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南旋控股有限公司
NAMESON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1982)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2022
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF
ASSOCIATION OF THE COMPANY**

	Year ended 31 March		Change
	2022 <i>HK\$' million</i>	2021 <i>HK\$' million</i>	
Revenue	4,040.5	3,848.6	5.0%
Gross profit	706.1	701.4	0.7%
Gross profit margin	17.5%	18.2%	-0.7 p.p.
Net profit	275.6	298.4	-7.6%
Profit attributable to the owners of the Company	263.3	313.7	-16.1%
Adjusted net profit (Note)	261.1	305.5	-14.5%
Adjusted net profit margin	6.5%	7.9%	-1.4 p.p.
Earnings per share			
— Basic and diluted	11.55 HK cents	13.76 HK cents	-16.1%
Interim dividend per share	4.2 HK cents	3.8 HK cents	
Proposed final dividend per share	1.5 HK cents	1.2 HK cents	

Note: Adjusted net profit is a non-HKFRS financial measure and derived from profit attributable to the owners of the Company excluding realised and unrealised (gains)/losses from derivative financial instruments, which are considered as non-recurring in nature. We believe the adjusted net profit presented herein better reflects the Group's core operating results.

The Board (the “Board”) of directors (the “Directors”) of Nameson Holdings Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2022, together with the comparative figures for the year ended 31 March 2021 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

(Expressed in Hong Kong dollars)

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Revenue	3	4,040,472	3,848,554
Cost of sales	5	(3,334,374)	(3,147,112)
Gross profit		706,098	701,442
Other income		20,509	17,072
Other (losses)/gains, net	4	(979)	31,007
Selling and distribution expenses	5	(38,223)	(40,969)
General and administrative expenses	5	(347,966)	(342,658)
Reversal of impairment losses on financial assets	5	—	1,737
Operating profit		339,439	367,631
Share of post-tax profit of a joint venture		762	60
Finance income		2,687	2,861
Finance expenses		(23,862)	(35,885)
Finance expenses, net	6	(21,175)	(33,024)
Profit before income tax		319,026	334,667
Income tax expenses	7	(43,422)	(36,309)
Profit for the year		275,604	298,358
Profit for the year attributable to:			
— Owners of the Company		263,302	313,677
— Non-controlling interests		12,302	(15,319)
		275,604	298,358
Earnings per share attributable to the owners of the Company during the year			
— Basic and diluted (HK cents per share)	8	11.55	13.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

(Expressed in Hong Kong dollars)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	275,604	298,358
Other comprehensive income, net of tax: <i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
— Currency translation differences	32,220	49,867
— Share of other comprehensive income of a joint venture	30	173
Other comprehensive income for the year, net of tax	32,250	50,040
Total comprehensive income for the year	307,854	348,398
Total comprehensive income for the year attributable to:		
— Owners of the Company	290,296	353,608
— Non-controlling interests	17,558	(5,210)
	307,854	348,398

CONSOLIDATED BALANCE SHEET

As at 31 March 2022

(Expressed in Hong Kong dollars)

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		2,131,132	1,770,817
Right-of-use assets		384,553	830,109
Investment properties		1,754	1,836
Intangible assets		–	–
Interest in a joint venture		4,919	8,297
Financial assets at fair value through profit or loss		178,830	173,113
Prepayments, deposits, other receivables and other assets		69,298	84,499
Deferred income tax assets		694	691
		<u>2,771,180</u>	<u>2,869,362</u>
Current assets			
Inventories		1,161,246	721,606
Trade receivables	<i>10</i>	146,193	143,866
Derivative financial instruments		34	–
Prepayments, deposits, other receivables and other assets		124,813	124,605
Tax recoverable		73	2,970
Cash and cash equivalents		610,718	793,201
		<u>2,043,077</u>	<u>1,786,248</u>
Total assets		<u><u>4,814,257</u></u>	<u><u>4,655,610</u></u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		22,794	22,794
Reserves		2,385,610	2,218,397
		<u>2,408,404</u>	<u>2,241,191</u>
Non-controlling interests		194,490	174,944
		<u>194,490</u>	<u>174,944</u>
Total equity		<u><u>2,602,894</u></u>	<u><u>2,416,135</u></u>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings	<i>12</i>	935,637	342,967
Loan from a non-controlling shareholder of a subsidiary		3,976	–
Lease liabilities	<i>13</i>	47,954	112,757
Provision for reinstatement costs		426	381
Deferred income tax liabilities		1,753	2,355
		<u>989,746</u>	<u>458,460</u>
Current liabilities			
Trade and bills payables	<i>11</i>	415,942	314,378
Accruals and other payables		240,062	183,798
Current income tax liabilities		236,048	219,224
Bank borrowings	<i>12</i>	254,471	881,317
Lease liabilities	<i>13</i>	75,094	182,298
		<u>1,221,617</u>	<u>1,781,015</u>
Total liabilities		<u>2,211,363</u>	<u>2,239,475</u>
Total equity and liabilities		<u>4,814,257</u>	<u>4,655,610</u>
Net current assets		<u>821,460</u>	<u>5,233</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the manufacturing of knitwear products. The ultimate holding company of the Company is Happy Family Assets Limited. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 April 2016.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

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

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

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for the financial year beginning 1 April 2021:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform (Phase 2)
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use

The Group has early adopted HKAS 16 (Amendments) "Property, Plant and Equipment — Proceeds before Intended Use" retrospectively from 1 April 2021. The amendments prohibit an entity from deducting the proceeds from selling items produced by an asset before that asset is available for use from the cost of property, plant and equipment and require the entity to recognise the proceeds before intended use and related cost in the consolidated income statement.

Proceeds of approximately HK\$37,101,000 and costs of approximately HK\$35,213,000 relating to the items produced before certain assets were available for use have been recognised in revenue and cost in the consolidated income statement for the year ended 31 March 2022. There is no impact on the opening balance of equity at 1 April 2021.

Except for the HKAS 16 (Amendments) set out above, the adoption of the other amended standards did not result in the Group changing its accounting policies or making retrospective adjustments.

(b) *New and amended standards, interpretation and accounting guideline not yet adopted by the Group*

The following new and amended standards, interpretation and accounting guideline have been issued but are not effective for the Group's financial year beginning 1 April 2021 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual improvements projects	Annual Improvements to HKFRS 2018 to 2020	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3. SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors and senior management of the Company led by the Group's chief executive officer, being the Group's chief operating decision-maker, which are used for the purposes of assessing performance and making strategic decisions.

During the years ended 31 March 2022 and 2021, the Group has been operating in a single operating segment, i.e. manufacturing of knitwear products.

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

(a) Revenue by location of goods delivery

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Japan	1,097,146	1,307,153
North America	516,165	535,357
Europe	696,048	708,818
Mainland China	1,145,845	916,227
Other countries	585,268	380,999
	<u>4,040,472</u>	<u>3,848,554</u>

(b) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	58,321	32,797
Mainland China	603,775	703,166
Vietnam	1,527,630	1,635,424
Myanmar	397,011	315,874
	<u>2,586,737</u>	<u>2,687,261</u>

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

(c) Major customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	<u>1,807,143</u>	<u>2,025,804</u>

The five largest customers accounted for approximately 66.6% (2021: 73.1%) of revenue for the year ended 31 March 2022.

(d) Disaggregation of revenue from contracts with customers

For the years ended 31 March 2022 and 2021, the revenue of the Group was recognised at a point in time.

(e) Liabilities related to contracts with customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract liabilities — receipts in advance	<u>12,244</u>	<u>18,272</u>

Contract liabilities for sales of goods contracts have decreased by HK\$6,028,000 (2021: HK\$8,630,000) due to a decrease in unfulfilled performance obligations as at year end date.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>17,008</u>	<u>9,509</u>

4. OTHER (LOSSES)/GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net foreign exchange (losses)/gains	(9,740)	15,632
Net gains on financial assets at fair value through profit or loss	5,717	5,818
Net gains on disposals of property, plant and equipment	826	1,133
Net realised and unrealised gains from derivative financial instruments	2,211	8,213
Others	7	211
	<u>(979)</u>	<u>31,007</u>

5. EXPENSES BY NATURE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Advertising and promotion expenses	5,298	7,166
Auditor's remuneration		
— audit services	2,944	2,849
— non-audit services	661	651
Depreciation		
— owned property, plant and equipment	146,327	126,322
— right-of-use assets	79,787	89,692
Depreciation of investment properties	82	82
Employment benefit expenses (including directors' emoluments)	907,256	871,918
Raw materials used	2,280,290	1,861,087
Changes in inventories of finished goods and work in progress	(339,074)	42,176
Provision for impairment of inventories	2,399	5,570
Consumables	94,909	75,012
Provision for impairment of property, plant and equipment	–	21,916
Reversal of impairment of trade receivables	–	(1,737)
Subcontracting charges	228,352	169,328
Agency and commission expenses	2,166	1,407
Transportation charges	34,031	32,886
Sample charges	14,638	10,866
Donations	1,015	3,056
Short-term lease payments	449	764
Utilities expenses	131,379	93,626
Others	127,654	114,365
	<u>3,720,563</u>	<u>3,529,002</u>
Total cost of sales, selling and distribution expenses, general and administration expenses and reversal of impairment losses on financial assets	<u>3,720,563</u>	<u>3,529,002</u>

6. FINANCE EXPENSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income		
Interest income from:		
— Bank deposits	<u>2,687</u>	<u>2,861</u>
Finance expenses		
Interest expenses on:		
— Bank borrowings	(19,407)	(28,372)
— Lease liabilities	<u>(4,455)</u>	<u>(7,513)</u>
	<u>(23,862)</u>	<u>(35,885)</u>
Finance expenses, net	<u><u>(21,175)</u></u>	<u><u>(33,024)</u></u>

7. INCOME TAX EXPENSES

For the year ended 31 March 2022, Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year and the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2021: 25%) on estimated assessable profits. However, two (2021: two) of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is within the fourth year of 50% reduction in the BIT rate, whereas, the other two subsidiaries in Vietnam have no assessable profit for the year ended 31 March 2022, and hence no BIT is provided.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current and deferred income tax		
— Hong Kong profits tax	13,386	14,311
— China corporate income tax	29,090	22,290
— Vietnam business income tax	417	—
— Deferred taxation	<u>(604)</u>	<u>(292)</u>
	<u>42,289</u>	<u>36,309</u>
Under provision in prior years		
— Vietnam business income tax	<u>1,133</u>	—
	<u><u>43,422</u></u>	<u><u>36,309</u></u>

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 March 2022 and 2021 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 year.

	2022	2021
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>263,302</u>	<u>313,677</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,279,392</u>	<u>2,279,392</u>
Basic earnings per share (<i>HK cents</i>)	<u>11.55</u>	<u>13.76</u>

(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.

Diluted earnings per share for the years ended 31 March 2022 and 2021 equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

9. DIVIDENDS

At the board meeting held on 26 November 2021, the Board of Directors declared an interim dividend for the year ended 31 March 2022 of 4.2 HK cents per share amounting to a total of HK\$95,734,000 and paid on 22 December 2021.

At the board meeting held on 24 June 2022, the Board of Directors recommended a final dividend of 1.5 HK cents per share amounting to a total of HK\$34,191,000. The proposed dividends are not reflected as a dividend payable in these consolidated financial statements and will be reflected as appropriation of retained earnings for the year ending 31 March 2023.

At the board meeting held on 20 November 2020, the Board of Directors declared an interim dividend for the year ended 31 March 2021 of 3.8 HK cents per share amounting to a total of HK\$86,617,000 and paid on 22 December 2020.

At the board meeting held on 25 June 2021, the Board of Directors declared a final dividend for the year ended 31 March 2021 of 1.2 HK cents per share amounting to a total of HK\$27,353,000 and paid on 21 September 2021.

10. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	146,193	143,866

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
US\$	109,788	78,812
RMB	36,405	65,054
	146,193	143,866

The credit periods granted by the Group to its customers generally range from 0 to 90 days. As at 31 March 2022 and 2021, the ageing analysis of the trade receivables based on the invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to three months	123,830	109,788
Three to six months	12,751	23,799
Over six months	9,612	10,279
	146,193	143,866

The Group applies HKFRS 9 “Financial Instruments” simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There was no loss allowance for the trade receivables as at 31 March 2022 (2021: same).

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

11. TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	300,573	216,063
HK\$	38,684	31,071
RMB	71,990	67,244
Others	4,695	–
	<u>415,942</u>	<u>314,378</u>

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

Note: As at 31 March 2022, trade and bills payables includes trade payables to related companies of approximately HK\$8,825,000 (2021: HK\$7,640,000).

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	215,390	151,750
One to two months	71,319	55,594
Two to three months	72,358	65,374
Over three months	56,875	41,660
	<u>415,942</u>	<u>314,378</u>

12. BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current		
Portion of long-term bank borrowings, secured, due for repayment within one year which contain a repayment on demand clause	1,033	1,033
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	1,118	2,151
Portion of long-term bank borrowings, unsecured, due for repayment within one year	<u>252,320</u>	<u>878,133</u>
	<u>254,471</u>	<u>881,317</u>
Non-current		
Bank borrowings, unsecured	<u>935,637</u>	<u>342,967</u>
Total bank borrowings	<u><u>1,190,108</u></u>	<u><u>1,224,284</u></u>

The weighted average effective interest rate as at 31 March 2022 is 1.75% (2021: 1.57%).

The bank borrowings are due for repayment as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	253,353	879,166
Between one and two years	405,739	147,333
Between two and five years	<u>531,016</u>	<u>197,785</u>
	<u><u>1,190,108</u></u>	<u><u>1,224,284</u></u>

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

As at 31 March 2022, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK\$6,526,000 (2021: HK\$6,318,000).

13. LEASE LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current		
Lease liabilities due for repayment within one year	<u>75,094</u>	<u>182,298</u>
Non-current		
Lease liabilities due for repayment after one year:		
Between one and two years	45,644	70,811
Between two and five years	<u>2,310</u>	<u>41,946</u>
	<u>47,954</u>	<u>112,757</u>
Total lease liabilities	<u>123,048</u>	<u>295,055</u>

The weighted average effective interest rate as at 31 March 2022 is 1.80% (2021: 1.78%).

The lease liabilities are due for repayment as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gross lease liabilities — minimum lease payments:		
Within one year	76,763	186,118
Between one and two years	46,089	72,708
Between two and five years	<u>2,366</u>	<u>42,348</u>
	125,218	301,174
Future finance charges on leases	<u>(2,170)</u>	<u>(6,119)</u>
Present value of lease liabilities	<u>123,048</u>	<u>295,055</u>

As at 31 March 2022, the carrying amounts of lease liabilities are denominated in US\$, RMB and HK\$ (2021: same).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

There have been lots of obstacles in the market conditions for the year ended 31 March 2022 (“Financial Year 2022”) mostly caused by the evolving situations due to the novel coronavirus (COVID-19) pandemic. Whilst there has been a temporary rebound in the consumption sentiment, the supply side faced immense hindrances due to the pandemic in Southeast Asian countries in the first half of Financial Year 2022, followed by power rationing in the People’s Republic of China (“Mainland China”) and the logistics congestion that impacted the global supply chain in the second half of Financial Year 2022.

We were carving our learning path by resolving challenges and threats by cooperating with quality customers and suppliers who resonate in business ethics, financial health, and have the agility to adapt together to the swiftly changing market conditions. We have fostered tighter working relationships with our customers and suppliers, as well as our employees and the community, which we believe that such will lay a solid foundation for us to grow stronger in the years to come.

Mainland China’s manufacturing status remained robust especially in the first half of Financial Year 2022 while other South-east Asian manufacturing countries suffered from the impacts brought by COVID-19. Mainland China’s total export value recorded a growth of 23.1% in Financial Year 2022, as compared to last financial year, while Mainland China’s total export value of knitwear (including knitted products and crochet products, knitted or crocheted clothing and accessories) grew impressively by 36.4% as compared to last financial year.

Vietnam’s exports increased notably in the second half of Financial Year 2022 as the country gradually lifted restrictions on COVID-19 containment and moving towards more normalised levels of productivity. As such, Vietnam’s export value for its textile and garments revived to a ten-year high, growing 14.5% in Financial Year 2022 as compared to last financial year.

Our Group’s strategy of maintaining presence in both prominent manufacturing hubs in Mainland China and Vietnam, as well as our dedicated and tactful management have favoured us in effectively managing through turbulent macro-environment in the past few years.

Nonetheless, Financial Year 2022 continued to be a year where we were required to manage our production allocation dynamically to respond to the fluid situation in Vietnam and Mainland China, optimise with customers on shifts from end-market sales sentiment, work diligently with suppliers on providing raw materials and managing as much as possible on costs and schedule for production and delivery.

BUSINESS REVIEW

Our Group's meticulous efforts in enhancing the operational efficiency in our Vietnam production base have enabled us a head start in Financial Year 2022. However, the fluctuating entailments brought by COVID-19 pandemic in the later months impacted not only the productivity, but also logistics and delivery schedules, as well as some of our customers' end-market sales sentiment.

Our dedicated team of management reacted instantly by prioritising our staff's health and strictly observing the COVID-19 pandemic regulations in our places of operations. Through vigorous and stringent efforts in pandemic control, we complied with these regulations, and our Vietnam production base managed to remain in operation throughout Financial Year 2022. We worked with customers on re-shuffled delivery schedules while re-allocating some orders to be produced in our production base in Mainland China. Under a tight labour market and power rationing, we vividly adapted to change and re-arranged production schedules to facilitate the revised delivery schedules with our customers after tacit and mutual understanding considering our long-term partnership.

During the second half of Financial Year 2022, productivity of our Vietnam production base was resuming to more normalised levels resulting from the local government's decision to uplift COVID-19 restrictions. Nevertheless, our Group deliberately became less aggressive in receiving new orders, particularly quick orders, after careful evaluation of the potential for further productivity and logistics impacts as a result of the reeling effects from the previous COVID-19 restrictions. As such, the sales volume of our men's and women's knitwear products declined slightly by 6.5% to 29.0 million pieces for Financial Year 2022, as compared to last financial year.

Even though the sales volume of higher-priced cashmere sweaters slightly declined in Financial Year 2022, the average selling price of men's and women's knitwear products still managed to increase by 1.8% to HK\$110.4 per piece, demonstrating our uncompromised quality even during such testing times. Contributed by an increase in cashmere yarn and fabric sales, our Group's total revenue increased by 5.0% to HK\$4,040.5 million for Financial Year 2022.

While our Group places relentless focus on continuing to improve operational efficiency, we faced inevitable cost pressures during Financial Year 2022. For example, there was an increase in labour costs due to offering more incentives to staff who continued to actively work in our Vietnam production base even during lockdowns, an increase in subcontracting charges to accelerate production progress and secure delivery based on re-shuffled and hence tighter schedules with customers, a surge in utility costs due to Mainland China's power rationing, as well as an increase in other production overhead costs. The margin decline was partially offset by the higher revenue and gross profit margin contribution from our cashmere yarn sales. Our Group's gross profit was 0.7% higher as compared to last financial year, and gross profit margin dropped slightly from 18.2% in last financial year to 17.5% in Financial Year 2022.

With the additional costs for COVID-19 pandemic prevention and control measures at all our production bases, as well as the added costs incurred with the new fabric business during Financial Year 2022, our Group's operating profit declined by 7.7% to HK\$339.4 million. Nonetheless, the drop in market interest rate during Financial Year 2022 together with the exercising of effective financial management strategies by our Group led to a lower finance costs.

Despite the many imminent challenges faced during Financial Year 2022, our Group's net profit declined prudently by 7.6% to HK\$275.6 million for Financial Year 2022 as compared to last financial year. Net profit margin declined from 7.8% in last financial year to 6.8% in Financial Year 2022.

Our Group will continue its prudent cash management directives and become more selective in future investments for growth. In view of our Group's healthy cash flow, the Board has recommended the payment of a final dividend of 1.5 HK cents per share to the Company's shareholders. Including the interim dividend of 4.2 HK cents per share, the annual dividend represents an increase in the dividend payout ratio during Financial Year 2022, in appreciation for our shareholders' trust and support during these difficult times.

FUTURE STRATEGIES AND PROSPECTS

Our Group envisions that the coming year will still be full of uncertainties. Amid the global inflationary pressures, rising food and energy prices, supply chain disruptions as well as global political issues being extended from contentious trade relations between Mainland China and the United States of America to the conflict between Russia and Ukraine, these uncertainties exacerbated the supply and demand tensions, intensified currency fluctuations, and the further outbreak or resurgence of the COVID-19 pandemic across various markets still poses threats to the speed and path of recovery for overall consumer sentiment and global economy.

In the first few months after Financial Year 2022, the local COVID-19 cases resurged in Mainland China and has negatively impacted logistics and thus raw materials for production. Supported by our Vietnam production base, which has been gradually reviving to its normal productivity levels, we have learnt that swiftness to adapt to change is conducive to our Group's sustainable development and its ability to minimise negative impacts. It is expected that the production volume of our Vietnam production base will revive to a level exceeding our production base in Mainland China in the coming year, in line with our strategy to increase offshore productions.

Despite the very challenging environment and tight capacity, our Group was able to secure a prominent new customer which focuses on material functionality to grow hand-in-hand with us. Meanwhile, we continue to envision positive response to our WHOLEGARMENT products. We remain very confident that our dedication in innovation, and collaborative endeavours with customers will continue to help us reach new breakthroughs in product development and tap new customers or markets in response to the multi-faceted and quickly changing customers' preferences.

As Vietnam is continuing to build its prominence in the manufacturing landscape, it currently still relies heavily on imports for raw materials. Even though our new fabric business is still in the early stage and is adjusting to learn and fit customers' preferences, we are confident that this new business will positively contribute to our Group's development in the years to follow.

On the other hand, the development of our Group's Myanmar production base was decelerated while we continue to carefully monitor the situation. We expect trial production in the Myanmar production base to be delayed. With Mainland China's position in trade preference being lessened, and the significantly lower labour costs in Myanmar, we see Myanmar in an advantageous position enjoying tariff concessions exporting to Mainland China, Japan and Europe. Our ultimate goal is to further increase overseas production capacity ratio in response to the changing customer procurement preferences.

As an industry leader and a responsible global citizen acting in response to Mainland China's advocate to energy conservation, we have actively embarked on bringing renewable energy to our manufacturing facilities to achieve greater efficiencies on our energy usage. We strive to continue to grow while taking care of the environment and we took early actions hoping to inspire other businesses to start contributing to energy conservation.

We will also continue to be open-minded to accomplish other breakthroughs on innovation, lean manufacturing and digitisation where appropriate. We will continue our paths to further enhance our product design with function, material development ability, and cater to the diverse range of customers' preferences to be in line with the quickly evolving end-market preferences.

Despite the challenges ahead, we have accumulated experience in dealing with situations with an adaptable mindset and balance our energetic team with experience, we remain focused on generating greater returns to our shareholders even during oscillating times.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2022 mainly represented revenue from sales of knitwear products, including womenswear, menswear and other products such as cashmere yarns, knitted upper for footwear, childrenswear, scarfs, hats and gloves, to our customers.

The Group's revenue increased by 5.0% to HK\$4,040.5 million for the year ended 31 March 2022 from HK\$3,848.6 million for the year ended 31 March 2021. The increase was mainly attributable to the increase in sales revenue of cashmere yarns, while there was a slight decrease in total sales revenue of men's and women's knitwear products.

The decrease in the total sales revenue of men's and women's knitwear products was due to the decrease in sales volume. The Group's sales volume of men's and women's knitwear products decreased by 6.5% from 31.0 million pieces for the year ended 31 March 2021 to 29.0 million pieces for the year ended 31 March 2022, while the average selling price of the Group's men's and women's knitwear products increased by 1.8% from HK\$108.4 per piece for the year ended 31 March 2021 to HK\$110.4 per piece for the year ended 31 March 2022.

Consistent with the Group's geographical market distribution for the year ended 31 March 2021, Japan, Mainland China and Europe remained as the top three markets of the Group for the year ended 31 March 2022. The revenue attributable to the Japanese market, Chinese market and European market accounted for 27.2%, 28.4% and 17.2% respectively of the Group's total revenue for the year ended 31 March 2022.

Cost of Sales

For the year ended 31 March 2022, the Group incurred cost of sales of HK\$3,334.4 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the year ended 31 March 2022, the Group recorded gross profit of HK\$706.1 million and gross profit margin of 17.5% as compared to the gross profit of HK\$701.4 million and gross profit margin of 18.2% for the year ended 31 March 2021.

The decline in gross profit margin for the year ended 31 March 2022 was mainly due to (i) the increase in total direct labour costs and subcontracting charges as we incurred additional costs to handle the impacts caused by the operational disruption in our Vietnam production base as a result of the escalation of confirmed COVID-19 cases in Vietnam during the middle of year 2021; and (ii) higher labour wages and energy costs in our China production base. The margin decline was partially offset by the higher revenue and gross profit margin contributions from our cashmere yarn sales.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidies, income from claims settled and income from scraps sales. The other income of the Group increased by HK\$3.4 million from HK\$17.1 million for the year ended 31 March 2021 to HK\$20.5 million for the year ended 31 March 2022. Such increase was mainly due to the income from claims settled of HK\$6.3 million and the increase in income from scraps sales, which was partially offset by the decrease in government subsidies.

Other (Losses)/Gains, Net

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

Other (losses)/gains, net changed from net gains of HK\$31.0 million for the year ended 31 March 2021 to net losses of HK\$1.0 million for the year ended 31 March 2022. Such change was primarily attributable to (i) the turnaround in net foreign exchange gains from HK\$15.6 million for the year ended 31 March 2021 to net foreign exchange losses of HK\$9.7 million for the year ended 31 March 2022; and (ii) the decrease in net realised and unrealised gains from derivative financial instruments by HK\$6.0 million from HK\$8.2 million for the year ended 31 March 2021 to HK\$2.2 million for the year ended 31 March 2022.

In summary, other (losses)/gains, net for the year ended 31 March 2022 mainly represented net realised and unrealised gains from derivative financial instruments of HK\$2.2 million, net gains on financial assets at fair value through profit or loss of HK\$5.7 million and net foreign exchange losses of HK\$9.7 million.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses decreased by HK\$2.8 million, from HK\$41.0 million for the year ended 31 March 2021 to HK\$38.2 million for the year ended 31 March 2022. Such decrease was largely in line with the decrease in the Group's sales volume of men's and women's knitwear products.

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\$5.3 million from HK\$342.7 million for the year ended 31 March 2021 to HK\$348.0 million for the year ended 31 March 2022. Such increase was mainly due to (i) the increase in staff costs as a result of the growth in our cashmere yarn and fabric businesses; and (ii) the increase in other incidental office expenses (e.g. travelling and entertainment expenses) as our Group has dedicated more marketing efforts to promote its products in face of the more competitive market conditions, such increase was partially offset by the absence of provision for impairment of property, plant and equipment during the year ended 31 March 2022. The Group provided an impairment provision of HK\$21.9 million for some under-utilised machineries during the year ended 31 March 2021.

Reversal of Impairment Losses on Financial Assets

No reversal of impairment losses on financial assets for the year ended 31 March 2022.

Reversal of impairment losses on financial assets for the year ended 31 March 2021 represented reversal of provision for impairment of trade receivables of HK\$1.7 million.

Finance Expenses, Net

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

The Group's net finance expenses decreased by HK\$11.8 million from HK\$33.0 million for the year ended 31 March 2021 to HK\$21.2 million for the year ended 31 March 2022. The decrease in net finance expenses was mainly due to the drop in market interest rates and using prudent and effective financial management strategies during the year ended 31 March 2022.

Income Tax Expenses

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

Hong Kong profits tax as applicable to the Group is 16.5% for the years ended 31 March 2022 and 2021 on the estimated assessable profits arising in or derived from Hong Kong during the relevant years.

The Group’s subsidiaries in Mainland China are subject to the China Corporate Income Tax (“CIT”) at a rate of 25% on the estimated assessable profits for the years ended 31 March 2022 and 2021. However, two of the Group’s subsidiaries in Mainland China are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

The Group’s subsidiaries in Vietnam are subject to preferential business income tax (“BIT”) at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is within the fourth year of 50% reduction in the BIT rate, whereas, the other two subsidiaries in Vietnam have no assessable profit for the year ended 31 March 2022, and hence no BIT is provided.

The Group’s effective tax rates based on the net profit were 13.6% and 10.8% for the years ended 31 March 2022 and 2021 respectively.

Profit for the Year 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\$263.3 million and HK\$313.7 million for the years ended 31 March 2022 and 2021 respectively.

The Group’s profit declined by HK\$50.4 million from HK\$313.7 million for the year ended 31 March 2021 to HK\$263.3 million for the year ended 31 March 2022. It was mainly due to the margin squeeze resulting from (i) the increase in total direct labour costs and subcontracting charges as we incurred additional costs to handle the impacts caused by the operational disruption in our Vietnam production base as a result of the escalation of confirmed COVID-19 cases in Vietnam during the middle of year 2021; and (ii) higher labour wages and energy costs in our China production base. Such margin decline was partially offset by the higher revenue and profit margin contributions from our cashmere yarn sales.

Adjusted Net Profit

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

Based on the formula above, the Group's adjusted net profit declined by HK\$44.4 million from HK\$305.5 million for the year ended 31 March 2021 to HK\$261.1 million for the year ended 31 March 2022. The adjusted net profit margin declined from 7.9% for the year ended 31 March 2021 to 6.5% for the year ended 31 March 2022.

Consolidated Cash Flow

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 March 2022 was HK\$244.0 million, primarily due to profit before income tax of HK\$319.0 million, adjusted for depreciation of HK\$226.2 million and decreases in trade and bills payables of HK\$101.5 million and accruals and other payables of HK\$65.0 million, which was partially offset by the increase in inventories of HK\$443.7 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 March 2022 was HK\$90.5 million, primarily due to the purchase of property, plant and equipment of HK\$150.3 million, which was partially offset by the proceeds from disposals of property, plant and equipment of HK\$53.0 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the year ended 31 March 2022 was HK\$337.7 million, which was mainly attributable to the net decrease in the Group's total bank borrowings and lease liabilities of HK\$220.6 million and the dividend payments of HK\$123.1 million.

Cash and Cash Equivalents

For the year ended 31 March 2022, the Group's cash and cash equivalents decreased by HK\$184.2 million and the exchange gain was HK\$1.7 million. The net decrease in the Group's cash and cash equivalents was from HK\$793.2 million as at 31 March 2021 to HK\$610.7 million as at 31 March 2022.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the year ended 31 March 2022, the Group's cash and cash equivalents was mainly used in the Group's business operations and expansion, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and bank borrowings. The Group's gearing ratio decreased from 23.1% as at 31 March 2021 to 21.3% as at 31 March 2022.

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

As at 31 March 2022, the Group's cash and cash equivalents, amounting to HK\$610.7 million, were denominated in US dollars ("US\$") (47.7%), HK\$ (26.2%), Chinese Renminbi ("RMB") (25.2%), Vietnamese Dong ("VND") (0.5%) and other currencies (0.4%).

As at 31 March 2022, the Group's total bank borrowings and lease liabilities were due for repayment as follows:

	2022	2021
	HK\$'000	HK\$'000
Within one year	328,447	1,061,464
Between one and two years	451,383	218,144
Between two and five years	533,326	239,731
	<u>1,313,156</u>	<u>1,519,339</u>

Notes:

- (a) The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand clause.
- (b) As at 31 March 2022, the Group's total bank borrowings and lease liabilities were denominated in HK\$(90.9%), US\$(8.6%) and RMB(0.5%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and lease liabilities for the year ended 31 March 2022 were 1.75% and 1.80% respectively.
- (c) As at 31 March 2022, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK\$6.5 million.

Capital Expenditures

The Group incurred capital expenditures of approximately HK\$168.4 million for the year ended 31 March 2022, which were mainly related to the purchase of machinery and equipment for our factories and the construction of a new production base in Myanmar. These capital expenditures were fully financed by internal resources and bank borrowings.

Capital Commitments

The Group's capital commitments as at 31 March 2022 amounted to approximately HK\$62.7 million which were mainly related to the purchase of machinery and equipment for our factories and the construction of a new production base in Myanmar.

Charge on Assets

As at 31 March 2022, the Group's right-of-use assets with a total carrying amount of HK\$14.3 million, land and buildings and leasehold improvements with a total carrying amount of HK\$162.0 million and financial assets at fair value through profit or loss with a total carrying amount of HK\$6.5 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liability as at 31 March 2022.

Significant Investments, Acquisitions and Disposals

The Group had no significant investments, acquisitions and disposals during the year ended 31 March 2022.

Financial Instruments

As at 31 March 2022, the Group had outstanding forward foreign currency contracts with a total notional principal amount of HK\$62.0 million (2021: Nil).

Financial Risk Management

(a) Foreign Currency Risk

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

During the year ended 31 March 2022, the Group entered into some forward currency contracts to mitigate its foreign currency risk in light of the appreciation of RMB during the year. The Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

(b) Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk and bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the year ended 31 March 2022 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

(c) Credit Risk

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

As at 31 March 2022, substantially all of the Group's bank balances and deposits were held with major financial institutions in Hong Kong, Mainland China and Vietnam which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

(d) Liquidity Risk

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

Human Resources and Emolument Policy

As at 31 March 2022, the Group had a total of approximately 14,100 full-time employees in Mainland China, Vietnam and Hong Kong. For the year ended 31 March 2022, the total staff costs, including the directors' emoluments, amounted to HK\$907.3 million.

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

Since human resources management is an important factor in maintaining and enhancing the Group's strong expertise in the manufacturing of knitwear products, the Group will provide appropriate training programs to the new recruits before they are assigned to work at the manufacturing facilities of the Group. From time to time, different on-the-job training will be provided to employees in order to ensure continuous staff development and skills upgrading.

OTHER INFORMATION

Dividend and Closure of Register of Members

The Board has resolved to declare a final dividend of 1.5 HK cents per share for the year ended 31 March 2022 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 Wednesday, 7 September 2022. The final dividend, subject to the approval by the shareholders at the annual general meeting (the "AGM"), is expected to be payable on or about Tuesday, 20 September 2022. The Company's register of members will be closed from Monday, 5 September 2022 to Wednesday, 7 September 2022 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the final 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 Friday, 2 September 2022.

For the purpose of determining the eligibility of the shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 23 August 2022 to Friday, 26 August 2022, both days inclusive. During such period, no transfer of the Company's shares will be registered. In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 22 August 2022.

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 31 March 2022 is set below as follows:

Items	Approximate utilised amount up to 31 March 2022 HK\$(million)
Construction of factory buildings and purchase of machinery for the second phase of our factory in Vietnam	378.1
Repayment of part of our bank loans	93.2
Enhancing design and product development capabilities	22.8
Enhancing existing enterprise resource planning system	18.8
General corporate purposes	54.7
	<hr/>
Total	<u>567.6</u>

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

For the year ended 31 March 2022, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

Directors' and Relevant Employees' Securities Transactions

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

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the year ended 31 March 2022.

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

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company for the year ended 31 March 2022.

Corporate Governance Code

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

In the opinion of the Directors, the Company has complied with all the mandatory code provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2022.

Audit Committee

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Fan Chun Wah, Andrew (Chairman), Mr. Kan Chung Nin, Tony and Mr. Ip Shu Kwan, Stephen. The principal duties of the audit committee include the review and supervision of the Group's financial reporting process and internal control system. An audit committee meeting was held on 24 June 2022 to meet with the external auditor of the Company and review the Company's annual report and consolidated financial statements for the year ended 31 March 2022.

Review of Preliminary Announcement

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

Publication of the Audited Consolidated Annual Results and 2022 Annual Report on the websites of the Stock Exchange and the Company

This results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website at <http://www.namesonholdings.com>. The Annual Report for 2022 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Board proposes to amend the existing articles of association of the Company (the "Articles") for the purposes of, among others, bringing the Articles into line with the latest legal and regulatory requirements, including the applicable laws of the Cayman Islands and the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022 (collectively, the "Proposed Amendments").

Major changes entailed by the Proposed Amendments are set out below:

1. to include certain defined terms to align with the applicable laws of the Cayman Islands, the Listing Rules and the relevant provisions in the Articles including "clearing house" and to update the relevant provisions of the Articles in this regard;
2. to exclude the application of Section 8 and Section 19 of the Electronic Transactions Act (2003) of the Cayman Islands to the extent it imposes obligations or requirements in addition to those set out in the Articles;
3. to clarify that the Board may accept the surrender for no consideration of any fully paid share;

4. to provide that title to listed shares may be evidenced and transferred in accordance with the Listing Rules that are and shall be applicable to such listed shares, and that the register of members of the Company in respect of its listed shares may be kept by recording the particulars required by the applicable laws of the Cayman Islands in a form otherwise than legible if such recording complies with the Listing Rules;
5. to provide that the Company must hold an annual general meeting in each financial year and that such annual general meeting must be held within six months after the end of the Company's financial year;
6. to clarify that an annual general meeting must be called by no less than twenty-one (21) clear days' notice in writing;
7. to clarify that a general meeting other than an annual general meeting must be called by no less than fourteen (14) clear days' notice in writing;
8. to provide that all Shareholders shall have the right to (i) speak at a general meeting of the Company; and (ii) vote at a general meeting of the Company, except where a Shareholder is required, by the Listing Rules, to abstain from voting to approve the matter under consideration;
9. to clarify that any person appointed by the Directors to fill a casual vacancy on, or as an addition to, the Board shall hold office only until the first annual general meeting of the Company after his appointment, and shall then be eligible for re-election;
10. to clarify the situations that the Directors shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest nor shall he be counted in the quorum present at the meeting;
11. to empower the Board to capitalise certain reserves of the Company, including share premium account and the profit and loss account, to pay up unissued shares to be allotted to employees or trustee in connection with the operation of any share incentive scheme or employee benefit scheme that has been adopted or approved by the Shareholders at a general meeting;
12. to clarify that remuneration of the auditor of the Company (the "Auditor") shall be fixed by ordinary resolution at the general meeting at which it is appointed; and
13. to clarify that removal of the Auditor shall be approved by ordinary resolution at a general meeting.

Other house-keeping amendments to the Articles are also proposed for the purpose of clarifying existing practices and making consequential amendments in line with the Proposed Amendments, and to better align the wording with that of the relevant Listing Rules and the applicable laws of the Cayman Islands.

The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at the upcoming AGM, with amendments to take effect when the Proposed Amendments become effective at the AGM.

A circular containing, amongst other things, further information regarding the Proposed Amendments, together with the notice of the AGM will be despatched to the Shareholders in due course.

By order of the Board of
Nameson Holdings Limited
Mr. Wong Wai Yue
Chairman

24 June 2022

As at the date of this announcement, the Board comprises Mr. Wong Wai Yue (Chairman), Mr. Man Yu Hin (Chief Executive Officer), Mr. Wong Ting Chun and Mr. Li Po Sing, as executive Directors of the Company; and Ms. Fan Chiu Fun, Fanny GBM, GBS, JP, Mr. Kan Chung Nin, Tony SBS, JP, Mr. Fan Chun Wah, Andrew JP and Mr. Ip Shu Kwan, Stephen GBS, JP, as independent non-executive Directors of the Company.