



南旋控股有限公司

NAMESON HOLDINGS LIMITED

Stock Code : 1982.HK

**FY2023**

Annual Results

June 2023



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# Presenters



**Benny Wong**  
Chairman &  
Executive Director



**Jason Man**  
CEO &  
Executive Director



**Stephen Tao**  
CFO &  
Company Secretary



# Agenda

- 1 **Results Overview**
- 2 **Financial Highlights**
- 3 **Business Review**
- 4 **Outlook**
- 5 **Q&A**





# RESULTS OVERVIEW

# Results Overview

## Revenue (HK\$)

4,602.3 mn ▲ 13.9%

## Gross Profit (HK\$)

745.5 mn ▲ 5.6%

Gross Profit Margin (%) ▼ 1.3%pt  
16.2%

## Operating Profit (HK\$)

241.7 mn ▼ 28.8%

Operating Profit Margin (%) ▼ 3.1%pt  
5.3%

- Volume of sweaters 29.2 mn (+0.7%): effectively managed stable supply even amidst China lockdown in 1H
- ASP of sweaters HK\$125.6 (+13.8%): reflecting raw material price increase
- Other businesses: contribution from cashmere yarn and fabric businesses

- SG&A decreased, effective cost controls
- Other gains increased due to exchange gains, and net gains on disposals of PP&E
- Recognised impairment loss of HK\$243.4mn on the production base in Myanmar

## Net Profit (HK\$)

158.3 mn ▼ 42.6%

Earnings Per Share  
5.92 HK cents ▼ 48.8%

Adjusted Net Profit\* (HK\$)  
379.3 mn ▲ 45.3%

Adjusted Net Profit Margin  
8.2% ▲ 1.7%pt

## Cash and cash equiv. (HK\$)

717.0 mn ▲ 17.4%

Gearing Ratio  
13.2% ▼ 8.1% pt

Operating Cash Flow (HK\$)  
593.2 mn ▲ 143.1%

## Dividend Per Share Maintained at 5.7 HK cents

FY 2022

5.7 cents

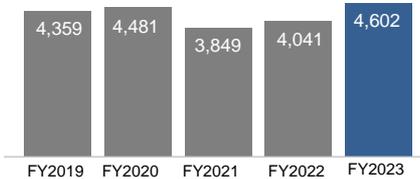
FY 2023

5.7 cents

- Adjusted Net Profit is derived from profit attributable to the owner 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

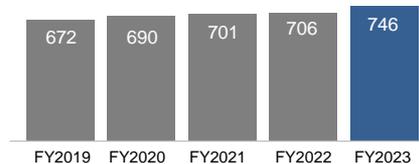
# Five-Year Overview

Revenue (HK\$m)



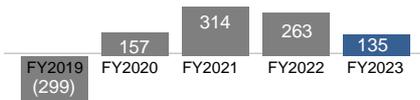
4-year CAGR growth: 1.4%

Gross Profit (HK\$m)

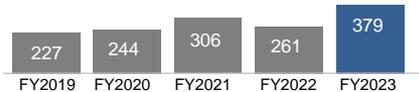


- Strategically managed ASP and actively attempted to diversify business to increase revenue base
- Able to withstand supply and demand challenges of COVID with agile management and quick response to market
- Stable customer base, diversified markets by geography
- Stringent cost controls
- **Industry average 4-year CAGR revenue growth: 5.0%**

(Loss)/ Profit Attributable to Owners (HK\$m)



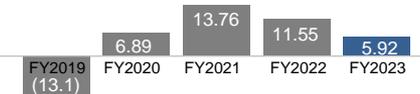
Adjusted Net Profit (HK\$m)



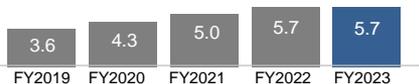
4-year CAGR growth: 13.7%

- Non-cash impairments:
  - shoe-upper business (HK\$522mn in FY2019);
  - Myanmar (HK\$243mn in FY2023)
- Strong adjusted net profit growth
- **Industry average 4-year CAGR profit growth: 2.6%**

EPS(Basic) (HK cents)



Dividend Per Share (HK cents)



Dividend Yield: ≈15%<sup>1</sup>

- Prudent cash management, gearing ratio dropped from 42.6% in FY2019 to 13.2% in FY2023
- Dividend policy since IPO: at least 35% of net profit
- Raised dividend since FY2022 (50% payout) in view of healthy balance sheet
- **Industry average dividend yield: 9%**
- **Industry average P/E ratio: 10x**

<sup>1</sup> Based on closing share price of 21 June 2023



# FINANCIAL HIGHLIGHTS

# Financial Review

<i>(HK\$ 'mn)</i>	FY2022	<b>FY2023</b>	Change
Revenue	4,040.5	<b>4,602.3</b>	13.9%
Gross Profit	706.1	<b>745.5</b>	5.6%
<i>Gross Profit Margin</i>	17.5%	<b>16.2%</b>	-1.3 ppt
Other income	20.5	<b>48.9</b>	+138.5%
Other (losses)/gains, net	(1.0)	<b>76.5</b>	N/A
Selling and distribution expenses	(38.2)	<b>(37.1)</b>	-2.9%
General and administrative expenses	(348.0)	<b>(348.6)</b>	+0.2%
Impairment loss on the production base in Myanmar	-	<b>(243.4)</b>	-
Operating Profit	339.4	<b>241.7</b>	-28.8%
<i>Operating Profit Margin</i>	8.4%	<b>5.3%</b>	-3.1 ppt
Profit before Tax	319.0	<b>209.4</b>	-34.4%
Net Profit	275.6	<b>158.3</b>	-42.6%
<i>Net Profit Margin</i>	6.8%	<b>3.4%</b>	-3.4 ppt
Profit attributable to the owners of the Company	263.3	<b>134.8</b>	-48.8%
Adjusted Net Profit <sup>1</sup>	261.1	<b>379.3</b>	+45.3%
<i>Adjusted Net Profit Margin</i>	6.5%	<b>8.2%</b>	+1.7 ppt

<sup>1</sup> Adjusted net profit is 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 recurring in nature.

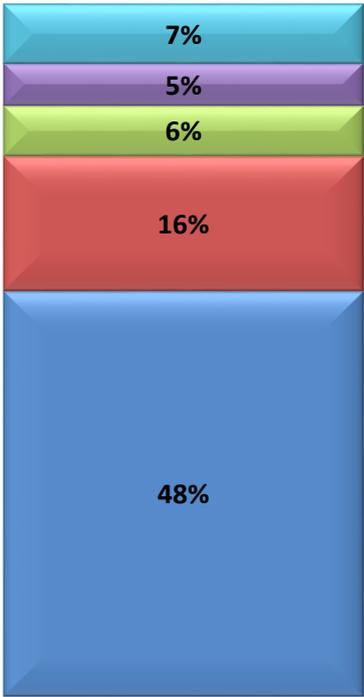
# Financial Review

(HK¢ cents)	FY2022	<b>FY2023</b>	Change
Basic Earnings Per Share (EPS)	11.55	<b>5.92</b>	-48.8%
Interim Dividend Per Share	4.2	<b>5.1</b>	21.4%
Second Interim / Final Dividend Per Share	1.5	<b>0.6</b>	-60%
Total Dividend Per Share	5.7	<b>5.7</b>	N/A

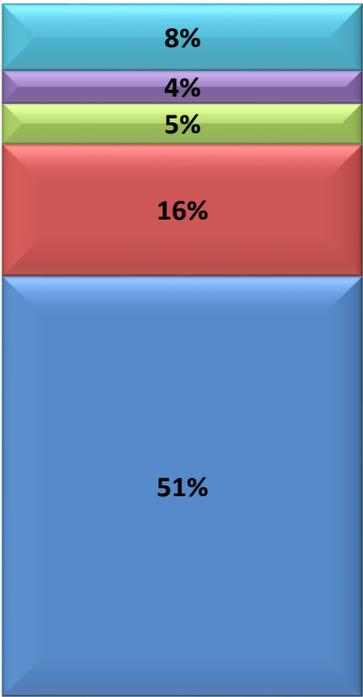
# Cost of Sales Breakdown

(as % of revenue)

FY2022



FY2023



- Overhead
- Depreciation
- Subcontracting Costs
- Direct Labour
- Cost of Inventories



# Financial Position

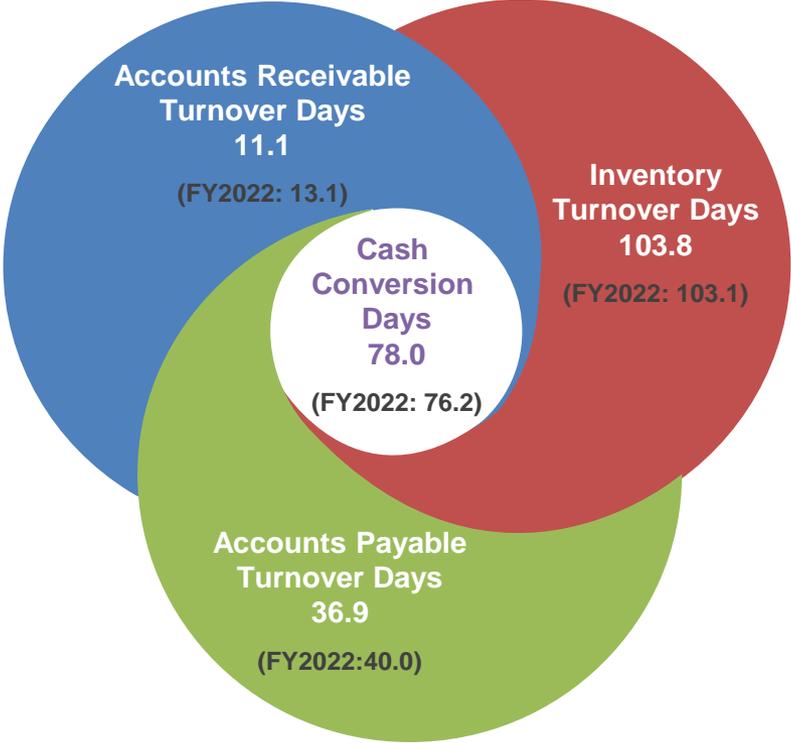
(HK\$ 'mn)	As at 31 Mar 2022	As at 31 Mar 2023	Change
Cash and cash equivalents	610.7	<b>717.0</b>	17.4%
Inventories	1,161.2	<b>1,032.0</b>	-11.1%
Trade Receivables	146.2	<b>132.7</b>	-9.2%
Trade and Bills Payables	415.9	<b>363.4</b>	-12.6%
Current Assets	2,043.1	<b>2,046.8</b>	0.2%
Total Assets	4,814.3	<b>4,429.1</b>	-8.0%
Total Bank Borrowings and Lease Liabilities	1,313.2	<b>1,094.5</b>	-16.7%
Net Debt	702.5	<b>377.5</b>	-46.3%
Total Equity	2,602.9	<b>2,477.7</b>	-4.8%
Gearing Ratio (%) #	21.3%	<b>13.2%</b>	-8.1 ppt
Return on Equity (%)	10.6%	<b>6.4%</b>	
Return on Assets (%)	5.7%	<b>3.6%</b>	

# Calculation of Gearing Ratio: Net debt divided by total capital. Total capital is the sum of equity and net debt

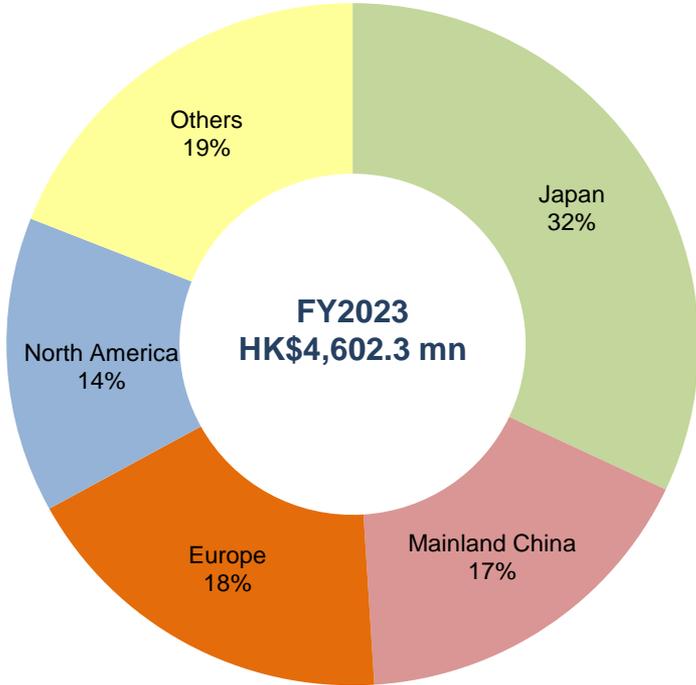
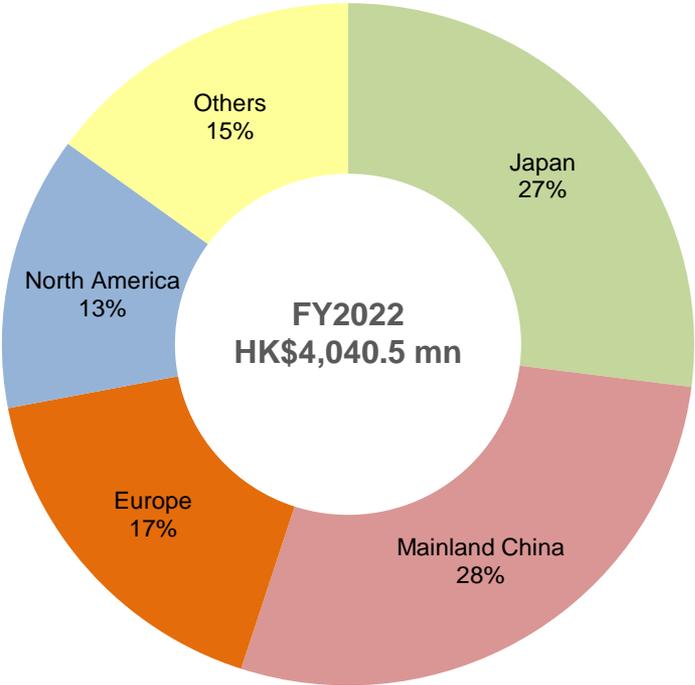
# Summary of Cash Flow

(HK\$ 'mn)	FY2022	FY2023
<b>Net cash generated from operating activities</b>	<b>244.0</b>	<b>593.2</b>
<i>Profit before income tax</i>	319.0	209.4
<i>Adjusted for:</i>		
<i>Income tax paid, net</i>	(26.5)	(22.6)
<i>Depreciation</i>	226.2	230.8
<i>Decrease / (Increase) in prepayment, deposits, other receivable and other assets</i>	2.3	(53.0)
<i>(Increase) / Decrease in inventories</i>	(443.7)	121.5
<i>Impairment loss on the production base in Myanmar</i>	-	243.4
<i>Net gains on disposal of property, plant and equipment</i>	-	(32.5)
<i>Increase / (Decrease) in trade and bills payable</i>	101.5	(53.2)
<i>Increase / (Decrease) in accruals and other payables</i>	65.0	(15.4)
<i>Others</i>	0.2	(35.2)
<b>Net cash (used in) / generated from investing activities</b>	<b>(90.5)</b>	<b>0.1</b>
<i>Purchases of property, plant and equipment</i>	(150.3)	(75.6)
<i>Proceeds from disposals of property, plant and equipment</i>	53.0	65.6
<i>Others</i>	6.8	10.1
<b>Net cash used in financing activities</b>	<b>(337.7)</b>	<b>(483.8)</b>
<i>Decrease in bank borrowings and lease liabilities</i>	(220.6)	(336.6)
<i>Dividend payment</i>	(123.1)	(150.4)
<i>Capital contribution from non-controlling interests</i>	6.0	3.2
<b>Net (Outflow) / Inflow of Cash</b>	<b>(184.2)</b>	<b>109.5</b>

# Cash Conversion Cycle



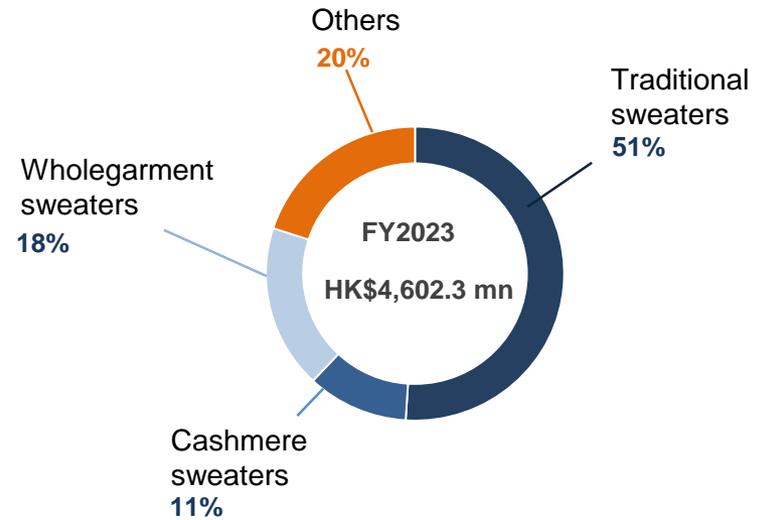
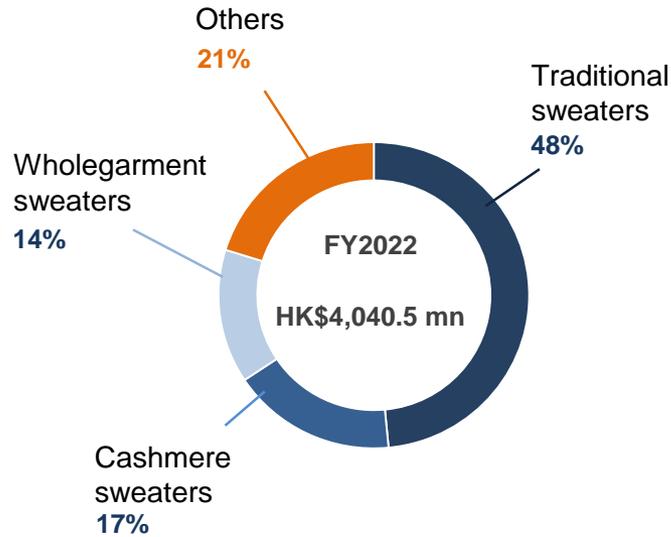
# Geographical Breakdown by Revenue





# BUSINESS REVIEW

# Breakdown by Business



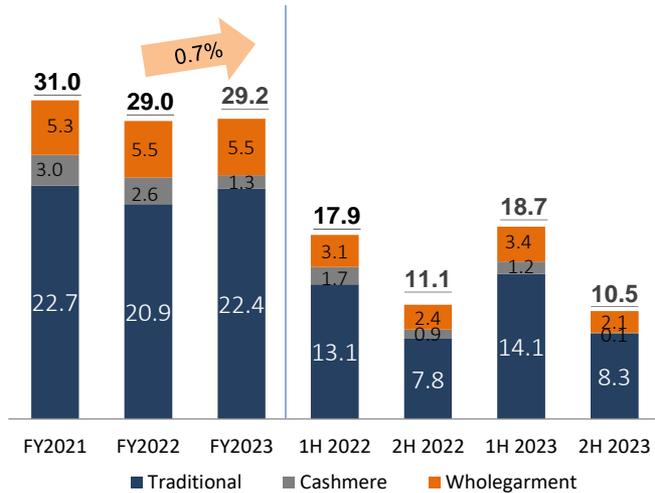
	FY2022	FY2023
 <b>Men's and Women's Knitwear Products</b>	79%	80%
 <b>Others</b>	21%	20%

"Others" includes cashmere yarn, fabric, knitted upper for footwear, children's wear, scarfs, hats, gloves, etc.



# Core Product: Sweaters

Sales Volume ('mn pieces)



Note: The figures above include men's and women's knitwear products only

- Vietnam resumed to full-fledged productivity since relaxation of restrictions
- Flexibly utilised manufacturing plants in Vietnam and China to minimise any supply interruptions despite city-wide lockdown in China

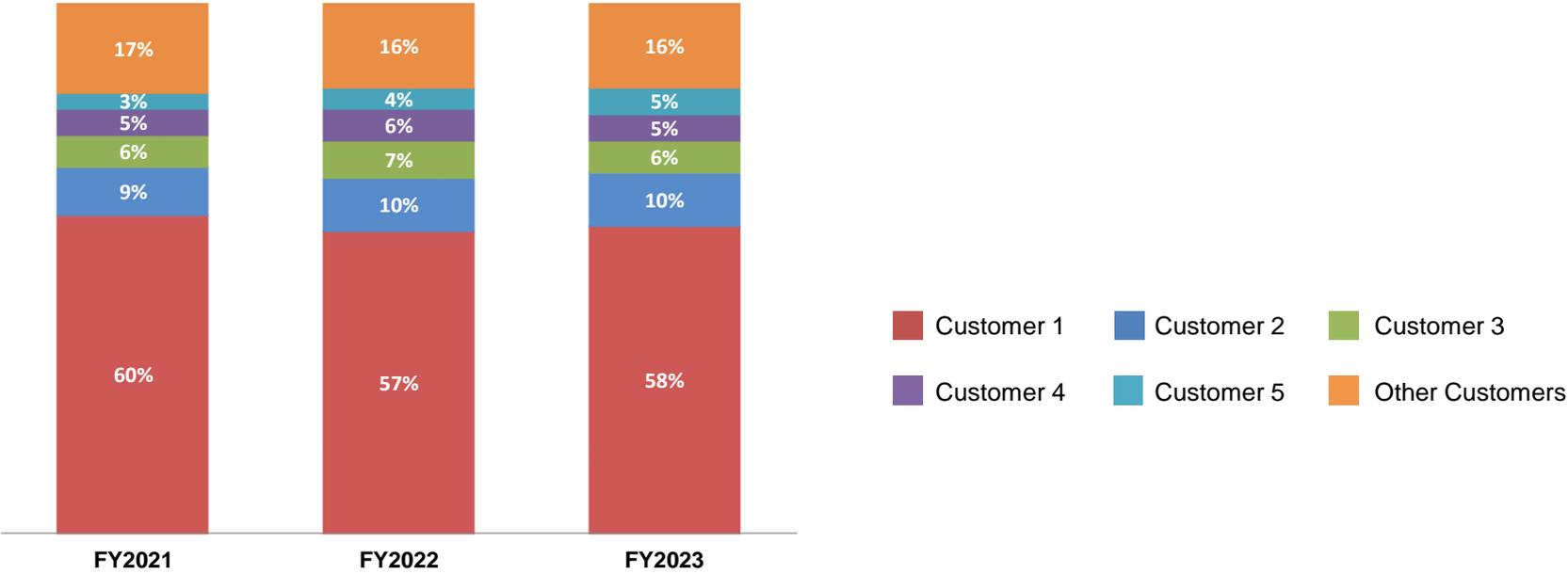
Average Selling Price (HK\$)



- ASP increased as a result of strategic adjustment especially in 1H due to raw material price increase



# Sweaters: Customer Mix



# Capacity by Location: Sweaters

## Vietnam Factory

- Operating since 1Q 2015
- GFA of > 130,000m<sup>2</sup>
- Machinery: ≈ 3,700
- Labor: ≈ 8,200 employees
- Manufactured 53% of total sweaters in FY2023
- Expanding in central Vietnam for greater efficiency, and further plans to expand capacity



## China Factory

- Operating since 2002
- GFA of >350,000m<sup>2</sup>
- Machinery: ≈ 4,000
- Labor: ≈ 5,500 employees
- Manufactured 47% of total sweaters in FY2023

### Volume ('mn)

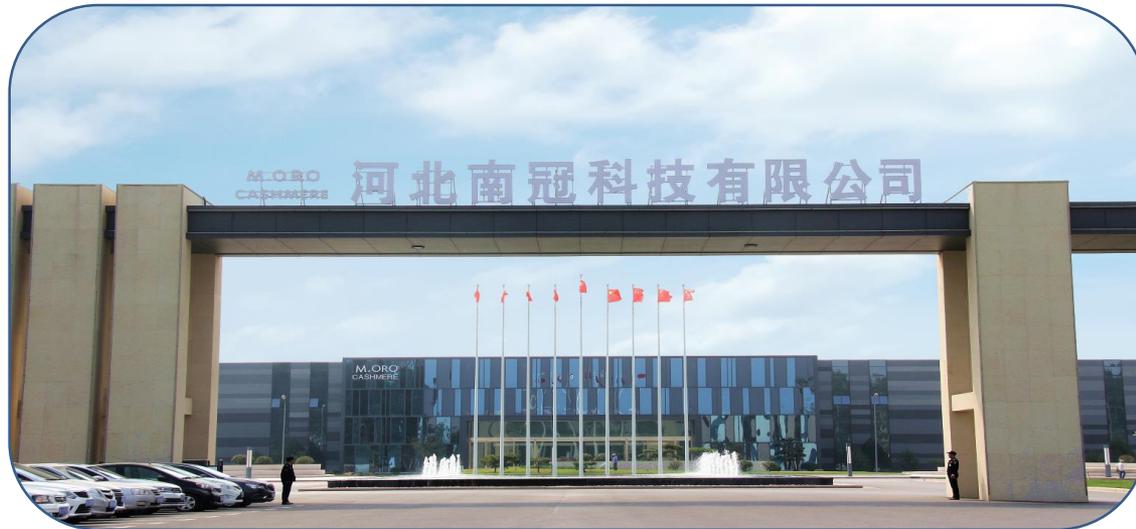
*(Menswear and womenswear knitwear only)*

	2017 1H	2017 2H	2018 1H	2018 2H	2019 1H	2019 2H	2020 1H	2020 2H	2021 1H	2021 2H	2022 1H	2022 2H	2023 1H	2023 2H
VN	2.5	2.8	4.3	4.1	8.0	5.5	7.9	6.0	9.7	7.3	8.9	4.7	9.5	6.0
CN	16.5	10.1	15.7	9.6	15.3	8.0	13.5	7.1	8.6	5.4	9.0	6.4	9.2	4.5



# Other Products: Cashmere Yarn

- 13 production lines, totaling approx. 900 tons of annual design production capacity, production exceeded 780 tons in FY2023
- Satisfy internal usage and external customers
- External sales consolidated to the Group's revenue: HK\$543.7mn



Cashmere Spinning Factory (Hebei)



Scalable production



Cashmere spinning machines



Cashmere spinning machines



# Other Products: Fabrics

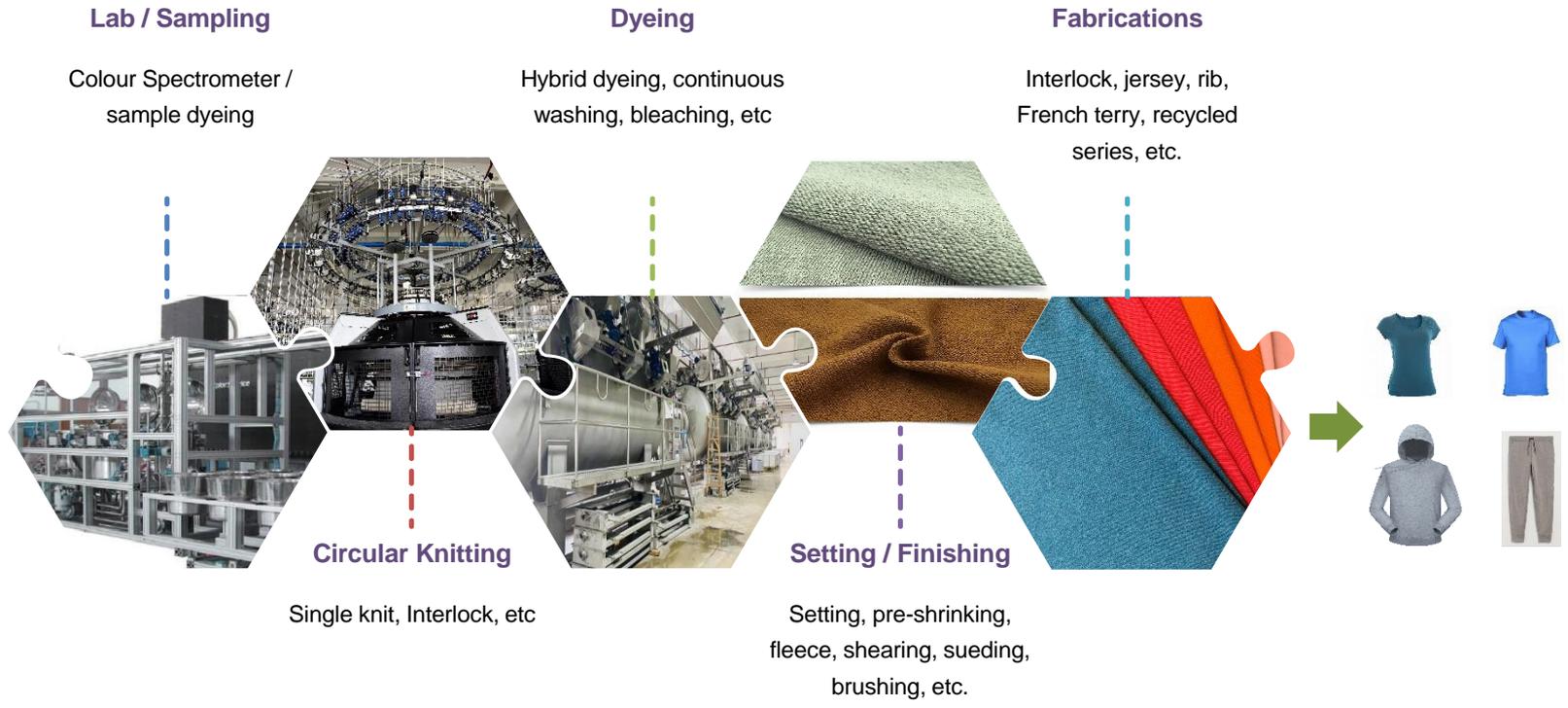
- Diversified into fabric business to tap the inherent demand for the local fabric supply for Vietnam's apparel industry
- Designed annual production capacity exceeding 30 million pounds of fabric
- Trial production commenced in 2Q FY2022, contribution to the Group begins to take shape
- Global demand saw a decrease in 2H 2023, meanwhile we spend continuous effort on enriching customer relationship and enhancing our own product quality to pave way for further growing the business



Fabric Factory (Vietnam)



# Other Products: Fabrics (Con'd)



# Other Developments: Myanmar for Knitwear

- Construction is almost completed but development was decelerated while we carefully monitor the political conditions and effects from the pandemic
- Trial production is expected to delay, recognised an impairment loss of HK\$243.4mn
- In talks with a Japanese client, plans on commencing trial production in FY2024
- Nonetheless, Myanmar is in a good position for its low-cost alternative as customers' procurement needs shift, for its duty concession to China, Japan and Europe, especially when China's status in trade preference is diminishing



*Exterior of Myanmar plant*





# OUTLOOK

# Outlook

End-consumer sentiment:  
Concerns for global recession

Customer purchases:  
Excess inventory and  
quicker response time

## CHALLENGES

## OPPORTUNITIES

Production Ratio: Further grow outside China:

- Strengthen customer service functions in Vietnam
- Flex productivity to service increased demand; further grow capacity in VN
- Myanmar production to enlarge overseas production proportion

Fabric manufactured in VN highly demanded:  
observe and expand as appropriate

Tapping and growing with customers:  
Continue to lead in material development, uncompromised quality tapping and deepening cooperation with quality customers

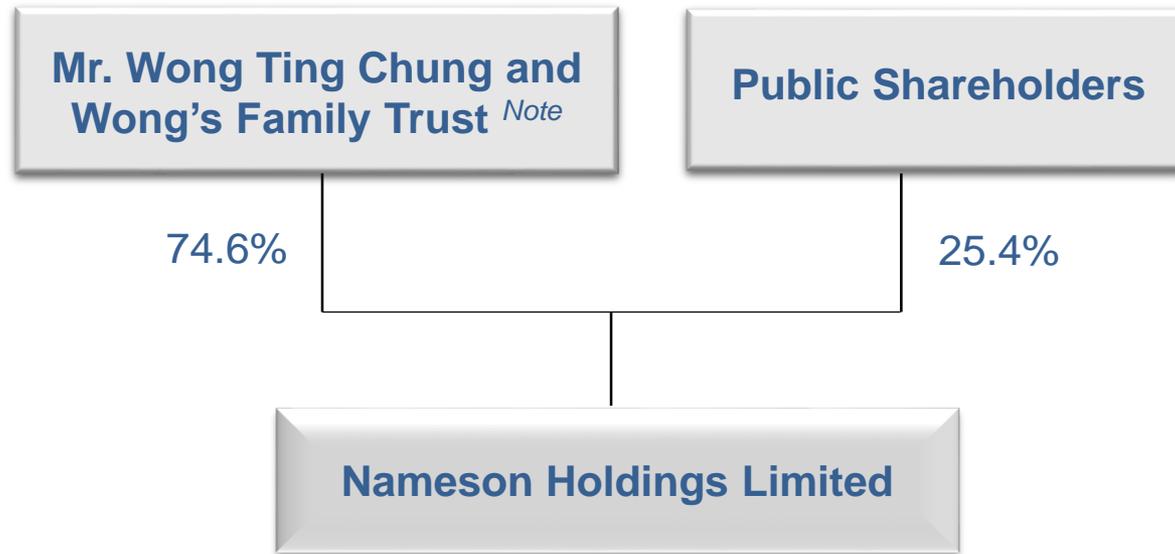


## QUESTION & ANSWER



# APPENDIX

# Shareholding Structure



*Note: The above diagram is a simplified shareholding structure. The family trust is a trust established by Founding Chairman Mr. Wong Ting Chung as the settlor with the beneficiaries being Mr. Wong Ting Chung and certain family members of the Wong's family.*

# Environmental Protection Strategies

## TARGETS before 2031\*

- Reduce carbon emission by 10.5%
- Reduce energy consumption by 4.3%

\* Yearly target compared to FY2021

## SOLAR INSTALLATION

- Embarked on solar panel installation at Huizhou production facility
- Targets approx. 8,200 tons of reduced carbon emission / year

## ONGOING INITIATIVES

- Coal consumption **-30.6%** by replacing coal with burning woodchips
- Water recycling **~60%** reuse of water resources



## ETHICAL PROCUREMENT

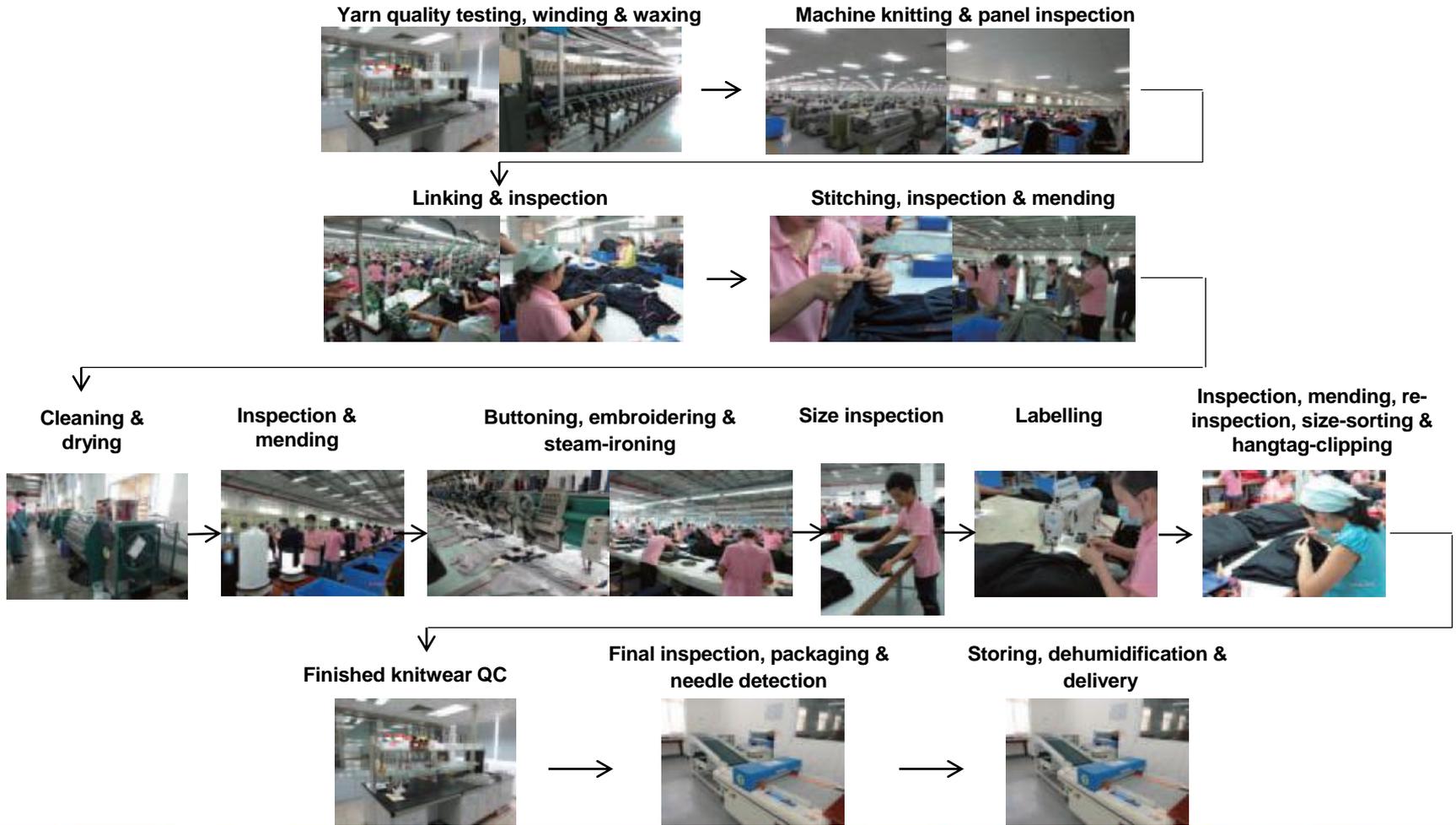
- 12 memberships / certificates attained for responsible and ethical sourcing
- Expects all suppliers to comply with ethical sourcing

## GREENERY

- 40% of factories' area is planted with trees

The HIGG Index is a suite of tools for the standardized measurement of value chain sustainability, and it is central to the Sustainable Apparel Coalition's mission to transform businesses for exponential impact.

# Knitwear Production Process



# WholeGarment Knitting vs Traditional Knitting

	WholeGarment Knitwear	Traditional Knitwear
Knitting machine		
Output product	Whole piece of knitwear 	Panels (Front/Back/Sleeves) 
Linking process	Eliminated	Key Process



# Seamless Knitting Technology: WholeGarment

## Cost Effectiveness of Deploying WholeGarment Machinery

- Reduce production lead time by >50%
- Reduce labour in production process
- Reduce material wastage, especially beneficial for expensive raw materials



## Cater to Diverse Customer Needs

- Better fit and styles very well-received by end market since inception
- Customer driving up the speed of introducing more knitwear utilising WholeGarment Technology



## Accretive to the Group's Development

- Better selling prices and margins accretive to the Group
- Confirmed orders received early in the pipeline given the limited supply in the market, beneficial for production planning



# Consolidated Income Statement

Audited  
Year ended 31 March

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



# Consolidated Balance Sheet

	2022 (HK\$ '000)	<i>Audited</i> <i>As at 31 March</i> 2023 (HK\$ '000)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,131,132	1,780,432
Right-of-use assets	384,553	334,450
Investment properties	1,754	1,672
Interest in a joint venture	4,919	5,483
Financial assets at fair value through profit or loss	178,830	184,930
Prepayments, deposits, other receivables and other assets	69,298	74,632
Deferred income tax assets	694	676
	2,771,180	2,382,275
<b>Current assets</b>		
Inventories	1,161,246	1,032,006
Trade receivables	146,193	132,691
Derivative financial instruments	34	-
Prepayments, deposits, other receivables and other assets	124,813	165,041
Tax recoverable	73	61
Cash and cash equivalents	610,718	717,027
	2,043,077	2,046,826
<b>Total assets</b>	4,814,257	4,429,101



# Consolidated Balance Sheet (Con'd)

	<i>Audited</i> <i>As at 31 March</i>	
	2022 (HK\$ '000)	2023 (HK\$ '000)
<b>EQUITY</b>		
<b>Capital and reserves attributable to the owners of the Company</b>		
Share capital	22,794	22,794
Reserves	2,385,610	2,252,260
	2,408,404	2,275,054
Non-controlling interests	194,490	202,620
<b>Total equity</b>	2,602,894	2,477,674
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Bank borrowings	935,637	530,930
Loan from a non-controlling shareholder of a subsidiaries	3,976	5,767
Lease liabilities	47,954	81,683
Provision for reinstatement cost	426	487
Deferred income tax liabilities	1,753	166
	989,746	619,033
<b>Current liabilities</b>		
Trade and bills payables	415,942	363,392
Accruals and other payables	240,062	224,636
Current income tax liabilities	236,048	262,475
Bank borrowings	254,471	405,825
Lease liabilities	75,094	76,066
	1,221,617	1,332,394
<b>Total liabilities</b>	2,211,363	1,951,427
<b>Total equity and liabilities</b>	4,814,257	4,429,101
<b>Net current assets</b>	821,460	714,432





## Investor Contact

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