# 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 2017

**FINANCIAL HIGHLIGHTS**

| | Year ended 31 March | | |
|---|---|---|---|
| | **2017** | 2016 | Change |
| | ***HK$' million*** | *HK$' million* | |
| **Revenue** | **2,797.2** | 2,775.3 | 0.8% |
| **Gross profit** | **662.6** | 603.9 | 9.7% |
| **Gross profit margin** | **23.7%** | 21.8% | 8.9% |
| **Profit attributable to the owners of the Company** | **328.1** | 231.9 | 41.5% |
| **Adjusted net profit** *(Note)* | **329.5** | 273.0 | 20.7% |
| **Adjusted net profit margin** | **11.8%** | 9.8% | 19.7% |
| **Earnings per share — Basic and diluted** | **15.97 HK cents** | 15.46 HK cents | 3.3% |
| **Interim dividend per share** | **3.8 HK cents** | N/A | N/A |
| **Proposed final dividend per share** | **2.0 HK cents** | N/A | N/A |

*Note:* Adjusted net profit is derived from profit attributable to the owners of the Company excluding (a) realised and unrealised gains/(losses) 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 2017, together with the comparative figures for the year ended 31 March 2016 as follows:

**CONSOLIDATED INCOME STATEMENT**
*For the year ended 31 March 2017*
*(Expressed in Hong Kong dollars)*

| | *Note* | **2017** **HK$'000** | 2016 *HK$'000* |
|---|---|---|---|
| **Revenue** | *3* | **2,797,193** | 2,775,345 |
| Cost of sales | *5* | **(2,134,571)** | (2,171,417) |
| **Gross profit** | | **662,622** | 603,928 |
| Other income | | **7,189** | 3,925 |
| Other gains/(losses), net | *4* | **19,921** | (510) |
| Selling and distribution expenses | *5* | **(40,475)** | (41,821) |
| General and administrative expenses | *5* | **(254,642)** | (267,798) |
| **Operating profit** | | **394,615** | 297,724 |
| Finance income | | **2,496** | 1,657 |
| Finance expenses | | **(16,497)** | (27,967) |
| Finance expenses, net | *6* | **(14,001)** | (26,310) |
| **Profit before income tax** | | **380,614** | 271,414 |
| Income tax expenses | *7* | **(52,483)** | (39,527) |
| **Profit for the year attributable to the owners of the Company** | | **328,131** | 231,887 |
| **Earnings per share attributable to the owners of the Company during the year** | | | |
| — Basic (HK cents per share) | *8* | **15.97** | 15.46 |
| — Diluted (HK cents per share) | *8* | **15.97** | 15.46 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2017*
*(Expressed in Hong Kong dollars)*

| | 2017<br>*HK$'000* | 2016<br>*HK$'000* |
|---|---|---|
| **Profit for the year** | **328,131** | 231,887 |
| **Other comprehensive income, net of tax:** | | |
| *Items that have been reclassified or may be subsequently reclassified to profit or loss* | | |
| — Currency translation differences | **(6,659)** | (40,948) |
| — Gain on revaluation on available-for-sale financial assets | **31** | 12 |
| — Release of investment reserve upon disposal of available-for-sale financial assets | **(135)** | – |
| **Other comprehensive income for the year, net of tax** | **(6,763)** | (40,936) |
| **Total comprehensive income for the year attributable to the owners of the Company** | **321,368** | 190,951 |

**CONSOLIDATED BALANCE SHEET**
*As at 31 March 2017*
*(Expressed in Hong Kong dollars)*

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | **42,624** | 44,871 |
| Property, plant and equipment | | **1,227,821** | 847,841 |
| Investment properties | | **2,282** | 2,416 |
| Deferred income tax assets | | **–** | 334 |
| Available-for-sale financial assets | | **144,800** | 139,867 |
| Prepayments, deposits, other receivables and other assets | | **42,310** | 49,768 |
| | | **1,459,837** | 1,085,097 |
| **Current assets** | | | |
| Inventories | | **417,970** | 422,244 |
| Trade receivables | *10* | **104,913** | 42,550 |
| Prepayments, deposits, other receivables and other assets | | **55,915** | 40,099 |
| Short-term bank deposits | | **50,229** | – |
| Cash and cash equivalents | | **643,197** | 221,637 |
| | | **1,272,224** | 726,530 |
| **Total assets** | | **2,732,061** | 1,811,627 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the owners of the Company** | | | |
| Share capital | | **20,750** | – |
| Reserves | | **1,549,246** | 657,293 |
| **Total equity** | | **1,569,996** | 657,293 |

| | Note | **2017** | 2016 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *12* | **378,836** | 170,960 |
| Deferred income tax liabilities | | **2,443** | – |
| | | **381,279** | 170,960 |
| **Current liabilities** | | | |
| Trade and bills payables | *11* | **174,999** | 128,276 |
| Accruals and other payables | | **82,992** | 77,502 |
| Current income tax liabilities | | **107,226** | 92,906 |
| Borrowings | *12* | **415,569** | 684,690 |
| | | **780,786** | 983,374 |
| **Total liabilities** | | **1,162,065** | 1,154,334 |
| **Total equity and liabilities** | | **2,732,061** | 1,811,627 |
| **Net current assets/(liabilities)** | | **491,438** | (256,844) |

# 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 KYl-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries 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 ("Stock Exchange") since 12 April 2016 (the "Listing Date").

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

## 2. 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 available-for-sale financial assets.

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

The following new and amended standards and interpretations of HKFRSs are mandatory for the financial year beginning 1 April 2016:

| | |
|---|---|
| HKFRS 10 and HKFRS 12 and HKAS 28 (Amendments) | Investment Entities: Applying the Consolidation Exception |
| HKFRS 14 | Regulatory Deferral Accounts |
| HKFRSs (Amendment) | Annual Improvements 2012–2014 Cycle |
| HKAS 1 (Amendment) | Financial Statements Presentation Regarding Materiality, Aggregation and Subtotals |
| HKAS 16 and HKAS 38 (Amendment) | Clarification of Acceptable Methods of Depreciation and Amortisation |

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) 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 2016 and have not been early adopted:

| | | **Effective for accounting period beginning on or after** |
|---|---|---|
| HKAS 7 (Amendment) | Disclosure Initiative | 1 January 2017 |
| HKAS 12 (Amendment) | Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| HKFRS 2 (Amendment) | Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| HKFRS 10 and HKAS 28 (Amendment) | Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture | To be determined |
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |

**HKFRS 9 Financial Instruments**

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The Group has yet to undertake a detailed assessment of the classification and measurement of its financial assets, but management considers that its investments in equity instruments currently classified as available-for-sale financial assets might fall within the classification as at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income which will not be recycling to the profit and loss, hence, there might be a change to the accounting of these assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

There is a change in hedge accounting rules that more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any such hedging instruments.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, and it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. HKFRS 9 must be applied for financial years commencing on or after 1 April 2018. The Group does not intend to adopt HKFRS 9 before its mandatory date.

**HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption. Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. A further clarification to HKFRS 15 was issued in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance. Management is currently assessing the effects of applying the new standard on the Group's financial statements and currently does not anticipate that the application of HKFRS 15 in the future will have a material effect on the Group's consolidated financial statements.

HKFRS 15 is mandatory for financial years commencing on or after 1 April 2018. The Group does not intend to adopt the standard before its effective date.

**HKFRS 16 Leases**

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. The new standard is mandatory for financial years commencing on or after 1 April 2019. The Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Japan | **1,119,986** | 1,141,106 |
| North America | **619,158** | 747,408 |
| Europe | **468,800** | 416,619 |
| Mainland China | **285,971** | 170,564 |
| Other countries | **303,278** | 299,648 |
| | **2,797,193** | 2,775,345 |

### (b) Non-current assets

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **73,343** | 61,218 |
| Mainland China | **380,248** | 504,618 |
| Vietnam | **861,446** | 379,060 |
| | **1,315,037** | 944,896 |

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:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **1,708,352** | 1,606,408 |
| Customer B | **496,307** | 589,893 |

The five largest customers accounted for approximately 89.5% (2016: 93.3%) of revenue for the year ended 31 March 2017.

## 4. OTHER GAINS/(LOSSES), NET

| | 2017<br>*HK$'000* | 2016<br>*HK$'000* |
|---|---|---|
| Realised and unrealised gains/(losses) from derivative financial instruments | – | (12,316) |
| Net foreign exchange gains | 4,323 | 5,691 |
| Net gains on investments | 5,412 | 5,865 |
| Net gains on disposals of property, plant and equipment | 10,186 | 250 |
| | 19,921 | (510) |

## 5. EXPENSES BY NATURE

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

| | 2017<br>*HK$'000* | 2016<br>*HK$'000* |
|---|---|---|
| Advertising and promotion expenses | 4,309 | 6,604 |
| Amortisation of land use rights | 1,103 | 1,147 |
| Auditor's remuneration (excluding listing related services) | | |
| — audit services | 2,687 | 2,486 |
| — non-audit services | 800 | 243 |
| Depreciation | | |
| — owned property, plant and equipment | 130,509 | 159,099 |
| — property, plant and equipment held under finance leases | 23,008 | 11,709 |
| Depreciation of investment properties | 134 | 134 |
| Employment benefit expenses (including directors' emoluments) | 575,140 | 607,286 |
| Trading merchandise, raw materials and consumables used | 1,013,044 | 1,048,375 |
| Changes in inventories of finished goods and work-in-progress | 55,655 | 38,508 |
| Reversal of provision for impairment of inventories | (4,508) | (1,295) |
| Subcontracting charges | 343,121 | 318,494 |
| Commission expenses | 4,519 | 6,674 |
| Transportation charges | 30,533 | 27,463 |
| Sample charges | 17,543 | 15,848 |
| Donations | 3,950 | 3,530 |
| Operating lease rental in respect of land and buildings | 3,091 | 1,149 |
| Listing expenses | 1,378 | 28,818 |
| Utilities expenses | 52,801 | 45,512 |
| Others | 170,871 | 159,252 |
| Total cost of sales, selling and distribution expenses and general and administration expenses | 2,429,688 | 2,481,036 |

## 6. FINANCE EXPENSES, NET

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Finance income** | | |
| Interest income from: | | |
| — Bank deposits | **2,496** | 1,657 |
| **Finance expenses** | | |
| Interest expense on: | | |
| — Bank borrowings | **(13,495)** | (25,212) |
| — Finance lease obligations | **(3,002)** | (2,755) |
| | **(16,497)** | (27,967) |
| Finance expenses, net | **(14,001)** | (26,310) |

## 7. INCOME TAX EXPENSES

For the year ended 31 March 2017, Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 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% (2016: 25%) on estimated assessable profits. However, one of the Group's subsidiaries in Mainland China is subject to the China Corporate Income Tax at the rate of 15% for the 3 years ending 31 December 2018, after being assessed as a high and new technology enterprise.

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%. 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 2017 and 2016.

| | 2017 | 2016 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Hong Kong profits tax | | |
| — Current taxation | **13,673** | 16,295 |
| China corporate income tax | **36,033** | 23,609 |
| Deferred taxation | **2,777** | (377) |
| | **52,483** | 39,527 |

## 8. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share for the years ended 31 March 2017 and 2016 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. The weighted average number of ordinary shares in issue are determined as follows:

(i) the 1 ordinary share of the Company issued on 11 August 2015 (date of incorporation) was treated as if it had been issued since 1 April 2015;

(ii) the 1,121 ordinary shares of the Company issued in December 2015 as a result of the reorganisation in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange were treated as if they had been issued since 1 April 2015;

(iii) the 1,499,998,878 ordinary shares of the Company issued on 12 April 2016 under the capitalisation issue were treated as if they had been in issue since 1 April 2015;

(iv) the 500,000,000 ordinary shares offered to the public were issued on 12 April 2016; and

(v) the 75,000,000 ordinary shares in connection with the exercise of the over-allotment option were issued on 28 April 2016.

| | **2017** | 2016 |
|---|---|---|
| Profit attributable to the owners of the Company *(HK$'000)* | **328,131** | 231,887 |
| Weighted average number of ordinary shares in issue *('000)* | **2,054,384** | 1,500,000 |
| Basic earnings per share *(HK cents)* | **15.97** | 15.46 |

### (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.

| | **2017** | 2016 |
|---|---|---|
| Profit attributable to the owners of the Company *(HK$'000)* | **328,131** | 231,887 |
| Weighted average number of ordinary shares in issue *('000)* | **2,054,384** | 1,500,000 |
| Adjustment for potential dilutive effect in respect of outstanding share option *('000)* | **535** | – |
| Weighted average number of ordinary shares for diluted earnings per share *('000)* | **2,054,919** | 1,500,000 |
| Diluted earnings per share *(HK cents)* | **15.97** | 15.46 |

## 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 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 for the year ended 31 March 2016 are not presented as such information is not considered meaningful for the purpose of this announcement.

At the board meeting held on 28 November 2016, the Board declared an interim dividend of 3.8 HK cents per share and paid on 30 December 2016.

At a meeting held on 22 June 2017, the Board recommended a final dividend of 2.0 HK cents per share amounting to a total of HK$41,500,000. 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 2018.

## 10. TRADE RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **104,913** | 42,550 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| US$ | **97,983** | 40,581 |
| Others | **6,930** | 1,969 |
| | **104,913** | 42,550 |

The Group grants credit periods to customers ranging from 0 to 60 days. As at 31 March 2017, the ageing analysis of the trade receivables based on the invoice date was as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Up to 3 months | **102,191** | 41,860 |
| 3 to 6 months | **2,658** | 590 |
| Over 6 months | **64** | 100 |
| | **104,913** | 42,550 |

## 11. TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| US$ | **123,245** | 71,172 |
| HK$ | **34,628** | 44,569 |
| Others | **17,126** | 12,535 |
| | **174,999** | 128,276 |

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

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **137,944** | 93,467 |
| 1 to 2 months | **32,053** | 19,234 |
| 2 to 3 months | **4,931** | 13,722 |
| Over 3 months | **71** | 1,853 |
| | **174,999** | 128,276 |

## 12. BORROWINGS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Non-current** | | |
| Bank borrowings, unsecured | **165,111** | 84,605 |
| Finance lease obligations | **213,725** | 86,355 |
| | **378,836** | 170,960 |
| **Current** | | |
| Short-term bank borrowings, unsecured | **188,637** | 268,728 |
| Portion of long-term bank borrowings, secured, due for repayment within one year | **7,501** | 12,588 |
| Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause | **11,877** | 19,377 |
| Portion of long-term bank borrowings, unsecured, due for repayment within one year | **96,833** | 178,258 |
| Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause | **–** | 181,234 |
| Finance lease obligations | **110,721** | 24,505 |
| | **415,569** | 684,690 |
| Total borrowings | **794,405** | 855,650 |

The weighted average effective interest rates for the years ended 31 March 2017 and 2016 are as follows:

| | **2017** | 2016 |
|---|---|---|
| Finance lease obligations | **1.68%** | 1.68% |
| Bank borrowings | **2.13%** | 2.89% |

The bank borrowings are due for repayment as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **292,971** | 459,574 |
| Between one and two years | **86,612** | 113,935 |
| Between two and five years | **90,376** | 171,281 |
| | **469,959** | 744,790 |

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

As at 31 March 2017 and 2016, the Group's certain borrowings are secured by available-for-sale financial assets with a total carrying amount of HK$68,798,000 (2016: HK$139,523,000).

As at 31 March 2016, the Group's certain borrowings were covered by corporate guarantees provided by some of the subsidiaries and personal guarantees from Mr. Wong Ting Chung, Mr. Wong Ting Chun, Mr. Wong Ting Kau and Mr. Lau Ka Keung, the directors of the Company. The personal guarantees provided by the aforesaid directors were replaced by corporate guarantees provided by the Company subsequently to the Listing Date.

## 13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. These reclassifications have no impact on the Group's total equity as at both 31 March 2017 and 31 March 2016, or on the Group's profit for the years ended 31 March 2017 and 2016.

## 14. SUBSEQUENT EVENT

On 3 April 2017, Nameson Group Limited ("Nameson Group"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement (the "Share Transfer Agreement") with Mr. Wong Ting Chung ("Mr. Wong"), pursuant to which Nameson Group agreed to acquire the entire issued share capital of Champ Gear Investments Limited held by Mr. Wong, at the consideration of HK$6,900,000. Such acquisition was completed in April 2017.

Mr. Wong is the chairman, chief executive officer, an executive Director and a substantial shareholder of the Company. Mr. Wong is therefore a connected person of the Company for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and accordingly, the entering into the Share Transfer Agreement with Nameson Group constituted a connected transaction for the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

In the financial year 2017 (the "Financial Year 2017"), the global economy continued to be ridden with uncertainties. The policy direction of the new United States government remained a risk factor for the global financial market, and the hastening of interest rate hikes by the US Federal Reserve also added to economic uncertainties; whereas in Europe, despite the economy continued to record steady performance, its way forward was still unclear at the impact of Brexit; in Japan, both economic growth and inflation were still lower than expected, thus the Bank of Japan maintained its quantitative easing policy, and in Mainland China, GDP grew by 6.7% in 2016, the slowest in 26 years, and the slowdown in economic growth affected the sentiment in consumer market.

The uncertain macroeconomic environment also created challenges in the operating environment of the knitwear industry in China. According to China Customs statistics, the total export value of knitwear (including knitted products and crochet products, as well as knitted or crocheted clothing and accessories) from the country during the Financial Year 2017 was US$87.13 billion, representing a decrease of 10.6% as compared to the same period last year. During the Financial Year 2017, the total export value of knitwear from China to the United States, Japan and Europe also decreased compared with last financial year. Although global consumption was generally weak, Vietnam, being a major exporting country of textile and garments to the European Union and the rest of the world, still recorded a good extent growth in total export value. According to Vietnam Customs statistics, the country's total export value of textile and garments amounted to US$24.35 billion in Financial Year 2017, representing an increase of 5.4% compared with last financial year. Its total export value to Japan and the United States also grew by 6.8% and 4.8% to US$2.98 billion and US$11.65 billion, respectively, compared with last financial year. In the meantime, in China, the aim of its national policy is to encourage a shift of focus of the industrial textiles industry from quantity to the quality of its output, a move that can help the industry to eliminate the weak players and retain the strong ones. In January 2017, the Ministry of Industry and Information Technology and the National Development and Reform Commission of China jointly formulated the "Guiding Opinions for the Development of the Industrial Textiles Industry in the 13th Five-Year Period" (《產業用紡織品行業「十三五」發展指導意見》), stating the goals for the industry including maintaining rapid yet stable growth, optimising the structure of the industry, improving quality and efficiency notably, as well as improving some application technologies to on par with international standards.

## BUSINESS REVIEW

However, opportunities and challenges are like twins. Market consolidation benefits quality enterprises. As a leading knitwear manufacturer in the industry, the Group has over the years gained the trust of various international apparel brand customers with its quality services and products, allowing it to stand out among industry peers and capture business opportunities, achieving steady development in spite of the challenging business and global economic environment. Having an internationalised production layout would be another edge of an enterprise. With a factory set up in Vietnam very early on, the Group enjoys lower labour costs and expands production capacity timely to accommodate growing orders. Capacity expansion can also help boost economy of scale and bring synergies, and in turn lower the Group's overall costs. During the year, the Group's net profit and adjusted net profit increased by 41.5% to HK$328.1 million and 20.7% to HK$329.5 million, respectively, compared with last year. The Board recommended payment of a final dividend of 2.0 HK cents per share to our shareholders for their unwavering support to the Group.

At the drive of national policy, the textile and garment industry in China is transforming its focus from quantity to quality, which coincides with the Group's development strategies of continuously pursuing technological innovation and enhancement of production efficiency. With design and development strengths and manufacturing expertise, we offer one-stop solutions to our customers, from product concept and design, raw material procurement, development of yarns and samples to value-added production service, which is a crucial element of bracing the Group's business development. Together with the ability to provide timely and cost-effective services to customers has enabled the Group to maintain its competitive advantage and gain recognition from international apparel brand customers. In addition, with its efficient production capability, the Group is able to adjust its designs and production arrangements with flexibility, thus can promptly respond to the needs of customers and rapid changes in the market, and this has contributed to climbing orders. For the year, revenue attributable to the Chinese and European markets increased by 67.7% and 12.5% to HK$286.0 million and HK$468.8 million, respectively, compared with last year, driving an increase in the Group's overall sales to HK$2,797.2 million, such growth was partially offset by the decrease in revenue attributable to North American regions where consumption sentiment was weak. Heeding that, the Group actively expanded its share in the Chinese market applying its edges and at the same time took effective measures to control cost and enhance production efficiency, which led to a 8.9% increase of the gross profit margin to 23.7% compared with last year. With the second phase of the Vietnam Factory having commenced operation and commercial production in the second half of Financial Year 2017, and first phase of the factory improving in production efficiency, the Group is able to take on more orders. In addition, the exchange rate of Renminbi remaining at low levels during Financial Year 2017 continued to benefit our PRC Factory in terms of operating cost saving.

## PROSPECTS

Although global socio-political and economic instability is likely to persist in the future, for knitwear products, market demand will remain huge and steady. Benefiting from the relatively lower production costs of the Vietnam Factory, together with our reputation of quality products in the industry, the Group is all set to secure more customer orders. The Group is currently negotiating with various renowned international apparel brands which can help enlarge its customer base. Thus, we are cautiously optimistic about the future development prospects of our business.

We will seek to further strengthen the relationship with our existing customers and boost our competitiveness through enhancing production and operational efficiencies, aiming to increase cost effectiveness and the competitiveness of our products and their prices. Regarding productivity, following an established internationalised production layout, with second phase of the Vietnam Factory in commercial production, while the PRC Factory focuses on producing products of more sophisticated designs and shorter delivery lead time by leveraging its mature production know-how, a proven raw material supply network and logistics support, the Group has greater flexibility in production arrangements. With foothold in Vietnam and a blueprint for expansion, we shall be able to enjoy first-mover advantage and use our strong production capability and rich market experience to rally more orders from existing and new customers. We will also continue to closely monitor market changes and look for business opportunities with promising potentials. In addition, we will also continuously and actively devote resources to strengthen our designs as well as market research and analysis capabilities, and keep developing new designs for existing customers. We believe, armed with robust research and development capabilities and via strategic expansion of production capacity, the Group will be able to broaden its customer base and consolidate its leadership in the industry.

## 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 slightly increased by 0.8% to HK$2,797.2 million for the year ended 31 March 2017 from HK$2,775.3 million for the year ended 31 March 2016. The increase was primarily due to increase in sales volume of womenswear, which was partially offset by the decrease in sales volume of menswear.

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 5.3% from 30.9 million pieces of knitwear products for the year ended 31 March 2016 to 32.5 million pieces of knitwear products for the year ended 31 March 2017.

Consistent with the Group's geographical market distribution for the year ended 31 March 2016, Japan, North America (mainly the United States of America) and Europe were still our top three markets for the year ended 31 March 2017. The revenue attributable to the Japanese market, North America market and Europe market accounted for 40.0%, 22.1% and 16.8% of the Group's total revenue for the year ended 31 March 2017.

**Cost of Sales**

For the year ended 31 March 2017, the Group incurred cost of sales of HK$2,134.6 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.

**Gross Profit and Gross Profit Margin**

During the year ended 31 March 2017, the Group recorded gross profit of HK$662.6 million and gross profit margin of 23.7% as compared to the gross profit of HK$603.9 million and gross profit margin of 21.8% for the year ended 31 March 2016.

The increase in gross profit margin for the year ended 31 March 2017 was mainly due to (i) improvement in cost and production efficiency as a result of cost control measures and streamlining of production process in our PRC Factory and Vietnam Factory; and (ii) continuous depreciation of RMB during the year.

**Other Income**

Other income primarily consisted of rental income from staff quarter and rental income from investment properties. The other income of the Group increased by HK$3.3 million from HK$3.9 million for the year ended 31 March 2016 to HK$7.2 million for the year ended 31 March 2017. Such increase was mainly due to the increase in miscellaneous other income, which was partially offset by the decrease in rental income from staff quarter.

**Other Gains/(Losses), Net**

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

Other gains increased by HK$20.4 million, turning other losses of HK$0.5 million for the year ended 31 March 2016 to other gains of HK$19.9 million for the year ended 31 March 2017. This is primarily due to the settlement and unwinding 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 for the year ended 31 March 2016. For the year ended 31 March 2017, the Group did not enter into any derivative financial instruments and did not have any realised and unrealised gains/(losses) from derivative financial instruments. On the other hand, the Group disposed of some old machines and a pleasure boat resulting in net gains on disposal of property, plant and equipment of HK$10.2 million for the year ended 31 March 2017.

The other gains for the year ended 31 March 2017 represented net gains on disposal of property, plant and equipment of HK$10.2 million, net gains on investments of HK$5.4 million and net foreign exchange gains of HK$4.3 million.

**Selling and Distribution Expenses**

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

The Group's selling and distribution expenses slightly decreased by HK$1.3 million, from HK$41.8 million for the year ended 31 March 2016 to HK$40.5 million for the year ended 31 March 2017. Such decrease was mainly due to the decreases in advertising and promotion expenses and commission to the agents of our customers, which was partially offset by the increase in transportation cost.

**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 decreased by HK$13.2 million from HK$267.8 million for the year ended 31 March 2016 to HK$254.6 million for the year ended 31 March 2017. Such decrease was mainly due to the decrease in listing expenses from HK$28.8 million for the year ended 31 March 2016 to HK$1.4 million for the year ended 31 March 2017 as the Company's shares were successfully listed on the Main Board of the Stock Exchange on 12 April 2016, which was partially offset by the increase in staff costs as a result of expansion of our administrative staff team 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 decreased by HK$12.3 million from HK$26.3 million for the year ended 31 March 2016 to HK$14.0 million for the year ended 31 March 2017. The decrease in net finance expenses was mainly due to our decreased average borrowings during the year ended 31 March 2017 and this is consistent with the lower gearing ratio and stronger liquidity of our Group during the same period.

### 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 2017 and 2016 on the estimated assessable profits arising in or derived from Hong Kong during the relevant years.

The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax (the "CIT") at a rate of 25% on the estimated assessable profits for the years ended 31 March 2017 and 2016. However, one of the Group's subsidiaries in the PRC is subject to the CIT at the rate of 15% for the three years ending 31 December 2018, after being assessed as a high and new technology enterprise.

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%. 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 2017 and 2016.

The effective tax rates of the Group were 13.8% and 14.6% for the years ended 31 March 2017 and 2016 respectively.

### Profit for the Year Attributable to Owners of the Company

As a result of the foregoing, the Group recorded profit attributable to the owners of the Company of HK$ 328.1 million and HK$231.9 million for the years ended 31 March 2017 and 2016 respectively.

The increase in net profit for the year ended 31 March 2017 was primarily due to (i) increase in gross profit margin as a result of cost control measures and streamlining of production process in our production bases and continuous deprecation of RMB; (ii) decrease in listing expenses incurred in connection with the Company's listing as the Company's shares were successfully listed on the Main Board of the Stock Exchange on 12 April 2016; and (iii) net losses of HK$12.3 million from derivative financial instruments were recognised for the year ended 31 March 2016 whilst no such (losses)/gains from derivative financial instruments for the year ended 31 March 2017.

**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$56.5 million from HK$273.0 million for the year ended 31 March 2016 to HK$329.5 million for the year ended 31 March 2017. As a percentage of revenue, the adjusted net profit margin increased from 9.8% for the year ended 31 March 2016 to 11.8% for the year ended 31 March 2017.

**Consolidated Cash Flow**

*Net Cash Generated from Operating Activities*

The Group's net cash generated from operating activities for the year ended 31 March 2017 was HK$485.7 million, primarily due to profit before income tax of HK$380.6 million, adjusted for income tax paid of HK$38.1 million, depreciation of property, plant and equipment of HK$153.5 million and increase in trade and bills payables of HK$56.4 million, which was partially offset by the increases in trade receivables of HK$56.9 million and prepayments, deposits, other receivables and other assets of HK$22.4 million.

*Net Cash Used in Investing Activities*

The Group's net cash used in investing activities for the year ended 31 March 2017 was HK$330.0 million, primarily due to the purchase of property, plant and equipment of HK$304.3 million and the increase in short-term bank deposits with maturity over three months of HK$50.2 million, which was partially offset by proceeds from disposals of property, plant and equipment of HK$21.7 million.

*Net Cash Generated From Financing Activities*

The Group's net cash generated from financing activities for the year ended 31 March 2017 was HK$273.1 million, which was mainly attributable to the proceeds from the Company's listing on the Stock Exchange on 12 April 2016 of HK$690.0 million, which was partially offset by the net repayment of the Group's borrowings of HK$315.3 million and the interim dividend payment of HK$78.9 million.

*Cash and Cash Equivalents*

For the year ended 31 March 2017, the Group's cash and cash equivalents increased by HK$428.8 million and the exchange loss was HK$7.2 million. The net increase in the Group's cash and cash equivalents was from HK$221.6 million as at 31 March 2016 to HK$643.2 million as at 31 March 2017.

## OTHER FINANCIAL INFORMATION

### Liquidity and Financial Resources

For the year ended 31 March 2017, 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 proceeds from initial public offering, cash generated from operating activities and borrowings. The Group's gearing ratio decreased from 49.1% as at 31 March 2016 to 8.8% as at 31 March 2017. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 31 March 2017, the Group's cash and cash equivalents and short-term bank deposits, amounting to HK$693.4 million, were denominated in US dollars ("US$") (13.1%), HK$(68.7%), Chinese Renminbi ("RMB") (17.6%), Vietnamese Dong ("VND") (0.4%) and other currencies (0.2%).

As at 31 March 2017, the Group's total borrowings (i.e. bank borrowings and finance lease obligations) were due for repayment as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **403,692** | 484,079 |
| Between one and two years | **199,215** | 156,749 |
| Between two and five years | **191,498** | 214,822 |
| | **794,405** | 855,650 |

*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 2017, the Group's borrowings were denominated in HK$(56.7%) and US$(43.3%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and finance lease obligations for the year ended 31 March 2017 were 2.13% and 1.68% respectively.

(c) As at 31 March 2017, the Group's certain borrowings are secured by available-for-sale financial assets with a total carrying amount of HK$68.8 million.

### Capital Expenditures

The Group incurred capital expenditures of approximately HK$574.5 million for the year ended 31 March 2017, 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, borrowings and proceeds from the Company's listing on the Stock Exchange in April 2016.

**Capital Commitments**

The Group's capital commitments as at 31 March 2017 amounted to approximately HK$33.3 million which were mainly related to the purchase of machinery for our PRC Factory.

**Operating Lease Commitments**

As at 31 March 2017, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately HK$0.6 million, with approximately HK$0.5 million due within one year and approximately HK$0.1 million due later than one year and not later than five years.

**Charge on Assets**

As at 31 March 2017, the Group's land use rights with a total carrying amount of HK$15.6 million, land and buildings and leasehold improvements with a total carrying amount of HK$239.5 million and available-for-sale financial assets with a total carrying amount of HK$144.8 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 2017.

**Financial Risk Management**

(a) *Foreign Currency Risk*

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

The Group entered into forward foreign currency contracts to mitigate its exposures of RMB against US$. However, due to the depreciation of RMB against US$ 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 year ended 31 March 2017, the Group did not use any financial instruments to hedge against foreign currency risk but the Board will continue to closely monitor the foreign currency risk exposure of our Group and may use financial instruments for hedging purposes as and when necessary.

(b) *Interest Rate Risk*

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the year ended 31 March 2017 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 2017, 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 2017, the Group had a total of approximately 10,278 full-time employees in the PRC, Vietnam and Hong Kong. For the year ended 31 March 2017, the total staff costs, including the directors' emoluments, amounted to HK$575.1 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

### Dividend and Closure of Register of Members

The Board has resolved to declare a final dividend of 2.0 HK cents per share for the year ended 31 March 2017 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 Tuesday, 5 September 2017. 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 Monday, 18 September 2017. The Company's register of members will be closed from Friday, 1 September 2017 to Tuesday, 5 September 2017 (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 Thursday, 31 August 2017.

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 Wednesday, 23 August 2017 to Monday, 28 August 2017 (both days inclusive), and 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 Tuesday, 22 August 2017.

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

The net proceeds from the listing of the Company amounted to approximately HK$635.4 million. Such proceeds have been used according to the allocation set out in the prospectus. Use of net proceeds from the Listing Date to 31 March 2017 is set below as follows:

| **Items** | **Approximate utilised amount up to 31 March 2017**<br>*HK$(million)* |
|---|---:|
| Construction of factory buildings and purchase of machinery for the second phase of our Vietnam Factory | 327.5 |
| Repayment of part of our bank loans | 93.2 |
| Enhancing design and product development capabilities | 5.6 |
| Enhancing existing enterprise resource planning system | 7.5 |
| General corporate purposes | 54.7 |
| Total | 488.5 |

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

For the year ended 31 March 2017, 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 Listing Rules as its own code for securities transactions by the Directors.

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the year ended 31 March 2017.

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 2017.

**Corporate Governance Code**

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

In the opinion of the Directors, save for the deviation from code provision A.2.1 which is explained below, the Company has complied with all the mandatory code provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2017.

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 22 June 2017 to meet with the external auditor of the Company and review the Company's annual report and financial statements for the year ended 31 March 2017.

**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 2017 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 2017 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 2017 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*

22 June 2017

*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 MH, JP, as non-executive Directors; Ms. Fan Chiu Fun, Fanny GBS, JP, Mr. Kan Chung Nin, Tony SBS, JP, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew JP and Ms. Lee Bik Kee, Betty, as independent non-executive Directors.*