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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 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 March		
	2018	2017	Change
	HK$' million	*HK$' million*	
Revenue	**3,446.4**	2,797.2	+23.2%
Gross profit	**712.1**	662.6	+7.5%
Gross profit margin	**20.7%**	23.7%	-3.0 p.p.
Profit attributable to the owners of the Company	**327.0**	328.1	-0.3%
Adjusted net profit *(Note)*	**320.4**	329.5	-2.8%
Adjusted net profit margin	**9.3%**	11.8%	-2.5 p.p.
Earnings per share			
— Basic	**15.32 HK cents**	15.97 HK cents	-4.1%
— Diluted	**15.14 HK cents**	15.97 HK cents	-5.2%
Interim dividend per share	**5.0 HK cents**	3.8 HK cents	
Proposed final dividend per share	**0.6 HK cent**	2.0 HK cents	

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 2018, together with the comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 HK$'000	2017 HK$'000
Revenue	3	**3,446,415**	2,797,193
Cost of sales	5	**(2,734,273)**	(2,134,571)
Gross profit		**712,142**	662,622
Other income		**12,423**	7,189
Other gains, net	4	**35,243**	19,921
Selling and distribution expenses	5	**(50,385)**	(40,475)
General and administrative expenses	5	**(313,792)**	(254,642)
Operating profit		**395,631**	394,615
Share of post-tax loss of a joint venture		**(2)**	–
Finance income		**4,263**	2,496
Finance expenses		**(22,943)**	(16,497)
Finance expenses, net	6	**(18,680)**	(14,001)
Profit before income tax		**376,949**	380,614
Income tax expenses	7	**(49,981)**	(52,483)
Profit for the year attributable to the owners of the Company		**326,968**	328,131
Earnings per share attributable to the owners of the Company during the year			
— Basic (HK cents per share)	8	**15.32**	15.97
— Diluted (HK cents per share)	8	**15.14**	15.97

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	2018 HK$'000	2017 HK$'000
Profit for the year	**326,968**	328,131
Other comprehensive income, net of tax:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Currency translation differences	**90,662**	(6,659)
— Gain on revaluation of available-for-sale financial assets	**–**	31
— Release of investment reserve upon disposal of available-for-sale financial assets	**–**	(135)
Other comprehensive income for the year, net of tax	**90,662**	(6,763)
Total comprehensive income for the year attributable to the owners of the Company	**417,630**	321,368

CONSOLIDATED BALANCE SHEET

As at 31 March 2018
(Expressed in Hong Kong dollars)

	Note	**2018**	2017
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Land use rights		**95,781**	42,624
Property, plant and equipment		**1,943,442**	1,227,821
Investment properties		**2,148**	2,282
Intangible assets		**599,988**	–
Interest in a joint venture		**7,018**	–
Available-for-sale financial assets		**150,076**	144,800
Prepayments, deposits, other receivables and other assets		**58,843**	42,310
		2,857,296	1,459,837
Current assets			
Inventories		**812,172**	417,970
Trade receivables	*10*	**149,403**	104,913
Derivative financial instruments		**6,577**	–
Prepayments, deposits, other receivables and other assets		**148,676**	55,915
Short-term bank deposits		**–**	50,229
Cash and cash equivalents		**1,009,477**	643,197
		2,126,305	1,272,224
Total assets		**4,983,601**	2,732,061
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**22,794**	20,750
Reserves		**2,425,008**	1,549,246
Total equity		**2,447,802**	1,569,996

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*12*	**835,902**	378,836
Deferred income tax liabilities		**16,498**	2,443
		852,400	381,279
Current liabilities			
Trade and bills payables	*11*	**208,937**	174,999
Accruals and other payables		**134,816**	82,992
Current income tax liabilities		**137,257**	107,226
Borrowings	*12*	**1,202,389**	415,569
		1,683,399	780,786
Total liabilities		**2,535,799**	1,162,065
Total equity and liabilities		**4,983,601**	2,732,061
Net current assets		**442,906**	491,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

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

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

(a) The following amended standards and interpretations of HKFRSs are mandatory for the financial year beginning 1 April 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The adoption of these amended standards did not result in a significant impact on the results and financial position of the Group. The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

(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 2017 and have not been early adopted:

		Effective for accounting period beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 1	First time Adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share based Payment Transaction	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
Amendments to HKAS 28	Investments in associates and Joint ventures	1 January 2018
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	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.

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 is mandatory for financial years commencing on or after 1 April 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparatives for the year ended 31 March 2018 will not be restated.

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. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

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. As at 31 March 2018, the Group has non-concellable operating lease commitments of HK$4,450,000.

The Group has not yet assessed the adjustments, if any, are necessary because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

HKFRS 16 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. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and annual improvements. The directors of the Company will adopt the new standards, amendments to standards and annual improvements when they become effective.

3. SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors and senior management of the Company led by the Group's chief executive officer, being the Group's chief operating decision-maker ("CODM"), which are used for the purposes of assessing performance and making strategic decisions. The Group's operating segments are structured and managed separately according to the nature of their operations, the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has two operating segments after the acquisition of V. Success Limited during the year ended 31 March 2018:

(a) Manufacturing of knitwear products; and

(b) Manufacturing of knitted upper for footwear and knitted upper shoes

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

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

For the year ended 31 March 2018

	Manufacturing of knitwear products *HK$'000*	Manufacturing of knitted upper for footwear and knitted upper shoes *HK$'000*	Consolidated *HK$'000*
Revenue			
Segment revenue	**3,374,581**	**71,834**	**3,446,415**
Results			
Segment profit	**693,066**	**19,076**	**712,142**
Other income			**12,423**
Other gains, net			**35,243**
Selling and distribution expenses			**(50,385)**
General and administrative expenses			**(313,792)**
Share of post-tax loss of a joint venture			**(2)**
Finance income			**4,263**
Finance expenses			**(22,943)**
Profit before income tax			**376,949**
Income tax expenses			**(49,981)**
Profit for the year			**326,968**

For the year ended 31 March 2017

	Manufacturing of knitwear products *HK$'000*	Manufacturing of knitted upper for footwear and knitted upper shoes *HK$'000*	Consolidated *HK$'000*
Revenue			
Segment revenue	2,797,193	–	2,797,193
Results			
Segment profit	662,622	–	662,622
Other income			7,189
Other gains, net			19,921
Selling and distribution expenses			(40,475)
General and administrative expenses			(254,642)
Finance income			2,496
Finance expenses			(16,497)
Profit before income tax			380,614
Income tax expenses			(52,483)
Profit for the year			328,131

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 March 2018 (2017: Nil).

Segment results represent profit earned by each segment without allocating other income, other gains/(losses), selling and distribution expenses, general and administrative expenses, share of post-tax loss of a joint venture, finance income, finance expenses and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

(a) Revenue by location of goods delivery

	2018 ***HK$'000***	2017 *HK$'000*
Japan	**1,346,527**	1,119,986
North America	**643,581**	619,158
Europe	**638,478**	468,800
Mainland China	**416,892**	285,971
Other countries	**400,937**	303,278
	3,446,415	2,797,193

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**90,130**	73,343
Mainland China	**811,930**	380,248
Vietnam	**1,198,154**	861,446
	2,100,214	1,315,037

The non-current asset information above is based on the location of the assets and excludes intangible assets, interest in a joint venture 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:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**2,151,930**	1,708,352
Customer B	**429,551**	496,307

The five largest customers accounted for approximately 83.7% (2017: 89.5%) of revenue for the year ended 31 March 2018.

4. OTHER GAINS, NET

	2018	2017
	HK$'000	*HK$'000*
Net foreign exchange gains	**6,015**	4,323
Net gains on investments	**5,276**	5,412
Net gains on disposals of property, plant and equipment	**17,375**	10,186
Unrealised gains from derivative financial instruments	**6,577**	–
	35,243	19,921

5. EXPENSES BY NATURE

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

	2018	2017
	HK$'000	*HK$'000*
Advertising and promotion expenses	**4,185**	4,309
Amortisation of land use rights	**1,103**	1,103
Auditor's remuneration (excluding listing related services)		
— audit services	**3,078**	2,687
— non-audit services	**1,634**	800
Depreciation		
— owned property, plant and equipment	**112,521**	130,509
— property, plant and equipment held under finance leases	**50,325**	23,008
Depreciation of investment properties	**134**	134
Amortisation of technical know-how	**4,130**	–
Employment benefit expenses (including directors' emoluments)	**759,013**	575,140
Cost of inventories	**1,411,447**	1,068,699
Provision/(reversal of provision) for impairment of inventories	**7,537**	(4,508)
Subcontracting charges	**374,175**	343,121
Commission expenses	**4,553**	4,519
Transportation charges	**40,823**	30,533
Sample charges	**21,070**	17,543
Donations	**2,831**	3,950
Operating lease rental in respect of land and buildings	**4,301**	3,091
Listing expenses	**–**	1,378
Utilities expenses	**62,218**	52,801
Others	**233,372**	170,871
Total cost of sales, selling and distribution expenses and general and administration expenses	**3,098,450**	2,429,688

6. FINANCE EXPENSES, NET

	2018	2017
	HK$'000	*HK$'000*
Finance income		
Interest income from:		
— Bank deposits	**4,263**	2,496
Finance expenses		
Interest expenses on:		
— Bank borrowings	**(17,609)**	(13,495)
— Finance lease obligations	**(5,334)**	(3,002)
	(22,943)	(16,497)
Finance expenses, net	**(18,680)**	(14,001)

7. INCOME TAX EXPENSES

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

The Group's subsidiaries in Vietnam are subjected to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No income tax has been provided for the subsidiaries in Vietnam since the subsidiaries have no assessable profit for the years ended 31 March 2018 and 2017.

	2018	2017
	HK$'000	*HK$'000*
Hong Kong profits tax	**15,663**	13,673
China corporate income tax	**34,969**	36,033
Deferred taxation	**(651)**	2,777
	49,981	52,483

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 March 2018 and 2017 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the 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;

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

(vi) the 200,000,000 ordinary shares issued as consideration shares on 15 December 2017 to settle part of the consideration for the acquisition of V. Success Limited; and

(vii) the 4,392,000 ordinary shares issued in connection with the exercise of share options during the year ended 31 March 2018.

	2018	2017
Profit attributable to the owners of the Company *(HK$'000)*	**326,968**	328,131
Weighted average number of ordinary shares in issue *('000)*	**2,134,538**	2,054,384
Basic earnings per share *(HK cents)*	**15.32**	15.97

(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.

	2018	2017
Profit attributable to the owners of the Company *(HK$'000)*	**326,968**	328,131
Weighted average number of ordinary shares in issue *('000)*	**2,134,538**	2,054,384
Adjustment for potential dilutive effect in respect of outstanding share option *('000)*	**25,302**	535
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**2,159,840**	2,054,919
Diluted earnings per share *(HK cents)*	**15.14**	15.97

9. DIVIDENDS

At the board meeting held on 27 November 2017, the Company's Board of Directors declared an interim dividend of 5.0 HK cents (2017: 3.8 HK cents) per share and paid on 29 December 2017.

At a meeting held on 22 June 2018, the Board of Directors recommended a final dividend of 0.6 HK cent (2017: 2.0 HK cents) per share amounting to a total of HK$13,676,000 (2017: 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 2019.

10. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**149,403**	104,913

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

	2018	2017
	HK$'000	*HK$'000*
US$	**113,082**	97,983
Others	**36,321**	6,930
	149,403	104,913

The Group grants credit periods to customers ranging from 0 to 60 days. As at 31 March 2018, the ageing analysis of the trade receivables based on the invoice date was as follows:

	2018	2017
	HK$'000	*HK$'000*
Up to 3 months	**145,724**	102,191
3 to 6 months	**1,776**	2,658
Over 6 months	**1,903**	64
	149,403	104,913

The carrying amounts of trade receivables approximate their fair values.

11. TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	2018	2017
	HK$'000	*HK$'000*
US$	**135,729**	123,245
HK$	**29,439**	34,628
Others	**43,769**	17,126
	208,937	174,999

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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**163,136**	137,944
1 to 2 months	**32,755**	32,053
2 to 3 months	**12,844**	4,931
Over 3 months	**202**	71
	208,937	174,999

12. BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Non-current		
Bank borrowings, unsecured	**551,367**	165,111
Finance lease obligations	**284,535**	213,725
	835,902	378,836
Current		
Short-term bank borrowings, unsecured	**658,054**	188,637
Portion of long-term bank borrowings, secured, due for repayment within one year	**7,501**	7,501
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**4,376**	11,877
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**347,800**	96,833
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	**20,833**	–
Finance lease obligations	**163,825**	110,721
	1,202,389	415,569
Total borrowings	**2,038,291**	794,405

The weighted average effective interest rates for the years ended 31 March 2018 and 2017 are as follows:

	2018	2017
Finance lease obligations	**1.70%**	1.68%
Bank borrowings	**2.13%**	2.13%

The bank borrowings are due for repayment as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**1,013,355**	292,971
Between one and two years	**262,287**	86,612
Between two and five years	**314,289**	90,376
	1,589,931	469,959

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 2018, the Group's certain borrowings are secured by available-for-sale financial assets with a total carrying amount of HK$71,052,000 (2017: HK$68,798,000).

13. BUSINESS COMBINATION

Acquisition of V. Success Limited ("V. Success")

On 28 September 2017, Nameson Group Limited ("Nameson Group"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Wong Ting Chung ("Mr. Wong"), the substantial shareholder of the Company, pursuant to which Nameson Group agreed to acquire the entire issued share capital of V. Success held by Mr. Wong, (the "Acquisition"). The Acquisition was completed on 15 December 2017 (the "Acquisition Date").

The consideration for the Acquisition was satisfied by cash in the amount of HK$206,000,000 and by the issuance of 200,000,000 ordinary shares of the Company as consideration shares.

The fair value of the 200,000,000 consideration shares was based on the published market price of the Company's ordinary shares at HK$2.95 per share on the Acquisition Date.

Upon completion of the Acquisition, the Group intends to diversify its products in the medium to long term, and such product diversification will allow more opportunity for the Group to further collaborate with existing customers in a wider range of the products, thereby reinforcing customer loyalty and confidence. The goodwill of HK$493,910,000 and technical know-how of HK$110,208,000 arising from the Acquisition were attributable to enhance the Group's competitiveness in the apparel industry, and to facilitate the increasing demand for more diversified products and services from its customers. None of the goodwill recognised was expected to be deductible for income tax purposes.

The revenue included in the consolidated income statement for the period from 15 December 2017 to 31 March 2018 contributed by V. Success and its subsidiaries ("V. Success Group") was HK$71,834,000. V. Success Group contributed net loss of HK$2,809,000 over the same period. The net cash outflow from the Acquisition amounted to HK$91,536,000 during the year ended 31 March 2018, which mainly comprised cash consideration of HK$206,000,000 offset by cash and cash equivalents of approximately HK$114,464,000 acquired from V. Success Group. Had V. Success Group been consolidated from 1 April 2017, the consolidated revenue and net profit of V. Success Group for the year ended 31 March 2018 of HK$434,506,000 and HK$77,451,000 would be included in Group's consolidated income statement, which would indicate pro-forma revenue of HK$3,809,087,000 and net profit of HK$407,228,000.

Acquisition-related costs of HK$3,137,000 which were not directly attributable to the issuance of consideration shares were included in other expenses in the consolidated income statement and in operating cash flow in the consolidated cash flow statement.

	As at 15 December 2017
	HK$'000
Purchase consideration:	
— Cash consideration paid	206,000
— 200,000,000 ordinary shares issued as consideration shares	590,000
Total purchase consideration	796,000
Fair value of net assets acquired (see below)	(302,090)
Goodwill	493,910

The fair value of assets and liabilities arising from the acquisition are as follows:

	HK$'000
Property, plant and equipment	544,654
Intangible assets (Technical know-how)	110,208
Inventories	25,374
Trade receivables	124,853
Prepayments, deposits and other receivables	78,095
Cash and cash equivalents	114,464
Trade payables	(17,496)
Accruals and other payables	(77,946)
Borrowings	(579,271)
Current income tax liabilities	(6,139)
Deferred income tax liabilities	(14,706)
Fair value of net assets acquired	302,090
Net cash outflow arising on acquisition:	
Cash consideration paid	(206,000)
Cash and cash equivalents acquired	114,464
	(91,536)

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Despite signs of global economic recovery from the second half of 2017, the trade imbalance between China and the United States continuously impeded the global consumption value chain as a whole. Furthermore, the warming Chinese economy as well as the country's tighter monetary policy led to the appreciation of the Renminbi during the year, which presented further challenges to the Group's operations.

The business environment of the knitwear industry in China turned positive during the Financial Year 2018 with the economic recovery. According to China Customs statistics, the total export value of knitwear (including knitted products and crochet products, as well as knitted or crocheted clothing and accessories) from China rose by 2.5% to US$89.3 billion in the Financial Year 2018, against a drop in the previous year. There was also a narrowed decline of the total export value of knitwear from China to Japan and Europe of 2.4% and 1.0% respectively while the total export value from China to the United States increased by 1.3%. In recent years, the total export value of textile and garments produced from South-eastern countries to Japan, Europe and the United States increased notably. In particular, the export value of textile and garments from Vietnam in the Financial Year 2018 surged by 10.5% to US$26.87 billion, exports from Vietnam to Japan and the United States recorded an increase of 9.4% and 8.4% respectively. Building on its solid foundation and its vision of the industry development, the Group was amongst the first manufacturers to set up a production base in Vietnam. Its production facilities in Vietnam commenced full operation since the Financial Year 2018. As such, in spite of the global uncertainties mentioned, the Group is well-positioned to continue to provide timely solutions to its brand customers. If the United States were to rejoin the Trans-Pacific Partnership Agreement, the Group will also be able to make flexible arrangements for its customers in its various production bases. Meanwhile, the Group will also continue to review the future market needs with an open attitude and pursue appropriate expansion opportunities as they arise.

BUSINESS REVIEW

Amidst the continued consolidation in the global manufacturing industry, the Group's solid business foundation and scale in production capacity enabled it to secure more orders along with the market recovery. As an industry-leading knitwear manufacturer that possesses good reputation and proven track record, Nameson stands out from the rest, especially during times of industry consolidation when "technique" and "innovation" are key to success. The Group has spearheaded the deployment of advanced wholegarment knitting machines and streamlined the linking production process, catering to a large variety of customer demands, at the same time, reducing labour cost while producing more stylish product offerings. The Group's revenue in the Financial Year 2018 increased by 23.2% to HK$3,446.4 million compared to last year, mainly due to the higher sales volume as well as higher average selling price resulting from, amongst others, changes in product mix. During the reporting year, the Group's revenue to the European market increased significantly by 36.2% to HK$638.5 million compared with the last year. The revenue attributable to the Chinese and Japanese markets grew by 45.8% and 20.2% respectively.

During the year, the Group continued to strengthen its technical foundation in its core knitwear business, enabling it to cater for fast-moving fashion trends and market needs, and deliver quality products to customers in a timely manner through its strong production capacity. Meanwhile, the Group continued to closely monitor the opportunities and explore business areas with growth potential to enhance its overall and long-term market competitiveness. Based on existing resources and technical advantages and in view of knitted footwear becoming a new fashion trend in recent years, the Group has successfully extended its reach to the knitted shoes upper and knitted footwear business in December 2017. In spite of the recent exacerbated competition in this industry, the Group believes that this business will benefit its overall business development driven by its growth potential and synergies with its knitwear business in the long run.

Nevertheless, the Renminbi appreciation coupled with a substantial increase of raw material prices in the second half of the Financial Year 2018 exerted pressure on the Group's operating costs. Despite achieving steady growth in revenue during the Financial Year 2018, the Group's gross profit increased by 7.5% to HK$712.1 million and net profit decreased slightly by 0.3% to HK$327.0 million respectively. The Board has recommended payment of a final dividend of 0.6 HK cent per share to our shareholders as a reward for their unwavering support to the Group.

FUTURE STRATEGIES AND PROSPECTS

Looking ahead, despite the uncertainties including the anticipated interest rate hikes in the United States and rising exchange rate of the Renminbi, the Group will leverage its first-mover advantage in Vietnam and strive to increase production utilisation, so as to strengthen the overall profitability by improving production and operational efficiencies and imposing stringent cost control measures.

Following the introduction of wholegarment knitting machines, the Group will create a wider variety of stylish knitwear product series with clients through its innovative design concepts and state-of-the-art production techniques. In order to tap the diverse needs of its customers, it will continue to devote resources to enhance product design, market research and analysis, develop innovative functional materials and product designs, and seek to further increase automation and improve the technical level of other knitting-related solutions. While building on the solid relationship with existing clients, the Group will also keep expanding its customer base.

Capitalising on its renowned knitwear production techniques, the Group has successfully expanded into the manufacturing business of knitted shoes upper and knitted footwear, with an aim to achieve diversity in its business and client base, while to further reinforce its leading presence in the knitwear industry. The Group will also actively explore opportunities in developing the upstream business, in order to achieve sustainability in material supply and costs. As an industry leader, the Group will make use of its advantages of economies of scale and combine its scalable production capacity with its advanced R&D to boost the overall profitability to strive for enhanced returns to shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2017 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves, to our customers. As a result of the acquisition of V. Success Limited and its subsidiaries ("V. Success Group") which was completed in December 2017, the Group's revenue for the year ended 31 March 2018 also included the post-acquisition revenue of V. Success Group generated from sales of knitted upper for footwear and knitted upper shoes amounting to HK$71.8 million.

The Group's revenue significantly increased by 23.2% to HK$3,446.4 million for the year ended 31 March 2018 from HK$2,797.2 million for the year ended 31 March 2017. The increase was primarily due to increase in both the average selling price of the Group's knitwear products and the sales volume of menswear, which was partially offset by the decrease in sales volume of womenswear. Such increase was mainly attributable to the increase in demand from our customers, enhanced customer penetration due to supplier consolidation and changes in product mix.

The increase in the Group's revenue generated from the sale of knitwear products was largely in line with the increase in both the average selling price and total sales volume. The average selling price of the Group's knitwear products increased by 14.1% from HK$86.0 per piece for the year ended 31 March 2017 to HK$98.1 per piece for the year ended 31 March 2018, while the Group's sales volume of knitwear products increased by 5.8% from 32.5 million pieces for the year ended 31 March 2017 to 34.4 million pieces for the year ended 31 March 2018.

Consistent with the Group's geographical market distribution for the year ended 31 March 2017, Japan, North America (mainly the United States of America) and Europe were still our top three markets for the year ended 31 March 2018. The revenue attributable to the Japan market, North America market and Europe market accounted for 39.1%, 18.7% and 18.5% of the Group's total revenue for the year ended 31 March 2018.

Cost of Sales

For the year ended 31 March 2018, the Group incurred cost of sales of HK$2,734.3 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 2018, the Group recorded an increase in gross profit of HK$49.5 million to HK$712.1 million and a decrease in gross profit margin of 3.0 percentage points to 20.7% as compared to the gross profit of HK$662.6 million and gross profit margin of 23.7% for the year ended 31 March 2017.

The decrease in gross profit margin for the year ended 31 March 2018 was mainly due to (i) continuous appreciation of RMB during the year; (ii) changes in product mix; and (iii) the substantial increase of raw material prices in the second half of the year.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidy and miscellaneous other income. The other income of the Group increased by HK$5.2 million from HK$7.2 million for the year ended 31 March 2017 to HK$12.4 million for the year ended 31 March 2018. Such increase was mainly due to the increases in rental income from investment properties and miscellaneous other income.

Other Gains, Net

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

Other gains increased by HK$15.3 million from other gains of HK$19.9 million for the year ended 31 March 2017 to HK$35.2 million for the year ended 31 March 2018. The increase is primarily due to the unrealised gains from derivative financial instruments of HK$6.6 million as the Group entered into some forward foreign currency contracts in light of the appreciation of RMB during the year ended 31 March 2018. For the year ended 31 March 2017, the Group did not have any derivative financial instruments and did not incur any realised and unrealised gains/(losses) from derivative financial instruments. On the other hand, the Group disposed of some old machines during the year ended 31 March 2018 resulting in net gains on disposal of property, plant and equipment of HK$17.3 million, which was higher than last year's amount of HK$10.2 million by HK$7.1 million.

In summary, the other gains for the year ended 31 March 2018 represented net gains on disposal of property, plant and equipment of HK$17.3 million, unrealised gains from derivative financial instruments of HK$6.6 million, net gains on investments of HK$5.3 million and net foreign exchange gains of HK$6.0 million.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses increased by HK$9.9 million, from HK$40.5 million for the year ended 31 March 2017 to HK$50.4 million for the year ended 31 March 2018. Such increase was mainly due to the increase in transportation cost and this is largely in line with the increase in the Group's revenue.

General and Administrative Expenses

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

The Group's general and administrative expenses increased by HK$59.2 million from HK$254.6 million for the year ended 31 March 2017 to HK$313.8 million for the year ended 31 March 2018. Such increase was mainly due to the increase in staff costs as a result of expansion of our administrative staff team and the annual salary increment of our administrative staff and the increase in non-production related depreciation.

Finance Expenses, Net

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

The Group's net finance expenses increased by HK$4.7 million from HK$14.0 million for the year ended 31 March 2017 to HK$18.7 million for the year ended 31 March 2018. The increase in net finance expenses was mainly due to (i) the hike in market interest rates; and (ii) our increased average borrowings during the year ended 31 March 2018.

Income Tax Expenses

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

Hong Kong profits tax as applicable to the Group is 16.5% for the years ended 31 March 2018 and 2017 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 2018 and 2017. However, two of the Group's subsidiaries in the PRC are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subjected to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No provision has been made for BIT as the Group's subsidiaries in Vietnam did not generate any taxable profit subject to BIT for the years ended 31 March 2018 and 2017.

The effective tax rates of the Group were 13.3% and 13.8% for the years ended 31 March 2018 and 2017 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$327.0 million and HK$328.1 million for the years ended 31 March 2018 and 2017 respectively.

The decrease in net profit for the year ended 31 March 2018 was primarily due to the decrease in gross profit margin which was mainly caused by (i) continuous appreciation of RMB during the year; (ii) changes in product mix; and (iii) the substantial increase of raw material prices in the second half of the year. However, such decrease was partially offset by the increase in the Group's revenue as a result of increase in both the average selling price and sales volume.

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 decreased by HK$9.1 million from HK$329.5 million for the year ended 31 March 2017 to HK$320.4 million for the year ended 31 March 2018. As a percentage of revenue, the adjusted net profit margin decreased from 11.8% for the year ended 31 March 2017 to 9.3% for the year ended 31 March 2018.

Consolidated Cash Flow

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 March 2018 was HK$164.7 million, primarily due to profit before income tax of HK$376.9 million, adjusted for income tax paid of HK$27.6 million, depreciation of property, plant and equipment of HK$162.8 million, decrease in trade receivables of HK$77.7 million and increase in trade and bills payables of HK$19.8 million, which was partially offset by the increases in inventories of HK$382.7 million and prepayments, deposits, other receivables and other assets of HK$28.7 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 March 2018 was HK$292.2 million, primarily due to the purchase of property, plant and equipment of HK$263.7 million and net payment for acquisitions of subsidiaries of HK$94.3 million, which was partially offset by the decrease in short-term bank deposits of HK$50.2 million and proceeds from disposals of property, plant and equipment of HK$18.3 million.

Net Cash Generated From Financing Activities

The Group's net cash generated from financing activities for the year ended 31 March 2018 was HK$466.4 million, which was mainly attributable to the net increase in the Group's borrowings of HK$605.6 million, which was partially offset by the total dividend payments of HK$145.4 million.

Cash and Cash Equivalents

For the year ended 31 March 2018, the Group's cash and cash equivalents increased by HK$338.9 million and the exchange gain was HK$27.4 million. The net increase in the Group's cash and cash equivalents was from HK$643.2 million as at 31 March 2017 to HK$1,009.5 million as at 31 March 2018.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the year ended 31 March 2018, the Group's cash and cash equivalents was mainly used in the Group's business operations, the acquisition of V. Success Group, 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, borrowings and proceeds from the Company's listing on the Stock Exchange. The Group's gearing ratio increased from 8.8% as at 31 March 2017 to 29.6% as at 31 March 2018. Such increase was mainly due to (i) the increase in inventory level to cope with the production schedule after the year end date; and (ii) the Group acquired V. Success Group during the year ended 31 March 2018, the purchase consideration was satisfied by (i) cash consideration of HK$206.0 million; and (ii) issuance of 200 million ordinary shares of the Company as consideration shares.

The gearing 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 2018, the Group's cash and cash equivalents, amounting to HK$1,009.5 million, were denominated in US dollars ("US$") (24.7%), HK$ (45.3%), Chinese Renminbi ("RMB") (27.7%), Vietnamese Dong ("VND") (2.1%) and other currencies (0.2%).

As at 31 March 2018, the Group's total borrowings (i.e. bank borrowings and finance lease obligations) were due for repayment as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**1,177,180**	403,692
Between one and two years	**367,238**	199,215
Between two and five years	**493,873**	191,498
	2,038,291	794,405

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 2018, the Group's borrowings were denominated in HK$ (77.4%) and US$ (22.6%). 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 2018 were 2.13% and 1.70% respectively.

(c) As at 31 March 2018, the Group's certain borrowings are secured by available-for-sale financial assets with a total carrying amount of HK$71.1 million.

Capital Expenditures

The Group incurred capital expenditures of approximately HK$316.8 million for the year ended 31 March 2018, which were mainly related to the purchase of a parcel of industrial land in Vietnam and more advanced machinery for our factories. These capital expenditures were fully financed by internal resources and borrowings.

Capital Commitments

The Group's capital commitments as at 31 March 2018 amounted to approximately HK$171.6 million which were mainly related to the purchase of machinery for our factories and the construction of a new production base in Vietnam.

Operating Lease Commitments

As at 31 March 2018, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately HK$4.5 million, with approximately HK$3.4 million due within one year and approximately HK$1.1 million due later than one year and not later than five years.

Charge on Assets

As at 31 March 2018, the Group's land use rights with a total carrying amount of HK$16.6 million, land and buildings and leasehold improvements with a total carrying amount of HK$240.6 million and available-for-sale financial assets with a total carrying amount of HK$71.1 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liability as at 31 March 2018.

Significant Investments, Acquisitions and Disposals

Other than the acquisitions of Champ Gear Investments Limited and V. Success Limited as disclosed the Company's announcements dated 3 April 2017 and 28 September 2017, respectively, the Group had no significant investments, acquisitions and disposals during the year ended 31 March 2018.

Financial Instruments

As at 31 March 2018, the Group had outstanding forward foreign currency contracts to sell US$ and purchase RMB with a notional principal amounts of HK$108.5 million. The Group did not have any outstanding hedging contracts or financial derivatives as at and for the year ended 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.

During the year ended 31 March 2017, the Group did not use any financial instruments to hedge against foreign currency risk. However, the Group entered into some forward foreign currency contracts to mitigate its exposures of RMB against US$ in light of the appreciation of RMB during the year ended 31 March 2018. The Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

(b) *Interest Rate Risk*

The Group's interest rate risk arises primarily from 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 2018 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

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

(d) *Liquidity Risk*

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

Human Resources and Emolument Policy

As at 31 March 2018, the Group had a total of approximately 12,200 full-time employees in the PRC, Vietnam and Hong Kong. For the year ended 31 March 2018, the total staff costs, including the directors' emoluments, amounted to HK$759.0 million.

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

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

OTHER INFORMATION

Dividend and Closure of Register of Members

The Board has resolved to declare a final dividend of 0.6 HK cent per share for the year ended 31 March 2018 to be paid to the shareholders of the Company whose names recorded on the register of members of the Company at the close of business on Wednesday, 5 September 2018. The final dividend, subject to the approval by the shareholders at the annual general meeting (the "AGM"), is expected to be payable on or about Tuesday, 18 September 2018. The Company's register of members will be closed from Monday, 3 September 2018 to Wednesday, 5 September 2018 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Friday, 31 August 2018.

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, 22 August 2018 to Monday, 27 August 2018, both days inclusive. During such period, no transfer of the Company's shares will be registered. In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 21 August 2018.

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

The net proceeds from the listing of the Company amounted to approximately HK$635.4 million. Such proceeds have been used according to the allocation set out in the prospectus. Use of net proceeds from the date of listing to 31 March 2018 is set below as follows:

Items	**Approximate utilised amount up to 31 March 2018** *HK$(million)*
Construction of factory buildings and purchase of machinery for the second phase of our Vietnam Factory	378.1
Repayment of part of our bank loans	93.2
Enhancing design and product development capabilities	10.1
Enhancing existing enterprise resource planning system	10.2
General corporate purposes	54.7
Total	546.3

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

For the year ended 31 March 2018, 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 2018.

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

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company for the year ended 31 March 2018.

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 2018.

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

Audit Committee

The audit committee of the Company comprises one non-executive Director, Mr. Tam Wai Hung, David, and four independent non-executive Directors, namely, Mr. Ong Chor Wei (Chairman), Mr. Kan Chung Nin, Tony and Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen. An audit committee meeting was held on 22 June 2018 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 2018.

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 2018 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 2018 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 2018 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 2018

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