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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 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2019	2018	Change
	HK$' million	*HK$' million*	
Revenue	**3,026.7**	2,881.5	+5.0%
Gross profit	**527.6**	497.3	+6.1%
Gross profit margin	**17.4%**	17.3%	+0.1p.p.
Profit attributable to the owners of the Company	**270.9**	236.0	+14.8%
Adjusted net profit *(Note)*	**271.7**	241.2	+12.6%
Adjusted net profit margin	**9.0%**	8.4%	+0.6p.p.
Earnings per share			
— Basic	**11.9 HK cents**	10.4 HK cents	+14.4%
— Diluted	**11.9 HK cents**	10.4 HK cents	+14.4%
Interim dividend per share	**4.3 HK cents**	3.6 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 of directors (the "Board") 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 2019, together with the comparative figures for the six months ended 30 September 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019
(Expressed in Hong Kong dollars)

		(Unaudited) Six months ended 30 September	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*6*	**3,026,746**	2,881,477
Cost of sales	*8*	**(2,499,164)**	(2,384,197)
Gross profit		**527,582**	497,280
Other income		**5,679**	4,966
Other gains, net	*7*	**21,577**	6,106
Selling and distribution expenses	*8*	**(25,869)**	(28,402)
General and administrative expenses	*8*	**(180,073)**	(190,525)
Operating profit		**348,896**	289,425
Share of post-tax profit/(loss) of a joint venture		**598**	(338)
Finance income		**1,561**	2,113
Finance expenses		**(39,002)**	(28,209)
Finance expenses, net	*9*	**(37,441)**	(26,096)
Profit before income tax		**312,053**	262,991
Income tax expenses	*10*	**(38,278)**	(27,010)
Profit for the period		**273,775**	235,981
Profit for the period attributable to:			
— Owners of the Company		**270,935**	235,981
— Non-controlling interests		**2,840**	–
		273,775	235,981

	Note	(Unaudited) Six months ended 30 September **2019** *HK$'000*	2018 *HK$'000*
Earnings per share attributable to the owners of the Company during the period			
— Basic and diluted (HK cents per share)	*11*	**11.9**	10.4
Profit for the period		**273,775**	235,981
Other comprehensive loss, net of tax:			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
— Currency translation differences		**(12,292)**	(123,431)
— Share of other comprehensive loss of a joint venture		**–**	(252)
Other comprehensive loss for the period, net of tax		**(12,292)**	(123,683)
Total comprehensive income for the period		**261,483**	112,298
Total comprehensive income for the period attributable to:			
— Owners of the Company		**258,003**	112,298
— Non-controlling interests		**3,480**	–
		261,483	112,298

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2019
(Expressed in Hong Kong dollars)

	Note	**(Unaudited) As at 30 September 2019** *HK$'000*	(Audited) As at 31 March 2019 *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**–**	108,976
Property, plant and equipment		**1,114,065**	2,087,863
Right-of-use assets		**1,227,072**	–
Investment properties		**1,947**	2,014
Intangible assets		**59,922**	64,747
Interest in a joint venture		**7,837**	6,309
Financial assets at fair value through profit or loss		**163,872**	155,543
Prepayments, deposits, other receivables and other assets		**130,399**	113,368
Deferred income tax assets		**505**	557
		2,705,619	2,539,377
Current assets			
Inventories		**704,003**	1,110,733
Trade receivables	*13*	**687,694**	141,188
Derivative financial instruments		**–**	937
Prepayments, deposits, other receivables and other assets		**457,364**	404,046
Tax recoverable		**13,920**	12,472
Cash and cash equivalents		**587,884**	414,844
		2,450,865	2,084,220
Total assets		**5,156,484**	4,623,597

	Note	(Unaudited) As at 30 September 2019 HK$'000	(Audited) As at 31 March 2019 HK$'000
EQUITY			
Capital and reserves			
Share capital		**22,794**	22,794
Reserves		**2,180,844**	1,921,168
Capital and reserves attributable to the owners of the Company		**2,203,638**	1,943,962
Non-controlling interests		**131,718**	103,005
Total equity		**2,335,356**	2,046,967
LIABILITIES			
Non-current liabilities			
Bank borrowings	*15*	**1,381,000**	648,122
Lease liabilities	*16*	**292,298**	–
Finance lease obligations	*16*	**–**	276,745
Deferred income tax liabilities		**9,311**	11,364
		1,682,609	936,231
Current liabilities			
Trade and bills payables	*14*	**380,277**	312,635
Accruals and other payables		**174,506**	162,541
Current income tax liabilities		**197,842**	159,419
Bank borrowings	*15*	**213,848**	862,391
Lease liabilities	*16*	**172,046**	–
Finance lease obligations	*16*	**–**	143,413
		1,138,519	1,640,399
Total liabilities		**2,821,128**	2,576,630
Total equity and liabilities		**5,156,484**	4,623,597
Net current assets		**1,312,346**	443,821

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 22 November 2019.

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 2019 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 2019, 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 2019, except for the adoption of new and amended standards and interpretations as set out below.

(a) New and amended standards and interpretations adopted by the Group

A number of new and amended standards and interpretations became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the HKFRS 16 Lease ("HKFRS 16").

The impact of the adoption of HKFRS 16 and the new accounting policies are disclosed in note 4 below. The other new and amended standards and interpretations did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

A number of new and amended standards and interpretations are effective for annual periods beginning on or after 1 April 2020 and have not been applied in preparing this condensed consolidated interim financial information. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 on the Group's financial information and the new accounting policies that have been applied from 1 April 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the last reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of HKFRS 16 are therefore recognised in the opening balance sheet on 1 April 2019.

(a) Impact on adoption

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.72%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amounts of the right-of-use assets and the lease liabilities at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

	2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	32,945
Future lease payments for land use rights recognised as other payables as at 31 March 2019	5,358
	38,303
Discounted using the lessee's incremental borrowing rate at the date of initial application	35,861
Add: Finance lease liabilities recognised as at 31 March 2019	420,158
Less: Short-term leases recognised on a straight-line basis as expenses	(29)
Add: Adjustments as a result of a different treatment of extension and termination options	13,376
Lease liabilities recognised as at 1 April 2019	469,366
Of which are:	
— Current lease liabilities	161,810
— Non-current lease liabilities	307,556
	469,366

The right-of-use assets were measured at the amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to that leases recognised in the balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	(Unaudited) As at 30 September 2019 *HK$'000*	As at 1 April 2019 *HK$'000*
Land use rights	**108,190**	108,811
Plant and machinery	**1,083,914**	1,040,560
Leased properties	**34,968**	44,025
	1,227,072	1,193,396

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- property, plant and equipment — decrease by HK$1,040,560,000
- right-of-use assets — increase by HK$1,193,396,000
- land use rights — decrease by HK$108,976,000
- prepayments — decrease by HK$10,000
- other payables — decrease by HK$5,358,000
- lease liabilities — increase by HK$469,366,000
- finance lease obligations — decrease by HK$420,158,000.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

(b) The Group's leasing activities and how these are accounted for

As a lessee

The Group leases various land, properties and plant and machinery. Rental contracts are typically made for fixed periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the year ended 31 March 2019, leases of land were classified as land use rights, leases of properties, plant and machinery were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the useful life of the underlying asset if the lease transfers the ownership of the underlying asset by the end of the lease term. Otherwise, the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amounts of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Termination options

Termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts.

As a lessor

The Group leases out various properties under operating lease arrangements with termination option. The term of the leases is 2 years. The Group has classified the leases as operating leases.

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

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 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 2019.

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 has two operating segments during the period ended 30 September 2019:

(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 and other selected financial information by operating segment are as follows:

For the six months ended 30 September 2019 (Unaudited)

	Manufacturing of Knitwear products *HK$'000*	**Manufacturing of knitted upper for footwear and knitted upper shoes** *HK$'000*	**Consolidated** *HK$'000*
Revenue			
Total segment revenue	**2,943,138**	**85,881**	**3,029,019**
Inter-segment revenue	**–**	**(2,273)**	**(2,273)**
Revenue from external customers	**2,943,138**	**83,608**	**3,026,746**
Results			
Segment profit	**503,831**	**23,751**	**527,582**
Other income			**5,679**
Other gains, net			**21,577**
Selling and distribution expenses			**(25,869)**
General and administrative expenses			**(180,073)**
Share of post-tax profit of a joint venture			**598**
Finance income			**1,561**
Finance expenses			**(39,002)**
Profit before income tax			**312,053**
Income tax expenses			**(38,278)**
Profit for the period			**273,775**

For the six months ended 30 September 2018 (Unaudited)

	Manufacturing of Knitwear products *HK$'000*	Manufacturing of knitted upper for footwear and knitted upper shoes *HK$'000*	Consolidated *HK$'000*
Revenue			
Total segment revenue	2,780,573	102,941	2,883,514
Inter-segment revenue	–	(2,037)	(2,037)
Revenue from external customers	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

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 profit/(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	
	2019	2018
	HK$'000	*HK$'000*
Japan	**859,701**	1,031,659
North America	**486,236**	515,330
Europe	**562,340**	556,291
Mainland China	**759,923**	424,150
Other countries	**358,546**	354,047
	3,026,746	2,881,477

(b) Non-current assets

	(Unaudited) As at 30 September 2019	(Audited) As at 31 March 2019
	HK$'000	*HK$'000*
Hong Kong	**62,876**	59,648
Mainland China	**839,845**	799,208
Vietnam	**1,547,862**	1,433,299
Other countries	**22,900**	20,066
	2,473,483	2,312,221

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	
	2019	2018
	HK$'000	*HK$'000*
Customer A	**1,575,397**	1,843,567
Customer B	**337,504**	291,432

The five largest customers accounted for approximately 73.2% (2018: 82.2%) of revenue for the period ended 30 September 2019.

(d) Disaggregation of revenue from contracts with customers

For the periods ended 30 September 2019 and 2018, the revenue of the Group was recognised at a point of time.

7. OTHER GAINS, NET

	(Unaudited) Six months ended 30 September 2019 HK$000	2018 HK$000
Net foreign exchange gains	**19,563**	9,100
Net gains on financial assets at fair value through profit or loss	**2,435**	2,221
Net gains on disposals of property, plant and equipment	**296**	68
Net realised and unrealised losses from derivative financial instruments	**(717)**	(5,283)
	21,577	6,106

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 2019 HK$'000	2018 HK$'000
Advertising and promotion expenses	**2,912**	3,781
Amortisation of land use rights	**–**	549
Auditor's remuneration		
— audit services	**1,482**	1,285
— non-audit services	**315**	315
Depreciation		
— owned property, plant and equipment	**44,987**	49,428
— property, plant and equipment held under finance leases	**–**	42,637
— rights-of-use assets	**61,758**	–
Depreciation of investment properties	**67**	67
Amortisation of technical knowhow	**4,825**	6,775
Employment benefit expenses (including directors' emoluments)	**495,932**	504,769
Raw materials and consumables used	**1,408,353**	1,398,786
Changes in inventories of finished goods and work in progress	**271,433**	108,338
Provision for/(reversal of) impairment of inventories	**5,692**	(8,659)
Subcontracting charges	**198,569**	267,546
Commission expenses	**1,208**	1,858
Transportation charges	**20,854**	21,729
Donation	**1,205**	1,484
Expenses relating to short-term leases	**31**	–
Operating lease rental in respect of land and buildings	**–**	3,226
Utilities expenses	**52,376**	50,483
Sample charges	**9,733**	10,921
Others	**123,374**	137,806
Total cost of sales, selling and distribution expenses and general and administrative expenses	**2,705,106**	2,603,124

9. FINANCE EXPENSES, NET

	(Unaudited) Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**1,561**	2,113
Finance expenses		
Interest expense on:		
— Bank borrowings	**(34,942)**	(24,242)
— Finance lease obligations	**–**	(3,967)
— Lease liabilities	**(4,060)**	–
	(39,002)	(28,209)
Finance expenses, net	**(37,441)**	(26,096)

10. INCOME TAX EXPENSES

For the period ended 30 September 2019, Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 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% (2018: 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 certificate, 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 second year of 50% reduction in the BIT rate, whereas, the other two subsidiaries have no assessable profit for the period, and hence no income tax is provided.

	(Unaudited) Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax	**11,774**	2,041
China Corporate Income Tax	**27,752**	26,186
Vietnam Business Income Tax	**753**	–
Deferred taxation	**(2,001)**	(1,217)
	38,278	27,010

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six-month period ended 30 September 2019 and 2018 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 periods.

	(Unaudited) Six months ended 30 September	
	2019	2018
Profit attributable to the owners of the Company *(HK$'000)*	**270,935**	235,981
Weighted average number of ordinary shares in issue *('000)*	**2,279,392**	2,279,392
Basic earnings per share *(HK cents)*	**11.9**	10.4

(b) Diluted

Diluted earnings per share for the six-month period ended 30 September 2019 and 2018 respectively equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

12. DIVIDENDS

	(Unaudited) Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Interim dividend of 4.3 HK cents (2018: 3.6 HK cents) per ordinary share	**98,014**	82,058

At the Board meeting held on 22 November 2019, the Company's Board of Directors declared an interim dividend of 4.3 HK cents (2018: 3.6 HK cents) per share. The interim dividend amounting to HK$98,014,000 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 2020.

13. TRADE RECEIVABLES

	(Unaudited) As at 30 September 2019	(Audited) As at 31 March 2019
	HK$'000	*HK$'000*
Trade receivables	**687,694**	141,188

The credit period granted by the Group to its customers generally ranging from 0 to 60 days. As at 30 September 2019 and 31 March 2019, the ageing analysis of the trade receivables based on invoice date was as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2019	2019
	HK$'000	*HK$'000*
Up to three months	**650,160**	132,969
Three to six months	**31,511**	6,398
Over six months	**6,023**	1,821
	687,694	141,188

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.

14. TRADE AND BILLS PAYABLES

As at 30 September 2019 and 31 March 2019, the ageing analysis of the trade and bills payables based on invoice date was as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2019	2019
	HK$'000	*HK$'000*
Within one month	**168,444**	191,442
One to two months	**83,628**	111,970
Two to three months	**46,271**	7,193
Over three months	**81,934**	2,030
	380,277	312,635

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

Note: As at 30 September 2019, trade and bills payables includes trade payables to related companies of approximately HK$129,912,000 (31 March 2019: HK$74,945,000).

15. BANK BORROWINGS

	(Unaudited) **As at** **30 September** **2019** ***HK$'000***	(Audited) As at 31 March 2019 *HK$'000*
Non-current		
Bank borrowings, unsecured	**1,381,000**	648,122
Current		
Short-term bank borrowings, unsecured	**27,779**	632,938
Portion of long-term bank borrowings, secured, due for repayment within one year	**626**	4,376
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**3,699**	–
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**181,744**	220,911
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	**–**	4,166
	213,848	862,391
Total bank borrowings	**1,594,848**	1,510,513

The weighted average effective interest rates as at 30 September 2019 is 3.29% (31 March 2019: 2.67%).

The bank borrowings are due for repayment as follows:

	(Unaudited) **As at** **30 September** **2019** ***HK$'000***	(Audited) As at 31 March 2019 *HK$'000*
Within one year	**210,149**	858,225
Between one and two years	**575,299**	246,188
Between two and five years	**809,400**	406,100
	1,594,848	1,510,513

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 2019, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK$163,872,000 (31 March 2019: HK$73,376,000).

16. LEASE LIABILITIES (FINANCE LEASE OBLIGATIONS)

	(Unaudited) As at 30 September 2019 *HK$'000*	(Audited) As at 31 March 2019 *HK$'000*
Current		
Lease liabilities due for repayment within one year	**172,046**	143,413
Non-current		
Lease liabilities due for repayment after one year:		
Between one and two years	**184,382**	153,411
Between two and five years	**107,916**	123,334
	292,298	276,745
Total lease liabilities	**464,344**	420,158

The lease liabilities are due for repayment as follows:

	(Unaudited) As at 30 September 2019 *HK$'000*	(Audited) As at 31 March 2019 *HK$'000*
Gross lease liabilities — minimum lease payments:		
Within one year	**179,014**	149,470
Between one and two years	**188,093**	157,154
Between two and five years	**109,562**	124,708
	476,669	431,332
Future finance charges on leases	**(12,325)**	(11,174)
Present value of lease liabilities	**464,344**	420,158

The carrying amount of lease liabilities was denominated in US$, RMB, HK$ and VND.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The ongoing discussions between the US-China trade deal, even though seemingly stopped escalating, inevitably cast an unpredictable shadow on the overall global sentiment and end-customer consumption. On the other hand, raw material price trends are seeing signs of stabilisation, and Renminbi depreciation during the reporting period played a part in alleviating the Group's costs. Yet, customer orders were more prudent and thus the Group's sales volume in the knitted sweater business was more sluggish compared to the corresponding period last year.

The knitwear industry in China recorded a sales decline during the reporting 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 dropped by 2.3% to US$50.2 billion during the six months ended 30 September 2019 (the "First Half of Financial Year 2020"), against an increase of 5.5% in the corresponding period last year. The total export value of knitwear from China to the United States, Japan and Europe recorded a decline of 0.4%, 8.7% and 5.3% respectively. Vietnam, on the other hand, continued to record an increase in exports of textiles and garments across Japan and the United States, totaling an increase of 9.1% in the total export value of textiles and garments to US$17.5 billion in the First Half of Financial Year 2020.

BUSINESS REVIEW

Despite a slight decline in terms of sales volume in the knitted sweater business arising from more prudent customer orders, the Group's revenue recorded a modest increase of 5.0% to HK$3,026.7 million arising from an increase in average selling price due to changes in product mix, as well as the increase in sales of other products in the knitwear products segment.

Seeing the shift of customer preferences in terms of manufacturing origin to outside of China, the Group's early entrance into Vietnam enabled it to offer customers production flexibility and product offerings with consistent quality. Regarding the scope in domestic production, the Group was also able to secure a notable growth in domestic orders to fulfill the capacity that has seen a shift to non-China manufacturing base. This testifies the Group's ongoing effort in product innovation and client servicing as an industry-leading knitwear manufacturer, as well as our effort to bring diversity to our client base. The Group's revenue attributable to the Chinese market, hence, recorded a surge of 79.2%, while the revenue attributable to the Japanese and North American markets declined by 16.7% and 5.6% respectively mainly due to the prudence observed from customer orders, as well as the unpredictability on global economy attributable to the US-China trade friction.

Apart from the shift in manufacturing origin, customer specifications and expectations on delivery schedules are becoming tighter over the years. Nevertheless, the Group favourably benefits from longstanding customer relationships that enabled it to make better planning and allocation of its manufacturing facilities. The Group's gross profit increased by 6.1% to HK$527.6 million, and gross profit margin was 17.4%, demonstrating the Group's strenuous efforts in enhancing operational efficiencies despite the generally more challenging business environment. This has taken into account the lower gross profit margin summated from its cashmere yarn products.

Despite higher finance costs due to higher interest rates during the reporting period, the Group meticulously managed other costs such as selling, distribution and administrative expenses during the First Half of Financial Year 2020. As such, the Group's net profit improved by 16.0% to HK$273.8 million, and net profit margin also increased to 9.0% during the reporting period. The Board has recommended the payment of an interim dividend of 4.3 HK cents per share to the Company's shareholders for their unwavering support.

FUTURE STRATEGIES AND PROSPECTS

Looking ahead, the Group's expansion into the upstream business and its jointly established cashmere spinning factory with a quality cashmere manufacturer is expected to further smoothen the Group's production of cashmere knitwear and further drive operational efficiencies.

Seeing the continued trend for more customers seeking to shift their orders to other Southeast Asian regions, the Group's new factory in Myanmar is under construction. In the long term, the Group will continue to utilise its China factory to satisfy the growing orders from our Chinese customers, while seeking to further increase production capacity ratio to overseas production in response to the changing customer preferences.

The Group also devoted resources in developing the business projects of weaving, printing and dyeing of fabric for production. It is expected that trial production will commence toward the beginning of the next financial year. The Group is confident that developing a diversified product portfolio will be accretive to our income source and customer base, as well as contribute to our leading position in the industry.

With our aspiration to spearhead the industry, the Group is devoted to continuously improve its design and material development ability, tap into ever changing customer demand and end user preferences, be persistent in further enhancing operational efficiencies and generate greater returns to shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2019 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as children's wear, scarfs, hats, gloves and cashmere yarns, to our customers. As a result of the acquisition of V. Success Group in December 2017, the Group's revenue for the six-month periods ended 30 September 2019 and 2018 also included the revenue generated from sales of knitted upper for footwear and knitted upper shoes of HK$83.6 million and HK$100.9 million respectively.

The Group's revenue from sales of knitwear products slightly increased by 5.8% to HK$2,943.1 million for the six months ended 30 September 2019 from HK$2,780.6 million for the six months ended 30 September 2018. The increase was mainly attributable to the increase in sales revenue of other knitwear products, which was partially offset by the decrease in total sales revenue of men's and women's knitwear products.

The slight decrease in the total sales revenue of men's and women's knitwear products was mainly due to the decrease in sales volume, which was partially offset by the increase in average selling price. The Group's sales volume of men's and women's knitwear products decreased by 8.6 % from 23.3 million pieces for the six months ended 30 September 2018 to 21.3 million pieces for the six months ended 30 September 2019, while the average selling price of the Group's men's and women's knitwear products increased by 6.3 % from HK118.1 per piece for the six months ended 30 September 2018 to HK$125.6 per piece for the six months ended 30 September 2019.

With the expansion of the Group's business scope and customer base, the Group's top three markets for the six months ended 30 September 2019 were Japan, Mainland China and Europe. The revenue attributable to the Japanese market, Chinese market and European market accounted for 28.4%, 25.1% and 18.6% respectively of the Group's total revenue for the six months ended 30 September 2019.

Cost of Sales

For the six months ended 30 September 2019, the Group incurred cost of sales of HK$2,499.2 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation of property, plant and equipment 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 2019, the Group recorded gross profit of HK$527.6 million and gross profit margin of 17.4% as compared to the gross profit of HK$497.3 million and gross profit margin of 17.3% for the six months ended 30 September 2018.

The slight increase in gross profit margin for the six months ended 30 September 2019 was mainly due to (i) the depreciation of Renminbi; and (ii) the decrease in total direct labour costs and subcontracting charges as we have been streamlining the production process to increase the overall production efficiency in our knitwear products segment, such increase was partially offset by the lower gross profit margin of other knitwear products.

Other Income

Other income primarily consisted of rental income from investment properties, rental income from properties occupied by employees and miscellaneous other income. The other income increased by HK$0.7 million from HK$5.0 million for the six months ended 30 September 2018 to HK$5.7 million for the six months ended 30 September 2019. Such increase was mainly due to the increase in miscellaneous other income.

Other Gains, Net

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

Other gains increased by HK$15.5 million from HK$6.1 million for the six months ended 30 September 2018 to HK$21.6 million for the six months ended 30 September 2019. Such increase was primarily due to (i) the increase in net foreign exchange gains from HK$9.1 million for the six months ended 30 September 2018 to HK$19.6 million for the six months ended 30 September 2019; and (ii) the net realised and unrealised losses from derivative financial instruments decreased by HK$4.6 million from HK$5.3 million for the six months ended 30 September 2018 to HK$0.7 million for the six months ended 30 September 2019.

In summary, the other gains for the six months ended 30 September 2019 mainly represented net foreign exchange gains of HK$19.6 million and net gains on financial assets at fair value through profit or loss of HK$2.4 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 slightly by HK$2.5 million, from HK$28.4 million for the six months ended 30 September 2018 to HK$25.9 million for the six months ended 30 September 2019. 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$10.4 million from HK$190.5 million for the six months ended 30 September 2018 to HK$180.1 million for the six months ended 30 September 2019. Such decrease was mainly due to the decrease in staff costs as our Group has implemented some cost control measures to address the turbulent market conditions.

Finance Expenses, Net

Net finance expenses mainly consisted of interest expenses on bank borrowings and lease liabilities (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$11.3 million from HK$26.1 million for the six months ended 30 September 2018 to HK$37.4 million for the six months ended 30 September 2019. The increase in net finance expenses was mainly due to the hike in market interest rates and the increase in bank borrowings to finance the Group's continuous business development and expansion during the six months ended 30 September 2019.

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 2019 and 2018 respectively 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 period ended 30 September 2019 and 2018 respectively. However, two of the Group's subsidiaries in the PRC are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are 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 second year of 50% reduction in the BIT rate, whereas, the other two subsidiaries have no assessable profit for the period, and hence no income tax is provided.

The effective tax rates of the Group were 12.3% and 10.3% for the six-month period ended 30 September 2019 and 2018 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$270.9 million and HK$236.0 million for the six-month period ended 30 September 2019 and 2018 respectively.

The increase in net profit for the six months ended 30 September 2019 was primarily due to the increase in total sales revenue and the slight improvement in gross profit margin for the six months ended 30 September 2019 which were mainly caused by (i) the increase in sales revenue of other knitwear products as a result of business scope expansion; (ii) the depreciation of Renminbi; and (iii) the decrease in total direct labour costs and subcontracting charges in our knitwear products segment as we have been streamlining the production process to increase the overall production efficiency.

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 increased by HK$30.5 million from HK$241.2 million for the six months ended 30 September 2018 to HK$271.7 million for the six months ended 30 September 2019. The adjusted net profit margin increased from 8.4% for the six months ended 30 September 2018 to 9.0% for the six months ended 30 September 2019.

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 2019 was HK$320.1 million, primarily due to profit before income tax of HK$312.1 million, adjusted for depreciation of HK$106.8 million, decrease in inventories of HK$401.0 million, and increases in trade and bills payables of HK$68.3 million and accruals and other payables of HK$46.7 million, which was partially offset by the increase in trade receivables of HK$543.5 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2019 was HK$170.1 million, primarily used on the purchase of property, plant and equipment and right-of-use assets of HK$174.4 million.

Net Cash Generated from Financing Activities

The Group's net cash generated from financing activities for the six months ended 30 September 2019 was HK$25.3 million, mainly represented the capital contribution from non-controlling interests of HK$25.2 million.

Cash and Cash Equivalents

For the six months ended 30 September 2019, the Group's cash and cash equivalents increased by HK$175.4 million and the exchange loss was HK$2.3 million. The net increase in the Group's cash and cash equivalents was from HK$414.8 million as at 31 March 2019 to HK$587.9 million as at 30 September 2019.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 September 2019, 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. The Group's gearing ratio decreased from 42.6% as at 31 March 2019 to 38.7 % as at 30 September 2019. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings and lease liabilities (finance lease obligations) less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 30 September 2019, the Group's cash and cash equivalents, amounting to HK$587.9 million, were denominated in US dollars ("US$") (26.7%), HK$ (33.7%), Chinese Renminbi ("RMB") (38.5%), Vietnamese Dong ("VND") (0.9%) and other currencies (0.2%).

As at 30 September 2019, the Group's total bank borrowings and lease liabilities (finance lease obligations) were due for repayment as follows:

	As at 30 September 2019	As at 31 March 2019
	HK$'000	*HK$'000*
Within one year	**382,195**	1,001,638
Between one and two years	**759,681**	399,599
Between two and five years	**917,316**	529,434
	2,059,192	1,930,671

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 2019, the Group's total bank borrowings and lease liabilities (finance lease obligations) were denominated in HK$(77.1%), US$(21.4%), RMB(1.4%) and VND(0.1%). 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 2019 was 3.29%.

(c) As at 30 September 2019, 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$163.9 million.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK$211.8 million for the six months ended 30 September 2019, 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 2019 amounted to approximately HK$147.4 million which were mainly related to the renovation and 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 2019, the Group's right-of-use assets with a total carrying amount of HK$14.6 million, buildings and leasehold improvements with a total carrying amount of HK$196.0 million and financial assets at fair value through profit or loss with a total carrying amount of HK$163.9 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 2019.

Events after Balance Sheet Date

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

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 did not enter into forward foreign currency contracts to mitigate its foreign currency exposures during the six months ended 30 September 2019. However, there were some outstanding forward foreign currency contracts brought forward from last financial year as the Group would like to mitigate its exposures of RMB against US$ in light of the appreciation of RMB during the second half of the last financial year. As at 30 September 2019, 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 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 2019 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 2019, majority of 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 2019, the Group had a total of approximately 16,200 full-time employees in the PRC, Vietnam and Hong Kong. For the six months ended 30 September 2019, the total staff costs, including the directors' emoluments, amounted to HK$495.9 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 4.3 HK cents per share for the six months ended 30 September 2019 (2018: 3.6 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, 11 December 2019. The interim dividend is expected to be payable on or about Tuesday, 24 December 2019.

The Company's register of members will be closed from Monday, 9 December 2019 to Wednesday, 11 December 2019 (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, 6 December 2019.

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

During the six months ended 30 September 2019, 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 2019.

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 2019.

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 22 November 2019 to meet with the external auditors of the Company and review the Company's interim financial report for the six months ended 30 September 2019.

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 2020 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board of
Nameson Holdings Limited
Mr. Wong Ting Chung *BBS, JP*
Chairman

22 November 2019

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.