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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 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2018	2017	Change
	HK$' million	*HK$' million*	
Revenue	**2,881.5**	2,114.3	+36.3%
Gross profit	**497.3**	484.2	+2.7%
Gross profit margin	**17.3%**	22.9%	-5.6 p.p.
Profit attributable to the owners of the Company	**236.0**	292.1	-19.2%
Adjusted net profit *(Note)*	**241.2**	292.1	-17.4%
Adjusted net profit margin	**8.4%**	13.8%	-5.4 p.p.
Earnings per share			
— Basic	**10.4 HK cents**	14.1HK cents	-26.2%
— Diluted	**10.4 HK cents**	14.1HK cents	-26.2%
Interim dividend per share	**3.6 HK cents**	5.0HK cents	

Note: Adjusted net profit means net profit for the period without taking into account realised and unrealised (losses)/gains from derivative financial instruments.

The Board of directors (the "Board") of Nameson Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2018, together with the comparative figures for the six months ended 30 September 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2018
(Expressed in Hong Kong dollars)

		(Unaudited) Six months ended 30 September	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*6*	**2,881,477**	2,114,317
Cost of sales	*8*	**(2,384,197)**	(1,630,089)
Gross profit		**497,280**	484,228
Other income		**4,966**	6,672
Other gains, net	*7*	**6,106**	20,908
Selling and distribution expenses	*8*	**(28,402)**	(24,536)
General and administrative expenses	*8*	**(190,525)**	(140,691)
Operation profit		**289,425**	346,581
Share of post-tax loss of a joint venture		**(338)**	–
Finance income		**2,113**	1,530
Finance expenses		**(28,209)**	(8,995)
Finance expenses, net	*9*	**(26,096)**	(7,465)
Profit before income tax		**262,991**	339,116
Income tax expenses	*10*	**(27,010)**	(47,002)
Profit for the period attributable to the owners of the Company		**235,981**	292,114
Earnings per share attributable to the owners of the Company during the period			
— Basic (HK cents per share)	*11*	**10.4**	14.1
— Diluted (HK cents per share)	*11*	**10.4**	14.1

	(Unaudited) Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**235,981**	292,114
Other comprehensive (loss)/income, net of tax:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Currency translation differences	**(123,431)**	15,243
— Share of other comprehensive loss of a joint venture	**(252)**	–
Other comprehensive (loss)/income for the period, net of tax	**(123,683)**	15,243
Total comprehensive income for the period attributable to the owners of the Company	**112,298**	307,357

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2018
(Expressed in Hong Kong dollars)

	Note	**(Unaudited) As at 30 September 2018** *HK$'000*	(Audited) As at 31 March 2018 *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**91,654**	95,781
Property, plant and equipment		**1,985,154**	1,943,442
Investment properties		**2,080**	2,148
Intangible assets		**593,213**	599,988
Interest in a joint venture		**6,428**	7,018
Available-for-sale financial assets		**–**	150,076
Financial assets at fair value through profit or loss		**152,297**	–
Prepayments, deposits, other receivables and other assets		**38,523**	58,843
		2,869,349	2,857,296
Current assets			
Inventories		**603,398**	812,172
Trade receivables	*13*	**540,389**	149,403
Derivative financial instruments		**–**	6,577
Prepayments, deposits, other receivables and other assets		**295,263**	148,676
Cash and cash equivalents		**801,241**	1,009,477
		2,240,291	2,126,305
Total assets		**5,109,640**	4,983,601
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**22,794**	22,794
Reserves		**2,527,969**	2,425,008
Total equity		**2,550,763**	2,447,802

	Note	(Unaudited) As at 30 September 2018 HK$'000	(Audited) As at 31 March 2018 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*15*	**757,127**	835,902
Deferred income tax liabilities		**12,255**	16,498
		769,382	852,400
Current liabilities			
Trade and bills payables	*14*	**297,024**	208,937
Accruals and other payables		**174,002**	134,816
Current income tax liabilities		**175,328**	137,257
Borrowings	*15*	**1,143,141**	1,202,389
		1,789,495	1,683,399
Total liabilities		**2,558,877**	2,535,799
Total equity and liabilities		**5,109,640**	4,983,601
Net current assets		**450,796**	442,906

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, knitted upper for footwear and knitted upper shoes. The ultimate holding company of the Company is Happy Family Assets Limited. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 12 April 2016.

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 26 November 2018.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the period ended 30 September 2018 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

HKFRS 16 "Leases"

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$1,799,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards and interpretations that are not yet effective that would be expected to have material impact on the Group's condensed consolidated interim financial information.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with customers" on the Group's financial information and the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Impact on the financial information

As explained in notes 4(b)(i) and 4(c)(i) below, HKFRS 9 and HKFRS 15 were generally adopted by the Group without restating comparative information. As a result of the changes in the Group's accounting policies, certain reclassifications and adjustments are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

Condensed consolidated balance sheet (extract)

	As at 31 March 2018 *HK$'000*	HKFRS9 *HK$'000*	HKFRS15 *HK$'000*	As at 1 April 2018 *HK$'000*
Non-current assets				
Available-for-sale financial assets	150,076	(150,076)	–	–
Financial assets at fair value through profit or loss	–	150,076	–	150,076
Current liabilities				
Accruals and other payables	134,816	–	(2,233)	132,583
Contract liabilities	–	–	2,233	2,233

Note: Contract liabilities of approximately HK$1,873,000 as at 30 September 2018 is included in "Accruals and other payables".

(b) Adoption of HKFRS 9 "Financial instruments"

(i) HKFRS 9 "Financial instruments" — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 "Financial instruments: Recognition and measurement" ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policies are set out in note 4(b)(ii) below. In accordance with the transition provisions in HKFRS 9 (7.2.15), the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 9 as an adjustment to the opening balance of retained earnings as at 1 April 2018. Thus the comparative figures have not been restated.

Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this classification are as follows:

— Unlisted investments previously classified as available-for-sale financial assets

The Group elected to present the fair value changes in the profit or loss for its unlisted investments previously classified as available-for-sale financial assets, as the contractual cash flows under such financial assets do not represent solely payments of principal and interest in the principal amount. As a result, assets with a fair value of approximately HK$150,076,000 were reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss ("FVTPL") on 1 April 2018.

Other than that, there were no changes to the classification and measurement of financial instruments.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. The Group has trade receivables and other receivables that are subject to HKFRS 9's new ECL model.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of ECL on financial assets is insignificant as at 1 April 2018.

(ii) HKFRS 9 "Financial instruments" — Summary of significant accounting policies

The following describes the Group's updated financial instruments policy to reflect the adoption of HKFRS 9:

Classification

The Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

— those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the condensed consolidated statement of comprehensive income.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the condensed consolidated statement of comprehensive income. Dividends received from such investments continue to be recognised in the condensed consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains, net" in the condensed consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

From 1 April 2018, the Group assesses on a forward looking basis the ECL associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

(c) Adoption of HKFRS 15 "Revenue from contracts with customers"

(i) HKFRS 15 "Revenue from contracts with customers" — Impact of adoption

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The adoption of HKFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. In accordance with the transition provisions in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings as at 1 April 2018. Thus the comparative figures have not been restated.

The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The new accounting policies are set out in note 4(c)(ii) below. The impacts of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

"Receipt in advance from customers" which was previously included in other payables and accruals, amounting to approximately HK$2,233,000 as at 1 April 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

Timing of revenue recognition

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

(ii) HKFRS 15 "Revenue from contracts with customers" — Summary of significant accounting policies

The following describes the Group's updated revenue recognition policy to reflect the adoption of HKFRS 15:

The Group manufactures and sells a range of knitwear products, knitted upper for footwear and knitted upper shoes. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. 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 expense. 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 2018.

6. SEGMENT INFORMATION

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

(a) Manufacturing of knitwear products; and

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

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

An analysis of the Group's revenue, results, assets, liabilities and other selected financial information by operating segment are as follows:

For the period ended 30 September 2018

	Manufacturing of knitwear products *HK$'000*	**Manufacturing of knitted upper for footwear and knitted upper shoes** *HK$'000*	**Consolidated** *HK$'000*
Revenue			
Segment revenue	**2,780,573**	**100,904**	**2,881,477**
Results			
Segment profit	**481,593**	**15,687**	**497,280**
Other income			**4,966**
Other gains, net			**6,106**
Selling and distribution expenses			**(28,402)**
General and administrative expenses			**(190,525)**
Share of post-tax loss of a joint venture			**(338)**
Finance income			**2,113**
Finance expenses			**(28,209)**
Profit before income tax			**262,991**
Income tax expenses			**(27,010)**
Profit for the period			**235,981**

For the period ended 30 September 2017

	Manufacturing of knitwear products *HK$'000*	Manufacturing of knitted upper for footwear and knitted upper shoes *HK$'000*	Consolidated *HK$'000*
Revenue			
Segment revenue	2,114,317	–	2,114,317
Results			
Segment profit	484,228	–	484,228
Other income			6,672
Other gains, net			20,908
Selling and distribution expenses			(24,536)
General and administrative expenses			(140,691)
Finance income			1,530
Finance expenses			(8,995)
Profit before income tax			339,116
Income tax expenses			(47,002)
Profit for the period			292,114

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

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

(a) Revenue by location of goods delivery

	(Unaudited) Six months ended 30 September 2018 HK$'000	2017 HK$'000
Japan	**1,031,659**	712,439
North America	**515,330**	425,466
Europe	**556,291**	467,483
Mainland China	**424,150**	271,157
Other countries	**354,047**	237,772
	2,881,477	2,114,317

(b) Non-current assets

	(Unaudited) As at 30 September 2018 HK$'000	(Audited) As at 31 March 2018 HK$'000
Hong Kong	**58,554**	90,130
Mainland China	**729,169**	811,930
Vietnam	**1,329,688**	1,198,154
	2,117,411	2,100,214

The non-current asset 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 available-for-sale financial assets.

(c) Major customers

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

	(Unaudited) Six months ended 30 September 2018 HK$'000	2017 HK$'000
Customer A	**1,843,567**	1,301,875
Customer B	**291,432**	305,300

The five largest customers accounted for approximately 82.2% (2017: 85.2%) of revenue for the period ended 30 September 2018.

7. OTHER GAINS, NET

	(Unaudited) Six months ended 30 September 2018 HK$000	2017 HK$000
Net foreign exchange gains	**9,100**	1,765
Net gains on investments	**2,221**	2,173
Net gains on disposals of property, plant and equipment	**68**	16,970
Net realised losses from derivative financial instruments	**(5,283)**	–
	6,106	20,908

8. EXPENSES BY NATURE

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

	(Unaudited) Six months ended 30 September 2018 HK$'000	2017 HK$'000
Amortisation of land use rights	**549**	547
Auditor's remuneration		
— audit services	**1,285**	1,241
— non-audit services	**315**	635
Depreciation		
— owned property, plant and equipment	**49,428**	53,480
— property, plant and equipment held under finance leases	**42,637**	20,513
Amortisation of technical know-how	**6,775**	–
Employment benefit expenses (including directors' emoluments)	**504,769**	379,689
Raw materials and consumables used	**1,390,127**	1,003,970
Changes in inventories of finished goods and work in progress	**108,338**	(62,416)
Subcontracting charges	**267,546**	211,089
Commission expenses	**1,858**	1,555
Operating lease rental in respect of land and buildings	**3,226**	1,704
Utilities expenses	**50,483**	34,213
Sample charges	**10,921**	7,662
Others	**164,867**	141,434
Total cost of sales, selling and distribution expenses and general and administrative expenses	**2,603,124**	1,795,316

9. FINANCE EXPENSES, NET

	(Unaudited) Six months ended 30 September 2018 *HK$'000*	2017 *HK$'000*
Finance income		
Interest income from bank deposits	**2,113**	1,530
Finance expenses		
Interest expense on:		
— Bank borrowings	**(24,242)**	(6,572)
— Finance lease obligations	**(3,967)**	(2,423)
	(28,209)	(8,995)
Finance expenses, net	**(26,096)**	(7,465)

10. INCOME TAX EXPENSES

For the period ended 30 September 2018, Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period. The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2017: 25%) on estimated assessable profits. However, two of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15% for the 3 years ending 31 December 2018 and 2019 respectively, 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 first year of full exemption from BIT, whereas, the other two subsidiaries have no assessable profit for the period, and hence no BIT is provided.

	(Unaudited) Six months ended 30 September 2018 *HK$'000*	2017 *HK$'000*
Hong Kong profits tax	**2,041**	13,344
China corporate income tax	**26,186**	33,580
Deferred taxation	**(1,217)**	78
	27,010	47,002

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the periods ended 30 September 2018 and 2017 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the periods. The weighted average number of ordinary shares are determined after considering the followings:

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

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

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

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

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

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

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

	(Unaudited) Six months ended 30 September	
	2018	2017
Profit attributable to the owners of the Company *(HK$'000)*	**235,981**	292,114
Weighted average number of ordinary shares in issue *('000)*	**2,279,392**	2,075,008
Basic earnings per share *(HK cents)*	**10.4**	14.1

(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.

	(Unaudited) Six months ended 30 September	
	2018	2017
Profit attributable to the owners of the Company *(HK$'000)*	**235,981**	292,114
Weighted average number of ordinary shares in issue *('000)*	**2,279,392**	2,075,008
Adjustment for potential dilutive effect in respect of outstanding share option *('000)*	**–**	905
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**2,279,392**	2,075,913
Diluted earnings per share *(HK cents)*	**10.4**	14.1

12. DIVIDENDS

	(Unaudited) Six months ended 30 September	
	2018	2017
Interim dividend of 3.6 HK cents (2017: 5.0 HK cents) per ordinary share	**82,058**	103,778

At the Board meeting held on 26 November 2018, the Company's Board of Directors declared an interim dividend of 3.6 HK cents (2017: 5.0 HK cents) per share. The interim dividend amounting to HK$82,058,000 has not been recognised as a liability in this interim financial information. It will be recognised as a distribution in shareholder's equity in the year ending 31 March 2019.

13. TRADE RECEIVABLES

	(Unaudited) As at 30 September 2018 ***HK$'000***	(Audited) As at 31 March 2018 *HK$'000*
Trade receivables	**540,389**	149,403

The Group grants credit period to customers ranging from 0 to 60 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	(Unaudited) As at 30 September 2018 ***HK$'000***	(Audited) As at 31 March 2018 *HK$'000*
Up to three months	**531,736**	145,724
Three to six months	**7,446**	1,776
Over six months	**1,207**	1,903
	540,389	149,403

14. TRADE AND BILLS PAYABLES

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

	(Unaudited) As at 30 September 2018 ***HK$'000***	(Audited) As at 31 March 2018 *HK$'000*
Within one month	**161,429**	163,136
One to two months	**99,400**	32,755
Two to three months	**34,778**	12,844
Over three months	**1,417**	202
	297,024	208,937

15. BORROWINGS

	(Unaudited) As at 30 September 2018 *HK$'000*	(Audited) As at 31 March 2018 *HK$'000*
Non-current		
Bank borrowings, unsecured	**455,244**	551,367
Finance lease obligations	**301,883**	284,535
	757,127	835,902
Current		
Short-term bank borrowings, unsecured	**675,833**	658,054
Portion of long-term bank borrowings, secured, due for repayment within one year	**7,501**	7,501
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**625**	4,376
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**290,911**	347,800
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	**12,500**	20,833
Finance lease obligations	**155,771**	163,825
	1,143,141	1,202,389
Total borrowings	**1,900,268**	2,038,291

The weighted average effective interest rates as at 30 September 2018 and 31 March 2018 are as follows:

	(Unaudited) As at 30 September 2018	(Audited) As at 31 March 2018
Finance lease obligations	**1.68%**	1.70%
Bank borrowings	**2.95%**	2.13%

The bank borrowings are due for repayment as follows:

	(Unaudited) As at 30 September 2018 *HK$'000*	(Audited) As at 31 March 2018 *HK$'000*
Within one year	**974,245**	1,013,355
Between one and two years	**217,369**	262,287
Between two and five years	**251,000**	314,289
	1,442,614	1,589,931

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.

The finance lease obligations were due for repayment as follows:

	(Unaudited) As at 30 September 2018 *HK$'000*	(Audited) As at 31 March 2018 *HK$'000*
Gross finance lease obligations — minimum lease payments:		
Within one year	**162,459**	170,258
Between one and two years	**124,140**	109,054
Between two and five years	**184,310**	182,545
	470,909	461,857
Future finance charges on finance leases	**(13,255)**	(13,497)
Present value of finance lease obligations	**457,654**	448,360

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 2018, the Group's certain bank borrowings were secured by financial assets at fair value through profit or loss with carrying amount of HK$72.1 million; land use rights with carrying amount of HK$15.2 million; and land and buildings and leasehold improvements with a total carrying amount of HK$215.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The trade imbalance between China and the United States continues to be a burden impacting the overall consumption value chain and bringing uncertainties to the global economy. During the six months ended 30 September 2018, raw material prices such as wool and cotton recorded notable increases, while the depreciation of the Renminbi, alleviated part of the cost surge, was offset by an increase in other overhead costs. Consequently, the Group's overall operating environment experienced pressure. As a longer term strategy, the Group has provided its customers with flexible production arrangements in view of the trade friction, to better align with potential changes in their procurement strategies. As a result, the utilisation of the Vietnam factory has increased more quickly than originally planned, and the benefit anticipated from production efficiency has yet to be released.

In spite of global economic uncertainties, the knitwear industry in China recorded sales growth during the period. According to China Customs statistics, the total export value of knitwear (including knitted products and crochet products, as well as knitted or crocheted clothing and accessories) from China rose by 5.5% to US$51.4 billion in the first half of Financial Year 2019, against a drop of 0.9% in the same period last year. The rise in the total export value of knitwear from China to the United States, Japan and Europe were 11.1%, 6.0% and 4.5% respectively. Vietnam is the world's third largest garment exporter, with a total export value of textiles and garments in first half of Financial Year 2019 surging by 17.7% to US$16.1 billion when compared with the same period last year, whereas the export value of textiles and garments to Japan and the United States recorded an increase of 25.9% and 11.4% respectively. Despite the uncertain market environment, the Group's production bases in China and Vietnam have been able to offer customers production flexibility and consistently high quality products. Owing to an increase in orders from some customers for fall and winter products, the Group has recorded considerable sales growth during the period.

BUSINESS REVIEW

In the fast-moving fashion industry, there has been increased customer focus on product innovation and quick delivery time. As an industry-leading knitwear manufacturer, the Group has embraced the opportunity to spearhead the adoption of cutting-edge wholegarment knitting technology to manufacture ergonomically sound and stylish, seamless knitted garment products. Consequently, the Group has also benefited from the streamlined linking production processes, shortening of production cycles, reduction in labour cost and diversification of its product offerings. Leveraging its advanced equipment, combined with exquisite knitting techniques, innovative design ideas and strong production capacity, the Group continues to be well-positioned for capturing opportunities in the knitwear market. This has been substantiated by the securing of more orders amidst ongoing consolidation in the global manufacturing industry and unstable market conditions. Regarding the knitted upper for footwear business, the Group believes in its long-term development potential, though the industry has faced intense competition during the period. The Group's revenue has increased by 36.3% to HK$2,881.5 million during the six months ended 30 September 2018 when compared with the same period last year. This was mainly due to higher sales volume as well as higher average selling price resulting from increased customer demand, enhanced customer penetration and changes in product mix. The revenue of the knitwear business attributable to the Japanese and Chinese markets grew considerably by 44.8% and 40.1% respectively, while that of the North American and European markets increased by 21.1% and 19.0% when compared with the same period last year.

In addition to the development of seamless knitwear products, the Group's cashmere products have also been well received by customers. In view of favorable demand for cashmere products, the Group has established a foothold in the upstream cashmere spinning business via a joint venture with a quality cashmere producer during the period. This will enable the Group to secure a stable supply of raw materials and enhance cost control. In the long run, the Group believes that vertical integration can achieve economies of scale and drive the Group's overall business development.

During the period, the Group has managed to increase the average selling price of its cashmere products as a means of passing an increase in raw material costs. However, the change in product mix has led to a rise in the proportion of overall raw material costs, while the notable increase in the cost of other raw materials such as wool and cotton has also contributed to the Group's higher costs of sales. The depreciation of Renminbi, though helped in alleviating part of the cost surge, was offset by increase in other overhead costs. In addition, since utilisation of the Vietnam factory has increased quicker than expected, the Group has had to recruit more staff to meet production demand, which has impeded the progress in releasing its production efficiency. Hence, despite achieving respectable growth in revenue during the first half of Financial Year 2019, the Group's gross profit has merely increased by 2.7% to HK$497.3 million, while the gross profit margin has declined to 17.3%. Moreover, the ongoing interest rate hikes have resulted in a rise in the Group's finance expenses. The knitted upper for footwear business has recorded a loss in the face of fierce competition during the period. All of the aforementioned factors have led to a reduction in the Group's net profit by 19.2% to HK$236.0 million. The Board has recommended the payment of an interim dividend of 3.6 HK cents per share to the Group's shareholders as a reward for their unwavering support.

FUTURE STRATEGIES AND PROSPECTS

The intensifying trade friction between China and the United States as well as the interest rate hikes in the United States led to uncertainty to the global economy. During the period, with increased orders from some customers for fall and winter products, the Group recorded considerable growth in revenue, though, as a consequence, required increased production from the Vietnam factory than planned. In order to strike a better balance, the Group will strive to improve production efficiency at its Vietnam factory to enhance overall operational efficiency. The Group has also in place plans for raising production capacity in Vietnam in response to growing customer demand. In addition, the Group will closely examine future market demand with the objective of seizing opportunities for expanding into other Southeast Asian countries. The Group will also cautiously review its cash flow and financing needs, and look for ways to reduce finance expenses amid the rising interest rates trend.

Rising labour costs in China, which is primarily driven by a shortage of labour, will lead to greater operational challenges in the future. In view of this, the Group has been a first mover in terms of investing in wholegarment knitting machines to streamline parts of the labourintensive linking processes. The Group believes that this technology will also serve as one of its growth drivers, spearheading the production of well-received products while preparing for greater efficiency and better deployment of internal resources. As an industry leader, the Group will continue to direct resources towards enhancing product design and the development of functional materials, with the aim of effectively utilising wholegarment knitting machines to provide customers with better and more innovative product designs.

The establishment of the upstream cashmere spinning business will also enable the Group to further reinforce its leading position in the knitwear manufacturing industry. By securing raw materials supply and more efficiently controlling costs through vertical integration, coupled with strong production capacity and cutting-edge production technologies, the Group will be able to capitalise on economies of scale, boost overall profitability and enhance returns to its shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2018 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves, to our customers. As a result of the acquisition of V. Success Limited and its subsidiaries ("V. Success Group") in the second half of last financial year, the revenue of V. Success Group generated from sales of knitted upper for footwear and knitted upper shoes amounting to HK$100.9 million was consolidated into the Group's revenue for the six months ended 30 September 2018.

The Group's revenue significantly increased by 36.3% to HK$2,881.5 million for the six months ended 30 September 2018 from HK$2,114.3 million for the six months ended 30 September 2017. The increase was mainly attributable to the increase in average selling price and sales volume of the Group's knitwear products brought by increasing demand from our customers, enhanced customer penetration and changes in product mix.

The increase in the Group's revenue was in line with the increase in both the average selling price and total sales volume of the Group's knitwear products. The average selling price of the Group's knitwear products increased by 13.9% from HK$103.6 per piece for the six months ended 30 September 2017 to HK$118.0 per piece for the six months ended 30 September 2018, while the Group's sales volume increased by 15.7% from 20.4 million pieces of knitwear products for the six months ended 30 September 2017 to 23.6 million pieces of knitwear products for the six months ended 30 September 2018.

Consistent with the Group's geographical market distribution for the six months ended 30 September 2017, Japan, North America (mainly the United States of America) and Europe remained as our top three markets for the six months ended 30 September 2018. The revenue attributable to the Japan market, Europe market and North America market accounted for 35.8%, 19.3% and 17.9% respectively of the Group's total revenue for the six months ended 30 September 2018.

Cost of Sales

For the six months ended 30 September 2018, the Group incurred cost of sales of HK$2,384.2 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation of property, plant and equipment, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the six months ended 30 September 2018, the Group recorded gross profit of HK$497.3 million and gross profit margin of 17.3% as compared to the gross profit of HK$484.2 million and gross profit margin of 22.9% for the six months ended 30 September 2017.

The decrease in gross profit margin for the six months ended 30 September 2018 was mainly due to (i) the increase in the cost of raw materials and overall manufacturing overheads in our knitwear products segment was higher than what we expected; and (ii) the revenue from our knitted upper for footwear and knitted upper shoes segment was lower than what we expected.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidy and miscellaneous other income. The other income decreased by HK$1.7 million from HK$6.7 million for the six months ended 30 September 2017 to HK$5.0 million for the six months ended 30 September 2018. Such decrease was mainly due to the decrease in rental income from investment properties.

Other Gains, Net

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

Other gains decreased by HK$14.8 million from HK$20.9 million for the six months ended 30 September 2017 to HK$6.1 million for the six months ended 30 September 2018. Such decrease was primarily due to (i) the settlement and unwinding of all of the Group's outstanding forward foreign currency contracts which resulted in net realised losses from derivative financial instruments of HK$5.3 million for the six months ended 30 September 2018; and (ii) the decrease in net gains on disposal of property, plant and equipment from HK$17.0 million for the six months ended 30 September 2017 to HK$0.1 million for the six months ended 30 September 2018.

In summary, the other gains for the six months ended 30 September 2018 mainly represented net foreign exchange gains of HK$9.1 million, which was partially offset by the net realised losses from derivative financial instruments of HK$5.3 million.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses increased slightly by HK$3.9 million, from HK$24.5 million for the six months ended 30 September 2017 to HK$28.4 million for the six months ended 30 September 2018. Such increase was largely in line with the increase in the Group's sales volume.

General and Administrative Expenses

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

The Group's general and administrative expenses increased by HK$49.8 million from HK$140.7 million for the six months ended 30 September 2017 to HK$190.5 million for the six months ended 30 September 2018. Such increase was mainly due to (i) the related expenses of V. Success Group was consolidated into the Group's general and administrative expenses for the six months ended 30 September 2018; and (ii) the increase in staff costs as a result of the expansion of our administrative team for knitwear products segment and the annual salary increment of administrative staff.

Finance Expenses, Net

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

The Group's net finance expenses increased by HK$18.6 million from HK$7.5 million for the six months ended 30 September 2017 to HK$26.1 million for the six months ended 30 September 2018. The increase in net finance expenses was mainly due to the hike in market interest rates and the increase in borrowings to finance the expansion of business during the six months ended 30 September 2018.

Income Tax Expenses

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

Hong Kong profits tax as applicable to the Group is 16.5% for the six-month periods ended 30 September 2018 and 2017 on the estimated assessable profits arising in or derived from Hong Kong during the relevant periods.

The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax ("CIT") at a rate of 25% on the estimated assessable profits for the six-month periods ended 30 September 2018 and 2017. However, two of the Group's subsidiaries in the PRC are subject to the CIT at the rate of 15% for the 3 years ending 31 December 2018 and 2019 respectively, 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 first year of full exemption from BIT, whereas, the other two subsidiaries have no assessable profit for the period, and hence no BIT is provided.

The effective tax rates of the Group were 10.3% and 13.9% for the six-month periods ended 30 September 2018 and 2017 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$236.0 million and HK$292.1 million for the six-month periods ended 30 September 2018 and 2017 respectively.

The decrease in net profit for the six months ended 30 September 2018 was primarily due to (i) the decrease in gross profit margin for the six months ended 30 September 2018 which was mainly caused by (a) the increase in cost of raw materials and overall manufacturing overheads in our knitwear products segment was higher than what we expected; and (b) the revenue from our knitted upper for footwear and knitted upper shoes segment was lower than what we expected; (ii) the increase in overall finance costs as a result of the hike in market interest rates and increase in borrowings to finance the expansion of business; and (iii) the decrease in gains on disposal of property, plant and equipment for the six months ended 30 September 2018.

Adjusted Net Profit

Adjusted net profit means net profit for the period without taking into account realised and unrealised (losses)/gains from derivative financial instruments.

Based on the above, the Group's adjusted net profit decreased by HK$50.9 million from HK$292.1 million for the six months ended 30 September 2017 to HK$241.2 million for the six months ended 30 September 2018. The adjusted net profit margin decreased from 13.8% for the six months ended 30 September 2017 to 8.4% for the six months ended 30 September 2018.

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 2018 was HK$183.7 million, primarily due to profit before income tax of HK$263.0 million, adjusted for depreciation of property, plant and equipment of HK$92.1 million, decrease in inventories of HK$208.8 million and increases in trade and bills payables of HK$87.3 million and accruals and other payables of HK$33.0 million, which was partially offset by the increases in trade receivables of HK$387.0 million and prepayments, deposits, other receivables and other assets of HK$125.3 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2018 was HK$127.5 million, primarily used on the purchase of property, plant and equipment of HK$129.7 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the six months ended 30 September 2018 was HK$251.9 million, mainly arising from the net decrease in the Group's borrowings of HK$238.2 million and the final dividend payment of HK$13.7 million.

Cash and Cash Equivalents

For the six months ended 30 September 2018, the Group's cash and cash equivalents decreased by HK$195.7 million and the exchange loss was HK$12.6 million. The net decrease in the Group's cash and cash equivalents was from HK$1,009.5 million as at 31 March 2018 to HK$801.2 million as at 30 September 2018.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 September 2018, 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 borrowings and proceeds from the Company's listing on the Stock Exchange. The Group's gearing ratio slightly increased from 29.6% as at 31 March 2018 to 30.1% as at 30 September 2018. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 30 September 2018, the Group's cash and cash equivalents, amounting to HK$801.2 million, were denominated in US dollars ("US$") (42.7%), HK$ (30.7%), Chinese Renminbi ("RMB") (25.5%), Vietnamese Dong ("VND") (0.8%) and other currencies (0.3%).

As at 30 September 2018, the Group's total borrowings (i.e. bank borrowings and finance lease obligations) were due for repayment as follows:

	As at 30 September 2018 *HK$'000*	As at 31 March 2018 *HK$'000*
Within one year	**1,130,015**	1,177,180
Between one and two years	**337,221**	367,238
Between two and five years	**433,032**	493,873
	1,900,268	2,038,291

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 2018, the Group's borrowings were denominated in HK$(73.7%), US$(24.5%) and RMB(1.8%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and finance lease obligations as at 30 September 2018 were 3.0% and 1.7% respectively.

(c) As at 30 September 2018, the Group's certain bank borrowings were secured by financial assets at fair value through profit or loss with carrying amount of HK$72.1 million; land use rights with carrying amount of HK$15.2 million; and land and buildings and leasehold improvements with a total carrying amount of HK$215.4 million.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK$226.2 million for the six months ended 30 September 2018, which were mainly related to the purchase of machinery for our factories and the construction of a new production base in Vietnam. These capital expenditures were fully financed by internal resources and borrowings.

The Group's capital commitments as at 30 September 2018 amounted to approximately HK$95.0 million which were mainly related to the purchase of machinery for our factories and the construction of a new production base in Vietnam.

Operating Lease Commitments

As at 30 September 2018, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately HK$1.8 million, with approximately HK$0.8 million due within one year and approximately HK$1.0 million due later than one year and not later than five years.

Charge on Assets

As at 30 September 2018, the Group's land use rights with carrying amount of HK$15.2 million, land and buildings and leasehold improvements with a total carrying amount of HK$215.4 million and financial assets at fair value through profit or loss with carrying amount of HK$72.1 million were pledged to banks to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liability as at 30 September 2018.

Significant Investments, Acquisitions and Disposals

The Group established a 55:45 joint venture with a third party to form a strategic alliance for the production of cashmere yarn with the joint venture partner. The Group has agreed to commit RMB55.0 million and provide shareholders loans in the amount of RMB99.0 million to the joint venture. Further information in relation to the formation of the joint venture is disclosed in the Company's announcement dated 24 July 2018.

Save as the aforesaid, the Group had no significant investments, acquisitions and disposals during the six months ended 30 September 2018.

Financial Risk Management

(a) Foreign Currency Risk

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

The Group entered into forward foreign currency contracts to mitigate its exposures of RMB against US$. However, due to the depreciation of RMB against US$ during the six months ended 30 September 2018, the Group decided to unwind all of its outstanding forward foreign currency contracts to crystallise its exposures. As at 30 September 2018, the Group did not have any outstanding hedging contracts or financial derivatives to hedge against foreign currency risk but the Board will continue to closely monitor the foreign currency risk exposure of our Group and may use financial instruments for hedging purposes as and when necessary.

(b) Interest Rate Risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the six months ended 30 September 2018 but the Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

(c) Credit Risk

The Group has policies in place to ensure that sales on credit are made to customers with an appropriate credit history and the Group also performs credit assessments of its customers on a periodic basis, taking into account their financial position, past payment records and other relevant factors. The Group has not experienced and does not expect to experience any material impairment on trade receivables and receivables from other counterparties.

As at 30 September 2018, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong, the PRC and Vietnam which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

(d) Liquidity Risk

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

Human Resources and Emolument Policy

As at 30 September 2018, the Group had a total of approximately 16,000 full-time employees in the PRC, Vietnam and Hong Kong. For the six months ended 30 September 2018, the total staff costs, including the directors' emoluments, amounted to HK$504.8 million.

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

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

OTHER INFORMATION

Interim Dividend and Closure of Register of Members

The Board has resolved to declare an interim dividend of 3.6 HK cents per share for the six months ended 30 September 2018 (2017: 5.0 HK cents) to be paid to the shareholders of the Company whose names recorded on the register of members of the Company at the close of business on Thursday, 13 December 2018. The interim dividend is expected to be payable on or about Friday, 28 December 2018.

The Company's register of members will be closed from Tuesday, 11 December 2018 to Thursday, 13 December 2018 (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 Monday, 10 December 2018.

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

During the six months ended 30 September 2018, 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 Listing Rules 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 2018.

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

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 2018.

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

No incident of non-compliance with these guidelines by the relevant employees has been notified to the Company.

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 26 November 2018 to meet with the external auditors of the Company and review the Company's interim financial report for the six months ended 30 September 2018.

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 2019 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

26 November 2018

As at the date of this announcement, the Board comprises Mr. Wong Ting Chung BBS, JP (Chairman and chief executive officer), Mr. Wong Wai Yue (Vice Chairman), Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun 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.