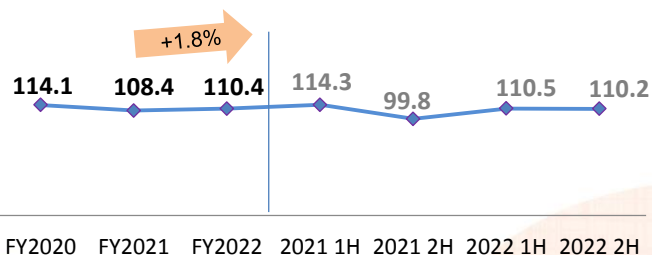
Sales Volume ('mn pieces)



Note: The figures above include men's and women's knitwear products only

- Better than expected efficiency in 1Q, ahead of time in production, port congestion caused some delay in shipment
- 2Q Delta variant affected productivity, as well as some customers' end-market sales, but shipment of previously manufactured products continued
- Placed strenuous effort in pandemic control in all production bases, managed to remain in operation throughout the year
- Quickly flexed work processes under tight labour and power rationing
- Re-worked allocation with customers
- 2H VN gradually resuming to more normalised levels of production
- Less aggressive on quick orders as a responsible manufacturer

Average Selling Price (HK\$)

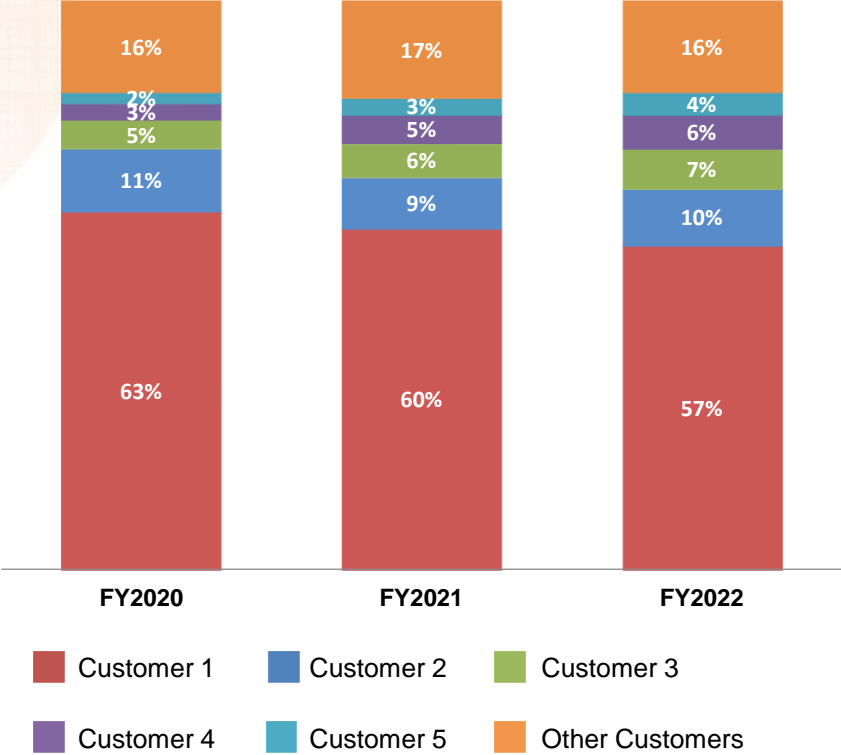


- ASP increased despite lower volume of cashmere sweaters which are higher in sales value
- Efforts in upholding prices as much as possible



南旋控股有限公司
NAMESON HOLDINGS LIMITED

Sweaters: Customer Mix



Capacity by Location: Sweaters

Vietnam Factory

- Operating since 1Q2015
- GFA of > 130,000m²
- Machinery: ≈ 3,400
- Labor: > 7,500 employees
- Manufactured 47% of total sweaters in FY2022

China Factory

- Operating since 2002
- GFA of >350,000m²
- Machinery: ≈ 4,000
- Labor: > 5,000 employees
- Manufactured 53% of total sweaters in FY2022



南旋控股有限公司
NAMESON HOLDINGS LIMITED

Other Products – Cashmere Yarn

Cashmere Yarn

- 13 production lines, totaling approx. 900 tons of annual design production capacity, ramped up as planned
- Exceeding 800 tons self-produced in FY2022
- Seeing strong market demand, outsourced certain orders
- Satisfy internal usage and external customers

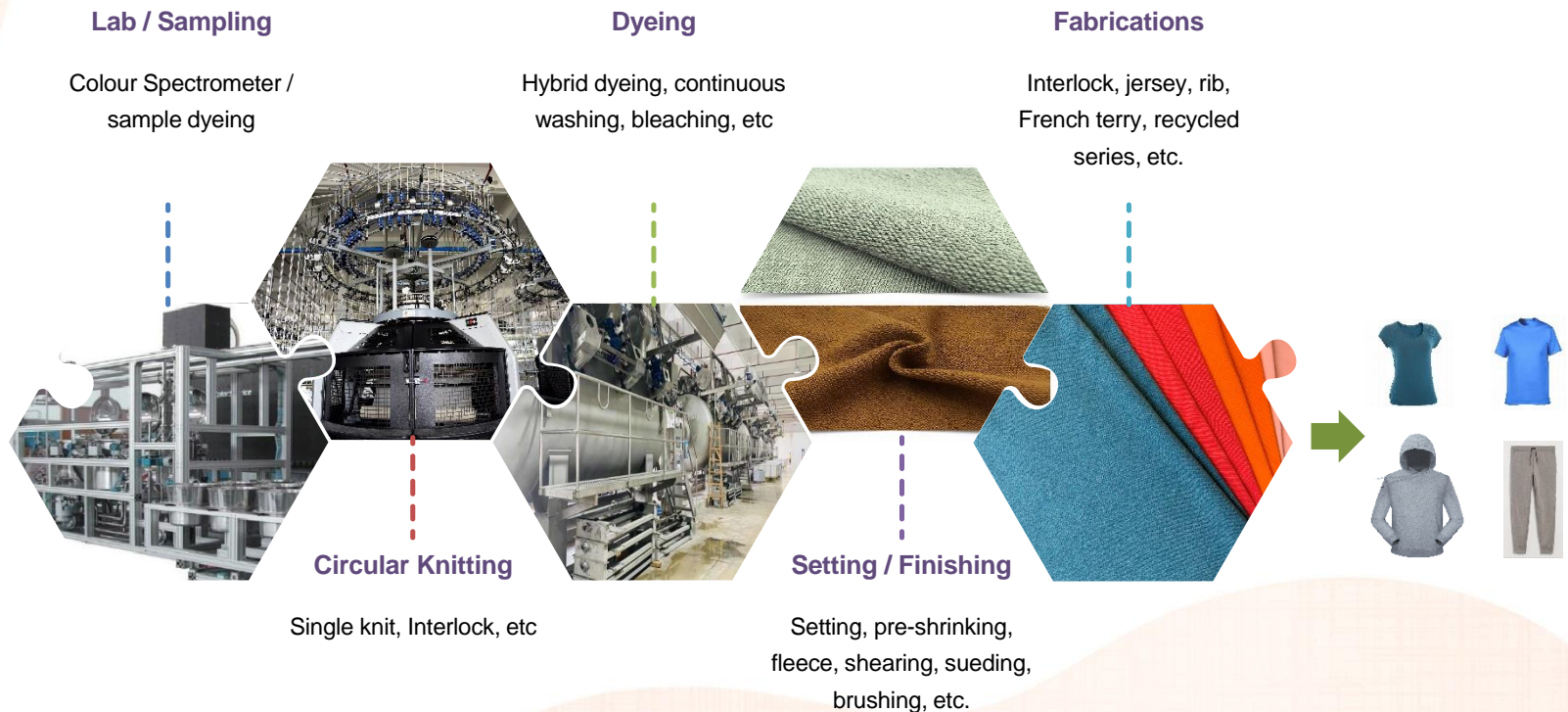


Cashmere spinning machines and cashmere yarn at Hebei Nanguan Tech



Other Products - Fabrics

- Diversified into fabrics business to tap the inherent demand for the local fabric supply for Vietnam's apparel industry
- Designed annual production capacity is approximately 36 million pounds of fabric
- Trial production commenced in 2Q FY2022, contribution to the Group begins to take shape



Development of Myanmar for Knitwear

- Construction almost complete, development was decelerated until political unrest and COVID-19 situation is less severe
- Myanmar is in a good position for its low-cost alternative as customers' procurement needs shift, for its duty concession to China, Japan and Europe, especially when China's status in trade preference is diminishing



Exterior of Myanmar plant



南旋控股有限公司
NAMESON HOLDINGS LIMITED



南旋控股有限公司
NAMESON HOLDINGS LIMITED

FUTURE AND CORPORATE STRATEGIES



Future Strategies

MARKET CONDITION

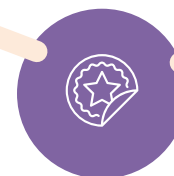
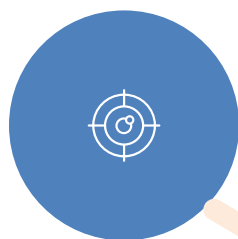
- Still uncertainties for path of recovery, **cautious end-market sentiment**
- Continue to diversify into businesses that are accretive to the Group

ENVIRONMENT

In response to the Mainland China's call for energy conservation, **confirmed initiatives to reduce carbon emission**

DIGITISATION

Upgrade ERP, digitise and automate, establish **better management of resources**



PRODUCTION RATIO

- Continue to expand production ratio outside of China: expand Vietnam and embark on Myanmar when appropriate
- Attempt to **balance peak and non-peak season production**

INNOVATION

In progress of applying **two innovation patents**, displaying our capability in merging design and function



Environmental Protection Initiatives

TARGETS before 2031*

- Reduce carbon emission by 10.5%
- Reduce energy consumption by 4.3%

* Yearly target compared to FY2021

SOLAR INSTALLATION

- Embarked on solar panel installation at Huizhou production facility
- Targets approx. 8,200 tons of reduced carbon emission / year

ONGOING INITIATIVES

- Total volume of hazardous waste -72.7%
- Packaging materials used for finished products - 7.5%
- Water recycling ~60% reuse of water resources



ETHICAL PROCUREMENT

- 10 memberships / certificates attained for responsible and ethical sourcing
- Expects all suppliers to comply with ethical sourcing

GREENERY

- 40% of factories' area is planted with trees

HIGG INDEX

- Score of 87% in Facility Social & Labor Module
- Score of 65% in Facility Environmental Module



南旋控股有限公司
NAMESON HOLDINGS LIMITED



南旋控股有限公司
NAMESON HOLDINGS LIMITED

QUESTION AND ANSWER



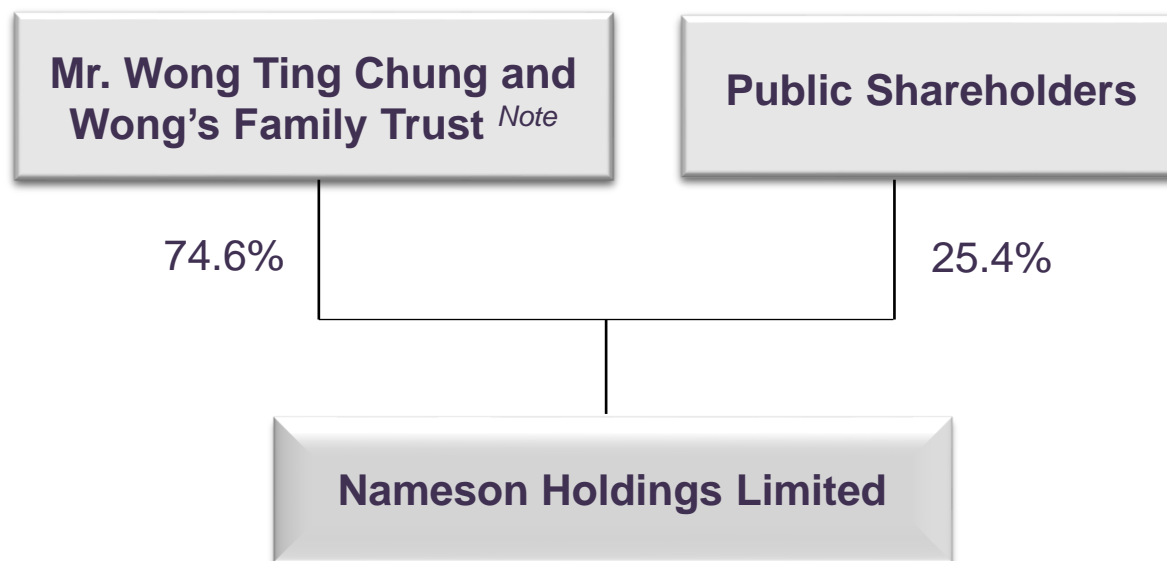


南旋控股有限公司
NAMESON HOLDINGS LIMITED

APPENDIX



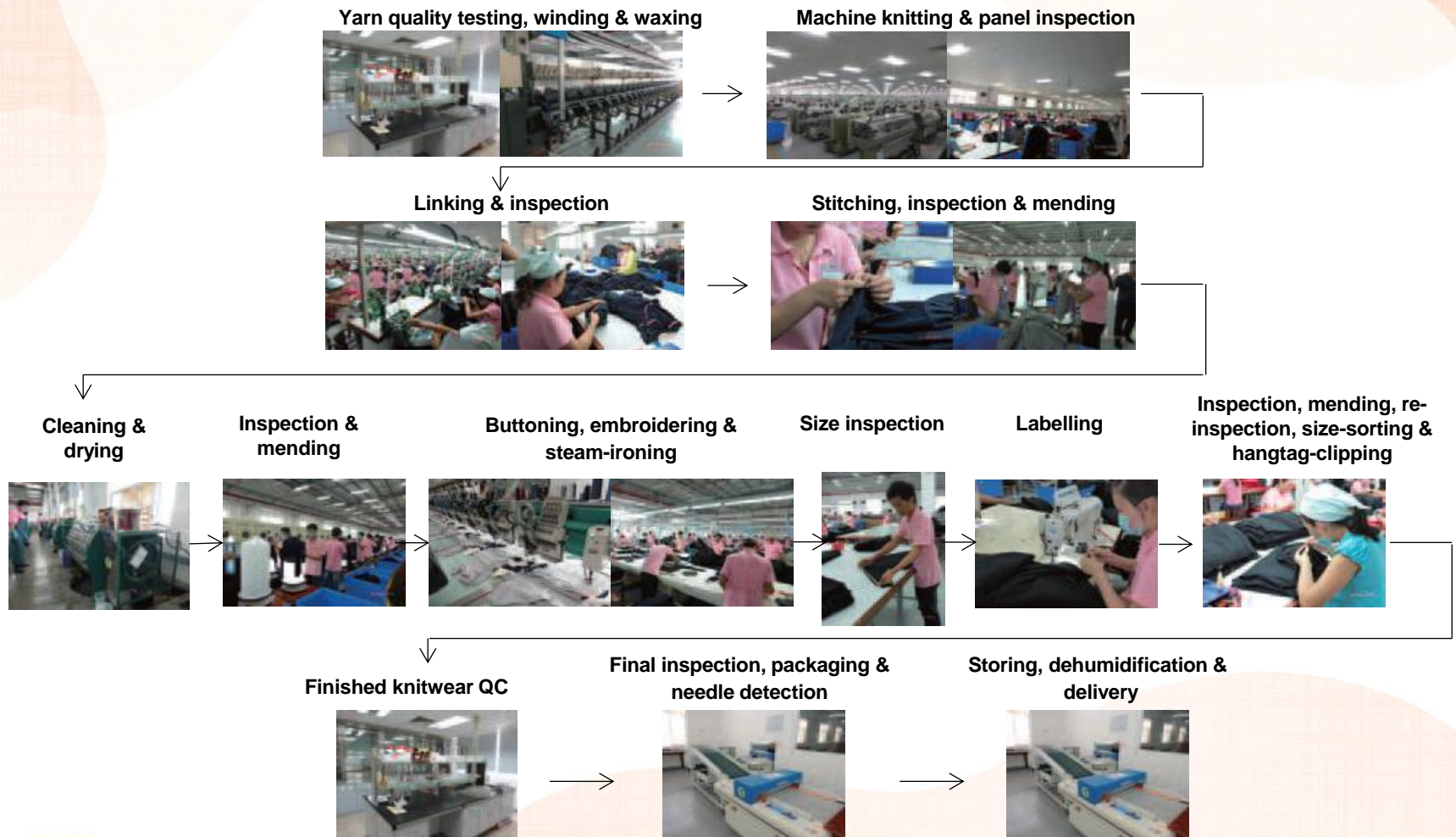
Shareholding Structure







Note: The above diagram is a simplified shareholding structure. The family trust is a trust established by Founding Chairman Mr. Wong Ting Chung as the settlor with the beneficiaries being Mr. Wong Ting Chung and certain family members of the Wong's family.



Knitwear Production Process



WholeGarment Knitting VS Traditional Knitting

	WholeGarment Knitwear	Traditional Knitwear
Knitting machine	<p>WholeGarment knitting machine</p> 	<p>Traditional knitting machine</p> 
Output product	<p>Whole piece of knitwear</p> 	<p>Panels (Front/Back/Sleeves)</p> 
Linking process	Eliminated	Key Process



Seamless Knitting Technology: WholeGarment

Cost Effectiveness of Deploying WholeGarment Machinery

- Reduce production lead time by >50%
- Reduce labour in production process
- Reduce material wastage, especially beneficial for expensive raw materials



Cater to Diverse Customer Needs

Better fit and styles very well-received by end market since inception
Customer driving up the speed of introducing more knitwear utilising WholeGarment Technology

Accretive to the Group's Development

- Better selling prices and margins accretive to the Group
- Confirmed orders received early in the pipeline given the limited supply in the market, beneficial for production planning



南旋控股有限公司
NAMESON HOLDINGS LIMITED

Consolidated Income Statement

	Audited Year ended 31 March	
	2021 (HK\$ '000)	2022 (HK\$ '000)
Revenue	3,848,554	4,040,472
Cost of sales	(3,147,112)	(3,334,374)
Gross profit	701,442	706,098
Other income	17,072	20,509
Other gains / (losses), net	31,007	(979)
Selling and distribution expenses	(40,969)	(38,223)
General and administrative expenses	(342,658)	(347,966)
Reversal of impairment losses on financial assets	1,737	-
Operating profit	367,631	339,439
Share of post-tax profit of a joint venture	60	762
Finance expenses, net	(33,024)	(21,175)
Profit before income tax	334,667	319,026
Income tax expenses	(36,309)	(43,422)
Profit for the year	298,358	275,604
Profit for the year attributable to		
- Owners of the Company	313,677	263,302
- Non-controlling interests	(15,319)	12,302
Earnings per share		
- Basic and diluted (HK cents per share)	13.76	11.55



Consolidated Balance Sheet

	<i>Audited</i> <i>As at 31 March</i>	
	2021 (HK\$ '000)	2022 (HK\$ '000)
ASSETS		
Non-current assets		
Property, plant and equipment	1,770,817	2,131,132
Right-of-use assets	830,109	384,553
Investment properties	1,836	1,754
Intangible assets	-	-
Interest in a joint venture	8,297	4,919
Financial assets at fair value through profit or loss	173,113	178,830
Prepayments, deposits, other receivables and other assets	84,499	69,298
Deferred income tax assets	691	694
	2,869,362	2,771,180
Current assets		
Inventories	721,606	1,161,246
Trade receivables	143,866	146,193
Derivative financial instruments	-	34
Prepayments, deposits, other receivables and other assets	124,605	124,813
Tax recoverable	2,970	73
Cash and cash equivalents	793,201	610,718
	1,786,248	2,043,077
Total assets	4,655,610	4,814,257



Consolidated Balance Sheet (con'd)

	<i>Audited</i>	
	<i>As at 31 March</i>	
	2021	2022
	(HK\$ '000)	(HK\$ '000)
EQUITY		
Capital and reserves attributable to the owners of the Company		
Share capital	22,794	22,794
Reserves	2,218,397	2,385,610
	2,241,191	2,408,404
Non-controlling interests	174,944	194,490
Total equity	2,416,135	2,602,894
LIABILITIES		
Non-current liabilities		
Bank borrowings	342,967	935,637
Loan from a non-controlling shareholder of a subsidiary	-	3,976
Lease liabilities	112,757	47,954
Provision for reinstatement cost	381	426
Deferred income tax liabilities	2,355	1,753
	458,460	989,746
Current liabilities		
Trade and bills payables	314,378	415,942
Accruals and other payables	183,798	240,062
Current income tax liabilities	219,224	236,048
Bank borrowings	881,317	254,471
Lease liabilities	182,298	75,094
	1,781,015	1,221,617
Total liabilities	2,239,475	2,211,363
Total equity and liabilities	4,655,610	4,814,257
Net current assets	5,233	821,460



南旋控股有限公司
NAMESON HOLDINGS LIMITED



南旋控股有限公司
NAMESON HOLDINGS LIMITED

THANK YOU!

