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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 2016

	Year ended 31 March		Change
	2016	2015	
	<i>HK\$' million</i>	<i>HK\$' million</i>	
Revenue	2,765.5	2,567.7	7.7%
Gross profit	610.0	573.4	6.4%
Profit attributable to owners of the Company	231.9	273.3	(15.1)%
Adjusted net profit (Note)	273.0	248.5	9.9%
Sales volume <i>(million pieces of knitwear products)</i>	30.9	28.5	8.4%

Note: Adjusted net profit is derived from profit attributable to owners of the Company excluding (a) realised and unrealised (losses)/gains from derivative financial instruments and (b) listing expenses which are expenses not considered recurring in nature.

The Board of directors (the “Board”) of Nameson Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2016, together with the comparative figures for the year ended 31 March 2015 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2016

(Expressed in Hong Kong dollars)

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Revenue	3	2,765,521	2,567,667
Cost of sales	5	<u>(2,155,569)</u>	<u>(1,994,299)</u>
Gross profit		609,952	573,368
Other income		13,749	20,617
Other (losses)/gains, net	4	(510)	27,642
Selling and distribution expenses	5	(57,669)	(52,304)
General and administrative expenses	5	<u>(267,798)</u>	<u>(235,202)</u>
Operation profit		297,724	334,121
Finance income		1,657	1,756
Finance expenses		<u>(27,967)</u>	<u>(21,992)</u>
Finance expenses, net	6	(26,310)	(20,236)
Profit before income tax		271,414	313,885
Income tax expenses	7	<u>(39,527)</u>	<u>(40,539)</u>
Profit for the year attributable to owners of the Company		<u>231,887</u>	<u>273,346</u>
Earnings per share attributable to owners of the Company during the year			
— Basic and diluted (HK cents)	8	<u>15.46</u>	<u>18.22</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

(Expressed in Hong Kong dollars)

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	231,887	273,346
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	(40,948)	6,016
— Fair value gains on available-for-sale financial assets	12	74
Total comprehensive income for the year attributable to owners of the Company	190,951	279,436

CONSOLIDATED BALANCE SHEET

As at 31 March 2016

(Expressed in Hong Kong dollars)

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
ASSETS			
Non-current assets			
Land use rights		44,871	48,792
Property, plant and equipment		847,841	874,910
Investment properties		2,416	2,550
Deferred income tax assets		768	809
Available-for-sale financial assets		139,867	154,490
Prepayments, deposits, other receivables and other assets		49,768	34,534
		<u>1,085,531</u>	<u>1,116,085</u>
Current assets			
Inventories		422,244	475,821
Trade receivables	<i>10</i>	42,550	38,697
Prepayments, deposits, other receivables and other assets		40,062	34,991
Amounts due from related companies		–	11,307
Amounts due from shareholders		–	366,128
Current income tax recoverable		37	18
Pledged bank deposits		–	8,242
Cash and cash equivalents		221,637	333,740
		<u>726,530</u>	<u>1,268,944</u>
Total assets		<u><u>1,812,061</u></u>	<u><u>2,385,029</u></u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		–	–
Paid-in capital		–	337,335
Reserves		657,293	784,000
		<u>657,293</u>	<u>1,121,335</u>
Total equity		<u><u>657,293</u></u>	<u><u>1,121,335</u></u>

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	<i>12</i>	170,960	142,716
Deferred income tax liabilities		434	852
		<u>171,394</u>	<u>143,568</u>
Current liabilities			
Trade and bills payables	<i>11</i>	128,276	141,002
Accruals and other payables		77,502	85,590
Current income tax liabilities		92,906	87,252
Borrowings	<i>12</i>	684,690	764,664
Derivative financial instruments		–	41,618
		<u>983,374</u>	<u>1,120,126</u>
Total liabilities		<u>1,154,768</u>	<u>1,263,694</u>
Total equity and liabilities		<u>1,812,061</u>	<u>2,385,029</u>
Net current (liabilities)/assets		<u>(256,844)</u>	<u>148,818</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 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 (the "Knitwear Business" or the "Listing Business"). The ultimate holding company of the Company is Happy Family Assets Limited. The Knitwear Business was collectively controlled by Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun (the "Controlling Shareholders").

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

1.2 REORGANISATION

In preparation for the listing of the Company's shares (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent the reorganisation which principally involved the following:

- (a) On 11 August 2015, the Company was incorporated in the Cayman Islands and is ultimately controlled by the Controlling Shareholders.
- (b) In December 2015, the Company acquired the entire equity interests of Nameson Group Limited from its shareholders for an aggregate consideration of HK\$623,000,000, assuming completion of reorganisation steps of (c) to (e) below. The consideration was settled by issuance of the Company's shares.
- (c) In December 2015, Nameson Group Limited acquired the entire issued share capital of Senico Industrial Limited at a consideration of HK\$78,000,000, subsequent to the disposal of an industrial premise previously owned by Senico Industrial Limited to Hanyi Investments Limited and payment of dividend resulting in a net cash inflow of HK\$14,000,000 to Senico Industrial Limited. The consideration of HK\$78,000,000 was settled by Nameson Group Limited by the way of transferring certain excluded business which are unrelated to the Listing Business (the "Excluded Business") previously owned by Nameson Group Limited. The assets, liabilities and results of operations of the Excluded Business have not been included in the financial statements for all the years presented.
- (d) In December 2015 and January 2016, Nameson Holdings Limited (incorporated in BVI) transferred all the issued share capital of Winner Way Industrial Limited and Huizhou Liyun Knitting Fty. Ltd. to Nameson Group Limited at an aggregate consideration of HK\$498,000,000. The consideration was settled by issuance of the Company's shares.
- (e) Nameson Group Limited acquired other companies comprising the Group and disposed Excluded Business at net consideration of approximately HK\$1,907,000 payable to the Controlling Shareholders. The assets, liabilities and results of operations of the acquired companies have been included in the financial statements for all the years presented and the assets, liabilities and results of operations of the Excluded Business have been excluded in the financial statements for all the years presented.

After the completion of the reorganisation steps (b) to (e) as described above on 21 March 2016, the Company became the holding company of the subsidiaries now comprising the Group.

2. BASIS OF PREPARATION

The companies comprising the Group, engaging in the Knitwear Business, were under common control of the Controlling Shareholders, immediately before and after the reorganisation. The transactions as described in Note 1.2 above are merely a reorganisation of the Listing Business with no change in management and the Controlling Shareholders of the Listing Business remains the same. Accordingly, the consolidated financial statements of the Company and the Listing Business is prepared in accordance with HKFRS 10, “Consolidated Financial Statements”, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), using the carrying values of assets and liabilities of the Listing Business.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

As at 31 March 2016, the Group’s net current liabilities was approximately HK\$256,844,000. Taking into consideration of the Group’s continuous cash flows generated from operating activities and proceeds from the Listing on 12 April 2016, the Directors conclude there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and to meet its financial obligations as and when required. Therefore, the Directors consider the use of the going concern assumption in preparing the financial statements for the year ended 31 March 2016 as appropriate.

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 and Interpretations issued by the HKICPA. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

- (a) The following new and amended standards and interpretations of HKFRSs are mandatory for the financial year beginning 1 April 2015:

HKAS 19 (2011) (Amendment)	Employment Benefit
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvement 2011–2013 Cycle

The adoption of these new and amended standards did not result in a significant impact on the results and financial position of the Group.

- (b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the financial statements.

- (c) The new standards, amendments to standards and interpretations relevant to the Group which have been issued, but are not effective for the financial year beginning 1 April 2015 and have not been early adopted:

		Effective for accounting period beginning on or after
HKFRS 10 and HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKFRSs (Amendment)	Annual Improvements 2012–2014 Cycle	1 January 2016
HKAS 1 (Amendment)	Financial Statements Presentation Regarding Materiality, Aggregation and Subtotals	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is in process of making an assessment of the impact of these new standards and amendments to standards upon initial application but is not yet in a position to determine whether or not the adoption will have a significant impact on the Group's results or financial position or presentation and disclosures of certain information in the consolidated financial statements.

3. SEGMENT INFORMATION

During the year, the Group has principally engaged in the manufacturing of knitwear products.

The Group has been operating in a single operating segment, i.e. manufacturing of knitwear products.

Management monitors the operating performance of its business as a whole for the purpose of resources allocation and performance assessment.

The Board assesses the performance of the operating segment based on a measure of profit before income tax.

(a) Revenue by location of goods delivery

	2016	2015
	HK\$'000	HK\$'000
Japan	1,137,067	929,463
North America	744,762	812,150
Europe	415,144	357,494
Mainland China	169,960	171,066
Other countries	298,588	297,494
	<u>2,765,521</u>	<u>2,567,667</u>

(b) **Non-current assets**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	61,218	51,939
Mainland China	504,618	666,579
Vietnam	379,060	242,268
	<u>944,896</u>	<u>960,786</u>

The non-current asset information above is based on the location of the assets and excludes deferred income tax assets and available-for-sale financial assets.

(c) **Major customers**

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A	1,605,283	1,341,695
Customer B	586,985	583,101
Customer C	N/A	289,980
	<u>N/A</u>	<u>289,980</u>

The five largest customers accounted for approximately 93.4% (2015: 92.3%) of revenue for year ended 31 March 2016.

4. OTHER (LOSSES)/GAINS, NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Realised and unrealised (losses)/gains from derivative financial instruments	(12,316)	26,475
Net foreign exchange gains/(losses)	5,691	(4,516)
Net gains on investments	5,865	5,201
Net gains on disposals of property, plant and equipment	250	482
	<u>(510)</u>	<u>27,642</u>

5. EXPENSES BY NATURE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Advertising and promotion expenses	6,604	4,993
Amortisation of land use rights	1,147	1,038
Auditor's remuneration (excluding listing related services)		
— audit services	2,486	1,816
— non-audit services	243	210
Depreciation		
— owned property, plant and equipment	159,099	172,059
— property, plant and equipment held under finance leases	11,709	1,199
Depreciation of investment properties	134	121
Employment benefit expenses (including directors' emoluments)	607,286	492,661
Trading merchandise, raw materials and consumables used	1,048,375	982,619
Changes in inventories of finished goods and work-in-progress	38,508	20,176
(Reversal of)/provision for impairment of inventories	(1,295)	9,885
Subcontracting charges	318,494	346,210
Commission expenses	6,674	5,131
Transportation charges	17,152	16,558
Sample charges	15,848	15,837
Donations	3,530	4,159
Operating lease rental in respect of land and buildings	1,149	438
Listing expenses	28,818	1,614
Utilities expenses	45,512	36,279
Others	169,563	168,802
	<u>2,481,036</u>	<u>2,281,805</u>
Total cost of sales, selling and distribution expenses and general and administrative expenses	<u>2,481,036</u>	<u>2,281,805</u>

6. FINANCE EXPENSES, NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Finance income		
Interest income from bank deposits	1,657	1,756
Finance expenses		
Interest expense on:		
— Bank borrowings	(25,212)	(21,807)
— Finance lease obligations	(2,755)	(185)
	<u>(27,967)</u>	<u>(21,992)</u>
Finance expenses, net	<u>(26,310)</u>	<u>(20,236)</u>

7. INCOME TAX EXPENSES

For the year ended 31 March 2016, Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 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% (2015: 25%) on estimated assessable profits.

The Group's subsidiary in Vietnam was subjected to preferential business income tax ("BIT") at the rate of 20% (standard BIT rate: 22%) till 31 December 2015. Since 1 January 2016, the preferential BIT rate is lowered to 17% (standard BIT rate: 20%). According to the investment certificate, the subsidiary is subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiary is entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and is eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No income tax has been provided for the subsidiary in Vietnam since the subsidiary has no assessable profit for the years ended 31 March 2016 and 2015.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong profits tax		
— Current taxation	16,295	17,719
— Overprovision in prior years	—	(585)
China corporate income tax	23,609	22,680
Deferred taxation	(377)	725
	<u>39,527</u>	<u>40,539</u>

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 March 2016 and 2015 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue. The calculation of the basic and diluted earnings per share for the years were adjusted retrospectively for the capitalisation issue of 1,499,998,878 shares taken place on 12 April 2016 as the capitalisation issue occurred after the reporting period but before the consolidated financial statements are authorised for issue. Accordingly, the weighted average number of ordinary shares was adjusted to 1,500,000,000 for all the years presented.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit attributable to the owners of the Company	<u>231,887</u>	<u>273,346</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,500,000</u>	<u>1,500,000</u>
Basic earnings per share (HK cents)	<u>15.46</u>	<u>18.22</u>

(b) Diluted

Diluted earnings per share for the years ended 31 March 2016 and 2015 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

9. DIVIDENDS

Upon the Stock Exchange granting an in-principle approval for the Listing and the Board proceeding with the Listing, a special dividend of HK\$442,000,000 was declared and settled against amounts due from related companies and shareholders on 21 March 2016. This is a non-cash transaction.

Dividend of HK\$120,000,000 during the year ended 31 March 2016 (2015: HK\$427,000,000) represented dividends declared by the companies now comprising the Group to the equity holders of the companies, after elimination of intra-group dividends.

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this announcement.

At the board meeting held on 27 June 2016, the directors do not recommend the payment of any final dividend for the year ended 31 March 2016.

10. TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<u>42,550</u>	<u>38,697</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
US\$	40,581	34,765
Others	<u>1,969</u>	<u>3,932</u>
	<u>42,550</u>	<u>38,697</u>

The Group grants credit periods to customers ranging from 0 to 60 days. At 31 March 2016, the ageing analysis of the trade receivables based on invoice date was as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Up to 3 months	41,860	35,830
3 to 6 months	590	1,809
Over 6 months	<u>100</u>	<u>1,058</u>
	<u>42,550</u>	<u>38,697</u>

11. TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
US\$	71,172	81,657
HK\$	44,569	48,901
Others	12,535	10,444
	<u>128,276</u>	<u>141,002</u>

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	93,467	93,828
1 to 2 months	19,234	31,072
2 to 3 months	13,722	15,132
Over 3 months	1,853	970
	<u>128,276</u>	<u>141,002</u>

12. BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current		
Bank borrowings, secured	84,605	57,520
Finance lease obligations	86,355	85,196
	<u>170,960</u>	<u>142,716</u>
Current		
Short-term bank borrowings, secured	268,728	278,278
Portion of long-term bank borrowings, secured	391,457	466,611
Finance lease obligations	24,505	19,775
	<u>684,690</u>	<u>764,664</u>
Total borrowings	<u>855,650</u>	<u>907,380</u>

The weighted average effective interest rates for the years ended 31 March 2016 and 31 March 2015 are as follows:

	2016	2015
Finance lease obligations	1.68%	1.63%
Bank borrowings	2.89%	2.94%

The following borrowings were drawn by the Group under secured banking facilities:

	2016	2015
	HK\$'000	HK\$'000
Bank borrowings	744,790	802,409
Finance lease obligations	–	3,813
	744,790	806,222

As at 31 March 2016 and 2015, the above borrowings are secured by certain land use rights amounting to HK\$17,183,000 (2015: HK\$18,319,000); certain land and buildings and leasehold improvements with a total carrying amount of HK\$246,992,000 (2015: HK\$276,426,000); pledged bank deposits of HK\$Nil (2015: HK\$8,242,000); corporate guarantees provided by some of the subsidiaries and personal guarantees from some of the directors of the Company.

The personal guarantees provided by Mr. Wong Ting Chung, Mr. Wong Ting Chun, Mr. Wong Ting Kau and Mr. Lau Ka Keung were replaced by corporate guarantees provided by the Company subsequent to the date of Listing on 12 April 2016.

13. SUBSEQUENT EVENTS

- (i) The Company listed its shares on the Stock Exchange on 12 April 2016. In connection with the global offering completed on 12 April 2016 (the “Global Offering”) and the exercise of the over-allotment option completed on 25 April 2016, the Company issued a total of 575,000,000 shares at a price of HK\$1.2 per share for a total proceeds (before related fees and expenses) of HK\$690,000,000 and resulted in an increase of equity of approximately HK\$665,819,000.
- (ii) Pursuant to the written resolutions passed by the shareholders on 29 January 2016, conditional upon Listing and subject to the share premium account of the Company being credited, the Company would capitalise an amount of HK\$14,999,988.78 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par 1,499,998,878 shares for allotment and issue to the shareholders before the Global Offering. On 12 April 2016, the shares of the Company were listed on the Main Board of the Stock Exchange and the aforementioned conditions were fulfilled. Accordingly, the said amount was capitalised standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 1,499,998,878 shares for allotment and issue to the shareholders before the Global Offering.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The global economy experienced a slowdown in growth in the previous financial year, with the impact primarily of decelerating economic activities in emerging markets while advanced countries only saw moderate recovery of growth. In addition, with weak global commodity prices and a low inflation environment, consumers tended to postpone spending, which explained the slower than expected pace of recovery. Furthermore, despite the fact that advanced countries maintained moderate recovery, they did not grow at the same speed. With continuous strong growth in the job market and positive economic data, the United States appeared to enjoy a steady economic growth momentum. As for Japan and Europe, they both adopted accommodative monetary policies including lowering borrowing interest cost and depreciation of exchange rates to promote sustained economic growth. And the PRC economy has entered a new normal with economic development which was on rapid climb before turning onto a path of steady growth within a reasonable range that is going to last for some time in the future.

Although the operating environment of both the global economy and industries were full of challenges, market demand for knitwear products, as a major apparel category, remains significant and stable. The Group's knitwear products have also undergone a change in that a product traditionally associated as functional for the purpose of keeping warm is now seen more as an item of modern fashion clothing designs for all seasons, answering the growingly sophisticated requirements of the market in product design and quality.

BUSINESS REVIEW

The Group's leading advantage is its capability as a one-stop internal solution supplier of knitwear products. Its product design and development allows it to respond quickly to ever-changing market demand and win the appreciation of major international apparel brand customers. During the year ended 31 March 2016, sales income of the Group was HK\$2,765.5 million, representing an increase of HK\$197.8 million or 7.7% from the amount of HK\$2,567.7 million for the year ended 31 March 2015. The increase of sales income for the year was owed to the increase of production and sales volume. The income derived from the largest customer and the Japanese market were HK\$1,605.3 million and HK\$1,137.1 million respectively, representing an increase of 19.6% and 22.3% from the year ended 31 March 2015. This increase was underpinned by additional production in the Group's Vietnam Factory following completion of the first phase of expansion of total production capacity in Vietnam, thereby enabling the Group to gain more support from its largest customer and obtained more sales orders to the Japanese market.

Notwithstanding the slowdown of global economy and increased downside risks, due to the Group's effective production cost control measures, together with the RMB exchange rate on downward trend since the third quarter of 2015, gross profit of the Group increased from HK\$573.4 million for the year ended 31 March 2015 to HK\$610.0 million for the year ended 31 March 2016. As for the Group's gross profit margin, it decreased slightly from 22.3% for the year ended 31 March 2015 to 22.1% for the year ended 31 March 2016.

On the profit front, taking into account the listing expenses of HK\$28.8 million incurred for the Company's listing, together with the realised net losses from derivative financial instruments of HK\$12.3 million derived from the settlement or unwinding of forward foreign currency contracts, the Group recorded a profit of HK\$231.9 million for the year ended 31 March 2016, representing a decrease compared with the HK\$273.3 million reported for the year ended 31 March 2015. However, the adjusted net profit (the core operating profit without taking into account the listing expenses and the net losses or gains from derivative financial instruments) of the Group was HK\$273.0 million for the year ended 31 March 2016, represented a satisfactory growth of 9.9% from HK\$248.5 million for the year ended 31 March 2015, which was encouraging.

PROSPECTS

2016 remains a challenging year for the global economy. Fortunately, most of the economic indices of the United States in the first quarter of 2016 were better than market expectation. The market expects pressures from the increase in interest rate of the United States, but also anticipates a steady increase in the country's economic growth, which will boost domestic consumption in the United States and in turn the sales orders of the Group from the American market. The gross domestic product of Japan was also higher than market expectation in the first quarter of 2016, reflecting the effectiveness of Japan's accommodative monetary policy. The success of the Japanese government in promoting economic growth will continue to brace sales growth of the Group in the Japanese market.

To grasp the growth potential of the global knitwear market and the business opportunities expected to flow from the Trans Pacific Partnership Agreement, the Group is now rapidly expanding its Vietnam factory. The construction of the second phase of the factory has been progressing satisfactorily and production is expected to commence gradually as scheduled in the second half of 2016. By then, the total production capacity of the Group will surge to 46.9 million pieces of knitwear products per annum. The Group will further strengthen its competitive edges by the increasing production capacity, as well as benefiting from the zero tariff on products exported to Japan under the Japan-Vietnam Economic Partnership Agreement and the lower production costs and tax incentives the factory currently enjoys. Meanwhile, the Group will also continue to optimise its product and cost structures in order to respond to the changing demand of existing and new customers and to increase its profitability at the same time, thus bringing a better return on investment to shareholders.

FINANCIAL REVIEW

Revenue

Revenue of the Group represents revenue from sales of knitwear products, namely womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves, to our customers.

The Group's revenue increased by 7.7% to HK\$2,765.5 million for the year ended 31 March 2016 from HK\$2,567.7 million for the year ended 31 March 2015. The increase was primarily due to increase in sales volume in all categories of our knitwear products, in particular in womenswear. With the first phase of our Group's Vietnam Factory commencing production in March 2015, the total designed production capacity of our Group increased from approximately 29.9 million pieces of knitwear products for the year ended 31 March 2015 to approximately 34.3 million pieces of knitwear products for the year ended 31 March 2016.

The increase in the Group's revenue was largely in line with the increase in the Group's sales volume. The Group's sales volume increased by 8.4% from 28.5 million pieces of knitwear products for the year ended 31 March 2015 to 30.9 million pieces of knitwear products for the year ended 31 March 2016.

Consistent with the Group's geographical market distribution for the year ended 31 March 2015, Japan, North America (mainly the United States of America) and Europe were still our top three markets for the year ended 31 March 2016. The revenue attributable to the Japanese market, North America market and Europe market accounted for 41.1%, 26.9% and 15.0% of the Group's total revenue for the year ended 31 March 2016.

Cost of Sales

For the year ended 31 March 2016, the Group incurred cost of sales of HK\$2,155.6 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. The increase in the Group's cost of sales was largely in line with the increase in turnover and sales volume.

Gross Profit and Gross Profit Margin

During the year ended 31 March 2016, the Group recorded gross profit of HK\$610.0 million and gross profit margin of 22.1% as compared to the gross profit of HK\$573.4 million and gross profit margin of 22.3% for the year ended 31 March 2015.

The slight decrease in gross profit margin for the year ended 31 March 2016 was mainly due to the increase in direct labour costs which was partially offset by the decreases in subcontracting charges and production overhead costs as a result of cost control measures.

Other Income

Other income primarily consisted of sample sales income, rental income from staff quarter and rental income from investment properties. The other income of the Group decreased by HK\$6.9 million from HK\$20.6 million for the year ended 31 March 2015 to HK\$13.7 million for the year ended 31 March 2016. Such decrease was mainly due to the decrease in sample sales income as the Group chose not to charge our customers for certain samples produced by us.

Other (Losses)/Gains, Net

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

Other gains decreased by HK\$28.1 million, turning other gains of HK\$27.6 million for the year ended 31 March 2015 to other losses of HK\$0.5 million for the year ended 31 March 2016. This is primarily due to the settlement and unwinding of all of the Group's outstanding forward foreign currency contracts which resulted in a net realised loss from derivative financial instruments of HK\$12.3 million and the recognition of net foreign exchange gains of HK\$5.7 million for the year ended 31 March 2016. For the year ended 31 March 2015, the Group's realised and unrealised gains from derivative financial instruments and net foreign exchange losses amounted to HK\$26.5 million and HK\$4.5 million respectively.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses increased by HK\$5.4 million, from HK\$52.3 million for the year ended 31 March 2015 to HK\$57.7 million for the year ended 31 March 2016. Such increase was mainly due to the increases in transportation cost and commission, which were in line with our increased sales volume for the year ended 31 March 2016.

General and Administrative Expenses

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

The Group's general and administrative expenses increased by HK\$32.6 million from HK\$235.2 million for the year ended 31 March 2015 to HK\$267.8 million for the year ended 31 March 2016. Such increase was mainly due to the increase in listing expenses in connection with the Company's listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and increases in staff costs and other incidental office expenses as a result of expansion of our sales team, addition of administrative staff in our Vietnam Factory and the annual salary increment of our administrative staff.

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 which mainly consisted of interest income from bank deposits.

The Group's net finance expenses increased by HK\$6.1 million from HK\$20.2 million for the year ended 31 March 2015 to HK\$26.3 million for the year ended 31 March 2016. The increase in net finance expenses was mainly due to our increased average bank borrowings during the year ended 31 March 2016 to finance the Group's expanded business operations and the development of the second phase of our Vietnam Factory.

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 2016 and 2015 on the estimated assessable profits arising in or derived from Hong Kong during the relevant year.

The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax at a rate of 25% on the estimated assessable profits for the years ended 31 March 2016 and 2015.

The Group's subsidiary in Vietnam was subjected to preferential business income tax ("BIT") at the rate of 20% (standard BIT rate: 22%) till 31 December 2015. Since 1 January 2016, the preferential BIT rate is lowered to 17% (standard BIT rate: 20%). According to the investment certificate, the subsidiary is subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiary is entitled to full exception from BIT for first 2 years from the first year of earning taxable profit and is eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No provision has been made for BIT as the Group's subsidiary in Vietnam did not generate any taxable profit subject to BIT for the years ended 31 March 2016 and 2015.

The effective tax rates of the Group were 14.6% and 12.9% for the years ended 31 March 2016 and 2015 respectively.

Profit for the Year Attributable to Owners of the Company

As a result of the foregoing, the Group recorded profit attributable to owners of the Company of HK\$231.9 million and HK\$273.3 million for the years ended 31 March 2016 and 2015 respectively.

The decrease in net profit for the year ended 31 March 2016 was primarily due to increase in listing expenses incurred in connection with the Company's listing on the Stock Exchange and the net loss of HK\$12.3 million from derivative financial instruments whilst a net gain of HK\$26.5 million was recognised from such derivative financial instruments for the year ended 31 March 2015.

Adjusted Net Profit

Adjusted net profit means net profit for the year without taking into account realised and unrealised (losses)/gains from derivative financial instruments and listing expenses incurred in connection with the Company's listing on the Stock Exchange.

Based on the above, the Group's adjusted net profit increased by HK\$24.5 million from HK\$248.5 million for the year ended 31 March 2015 to HK\$273.0 million for the year ended 31 March 2016. As a percentage of revenue, the adjusted net profit margin slightly increased from 9.7% for the year ended 31 March 2015 to 9.9% for the year ended 31 March 2016.

Consolidated Cash Flow

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 March 2016 was HK\$380.1 million, primarily due to profit before income tax of HK\$271.4 million, adjusted for income tax paid of HK\$34.3 million, depreciation of property, plant and equipment of HK\$170.8 million, net change in derivative financial instruments of HK\$41.6 million and decreases in inventories of HK\$51.1 million and trade and bills payables of HK\$12.7 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 March 2016 was HK\$326.6 million, primarily due to the purchase of property, plant and equipment of HK\$193.5 million and the net increase in amounts due from related companies and shareholders of HK\$144.1 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the year ended 31 March 2016 was HK\$159.6 million, which was mainly attributable to the net decrease in the Group's borrowings of HK\$51.7 million and dividend payments of HK\$120.0 million.

Cash and Cash Equivalents

For the year ended 31 March 2016, the Group's cash and cash equivalents decreased by HK\$106.1 million and the exchange loss was HK\$6.0 million. The net decrease in the Group's cash and cash equivalents was from HK\$333.7 million as at 31 March 2015 to HK\$221.6 million as at 31 March 2016.

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Liquidity and Financial Resources

For the year ended 31 March 2016, the Group's cash and cash equivalents was mainly used in the development of the second phase of our Vietnam Factory, 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 interest-bearing bank loans. The Group's gearing ratio increased from 33.8% as at 31 March 2015 to 49.1% as at 31 March 2016. 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.

The increase in the Group's gearing ratio as at 31 March 2016 was mainly due to the outstanding amounts due from shareholders and related companies were settled by way of (i) special dividends of HK\$442.0 million declared by one of the group companies to the relevant parties; and (ii) return of shareholder's contribution (which is accounted as equity) of HK\$100.0 million on 21 March 2016 as part of the reorganisation conducted in preparation for the Company's listing on 12 April 2016 (the "Listing Date"). As a result of the foregoing, the Group's equity was maintained at a relatively low level between 21 March 2016 and the Listing Date.

As at 31 March 2016, the Group's cash and cash equivalents, amounting to HK\$221.6 million, were denominated in US dollars ("US\$") (22.3%), HK\$ (48.0%), Chinese Renminbi ("RMB") (25.9%), Vietnamese Dong ("VND") (3.0%) and other currencies (0.8%).

As at 31 March 2016, the Group's total borrowings (i.e. bank borrowings and finance lease obligations) were due for repayment as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	484,079	468,258
Between one and two years	156,749	166,787
Between two and five years	214,822	272,335
	<u>855,650</u>	<u>907,380</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 rights.
- (b) As at 31 March 2016, the Group's borrowings were denominated in HK\$ (64.6%) and US\$ (35.4%). All the Group's borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and finance lease obligations for the year ended 31 March 2016 were 2.89% and 1.68% respectively.

- (c) As at 31 March 2016, the Group's bank borrowings were secured by land use rights with carrying amount of HK\$17.2 million, land and buildings and leasehold improvements with a total carrying amount of HK\$247.0 million, corporate guarantees provided by some of the subsidiaries and personal guarantees from some of the directors, Mr. Wong Ting Chung, Mr. Wong Ting Chun, Mr. Wong Ting Kau and Mr. Lau Ka Keung, of the Company.

These personal guarantees have been fully released and replaced by corporate guarantees provided by the Company upon the listing on 12 April 2016.

Capital Expenditures

The Group incurred capital expenditures of approximately HK\$177.5 million for the year ended 31 March 2016, which were mainly related to the construction of the factory buildings and purchase of machinery for the second phase of our Vietnam Factory. These capital expenditures were fully financed by internal resources and borrowings.

Capital Commitments

The Group's capital commitments as at 31 March 2016 amounted to approximately HK\$191.9 million which were mainly related to the construction of the factory buildings and purchase of machinery for the second phase of our Vietnam Factory.

Operating Lease Commitments

As at 31 March 2016, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately HK\$0.4 million, which is due within one year.

Charge on Assets

As at 31 March 2016, the Group's land use rights with carrying amount of HK\$17.2 million and land and buildings and leasehold improvements with total carrying amount of HK\$247.0 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 2016.

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 substantial 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\$ in early August 2015, the Group decided to unwind all of its outstanding forward foreign currency contracts by 30 September 2015 so as to crystallise its exposures and avoid the risk of any additional losses. During the period from 1 October 2015 to 31 March 2016, the Group did not use any financial instruments to hedge against foreign currency risk but our management team 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 year ended 31 March 2016 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 do not expect to experience any material impairment on trade receivables and receivables from other counterparties.

As at 31 March 2016, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong, the PRC and Vietnam which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

(d) Liquidity Risk

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

Human Resources and Emolument Policy

As at 31 March 2016, the Group had a total of approximately 8,100 full-time employees in the PRC, Vietnam and Hong Kong. For the year ended 31 March 2016, the total staff costs, including the directors' emoluments, amounted to HK\$607.3 million.

The Group's emolument policies are formulated based on the performance and experience of individual employee and in line with the salary trends in Hong Kong, 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, 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

Use of Net Proceeds from Listing

The net proceeds from the initial public offering (after deducting the underwriting fees and related listing expenses) amounted to approximately HK\$635.4 million, which are intended to be used for the purposes disclosed in the Company's prospectus dated 30 March 2016.

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

During the period from the Listing Date to the date of this announcement, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

Directors' and Relevant Employees' Securities Transactions

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

As the Company was not listed on the Stock Exchange in the year ended 31 March 2016, the Model Code was not applicable to the Company for the year ended 31 March 2016. 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 since the listing.

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 was brought to the attention of the Company.

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.

As the Company was not yet listed on the Stock Exchange for the year ended 31 March 2016, the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules (the “CG Code”) were not applicable to the Company in the year under review. 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 since the Listing Date.

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

Audit Committee

The audit committee of the Company comprises one non-executive Director, Mr. Tam Wai Hung, David, and three independent non-executive Directors, namely, Mr. Ong Chor Wei (Chairman), Mr. Kan Chung Nin, Tony and Mr. Fan Chun Wah, Andrew. An audit committee meeting was held on 27 June 2016 to meet with the external auditors of the Company and review the Company’s annual report and financial statements for the year ended 31 March 2016.

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 2016 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Publication of the Audited Consolidated Annual Results and 2016 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 2016 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

27 June 2016

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