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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)

**ANNOUNCEMENT OF
UNAUDITED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

FINANCIAL HIGHLIGHTS	Six months ended		Change
	2020	2019	
	<i>HK\$' million</i>	<i>HK\$' million</i>	
Revenue	2,295.1	3,026.7	-24.2%
Gross profit	435.0	527.6	-17.6%
Gross profit margin	19.0%	17.4%	+1.6p.p.
Profit attributable to the owners of the Company	238.5	270.9	-12.0%
Adjusted net profit (Note)	235.0	271.7	-13.5%
Adjusted net profit margin	10.2%	9.0%	+1.2p.p.
Earnings per share			
— Basic and diluted	10.5 HK cents	11.9 HK cents	-11.8%
Interim dividend per share	3.8 HK cents	4.3 HK cents	

Note: Adjusted net profit is a non-HKFRS financial measure and derived from profit attributable to the owners of the Company excluding realised and unrealised gains/(losses) from derivative financial instruments, which are income/expenses 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”) is pleased to announce the unaudited consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2020, together with the comparative figures for the six months ended 30 September 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

(Expressed in Hong Kong dollars)

		(Unaudited)	
		Six months ended	
		30 September	
		2020	2019
	Note	HK\$'000	HK\$'000
Revenue	5	2,295,057	3,026,746
Cost of sales	7	(1,860,019)	(2,499,164)
Gross profit		435,038	527,582
Other income		7,224	5,679
Other gains, net	6	20,349	21,577
Selling and distribution expenses	7	(19,953)	(25,869)
General and administrative expenses	7	(158,822)	(180,073)
Reversal of impairment losses on financial assets	7	1,720	–
Operating profit		285,556	348,896
Share of post-tax profit of a joint venture		216	598
Finance income		939	1,561
Finance expenses		(21,209)	(39,002)
Finance expenses, net	8	(20,270)	(37,441)
Profit before income tax		265,502	312,053
Income tax expenses	9	(36,417)	(38,278)
Profit for the period		229,085	273,775
Profit for the period attributable to:			
— Owners of the Company		238,486	270,935
— Non-controlling interests		(9,401)	2,840
		229,085	273,775
Earnings per share attributable to the owners of the Company during the period			
— Basic and diluted (HK cents per share)	10	10.5	11.9

	(Unaudited)	
	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>229,085</u>	<u>273,775</u>
Other comprehensive loss, net of tax:		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
— Currency translation differences	<u>(26,954)</u>	<u>(12,292)</u>
Total comprehensive income for the period	<u>202,131</u>	<u>261,483</u>
Total comprehensive income for the period attributable to:		
— Owners of the Company	<u>211,532</u>	<u>258,003</u>
— Non-controlling interests	<u>(9,401)</u>	<u>3,480</u>
	<u>202,131</u>	<u>261,483</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2020

(Expressed in Hong Kong dollars)

	(Unaudited) As at 30 September 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
	<i>Note</i>	
ASSETS		
Non-current assets		
Property, plant and equipment	1,602,468	1,515,721
Right-of-use assets	940,492	996,899
Investment properties	1,877	1,918
Intangible assets	–	–
Interest in a joint venture	8,280	8,064
Financial assets at fair value through profit or loss	169,824	167,295
Prepayments, deposits, other receivables and other assets	93,819	94,424
Deferred income tax assets	656	608
	<u>2,817,416</u>	<u>2,784,929</u>
Current assets		
Inventories	561,872	806,451
Trade receivables	567,910	163,977
Derivative financial instruments	2,733	–
Prepayments, deposits, other receivables and other assets	208,312	340,045
Tax recoverable	95	17,835
Cash and cash equivalents	806,364	713,128
	<u>2,147,286</u>	<u>2,041,436</u>
Total assets	<u><u>4,964,702</u></u>	<u><u>4,826,365</u></u>

		(Unaudited) As at 30 September 2020 <i>HK\$'000</i>	(Audited) As at 31 March 2020 <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Capital and reserves			
Share capital		22,794	22,794
Reserves		2,162,873	1,951,166
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Capital and reserves attributable to the owners of the Company		2,185,667	1,973,960
Non-controlling interests		170,753	122,654
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Total equity		2,356,420	2,096,614
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LIABILITIES			
Non-current liabilities			
Bank borrowings	14	885,033	1,136,100
Lease liabilities	15	225,699	288,713
Provision for reinstatement costs		357	659
Deferred income tax liabilities		2,562	2,562
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		1,113,651	1,428,034
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Current liabilities			
Trade and bills payables	13	302,795	390,416
Accruals and other payables		174,442	158,593
Current income tax liabilities		220,483	183,174
Bank borrowings	14	613,286	371,619
Lease liabilities	15	183,625	197,915
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		1,494,631	1,301,717
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Total liabilities		2,608,282	2,729,751
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Total equity and liabilities		4,964,702	4,826,365
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Net current assets		652,655	739,719
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing of knitwear products. The 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.

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$'000) unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 20 November 2020.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

The accounting policies applied by the Group are consistent with those of the annual financial statements for the year ended 31 March 2020, except for the adoption of amended standards as set out below.

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for the current reporting period beginning 1 April 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amended standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Impact of new and amended standards issued but not yet applied by the Group

The following new and amended standards have been issued but are not effective for the Group's financial periods beginning 1 April 2020 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 January 2022
Amendments to HKFRS 1	Classification of Liabilities as Current or Non-current	1 January 2023
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 16	COVID-19-Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022

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

4. ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

5. 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.

Prior to 1 April 2020, the Group had two operating segments, namely (i) Manufacturing of knitwear products; and (ii) Manufacturing of knitted upper for footwear and knitted upper shoes.

During the six months ended 30 September 2020, the Group restructured and streamlined the business of manufacturing of knitted upper for footwear and knitted upper shoes. Upon the restructuring of this segment, CODM reassessed the Group's segment reporting and decided that, for the purposes of financial reporting, manufacturing of knitted upper for footwear and knitted upper shoes segment should be combined with the manufacturing of knitwear products segment as the resources allocation, performance assessment and decision making of these two operating segments are no longer considered separately.

For the six months ended 30 September 2020, the Group operates as a single operating segment. The impact of the abovementioned change in the Group's reportable operating segments for the six months ended 30 September 2019 is considered retrospectively and the Group's operating segment information is restated as if the Group had been operating as a single operating segment in that period. Accordingly, the Group has not presented separate segment information.

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

(a) Revenue by location of goods delivery

	(Unaudited)	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Japan	669,493	859,701
North America	383,647	486,236
Europe	532,497	562,340
Mainland China	491,333	759,923
Other countries	218,087	358,546
	<u>2,295,057</u>	<u>3,026,746</u>

(b) Non-current assets

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
Hong Kong	56,141	58,706
Mainland China	746,045	772,344
Vietnam	1,630,469	1,672,090
Myanmar	206,001	105,822
	<u>2,638,656</u>	<u>2,608,962</u>

The non-current assets information above is based on the location of the assets and excludes intangible assets, 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:

	(Unaudited)	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Customer A	1,157,418	1,575,397
Customer B	253,405	337,504
	<u>1,410,823</u>	<u>1,912,901</u>

The five largest customers accounted for approximately 75.7% (2019: 73.2%) of revenue for the six months ended 30 September 2020.

(d) Disaggregation of revenue from contracts with customers

For the six-month period ended 30 September 2020 and 2019 respectively, the revenue of the Group was recognised at a point in time.

6. OTHER GAINS, NET

	(Unaudited)	
	Six months ended	
	30 September	
	2020	2019
	<i>HK\$000</i>	<i>HK\$000</i>
Net foreign exchange gains	14,056	19,563
Net gains on financial assets at fair value through profit or loss	2,529	2,435
Net gains on disposals of property, plant and equipment	19	296
Net realised and unrealised gains/(losses) from derivative financial instruments	3,535	(717)
Others	210	–
	<u>20,349</u>	<u>21,577</u>

7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and reversal of impairment losses on financial assets are analysed as follows:

	(Unaudited)	
	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advertising and promotion expenses	3,623	2,912
Auditor's remuneration		
— audit services	1,890	1,482
— non-audit services	326	315
Depreciation		
— owned property, plant and equipment	60,266	44,987
— right-of-use assets	44,260	61,758
Depreciation of investment properties	41	67
Amortisation of technical knowhow	–	4,825
Employment benefit expenses (including directors' emoluments)	451,188	495,932
Raw materials and consumables used	1,065,420	1,408,353
Changes in inventories of finished goods and work in progress	142,686	271,433
(Reversal of)/provision for impairment of inventories	(2,848)	5,692
Reversal of impairment losses on financial assets	(1,720)	–
Subcontracting charges	103,665	198,569
Agency and commission expenses	279	1,208
Transportation charges	16,517	20,854
Donations	2,856	1,205
Short-term lease payments	957	31
Utilities expenses	47,155	52,376
Sample charges	4,258	9,733
Others	96,255	123,374
	<u>2,037,074</u>	<u>2,705,106</u>
Total cost of sales, selling and distribution expenses, general and administrative expenses and reversal of impairment losses on financial assets	<u>2,037,074</u>	<u>2,705,106</u>

8. FINANCE EXPENSES, NET

	(Unaudited)	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Finance income		
Interest income from bank deposits	<u>939</u>	<u>1,561</u>
Finance expenses		
Interest expenses on:		
— Bank borrowings	(17,139)	(34,942)
— Lease liabilities	<u>(4,070)</u>	<u>(4,060)</u>
	<u>(21,209)</u>	<u>(39,002)</u>
Finance expenses, net	<u>(20,270)</u>	<u>(37,441)</u>

9. INCOME TAX EXPENSES

For the six months ended 30 September 2020, Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the period. The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2019: 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 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 first 2 years from the first year of earning taxable profit and eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current period is within the third year of 50% reduction in the BIT rate, whereas, all the subsidiaries in Vietnam have no assessable profit for the six months ended 30 September 2020, and hence no BIT is provided.

	(Unaudited)	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong profits tax	19,609	11,774
China corporate income tax	16,584	27,752
Vietnam business income tax	–	753
Deferred taxation	<u>224</u>	<u>(2,001)</u>
	<u>36,417</u>	<u>38,278</u>

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six-month period ended 30 September 2020 and 2019 respectively 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 respective periods.

	(Unaudited)	
	Six months ended	
	30 September	
	2020	2019
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>238,486</u>	<u>270,935</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,279,392</u>	<u>2,279,392</u>
Basic earnings per share (<i>HK cents</i>)	<u>10.5</u>	<u>11.9</u>

(b) Diluted

Diluted earnings per share for the six-month period ended 30 September 2020 and 2019 respectively equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

11. DIVIDENDS

	(Unaudited)	
	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of 3.8 HK cents (2019: 4.3 HK cents) per ordinary share	<u>86,617</u>	<u>98,014</u>

At the Board meeting held on 20 November 2020, the Board declared an interim dividend of 3.8 HK cents (2019: 4.3 HK cents) per share. The interim dividend amounting to approximately HK\$86,617,000 has not been recognised as a liability in this interim financial information. It will be recognised as a distribution in shareholder's equity for the year ending 31 March 2021.

12. TRADE RECEIVABLES

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	567,927	165,714
Less: provision for impairment of trade receivables	<u>(17)</u>	<u>(1,737)</u>
	<u>567,910</u>	<u>163,977</u>

The credit period granted by the Group to its customers generally ranging from 0 to 60 days. As at 30 September 2020 and 31 March 2020, the ageing analysis of the trade receivables based on invoice date is as follows:

	(Unaudited) As at 30 September 2020 <i>HK\$'000</i>	(Audited) As at 31 March 2020 <i>HK\$'000</i>
Up to three months	549,748	143,478
Three to six months	17,338	13,082
Over six months	841	9,154
	<u>567,927</u>	<u>165,714</u>

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.

13. TRADE AND BILLS PAYABLES

As at 30 September 2020 and 31 March 2020, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	(Unaudited) As at 30 September 2020 <i>HK\$'000</i>	(Audited) As at 31 March 2020 <i>HK\$'000</i>
Within one month	124,335	211,392
One to two months	80,320	77,134
Two to three months	60,498	8,640
Over three months	37,642	93,250
	<u>302,795</u>	<u>390,416</u>

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

Note: As at 30 September 2020, trade and bills payables includes trade payables to related companies of approximately HK\$9,830,000 (31 March 2020: HK\$134,688,000).

14. BANK BORROWINGS

	(Unaudited) As at 30 September 2020 <i>HK\$'000</i>	(Audited) As at 31 March 2020 <i>HK\$'000</i>
Current		
Short-term bank borrowings, unsecured	21,119	26,215
Portion of long-term bank borrowings, secured, due for repayment within one year	1,033	1,033
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	2,667	3,183
Portion of long-term bank borrowings, unsecured, due for repayment within one year	<u>588,467</u>	<u>341,188</u>
	<u>613,286</u>	<u>371,619</u>
Non-current		
Bank borrowings, unsecured	<u>885,033</u>	<u>1,136,100</u>
Total bank borrowings	<u><u>1,498,319</u></u>	<u><u>1,507,719</u></u>

The weighted average effective interest rate as at 30 September 2020 is 1.84% (31 March 2020: 2.94%).

The bank borrowings are due for repayment as follows:

	(Unaudited) As at 30 September 2020 <i>HK\$'000</i>	(Audited) As at 31 March 2020 <i>HK\$'000</i>
Within one year	610,619	368,436
Between one and two years	637,665	874,166
Between two and five years	<u>250,035</u>	<u>265,117</u>
	<u><u>1,498,319</u></u>	<u><u>1,507,719</u></u>

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 30 September 2020, the Group's bank borrowings amounting to HK\$3,700,000 (31 March 2020: HK\$4,216,000) are secured by financial assets at fair value through profit or loss with a total carrying amount of HK\$6,225,000 (31 March 2020: HK\$6,100,000).

15. LEASE LIABILITIES

	(Unaudited) As at 30 September 2020 <i>HK\$'000</i>	(Audited) As at 31 March 2020 <i>HK\$'000</i>
Current		
Lease liabilities due for repayment within one year	<u>183,625</u>	<u>197,915</u>
Non-current		
Lease liabilities due for repayment after one year:		
Between one and two years	154,966	186,211
Between two and five years	<u>70,733</u>	<u>102,502</u>
	<u>225,699</u>	<u>288,713</u>
Total lease liabilities	<u><u>409,324</u></u>	<u><u>486,628</u></u>

The lease liabilities are due for repayment as follows:

	(Unaudited) As at 30 September 2020 <i>HK\$'000</i>	(Audited) As at 31 March 2020 <i>HK\$'000</i>
Gross lease liabilities — minimum lease payments:		
Within one year	188,819	205,144
Between one and two years	158,067	190,126
Between two and five years	<u>71,659</u>	<u>104,208</u>
	418,545	499,478
Future finance charges on leases	<u>(9,221)</u>	<u>(12,850)</u>
Present value of lease liabilities	<u><u>409,324</u></u>	<u><u>486,628</u></u>

The carrying amounts of lease liabilities are denominated in US dollars, Chinese Renminbi, HK\$ and Vietnamese Dong.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The backdrop of compounded uncertainty on trade relations between China and the United States, amplified by the presidential election in the United States and the unstable global health conditions from the novel coronavirus (COVID-19), posed inevitable challenges to all walks of life globally. These led to a deep-rooted change in the landscape of manufacturing, retail sentiment, and rapidly shifting consumption patterns.

China was the first country affected by COVID-19, but has since become the first major economy to resume most business activities. Despite the heightened trade tensions, according to the China Customs statistics, the total export value from China for the six months ended 30 September 2020 (“First Half of Financial Year 2021”) recorded a growth of 4.6%. However, China’s total export value of knitwear (including knitted products and crochet products, as well as knitted or crocheted clothing and accessories) still recorded a 18.6% decline during the same period. Vietnam also recorded a decline of 14.4% for its exports of textile and garments for the six months ended 30 September 2020.

Despite the recovery seen in China, the lockdown rippled to the United States and Europe in the first few months of the First Half of Financial Year 2021, impeding our overall orders for those months. Fortunately, our key customer’s store re-opening in Japan and China showed respectable recovering sales in those months. While most stores of our American and European customers re-opened in June 2020, they required a replenishment of Fall/Winter products which favoured our order status for the latter months. Even so, we worked hand-in-hand with customers to optimise the number of styles in order to best benefit mutually, and to suit the changing customer purchasing behavior. The sales volume of men’s and women’s knitted sweaters for the six months ended 30 September 2020 was 18.3 million pieces, a decline of 14.1% compared to the same corresponding period last year.

BUSINESS REVIEW

Apart from the decline in sales volume, the average selling price for the men’s and women’s knitted sweaters also recorded a decline of 9.0% to HK\$114.3 per piece due to lower raw material costs. The Group’s total revenue dropped by 24.2% to HK\$2,295.1 million for the six months ended 30 September 2020, compared to HK\$3,026.7 million from the same corresponding period last year.

Nevertheless, we consistently spent effort on better allocating our resources. We continued to see a notable decrease in the total direct labour costs and subcontracting charges during the six months ended 30 September 2020 even though the number of workers remained stable. Including the sales of upstream business in cashmere yarn and knitted upper products, our gross profit recorded a decrease of 17.6%, a magnitude smaller than the decrease in our total revenue, demonstrating our effective cost control measures, and gross profit margin recorded a slight increase to 19.0% for the six months ended 30 September 2020 from 17.4% for the corresponding period last year, despite lower sales volume and lower pricing environment.

With softer demand on orders, production planning becomes an important backbone for the Group's development of operational efficiency. The Group is amongst the first manufacturers to set up a production base in Vietnam to benefit from the current opportunities. Despite the drop in overall orders and the outbreak of COVID-19, the production allocation for our Vietnam facility rose for the six months ended 30 September 2020. This testifies to our first-class production management efforts even during testing times. With the EU-Vietnam Free Trade Agreement that came into effect since August 2020, Vietnam's presence in Asian manufacturing market is expected to continue to strengthen. While we build our status as a secure supplier with operational efficiency, we believe these will continue to play a prominent role in customers' sourcing considerations going forward.

The global crisis from the pandemic confirms China's manufacturing status is still of significant importance, demonstrated by its recently improving total exports value of 9.9% in September 2020, Purchasing Managers' Index of 51.5, as well as domestic retail consumption that is spiraling up. China's export of knitwear in September 2020 also showed an increase of 2.6%. While other Asian manufacturing countries such as India and Bangladesh are still facing challenges to contain COVID-19, there had been an influx of orders that had to be shifted to China. Our well-established presence in Huizhou, China is in a pronounced advantageous position in the knitwear industry to continue to benefit from this.

The Group placed emphasis on managing its expenses in light of the asserted business environment, achieving savings on selling, general and administrative expenses, allowing the operating profit margin to increase slightly to 12.4% for the six months ended 30 September 2020 from 11.5% for the corresponding period last year. Finance costs were also on a deep downward trend as a result of lower market interest rates and the Group's prudent cash management directives.

The Group's net profit decreased by 12.0% to HK\$238.5 million, but net profit margin managed to improve to 10.4% for the six months ended 30 September 2020 from 9.0% for the same corresponding period last year. The Board has recommended the payment of an interim dividend of 3.8 HK cents per share to the Company's shareholders for their unwavering support.

FUTURE STRATEGIES AND PROSPECTS

Customers generally tend to be more prudent in their merchandising patterns because of the projected softer economy, driven by unemployment and uncertainties to the global health. At the same time, the pandemic gives rise to much quicker development of e-commerce. Retail brands are now much more conscious of their direct customers' purchasing behavior and preferences, and this undoubtedly is advantageous to their future sourcing direction, allowing them to better orient to their customers' tastes and requirements, and in turn, make smarter selections in styles that resonates with end consumers' needs.

As a result, despite the short-term decrease in order size in overall market, quality suppliers, such as ourselves, that service customers with acclaimed research and development capabilities and possess the ability to facilitate fast response orders with stable supply and on-time delivery of products, are able to stand out from the rest.

We continue to see positive response from our Wholgarment products. We are very confident that our dedication in our distinguished designs will help us further develop such products' potential to its full.

The Group's development of the Myanmar production base is in progress and it is expected to commence trial production within the next financial year. We will seek to further increase production capacity ratio to overseas production in response to the changing market conditions and customer preferences.

While Vietnam's status in global manufacturing is unquestioned, it currently still relies on imports for raw materials. We are confident that our devoted resources in developing the business of weaving, printing and dyeing of fabric, even though was faced with delay due to the pandemic, will fill in the gap for the demand for Vietnam's domestic supply of raw materials.

The year continues to be challenging for the entire garment and apparel industry. The Group exercises careful assessment to business risks involved with customers and suppliers, while this is the time to prioritise relationships with core customers and suppliers, in order to stand in a better position when market recovers.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2020 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 decreased by 24.2% to HK\$2,295.1 million for the six months ended 30 September 2020 from HK\$3,026.7 million for the six months ended 30 September 2019. The decrease was mainly attributable to the decrease in total sales revenue of men's and women's knitwear products.

The decrease in the total sales revenue of men's and women's knitwear products was due to the decreases in sales volume and average selling price. The Group's sales volume of men's and women's knitwear products decreased by 14.1% from 21.3 million pieces for the six months ended 30 September 2019 to 18.3 million pieces for the six months ended 30 September 2020, while the average selling price of the Group's men's and women's knitwear products decreased by 9.0% from HK\$125.6 per piece for the six months ended 30 September 2019 to HK\$114.3 per piece for the six months ended 30 September 2020.

Consistent with the Group's geographical market distribution for the six months ended 30 September 2019, Japan, Mainland China and Europe remained as the top three markets of our Group for the six months ended 30 September 2020. The revenue attributable to the Japanese market, Chinese market and European market accounted for 29.2%, 21.4% and 23.2% respectively of the Group's total revenue for the six months ended 30 September 2020.

Cost of Sales

For the six months ended 30 September 2020, the Group incurred cost of sales of HK\$1,860.0 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation of property, plant and equipment and right-of-use assets, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the six months ended 30 September 2020, the Group recorded gross profit of HK\$435.0 million and gross profit margin of 19.0% as compared to the gross profit of HK\$527.6 million and gross profit margin of 17.4% for the six months ended 30 September 2019.

The increase in gross profit margin for the six months ended 30 September 2020 was mainly due to the decrease in total direct labour costs and subcontracting charges as we have been streamlining the production process to increase the overall production efficiency, such increase was partially offset by the unsatisfactory gross profit margin of other knitwear products, mainly cashmere yarns.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidies and miscellaneous other income. The other income increased by HK\$1.5 million from HK\$5.7 million for the six months ended 30 September 2019 to HK\$7.2 million for the six months ended 30 September 2020. Such increase was mainly due to the increases in government subsidies 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 and net gains or losses on financial assets at fair value through profit or loss.

Other gains slightly decreased by HK\$1.3 million from HK\$21.6 million for the six months ended 30 September 2019 to HK\$20.3 million for the six months ended 30 September 2020. Such decrease was primarily due to the decrease in net foreign exchange gains from HK\$19.6 million for the six months ended 30 September 2019 to HK\$14.1 million for the six months ended 30 September 2020 and such decrease was partially offset by the net realised and unrealised gains/losses from derivative financial instruments, which was changed from HK\$0.7 million losses for the six months ended 30 September 2019 to HK\$3.5 million gains for the six months ended 30 September 2020.

In summary, the other gains for the six months ended 30 September 2020 mainly represented net foreign exchange gains of HK\$14.1 million, net realised and unrealised gains from derivative financial instruments of HK\$3.5 million and net gains on financial assets at fair value through profit or loss of HK\$2.5 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 decreased by HK\$5.9 million from HK\$25.9 million for the six months ended 30 September 2019 to HK\$20.0 million for the six months ended 30 September 2020. Such decrease was largely in line with the decrease in the Group's sales volume of men's and women's knitwear products.

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 decreased by HK\$21.3 million from HK\$180.1 million for the six months ended 30 September 2019 to HK\$158.8 million for the six months ended 30 September 2020. Such decrease was mainly due to (i) no amortisation expense on technical knowhow for the six months ended 30 September 2020; and (ii) the decrease in staff costs and other incidental office expenses (e.g. travelling expenses) as our Group has implemented more cost control measures to address the turbulent market conditions as a result of the COVID-19 pandemic.

Finance Expenses, Net

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

The Group's net finance expenses significantly decreased by HK\$17.1 million from HK\$37.4 million for the six months ended 30 September 2019 to HK\$20.3 million for the six months ended 30 September 2020. The decrease in net finance expenses was mainly due to the drop in market interest rates and more effective financial management strategies implemented during the six months ended 30 September 2020.

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 six-month period ended 30 September 2020 and 2019 respectively on the estimated assessable profits arising in or derived from Hong Kong during the relevant periods.

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 six-month period ended 30 September 2020 and 2019 respectively. 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 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 period is within the third year of 50% reduction in the BIT rate, whereas, all the subsidiaries in Vietnam have no assessable profit for the six months ended 30 September 2020, and hence no BIT is provided.

The effective tax rates of the Group were 13.7% and 12.3% for the six-month period ended 30 September 2020 and 2019 respectively.

Profit for the Period 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\$238.5 million and HK\$270.9 million for the six-month period ended 30 September 2020 and 2019 respectively.

The decrease in net profit for the six months ended 30 September 2020 was primarily due to the decrease in total sales revenue as a result of the weak global demand for knitwear products caused by the COVID-19 pandemic. However, due to the decisive actions of our top management and the effective cost control measures implemented by our Group, such negative impact was partially offset by the cost saving initiatives in different areas. Therefore, the Group’s net profit for the six months ended 30 September 2020 decreased by only 12.0% and such decline is lower than the 24.2% drop in the Group’s total sales revenue.

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 period after excluding realised and unrealised gains/(losses) 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 decreased by HK\$36.7 million from HK\$271.7 million for the six months ended 30 September 2019 to HK\$235.0 million for the six months ended 30 September 2020, while the adjusted net profit margin increased from 9.0% for the six months ended 30 September 2019 to 10.2% for the six months ended 30 September 2020.

Consolidated Cash Flow Statement

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the six months ended 30 September 2020 was HK\$269.8 million, primarily due to profit before income tax of HK\$265.5 million, adjusted for depreciation of HK\$104.6 million, decreases in inventories of HK\$247.3 million and prepayments, deposits, other receivables and other assets of HK\$128.9 million, which was partially offset by the increase in trade receivables of HK\$403.9 million and the decrease in trade and bills payables of HK\$87.6 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2020 was HK\$146.0 million, primarily used on the purchase of property, plant and equipment of HK\$147.2 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the six months ended 30 September 2020 was HK\$30.4 million, represented the net decrease in the Group's total bank borrowings and lease liabilities of HK\$87.9 million, which was partially offset by the capital contribution from non-controlling interests of HK\$57.5 million.

Cash and Cash Equivalents

For the six months ended 30 September 2020, the Group's cash and cash equivalents increased by HK\$93.4 million and the exchange loss was HK\$0.1 million. The net increase in the Group's cash and cash equivalents was from HK\$713.1 million as at 31 March 2020 to HK\$806.4 million as at 30 September 2020.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 September 2020, the Group's cash and cash equivalents was mainly used in the expansion of the Group's business operations, 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 37.9% as at 31 March 2020 to 31.9% as at 30 September 2020. This 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 30 September 2020, the Group's cash and cash equivalents, amounting to HK\$806.4 million, were denominated in US dollars ("US\$") (53.0%), HK\$ (27.5%), Chinese Renminbi ("RMB") (18.3%), Vietnamese Dong ("VND") (0.8%) and other currencies (0.4%).

As at 30 September 2020, the Group's total bank borrowings and lease liabilities were due for repayment as follows:

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Within one year	794,244	566,351
Between one and two years	792,631	1,060,377
Between two and five years	320,768	367,619
	<u>1,907,643</u>	<u>1,994,347</u>

Notes:

- (a) The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand rights.
- (b) As at 30 September 2020, the Group's total bank borrowings and lease liabilities were denominated in HK\$(78.4%), US\$(20.7%) and RMB(0.9%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rate of the Group's bank borrowings as at 30 September 2020 was 1.84%.
- (c) As at 30 September 2020, the Group's certain bank borrowings were secured by financial assets at fair value through profit or loss with a total carrying amount of HK\$6.2 million.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK\$156.5 million for the six months ended 30 September 2020, which were mainly related to the purchase of machinery for our factories and the construction of new production bases in Vietnam and Myanmar. These capital expenditures were fully financed by internal resources and bank borrowings.

The Group's capital commitments as at 30 September 2020 amounted to approximately HK\$75.3 million which were mainly related to the purchase of machinery for our factories as well as the construction of new production bases in Vietnam and Myanmar.

Charge on Assets

As at 30 September 2020, the Group's right-of-use assets with a total carrying amount of HK\$13.9 million, buildings and leasehold improvements with a total carrying amount of HK\$174.2 million and financial assets at fair value through profit or loss with a total carrying amount of HK\$6.2 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 30 September 2020.

Events after Balance Sheet Date

The Group did not have any significant events after the balance sheet date.

Financial Instruments

As at 30 September 2020, the Group had outstanding forward foreign currency contracts to sell US\$ and purchase RMB with notional principal amounts of HK\$93.0 million (31 March 2020: Nil).

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 six months ended 30 September 2020, 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 period. 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 six months ended 30 September 2020 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, economic environments in which the customers operate in 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 30 September 2020, majority 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 30 September 2020, the Group had a total of approximately 14,600 full-time employees in Mainland China, Vietnam and Hong Kong. For the six months ended 30 September 2020, the total staff costs, including the directors' emoluments, amounted to HK\$451.2 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, Mainland China and Vietnam. Other employee benefits include performance related bonuses, insurance and medical coverage and share options.

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

OTHER INFORMATION

Interim Dividend and Closure of Register of Members

The Board has resolved to declare an interim dividend of 3.8 HK cents per share for the six months ended 30 September 2020 (2019: 4.3 HK cents) 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, 9 December 2020. The interim dividend is expected to be payable on or about Tuesday, 22 December 2020.

The Company's register of members will be closed from Monday, 7 December 2020 to Wednesday, 9 December 2020 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the 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, 4 December 2020.

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

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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.

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to 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 of corporate governance. In the opinion of the Directors, save for the deviation from code provision A.2.1 which is explained below, the Company has complied with all the mandatory code provisions set out in the CG Code for the six months ended 30 September 2020.

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.

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 six months ended 30 September 2020.

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.

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, Mr. Fan Chun Wah, Andrew 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 20 November 2020 to meet with the external auditors of the Company and review the Company's interim financial report for the six months ended 30 September 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim 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 interim report for financial year 2021 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

20 November 2020

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 Ting Chun and Mr. Li Po Sing 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.