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 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 March		
	2023	2022	Change
	HK$' million	*HK$' million*	
Revenue	**4,602.3**	4,040.5	+13.9%
Gross profit	**745.5**	706.1	+5.6%
Gross profit margin	**16.2%**	17.5%	-1.3p.p.
Net profit	**158.3**	275.6	-42.6%
Profit attributable to the owners of the Company	**134.8**	263.3	-48.8%
Adjusted net profit *(Note)*	**379.3**	261.1	+45.3%
Adjusted net profit margin	**8.2%**	6.5%	+1.7p.p.
Earnings per share — Basic and diluted	**5.92 HK cents**	11.55 HK cents	-48.8%
Interim dividend per share	**5.1 HK cents**	4.2 HK cents	
Second interim/final dividend per share	**0.6 HK cent**	1.5 HK cents	

Note: Adjusted net profit is a non-HKFRS financial measure and derived from profit attributable to the owners of the Company excluding (i) impairment loss on the production base in Myanmar; and (ii) realised and unrealised losses/gains from derivative financial instruments, which are expenses/income not considered as recurring in nature. We believe the adjusted net profit presented herein better reflects the Group's core operating results.

The Board (the "Board") of directors (the "Directors") of Nameson Holdings Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2023, together with the comparative figures for the year ended 31 March 2022 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2023
(Expressed in Hong Kong dollars)

	Note	**2023** **HK$'000**	2022 HK$'000
Revenue	*3*	**4,602,307**	4,040,472
Cost of sales	*5*	**(3,856,803)**	(3,334,374)
Gross profit		**745,504**	706,098
Other income		**48,896**	20,509
Other gains/(losses), net	*4*	**76,484**	(979)
Selling and distribution expenses	*5*	**(37,130)**	(38,223)
General and administrative expenses	*5*	**(348,604)**	(347,966)
Impairment loss on the production base in Myanmar	*5*	**(243,416)**	–
Operating profit		**241,734**	339,439
Share of post-tax profit of a joint venture		**735**	762
Finance income		**10,106**	2,687
Finance expenses		**(43,153)**	(23,862)
Finance expenses, net	*6*	**(33,047)**	(21,175)
Profit before income tax		**209,422**	319,026
Income tax expenses	*7*	**(51,095)**	(43,422)
Profit for the year		**158,327**	275,604
Profit for the year attributable to:			
— Owners of the Company		**134,844**	263,302
— Non-controlling interests		**23,483**	12,302
		158,327	275,604
Earnings per share attributable to the owners of the Company during the year			
— Basic and diluted (HK cents per share)	*8*	**5.92**	11.55

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2023
(Expressed in Hong Kong dollars)

	2023	2022
	HK$'000	*HK$'000*
Profit for the year	**158,327**	275,604
Other comprehensive (loss)/income, net of tax:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Currency translation differences	**(134,446)**	32,220
— Share of other comprehensive income of a joint venture	**171**	30
Other comprehensive (loss)/income for the year, net of tax	**(134,275)**	32,250
Total comprehensive income for the year	**24,052**	307,854
Total comprehensive income for the year attributable to:		
— Owners of the Company	**17,090**	290,296
— Non-controlling interests	**6,962**	17,558
	24,052	307,854

CONSOLIDATED BALANCE SHEET
As at 31 March 2023
(Expressed in Hong Kong dollars)

	Note	**2023** **HK$'000**	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,780,432**	2,131,132
Right-of-use assets		**334,450**	384,553
Investment properties		**1,672**	1,754
Interest in a joint venture		**5,483**	4,919
Financial assets at fair value through profit or loss		**184,930**	178,830
Prepayments, deposits, other receivables and other assets		**74,632**	69,298
Deferred income tax assets		**676**	694
		2,382,275	2,771,180
Current assets			
Inventories		**1,032,006**	1,161,246
Trade receivables	*10*	**132,691**	146,193
Derivative financial instruments		**–**	34
Prepayments, deposits, other receivables and other assets		**165,041**	124,813
Tax recoverable		**61**	73
Cash and cash equivalents		**717,027**	610,718
		2,046,826	2,043,077
Total assets		**4,429,101**	4,814,257
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**22,794**	22,794
Reserves		**2,252,260**	2,385,610
		2,275,054	2,408,404
Non-controlling interests		**202,620**	194,490
Total equity		**2,477,674**	2,602,894

	Note	2023 HK$'000	2022 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	*12*	**530,930**	935,637
Loans from non-controlling shareholders of subsidiaries		**5,767**	3,976
Lease liabilities	*13*	**81,683**	47,954
Provision for reinstatement costs		**487**	426
Deferred income tax liabilities		**166**	1,753
		619,033	989,746
Current liabilities			
Trade and bills payables	*11*	**363,392**	415,942
Accruals and other payables		**224,636**	240,062
Current income tax liabilities		**262,475**	236,048
Bank borrowings	*12*	**405,825**	254,471
Lease liabilities	*13*	**76,066**	75,094
		1,332,394	1,221,617
Total liabilities		**1,951,427**	2,211,363
Total equity and liabilities		**4,429,101**	4,814,257
Net current assets		**714,432**	821,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

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

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

(a) Amended standards and revised accounting guideline adopted by the Group

The Group has applied the following amended standards and revised accounting guideline for the first time for the financial year beginning 1 April 2022:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds Before Intended Use
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions Beyond 2021
Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020
Accounting Guideline 5	Merger Accounting for Common Control Combinations

The adoption of these amended standards did not have any significant impact on the amounts recognised in prior or current periods.

(b) New and amended standards and revised interpretation issued but not yet adopted by the Group

The following new and amended standards and revised interpretation have been issued but are not effective for the Group's financial year beginning 1 April 2022 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements– Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

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

3. SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors and senior management of the Company led by the Group's chief executive officer, being the Group's chief operating decision-maker ("CODM"), which are used for the purposes of assessing performance and making strategic decisions. For the purpose of internal reporting and management's operation review, the CODM considered that the Group's business is operated and managed as one single operating segment (i.e. manufacturing of knitwear products) and no separate information was presented for the years ended 31 March 2023 and 2022.

(a) Revenue by location of goods delivery

	2023	2022
	HK$'000	*HK$'000*
Japan	**1,487,273**	1,097,146
North America	**648,670**	516,165
Europe	**802,518**	696,048
Mainland China	**785,946**	1,145,845
Other countries	**877,900**	585,268
	4,602,307	4,040,472

(b) Non-current assets

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**48,883**	58,321
Mainland China	**514,031**	603,775
Vietnam	**1,450,856**	1,527,630
Myanmar	**177,416**	397,011
	2,191,186	2,586,737

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

(c) Major customers

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

	2023	2022
	HK$'000	*HK$'000*
Customer A	**2,266,020**	1,807,143

The five largest customers accounted for approximately 70.0% (2022: 66.6%) of revenue for the year ended 31 March 2023.

(d) Disaggregation of revenue from contracts with customers

For the years ended 31 March 2023 and 2022, the revenue of the Group was recognised at a point in time.

(e) Liabilities related to contracts with customers

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

	2023	2022
	HK$'000	*HK$'000*
Contract liabilities — receipts in advance	**12,623**	12,244

Contract liabilities for sales of goods contracts have increased by HK$379,000 (2022: decreased by HK$6,028,000) due to an increase (2022: decrease) in unfulfilled performance obligations as at year end date.

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

	2023	2022
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**8,257**	17,008

4. OTHER GAINS/(LOSSES), NET

	2023	2022
	HK$'000	*HK$'000*
Net foreign exchange gains/(losses)	**35,654**	(9,740)
Net gains on financial assets at fair value through profit or loss	**6,100**	5,717
Net gains on disposals of property, plant and equipment	**32,536**	826
Net realised and unrealised (losses)/gains from derivative financial instruments	**(1,024)**	2,211
Others	**3,218**	7
	76,484	(979)

5. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and impairment loss on the production base in Myanmar are analysed as follows:

	2023	2022
	HK$'000	*HK$'000*
Advertising and promotion expenses	**2,969**	5,298
Auditor's remuneration		
— audit services	**3,014**	2,944
— non-audit services	**711**	661
Depreciation		
— owned property, plant and equipment	**196,808**	146,327
— right-of-use assets	**33,899**	79,787
Depreciation of investment properties	**82**	82
Employment benefit expenses (including directors' emoluments)	**976,465**	907,256
Raw materials used	**2,191,983**	2,280,290
Changes in inventories of finished goods and work in progress	**131,423**	(339,074)
Provision for impairment of inventories	**8,970**	2,399
Consumables	**125,774**	94,909
Subcontracting charges	**221,878**	228,352
Impairment loss on the production base in Myanmar *(Note)*	**243,416**	–
Agency and commission expenses	**2,922**	2,166
Transportation charges	**38,937**	34,031
Sample charges	**14,463**	14,638
Donations	**549**	1,015
Short-term lease payments	**524**	449
Utilities expenses	**154,429**	131,379
Others	**136,737**	127,654
Total cost of sales, selling and distribution expenses, general and administration expenses and impairment loss on the production base in Myanmar	**4,485,953**	3,720,563

Note:

As at 31 March 2023, the Group's production base in Myanmar had certain assets with a total carrying amount of approximately HK$421,912,000 (2022: HK$398,118,000), which included property, plant and equipment, right-of-use assets, prepayments for property, plant and equipment and other operating assets. These assets have been allocated to the Myanmar cash-generating unit (the "Myanmar CGU") for impairment testing.

The construction and development progress of the production base in Myanmar has been affected by the incidents in Myanmar in recent years. The directors of the Company have carried out an impairment assessment over the Myanmar CGU with reference to the valuation performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer. The recoverable amount of the Myanmar CGU is determined by using value-in-use calculations based on a cash flow forecast covering a five-year period from the expected commencement date of full operation.

The directors of the Company plan to allocate part of the Group's knitwear sales orders to Myanmar for production and the financial model assumes the Group's revenue of knitwear sales have an annual growth rate of 7.00% for financial year ending 31 March 2024; an annual growth rate of 2.50% for financial years ending 31 March 2025 to 31 March 2026 and an annual growth rate of 1.25% for financial years ending 31 March 2027 to 31 March 2030.

The terminal growth rate is assumed to be 3.00% per annum beyond the forecast period, taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

Due to the deterioration of the global economy and the recent unfavorable developments in Myanmar, the Group's business development in Myanmar has been decelerated. In carrying out the impairment assessment, the expected commencement date of full operation of the Group's Myanmar production base is assessed to be further delayed to the financial year ending 31 March 2026 and the allocation of part of the Group's knitwear sales orders to Myanmar for production will be also delayed and affected. The pre-tax discount rate used in the value-in-use calculations was increased to 27.97% from last year's 19.67% to reflect the overall changes in risk premiums.

With the delay in operating cash flow and the larger discounting effect, as at 31 March 2023, the recoverable amount of the Myanmar CGU determined based on the value-in-use calculations was lower than the carrying amount of the Myanmar CGU and resulted in a provision for impairment of property, plant and equipment of HK$243,416,000 (2022: Nil) for the year ended 31 March 2023.

6. FINANCE EXPENSES, NET

	2023	2022
	HK$'000	*HK$'000*
Finance income		
Interest income from:		
— Bank deposits	**10,106**	2,687
Finance expenses		
Interest expenses on:		
— Bank borrowings	**(39,635)**	(19,407)
— Lease liabilities	**(3,518)**	(4,455)
	(43,153)	(23,862)
Finance expenses, net	**(33,047)**	(21,175)

7. INCOME TAX EXPENSES

For the year ended 31 March 2023, Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 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% (2022: 25%) on estimated assessable profits. However, two (2022: two) of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for the first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is the first year subject to the BIT rate of 17%, whereas, the other one subsidiary in Vietnam is entitled to the first year of full exemption from BIT if there is any taxable profit for the year ended 31 March 2023.

	2023	2022
	HK$'000	*HK$'000*
Current tax		
Current tax on profits for the year		
— Hong Kong profits tax	**19,745**	13,386
— China corporate income tax	**30,402**	29,090
— Vietnam business income tax	**2,518**	417
	52,665	42,893
Under provision of current tax in prior years		
— Vietnam business income tax	**–**	1,133
	52,665	44,026
Deferred income tax		
— Deferred taxation	**(1,570)**	(604)
	51,095	43,422

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 March 2023 and 2022 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.

	2023	2022
Profit attributable to the owners of the Company *(HK$'000)*	**134,844**	263,302
Weighted average number of ordinary shares in issue *('000)*	**2,279,392**	2,279,392
Basic earnings per share *(HK cents)*	**5.92**	11.55

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the years ended 31 March 2023 and 2022 equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

9. DIVIDENDS

At the board meeting held on 25 November 2022, the Board of Directors declared an interim dividend for the year ended 31 March 2023 of 5.1 HK cents per share amounting to a total of HK$116,249,000 and paid on 21 December 2022.

At the board meeting held on 23 June 2023, the Board of Directors declared a second interim dividend of 0.6 HK cent per share (in lieu of a final dividend) amounting to a total of HK$13,676,000. The second interim 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 2024.

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

At the board meeting held on 24 June 2022, the Board of Directors recommended a final dividend for the year ended 31 March 2022 of 1.5 HK cents per share amounting to a total of HK$34,191,000 and paid on 20 September 2022.

10. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**132,691**	146,193

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

	2023	2022
	HK$'000	*HK$'000*
US$	**91,298**	109,788
RMB	**41,343**	36,405
VND	**50**	–
	132,691	146,193

The credit periods granted by the Group to its customers generally range from 0 to 90 days. As at 31 March 2023 and 2022, the ageing analysis of the trade receivables based on the invoice date is as follows:

	2023	2022
	HK$'000	*HK$'000*
Up to three months	**115,676**	123,830
Three to six months	**11,010**	12,751
Over six months	**6,005**	9,612
	132,691	146,193

The Group applies HKFRS 9 "Financial Instruments" simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There was no loss allowance for the trade receivables as at 31 March 2023 (2022: same).

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

11. TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	2023	2022
	HK$'000	*HK$'000*
US$	**280,192**	300,573
HK$	**24,257**	38,684
RMB	**53,583**	71,990
Others	**5,360**	4,695
	363,392	415,942

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

Note: As at 31 March 2023, trade and bills payables include trade payables to related companies of approximately HK$2,776,000 (2022: HK$8,825,000).

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

	2023	2022
	HK$'000	*HK$'000*
Within one month	**192,633**	215,390
One to two months	**109,117**	71,319
Two to three months	**54,213**	72,358
Over three months	**7,429**	56,875
	363,392	415,942

12. BANK BORROWINGS

	2023	2022
	HK$'000	*HK$'000*
Current		
Portion of long-term bank borrowings, secured, due for repayment within one year which contain a repayment on demand clause	**1,032**	1,033
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**86**	1,118
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**404,707**	252,320
	405,825	254,471
Non-current		
Bank borrowings, unsecured	**530,930**	935,637
Total bank borrowings	**936,755**	1,190,108

The weighted average effective interest rate as at 31 March 2023 is 4.63% (2022: 1.75%).

The bank borrowings are due for repayment as follows:

	2023	2022
	HK$'000	*HK$'000*
Within one year	**405,739**	253,353
Between one and two years	**531,016**	405,739
Between two and five years	**–**	531,016
	936,755	1,190,108

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

As at 31 March 2023, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK$6,742,000 (2022: HK$6,526,000).

13. LEASE LIABILITIES

	2023	2022
	HK$'000	*HK$'000*
Current		
Lease liabilities due for repayment within one year	**76,066**	75,094
Non-current		
Lease liabilities due for repayment after one year:		
Between one and two years	**22,285**	45,644
Between two and five years	**59,398**	2,310
	81,683	47,954
Total lease liabilities	**157,749**	123,048

The weighted average effective interest rate as at 31 March 2023 is 2.77% (2022: 1.80%).

The lease liabilities are due for repayment as follows:

	2023	2022
	HK$'000	*HK$'000*
Gross lease liabilities — minimum lease payments:		
Within one year	**79,481**	76,763
Between one and two years	**24,700**	46,089
Between two and five years	**61,553**	2,366
	165,734	125,218
Future finance charges on leases	**(7,985)**	(2,170)
Present value of lease liabilities	**157,749**	123,048

As at 31 March 2023, the carrying amounts of lease liabilities are denominated in US$, RMB and HK$ (2022: same).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The year ended 31 March 2023 ("Financial Year 2023") posed opportunities as well as threats for the Group. The Group has spent enormous efforts on mitigating effects brought by disruptions to supply in the first half of Financial Year 2023 when city-wide lockdown measures to curb COVID-19 were implemented in the People's Republic of China ("Mainland China"). It has managed to withstand many hurdles and maintain a stable supply of products to its customers throughout the year in its manufacturing plants in Vietnam and Mainland China.

On the demand side, there was a temporary pick-up in consumer sentiment due to pent-up demand especially in the markets of Japan, the United States of America and Europe in the first half of Financial Year 2023. However, earlier disruptions in the global supply chain have resulted in excess inventory for brand customers partly due to the mistimed receipt of their products. Coupled with the continued global conflicts, high inflation, and interest rate hikes which ultimately took a toll on consumer spending, investment, employment and the concern of a global recession, there was a slow down on global demand for textile products during the second half of Financial Year 2023.

The total export value of knitwear (including knitted products and crochet products, as well as knitted or crocheted clothing and accessories) in Mainland China continued to grow by 10.2% in the first half of Financial Year 2023 but dropped by 12.2% in the second half of Financial Year 2023, representing a year-on-year decline of 0.7%, compared to a growth of 36.4% for the year ended 31 March 2022 ("Financial Year 2022").

The global weaker order sentiment in the latter half of Financial Year 2023 has also affected Vietnam's export value of textile and garments which grew robustly in the first half of Financial Year 2023 but dropped by 12.9% in the second half, representing a year-on-year increase of 5.4%, compared to a growth of 14.5% in Financial Year 2022.

The digestion of overall excess inventory of brand customers is expected to linger on in the next financial year. The Group has learned to equip itself to cater to various economic situations. Under such circumstances, the Group frequently assesses its financial management and business risks of customers to adjust its strategies to respond to different market conditions in a timely manner. The Group boasts its agile management skills that is prepared to serve its customers to the fullest under the ever-changing macro environment and continues to be a partner of choice to our customers. In Financial Year 2023, we continued to demonstrate our ability to accommodate to different business scenarios and we continue to pay relentless focus on our agility to prepare for the upcoming challenges for the whole industry.

BUSINESS REVIEW

The Group's management team swiftly brought the productivity of its Vietnam factory back to normal levels with enhanced operational efficiency. During Financial Year 2023, we continued to flexibly utilise the manufacturing plants in Vietnam and Mainland China and to minimise any supply interruptions in order to supply to our customers in a timely manner, and adapt to the "new normal".

On the demand side, despite the slowdown of orders in Mainland China due to the implementation of city-wide lockdown measures, our Group was able to secure a global prominent athleisure new customer which focuses on material functionality. Since raw material prices were on the rise during the Financial Year 2023, the Group raised the average selling price of its men's and women's knitwear products by 13.8% to HK$125.6 per piece. Despite so, we were able to increase our sales volume to 29.2 million pieces and the revenue from the Group's men's and women's knitwear products therefore increased by 14.7% to HK$3,666.4 million. Together with the contribution from the cashmere yarn and fabric business, the Group's revenue increased by 13.9% to HK$4,602.3 million.

There has been some cost pressure arising from higher raw materials prices during the Financial Year 2023. However, the Group persistently paid attention to cost controls. The Group's labour costs and subcontracting charges as a proportion of revenue dropped slightly with more normalised labour situation at our manufacturing plants. The Group's gross profit increased slightly by 5.6% to HK$745.5 million and gross profit margin dropped slightly from 17.5% in the Financial Year 2022 to 16.2% in the Financial Year 2023.

Selling and distribution expenses, together with general and administrative expenses in aggregate recorded a slight drop as a proportion to revenue, demonstrating our continuing attention on cost management. The Group also recorded a significant increase in other gains, which was mainly attributable to (i) the increase of net gains on disposals of property, plant and equipment as the Group purchased some upgraded machineries, while disposed of some aged machines under the ordinary course of business for Financial Year 2023; and (ii) net foreign exchange gains due to currency fluctuations. In view of the global economic uncertainties, fast-changing market, political environment, and that some global fashion brands have adjusted their sourcing strategy in Myanmar, the Group reassessed the business development of the Group's production base in Myanmar and recognised an impairment loss of HK$243.4 million for Financial Year 2023.

The Group recorded a net profit of HK$158.3 million as compared to a profit of HK$275.6 million for Financial Year 2022. To better reflect the Group's core operating results, excluding the impairment loss on the production base in Myanmar and the net realised and unrealised losses/gains from derivative financial instruments, the Group's adjusted net profit improved significantly by 45.3% to HK$379.3 million, with an adjusted net profit margin increased to 8.2%, representing an improvement of 1.7 percentage points.

Even though the market interest rates have increased notably during the Financial Year 2023, the Group's financial management efforts have enabled it to maintain a healthy cash flow and gearing ratio. Given that the impairment loss in relation to the Myanmar production base is non-cash in nature and the Group's core operating results remained resilient, the Board has declared the payment of a second interim dividend of 0.6 HK cent per share to the Company's shareholders. Including the first interim dividend of HK5.1 cents per share, the full year dividend represents a stable dividend to display confidence in the Group's future developments, as well as to show appreciation for our shareholders' trust and support throughout the unstable environment we have weathered in the past few years.

FUTURE STRATEGIES AND PROSPECTS

Even though global business activities have largely resumed, the Group envisions that the coming year will still be full of uncertainties. The high inventory levels of global brand customers exacerbated by the weakening of consumption demand due to concerns of global recession will affect the whole purchasing pattern throughout the textile industry. It will take time for various brand customers to digest their excess inventory.

Whereas in Mainland China, the consumer demand for apparel products is projected to increase to more normalised levels after the ease of COVID-19 restrictions. However, on the supply side, brand customers have displayed strong inclination to shift more production to Southeast Asian countries. Therefore, the manufacturing capacities in Mainland China as a whole is expected to contract, and be utilised for products which require more sophisticated craftsmanship or technicality.

In order to better serve our brand customers, the Group has strengthened its functions in Vietnam in relation to customer services, merchandising team, sampling departments, testing laboratories, etc.. The step up of our supply hub in Vietnam makes it clear that we will continue to bode well for the orders in our Vietnam manufacturing plants. As such, the Group has determined to expand capacity in central Vietnam, in order to further capture the rising opportunities in Vietnam. With a strengthened team in Vietnam, we will make bigger attempts to attract new global customers with growth potential.

Our new business of weaving, printing and dyeing of fabric is beginning to take shape, while we continue to enrich our relationships with customers, as well as enhancing our product quality to pave way for future imminent opportunities.

On the other hand, our Group's development of the Myanmar production base was decelerated, and we will continue to carefully monitor the situation. We expect trial production in the Myanmar production base to take place in the coming year. We have confidence that our customers will see the merits of developing with us in Myanmar. We continue to view Myanmar in an advantageous position enjoying tariff concessions exporting to the key markets of our key customers. We are moving along with our aim to further increase production capacity ratio to overseas production, responding to customers' ever-changing needs and requirements.

As a responsible global citizen acting in response to Mainland China's advocate to energy conservation, we continue to increase the level of renewable energy to our manufacturing facilities to achieve greater efficiencies on our energy usage. We are also accelerating, together with our customers, to increase the usage of sustainable materials in our products, in order to utilise recycled and upcycled materials to continue to add value in closing the loop and playing our part as an industry leader.

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

Despite the fact that the upcoming year will continue to be challenging, the management team will remain agile to respond to the changing conditions, and remain focused on generating greater returns to our shareholders as a long-term commitment.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2023 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as cashmere yarns, knitted upper for footwear, children's wear, scarfs, hats and gloves, to our customers.

The Group's revenue increased by 13.9% to HK$4,602.3 million for the year ended 31 March 2023 from HK$4,040.5 million for the year ended 31 March 2022. The increase was mainly attributable to the increase in total sales revenue of men's and women's knitwear products for the year ended 31 March 2023 by HK$469.1 million to HK$3,666.4 million as compared to the year ended 31 March 2022, while the sales revenue of cashmere yarns for the year ended 31 March 2023 decreased by HK$67.4 million to HK$543.7 million as compared to the year ended 31 March 2022.

The increase in the total sales revenue of men's and women's knitwear products was due to the increases in sales volume and average selling price. The Group's sales volume of men's and women's knitwear products increased by 0.7% from 29.0 million pieces for the year ended 31 March 2022 to 29.2 million pieces for the year ended 31 March 2023, and the average selling price of the Group's men's and women's knitwear products also increased by 13.8% from HK$110.4 per piece for the year ended 31 March 2022 to HK$125.6 per piece for the year ended 31 March 2023.

On the other hand, consistent with the Group's geographical market distribution for the year ended 31 March 2022, Japan, Europe and Mainland China remained as the top three markets of our Group for the year ended 31 March 2023. The revenue attributable to the Japanese market, European market and Chinese market accounted for 32.3%, 17.4% and 17.1% respectively of the Group's total revenue for the year ended 31 March 2023.

Cost of Sales

For the year ended 31 March 2023, the Group incurred cost of sales of HK$3,856.8 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the year ended 31 March 2023, the Group recorded gross profit of HK$745.5 million and gross profit margin of 16.2% as compared to the gross profit of HK$706.1 million and gross profit margin of 17.5% for the year ended 31 March 2022.

The increase in gross profit for the year ended 31 March 2023 was mainly due to (i) the significant increase in average selling prices for most of the Group's knitwear products which was mainly attributable to our strategic adjustments on the selling prices and the upward trend of raw material market prices; (ii) the increase in sales volume for most of the Group's knitwear products, except for cashmere yarn during the year ended 31 March 2023 as our production efficiency is resuming to normal even under the impact of COVID-19 pandemic. During the middle of year 2021, the operation of our Group's production base in Vietnam was disrupted as a result of the lockdown caused by COVID-19 pandemic in Vietnam; and (iii) the Group's continuous cost control measures.

Other Income

Other income primarily consisted of government subsidies, income from claims settled, income from scraps sales and miscellaneous other income. The other income increased by HK$28.4 million from HK$20.5 million for the year ended 31 March 2022 to HK$48.9 million for the year ended 31 March 2023. Such increase was mainly due to the increase in government subsidies by HK$17.6 million and the increase in income from claims settled by HK$13.2 million as compared to the year ended 31 March 2022.

Other Gains/(Losses), Net

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

Other gains/(losses) increased by HK$77.5 million from net losses of HK$1.0 million for the year ended 31 March 2022 to net gains of HK$76.5 million for the year ended 31 March 2023. Such increase was primarily attributable to (i) the turnaround in net foreign exchange losses from HK$9.7 million for the year ended 31 March 2022 to net foreign exchange gains of HK$35.7 million for the year ended 31 March 2023 as a result of the appreciation of the United States dollars; and (ii) the increase in net gains on disposals on property, plant and equipment by HK$31.7 million as the Group disposed of some aged machineries and other fixed assets and recorded net disposal gains of HK$32.5 million during the year ended 31 March 2023.

In summary, other gains for the year ended 31 March 2023 mainly represented net foreign exchange gains of HK$35.7 million, net gains on disposals on property, plant and equipment of HK$32.5 million and net gains on financial assets at fair value through profit or loss of HK$6.1 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 slightly decreased by HK$1.1 million, from HK$38.2 million for the year ended 31 March 2022 to HK$37.1 million for the year ended 31 March 2023. Such decrease was mainly due to the decrease in advertising and promotion expenses.

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 slightly increased by HK$0.6 million from HK$348.0 million for the year ended 31 March 2022 to HK$348.6 million for the year ended 31 March 2023. Such slight increase was mainly attributable to the Group's continuous cost control measures even when the Group's business was expanding during the year ended 31 March 2023.

Impairment Loss on the Production Base in Myanmar

The impairment losses on the production base in Myanmar represented impairment provision of HK$243.4 million on the property, plant and equipment of the Group's production base in Myanmar for the year ended 31 March 2023.

Events and circumstances leading to the recognition of the impairment loss

Since the middle of year 2022, global economic activity has been experiencing an extensive and faster-than-expected slowdown amid a very high global inflation rate. The tightening financial conditions in many countries, and the lingering COVID-19 pandemic all cast a shadow on the economic outlook of coming years. As there are many signs of the economy weakening, the Group's business development in Myanmar has been decelerated. While the Group continues to carefully monitor the fast-changing market, economic and political environment, the expected commencement date of full operation of the Group's Myanmar production base and the estimated knitwear sales order to be allocated to this production base will be further delayed and affected.

The aforementioned and other related commercial factors, including some global fashion brands have adjusted their sourcing strategy in Myanmar, were the principal bases for the Board's re-evaluation of the business development of the Group's production base in Myanmar. The Board therefore revised the financial budget and cash flow projection of the Myanmar cash-generating unit (the "Myanmar CGU") and recorded an impairment losses on the Myanmar production base of HK$243.4 million during the year ended 31 March 2023. The impairment assessment, valuation methodology, value of inputs and basis and assumptions are explained in more details below.

The Company engaged an independent professional valuer, Vincorn Consulting and Appraisal Limited (the "Valuer"), to assess the recoverable amount of the Myanmar CGU as at 31 March 2023. As the recoverable amount of the Myanmar CGU, which was assessed with reference to the valuation performed by the Valuer, was lower than the carrying amount of the Myanmar CGU and resulted in an impairment loss of HK$243.4 million on the property, plant and equipment of the Group's production base in Myanmar for the year ended 31 March 2023.

Valuation methodology, value of inputs and basis and assumptions

The valuation methodology, value of inputs in the current year and last year used in the valuations together with the basis and assumptions are as follows:

	Valuation as at 31 March 2023	Valuation as at 31 March 2022
Valuation Date	**31 March 2023**	31 March 2022
Valuation Methodology	**Income Approach**	Income Approach
Basis of Valuation	**Value in use calculation***	Value in use calculation
Expected Commencement Date of Full Operation	**Financial Year 2026**	Financial Year 2024
Pre-tax Discount Rate	**27.97%**	19.67%
Risk-free Rate (10-yr)	**20.74%**	14.19%
Beta Coefficient	**0.76**	0.79
Market Risk Premium	**23.20%**	16.11%
Company Specific Risk Premium	**7.00%**	7.00%
Small Company Risk Premium	**4.80%**	5.01%
Net Present Value of Value in Use *(HK$'000)*	**178,496**	429,555

* The calculation uses pre-tax cash flow projection based on financial budgets covering a five-year period from the commencement date of full operation and a long-term average growth rate.

The valuation method referred above was adopted to comply with the Group's accounting policies and is consistent with the common method adopted for valuation of a subject of similar nature. There is no change in valuation method and basis used by the valuers for current year and last year.

According HKAS 36 — Impairment of Assets, recoverable amount is defined as the higher of a cash-generating unit's fair value less costs of disposal and its value in use.

For the fair value less costs of disposal, the standard clarifies that costs of disposal, other than those that have been recognised as liabilities, are deducted in determining measuring fair value less costs of disposal. The standard also clarifies that the following elements should be reflected in the calculation of an asset's value in use:

(1) an estimate of the future cash flows the entity expects to derive from the asset;
(2) expectations about possible variations in the amount or timing of those future cash flows;
(3) the time value of money, represented by the current market risk-free rate of interest;
(4) the price for bearing the uncertainty inherent in the asset; and
(5) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

The standard also clarifies that the second, fourth and fifth elements above can be reflected either as adjustments to the future cash flows or adjustments to the discount rate.

We consider income approach to be an appropriate valuation method in this valuation. The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realising those benefits.

Reasons for material changes in the value of the inputs and assumptions adopted in current year from last year

In view of the global economic uncertainties, fast-changing market and political environment and the lingering COVID-19 pandemic, as explained in more details under the subsection headed "Events and circumstances leading to the recognition of the impairment loss" above, the Group adopted more prudent forecasts for its production base in Myanmar. These commercial considerations had developed after the Company's last assessment of this business in March 2022.

Finance Expenses, Net

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

The Group's net finance expenses increased by HK$11.8 million from HK$21.2 million for the year ended 31 March 2022 to HK$33.0 million for the year ended 31 March 2023. The increase in net finance expenses was mainly due to the hike in market interest rates since the middle of year 2022.

Income Tax Expenses

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

Hong Kong profits tax as applicable to the Group is 16.5% for the years ended 31 March 2023 and 2022 on the estimated assessable profits arising in or derived from Hong Kong during the relevant years.

The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax ("CIT") at a rate of 25% on the estimated assessable profits for the years ended 31 March 2023 and 2022. However, two of the Group's subsidiaries in Mainland China are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for the first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current year is the first year subject to the BIT rate of 17%, whereas, the other one subsidiary in Vietnam is entitled to the first year of full exemption from BIT if there is any taxable profit for the year ended 31 March 2023.

The Group's effective tax rates based on the net profit before income tax were 24.4% and 13.6% for the years ended 31 March 2023 and 2022 respectively. On the other hand, the Group's effective tax rates based on the adjusted net profit before income tax were 11.9% and 14.3% for the years ended 31 March 2023 and 2022 respectively.

Profit for the Year Attributable to the Owners of the Company

As a result of the foregoing, the Group recorded profit attributable to the owners of the Company of HK$134.8 million and HK$263.3 million for the years ended 31 March 2023 and 2022 respectively.

The decrease in net profit for the year ended 31 March 2023 was primarily attributable to the provision of impairment loss on the production base in Myanmar. Nonetheless, there were a number of favourable factors affecting the Group's profit during the same year, which include (i) the increase in gross profit as a result of the Group's strategic adjustments on the selling prices of certain knitwear products; (ii) higher sales volume in knitwear products; (iii) the increases in other gains from foreign exchange and other gains on disposals of property, plant and equipment; and (iv) the increase in other income from claims settled.

Adjusted Net Profit

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

Based on the formula above, the Group's adjusted net profit increased by HK$118.2 million from HK$261.1 million for the year ended 31 March 2022 to HK$379.3 million for the year ended 31 March 2023, and the adjusted net profit margin increased from 6.5% for the year ended 31 March 2022 to 8.2% for the year ended 31 March 2023.

Consolidated Cash Flow Statement

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 March 2023 was HK$593.2 million, primarily due to profit before income tax of HK$209.4 million, adjusted for depreciation of HK$230.8 million, impairment loss on the production base in Myanmar of HK$243.4 million and the decrease in inventories of HK$121.5 million, which was partially offset by the net gains on disposals of property, plant and equipment of HK$32.5 million, the increase in prepayments, deposits, other receivables and other assets of HK$53.0 million and the decrease in trade and bills payables of HK$53.2 million.

Net Cash Generated from Investing Activities

The Group's net cash generated from in investing activities for the year ended 31 March 2023 was HK$0.1 million, contributed by the proceeds from disposals of property, plant and equipment of HK$65.6 million and interest received of HK$10.1 million, which was partially offset by the purchase of property, plant and equipment of HK$75.6 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the year ended 31 March 2023 was HK$483.8 million, primarily due to the dividend payments of HK$150.4 million and the net decrease in the Group's total bank borrowings and lease liabilities of HK$336.6 million.

Cash and Cash Equivalents

For the year ended 31 March 2023, the Group's cash and cash equivalents increased by HK$109.5 million and the exchange loss was HK$3.2 million. The net increase in the Group's cash and cash equivalents was from HK$610.7 million as at 31 March 2022 to HK$717.0 million as at 31 March 2023.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the year ended 31 March 2023, the Group's cash and cash equivalents was mainly used in the Group's business operations and expansion, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and bank borrowings. The Group's gearing ratio decreased from 21.3% as at 31 March 2022 to 13.2% as at 31 March 2023.

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

As at 31 March 2023, the Group's cash and cash equivalents, amounting to HK$717.0 million, were denominated in US dollars ("US$") (78.9%), HK$ (5.7%), Chinese Renminbi ("RMB") (14.2%), Vietnamese Dong ("VND") (1.0%) and other currencies (0.2%).

As at 31 March 2023, the Group's total bank borrowings and lease liabilities were due for repayment as follows:

	2023	2022
	HK$'000	*HK$'000*
Within one year	**481,805**	328,447
Between one and two years	**553,301**	451,383
Between two and five years	**59,398**	533,326
	1,094,504	1,313,156

Notes:

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

(b) As at 31 March 2023, the Group's total bank borrowings and lease liabilities were denominated in HK$(85.8%), US$(12.3%) and RMB(1.9%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and lease liabilities for the year ended 31 March 2023 were 4.63% and 2.77% respectively.

(c) As at 31 March 2023, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK$6.7 million.

Capital Expenditures

The Group incurred capital expenditures of approximately HK$198.1 million for the year ended 31 March 2023, which were mainly related to the purchase of machinery and equipment for our factories. These capital expenditures were fully financed by internal resources and bank borrowings.

Capital Commitments

The Group's capital commitments as at 31 March 2023 amounted to approximately HK$160.6 million which were mainly related to the purchase of machinery and equipment for our factories and the construction of a new production base in Vietnam.

Charge on Assets

As at 31 March 2023, the Group's right-of-use assets with a total carrying amount of HK$12.8 million, land and buildings and leasehold improvements with a total carrying amount of HK$107.5 million and financial assets at fair value through profit or loss with a total carrying amount of HK$6.7 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 2023.

Significant Investments, Acquisitions and Disposals

The Group had no significant investments, acquisitions and disposals during the year ended 31 March 2023.

Financial Instruments

The Group did not have any outstanding hedging contracts or financial derivatives as at 31 March 2023.

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

Financial Risk Management

(a) *Foreign Currency Risk*

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

During the year ended 31 March 2023, the Group entered into some forward currency contracts to mitigate its foreign currency risk in light of the appreciation of RMB during the year. The Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

(b) *Interest Rate Risk*

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk and bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the year ended 31 March 2023 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 2023, substantially all of the Group's bank balances and deposits were held with major financial institutions in Hong Kong, Mainland China and Vietnam which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

(d) Liquidity Risk

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

Human Resources and Emolument Policy

As at 31 March 2023, the Group had a total of approximately 15,900 full-time employees in Mainland China, Vietnam, Hong Kong and Myanmar. For the year ended 31 March 2023, the total staff costs, including the directors' emoluments, amounted to HK$976.5 million.

The Group's emolument policies are formulated based on the performance and experience of individual employee and are in line with the salary trends in Hong Kong, Mainland China, Vietnam and Myanmar. 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 second interim dividend of 0.6 HK cent per share for the year ended 31 March 2023 to be paid to the shareholders of the Company whose names are recorded on the register of members of the Company at the close of business on Wednesday, 12 July 2023. The second interim dividend, is expected to be payable on or about Tuesday, 25 July 2023. The Company's register of members will be closed from Monday, 10 July 2023 to Wednesday, 12 July 2023 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the second interim 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, 7 July 2023.

For the purpose of determining the eligibility of the shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 22 August 2023 to Friday, 25 August 2023, both days inclusive. During such period, no transfer of the Company's shares will be registered. In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 21 August 2023.

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

The net proceeds from the listing of the Company amounted to approximately HK$635.4 million. Such proceeds have been used according to the allocation set out in the Company's prospectus dated 30 March 2016. Use of net proceeds from the date of listing to 31 March 2023 is set below as follows:

	Proportion % (approximately)	Planned use of the total net proceeds HK$ million (approximately)	Actual utilised amount during the year ended 31 March 2023 HK$ million (approximately)	Utilised amount up to 31 March 2023 HK$ million (approximately)	Unutilised balance as at 31 March 2023 HK$ million (approximately)	Expected timeline for unutilised net proceeds
Construction of factory buildings and purchase of machinery for the second phase of our factory in Vietnam	59%	378.1	–	378.1	–	
Repayment of part of our bank loans	14%	93.2	–	93.2	–	
Enhancing design and product development capabilities	9%	54.7	–	22.8	31.9	30 September 2023
Enhancing the existing enterprise resource planning system	9%	54.7	3.2	22.0	32.7	30 September 2023
Working capital and general corporate purposes	9%	54.7	–	54.7	–	
Total	100%	635.4	3.2	570.8	64.6	

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

For the year ended 31 March 2023, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

Directors' and Relevant Employees' Securities Transactions

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

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the year ended 31 March 2023.

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 2023.

Corporate Governance Code

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

In the opinion of the Directors, the Company has complied with all the mandatory code provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2023.

Audit Committee

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Fan Chun Wah, Andrew (Chairman), Mr. Kan Chung Nin, Tony and Mr. Ip Shu Kwan, Stephen. The principal duties of the audit committee include the review and supervision of the Group's financial reporting process and internal control system. An audit committee meeting was held on 23 June 2023 to meet with the external auditor of the Company and review the Company's annual report and consolidated financial statements for the year ended 31 March 2023.

Scope of work of PricewaterhouseCoopers

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 2023 as set out in the preliminary results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary results announcement.

Publication of the Audited Consolidated Annual Results and 2023 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 2023 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 Wai Yue
Chairman

23 June 2023

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