



南旋控股有限公司

**NAMESON HOLDINGS LIMITED**

Stock Code : 1982.HK

**FY2023**

Interim Results

November 2022



# Disclaimer

- This presentation was prepared by Nameson Holdings Limited (the “Company”) for reference only. This presentation may not be reproduced or redistributed to any persons without explicit authorisation from the Company.
- Neither the Company nor any of its respective subsidiaries, directors, employees or advisors, directly or indirectly, gives any representation or warranty as to the completeness and accuracy of all the information contained in this presentation (including all forward-looking statements). The information contained in this presentation should be considered in the context of the circumstances prevailing at the time of presentation and has not been, and will not be, updated to reflect material developments which may occur after the date of the presentation.
- This presentation contains statements that reflect the Company’s beliefs and expectations about the future. These forward-looking statements are based on a number of assumptions about the Company’s operations and factors which are beyond the Company’s control, and accordingly, actual results may differ materially from these forward-looking statements. The Company does not undertake to revise forward-looking statements to reflect future events or circumstances.
- The Company expressly disclaims all liability (in negligence or otherwise) for any loss incurred or sustained by the participants of this presentation, their employers, entities, agents or any of their related parties as a result of using the information contained in this presentation.
- The materials and information in this presentation are for informational purposes only and do not constitute an offer or solicitation for the purchases or sale of any securities or financial instruments or to provide any investment service or investment advice.



# Presenters



**Benny Wong**

Chairman &  
Executive Director



**Jason Man**

CEO &  
Executive Director



**Stephen Tao**

CFO &  
Company Secretary



南旋控股有限公司  
NAMESON HOLDINGS LIMITED

# Agenda

**1 Results Overview**

**2 Financial Highlights**

**3 Business Review**

**4 Outlook**

**5 Question & Answer**

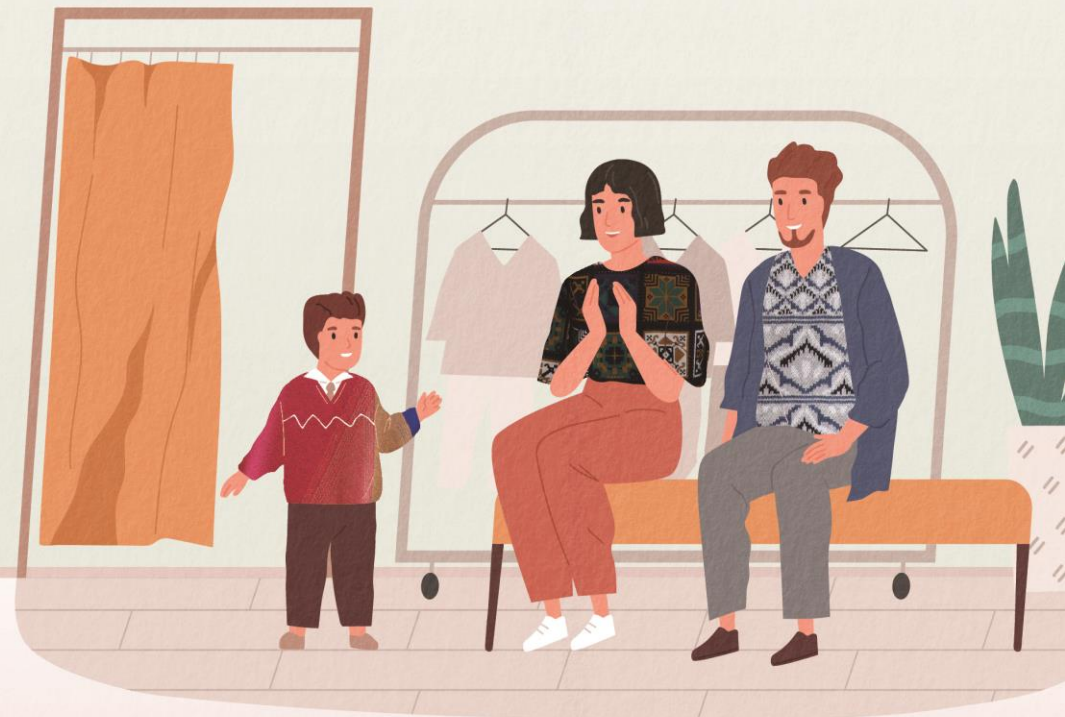






南旋控股有限公司  
NAMESON HOLDINGS LIMITED

## RESULTS OVERVIEW



# Results Overview

## Revenue (HK\$)

**3,099.4mn** ▲ 26.4%

## Gross Profit (HK\$)

**516.4mn** ▲ 22.1%

### Gross Profit Margin (%)

16.7% ▼ 0.5%pt

## Operating Profit (HK\$)

**320.5mn** ▲ 31.5%

### Operating Profit Margin (%)

10.3% ▲ 0.4%pt

- Volume of sweaters 18.7 mn (+4.3%) – VN reverted to full-fledge productivity (VN disruption in previous year)
- ASP of sweaters HK\$136.2 (+23.3%) – Quality and on-time delivery strengthened negotiation for pricing while raw material surged
- Stable contribution from cashmere yarn
- Increased contribution from fabric business (new business ramping to exceeding 20% of annual capacity)

- SG&A decreased slightly
- Other gains increased due to exchange gains, and net gains on disposals of property, plant and equipment
- Recognised an impairment loss on the production base in Myanmar

## Net Profit (HK\$)

**255.1mn** ▲ 25.6%

### Net Profit Margin

8.2%

## Adjusted Net Profit (HK\$)

**342.9mn** ▲ 78.9%

### Adjusted Net Profit Margin

11.1%

## Earnings Per Share

**10.2 HK cents** ▲ 21.4%

- Adjusted Net Profit is derived from profit attributable to the owner of the Company, excluding non-recurring items: (i) impairment loss on the production base in Myanmar; (ii) realized and unrealized gain/losses from derivative financial instruments

## Dividend Per Share 5.5 HK cents

1H 2022

4.2 cents

1H 2023

5.1 cents

Payout  
Ratio

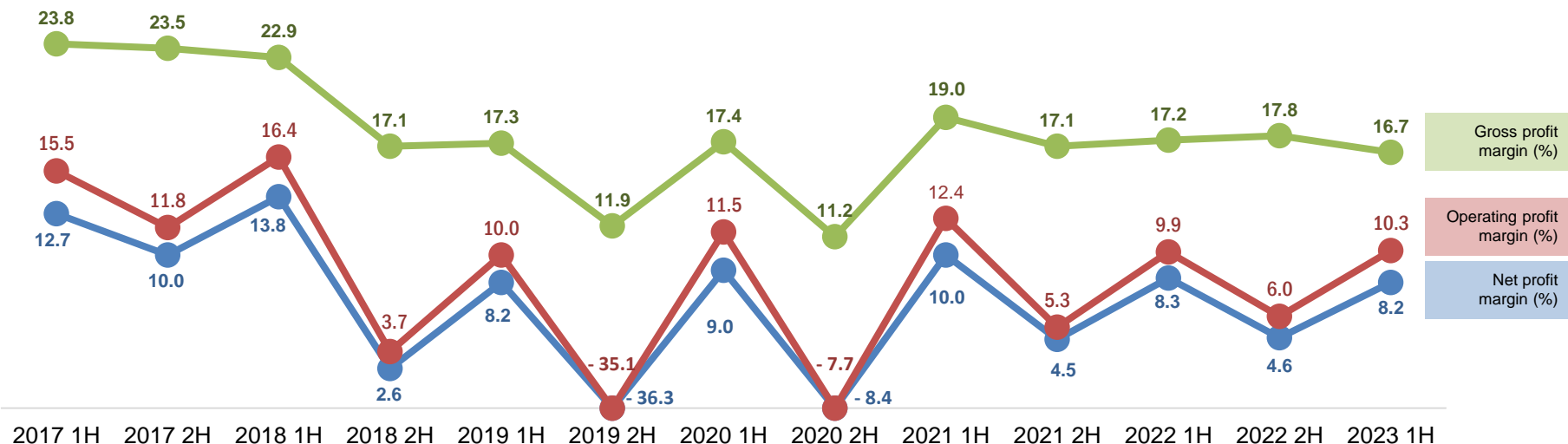
50.0%

50.0%



南旋控股有限公司  
NAMESON HOLDINGS LIMITED

# Profit Ratio Trends



- Increased production of cashmere products for key customer

- Impairment of intangible assets of HK\$521.6mn in relation to shoe upper business

- Restructuring costs of HK\$86.3mn in relation to shoe upper business

- Vietnam factory improving on efficiency

- Despite effects of COVID-19, our efforts led to sequential improvement on gross margin

- Vietnam factory reverted to full-fledge productivity

Volume ('mn) (Menswear and womenswear knitwear only)													
	2017 1H	2017 2H	2018 1H	2018 2H	2019 1H	2019 2H	2020 1H	2020 2H	2021 1H	2021 2H	2022 1H	2022 2H	2023 1H
VN	2.5	2.8	4.3	4.1	8.0	5.5	7.9	6.0	9.7	7.3	8.9	4.7	9.5
CN	16.5	10.1	15.7	9.6	15.3	8.0	13.5	7.1	8.6	5.4	9.0	6.4	9.2



南旋控股有限公司  
NAMESON HOLDINGS LIMITED

## FINANCIAL HIGHLIGHTS





# Financial Review

(HK\$ 'mn)	1H 2022	1H 2023	Change
Revenue	2,452.5	3,099.4	26.4%
Gross Profit	422.8	516.4	22.1%
<i>Gross Profit Margin</i>	17.2%	16.7%	-0.5 ppt
Other income	13.1	29.6	126.0%
Other gains, net	1.0	75.6	7460.0%
Selling and distribution expenses	(23.3)	(23.8)	2.2%
General and administrative expenses	(169.9)	(168.3)	-0.9%
Impairment loss on the production base in Myanmar	-	(109.0)	-
Operating Profit	243.7	320.5	31.5%
<i>Operating Profit Margin</i>	9.9%	10.3%	0.4 ppt
Profit before Tax	233.4	305.9	31.1%
Net Profit for the Period	203.1	255.1	25.6%
<i>Net Profit Margin</i>	8.3%	8.2%	-0.1 ppt
Profit attributable to the owners of the Company	192.5	232.8	20.9%
Adjusted Net Profit <sup>1</sup>	191.7	342.9	78.9%
<i>Adjusted Net Profit Margin</i>	7.8%	11.1%	3.3 ppt

<sup>1</sup> Adjusted Net Profit is derived from profit attributable to the owners of the Company excluding (i) impairment loss on the production base in Myanmar; and (ii) realised and unrealised gains/losses from derivative financial instruments, which are income/expenses not considered as recurring in nature. The Company believes the adjusted net profit presented better reflects the Group's core operating results

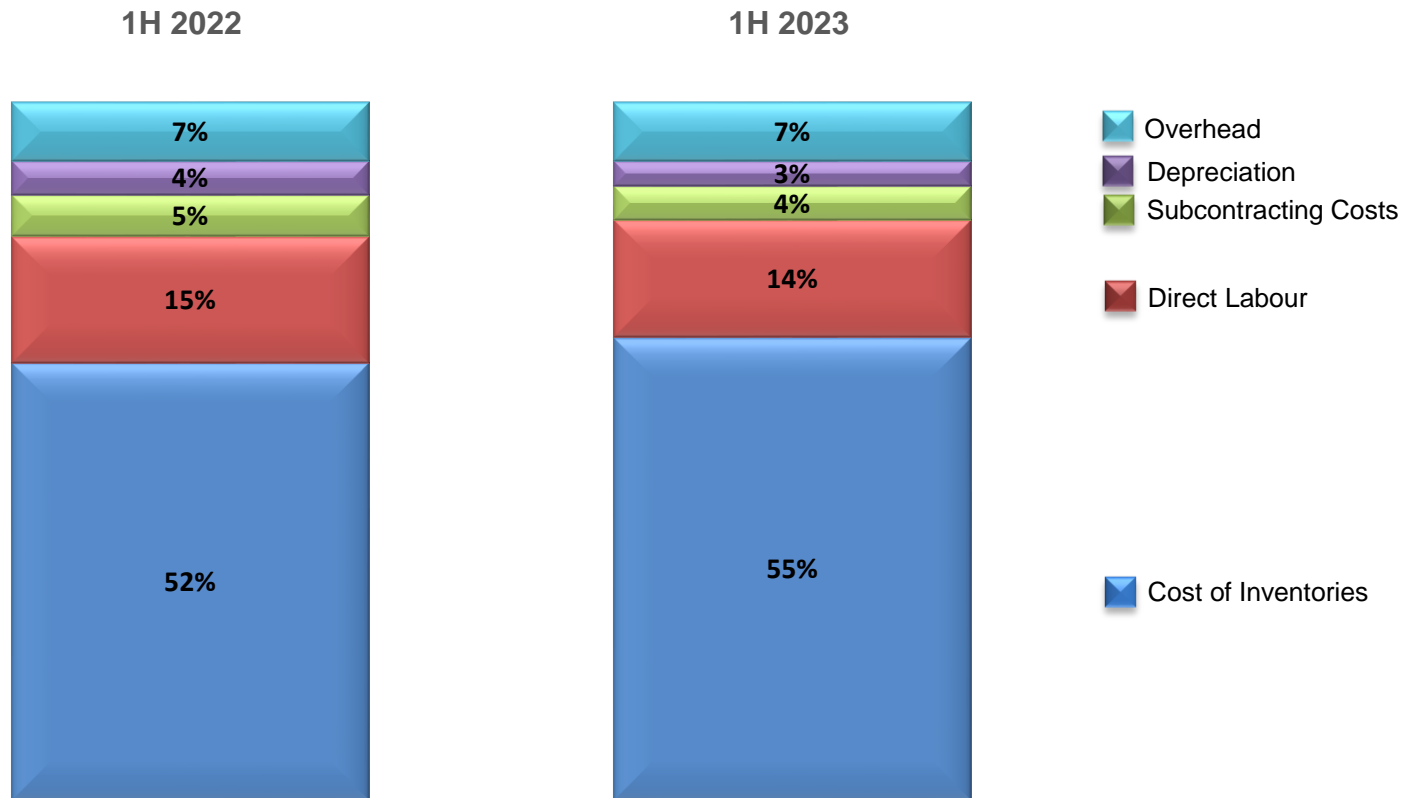
# Financial Review

(HK¢ cents)	1H 2022	1H 2023	Change
Basic Earnings Per Share (EPS)	8.4	10.2	21.4%
Interim Dividend Per Share	4.2	5.1	21.4%
Payout Ratio	50.0%	50.0%	



# Cost of Sales Breakdown

(as % of revenue)



南旋控股有限公司  
NAMESON HOLDINGS LIMITED

# Financial Position

(HK\$ 'mn)	As at 31 Mar 2022	As at 30 Sep 2022	Change
Cash and cash equivalents	610.7	778.9	27.5%
Inventories	1,161.2	802.4	-30.9%
Trade Receivables	146.2	637.9	336.3%
Trade and Bills Payables	415.9	303.3	-27.1%
Current Assets	2,043.1	2,423.1	18.6%
Total Assets	4,814.3	5,053.4	5.0%
Total Bank Borrowings and Lease Liabilities	1,313.2	1,401.6	6.7%
Net Debt	702.5	622.7	-11.4%
Total Equity	2,602.9	2,793.8	7.3%
Gearing Ratio (%) #	21.3%	18.2%	-3.1 ppt
Return on Equity (%)	10.6%	18.3%	
Return on Assets (%)	5.7%	10.1%	

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



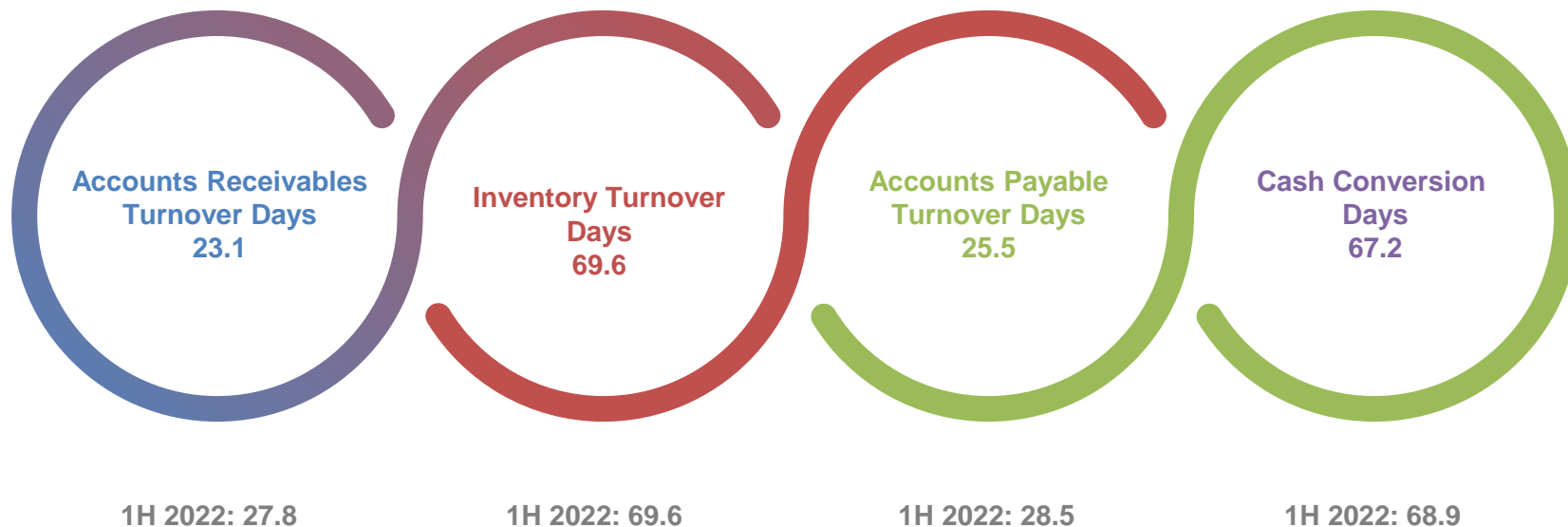
# Summary of Cash Flow

(HK\$ 'mn)	1H 2022	1H 2023
<b>Net cash (used in) / generated from operating activities</b>	<b>(166.9)</b>	<b>168.4</b>
<i>Profit before income tax</i>	233.4	305.9
<i>Adjusted for:</i>		
<i>Depreciation</i>	113.9	118.5
<i>Increase in prepayment, deposits, other receivable and other assets</i>	(29.4)	(85.3)
<i>(Increase) / Decrease in inventories</i>	(100.6)	368.2
<i>Impairment loss on the production base in Myanmar</i>	-	109.0
<i>Increase in trade receivables</i>	(456.8)	(491.2)
<i>Increase / (Decrease) in trade and bills payable</i>	4.1	(113.5)
<i>Others</i>	68.5	(43.2)
<b>Net cash (used in) / generated from investing activities</b>	<b>(56.6)</b>	<b>28.9</b>
<i>Purchases of property, plant and equipment</i>	(83.1)	(29.6)
<i>Proceeds from disposals of property, plant and equipment</i>	21.6	57.2
<i>Others</i>	4.9	1.3
<b>Net cash used in financing activities</b>	<b>(0.7)</b>	<b>(26.8)</b>
<i>Increase in bank borrowings and lease liabilities</i>	26.6	6.2
<i>Dividend payment</i>	(27.3)	(34.2)
<i>Capital contribution from non-controlling interests</i>	-	1.2
<b>Net (Outflow) / Inflow of Cash</b>	<b>(224.2)</b>	<b>170.5</b>

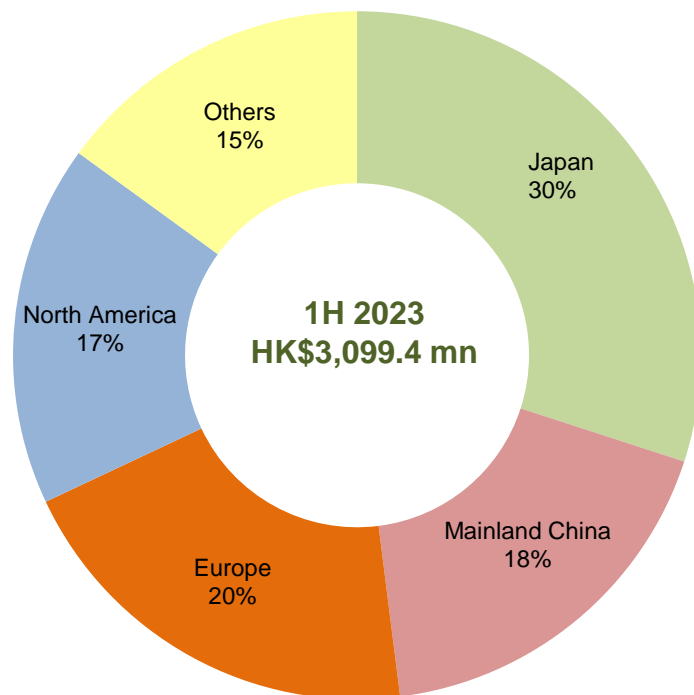
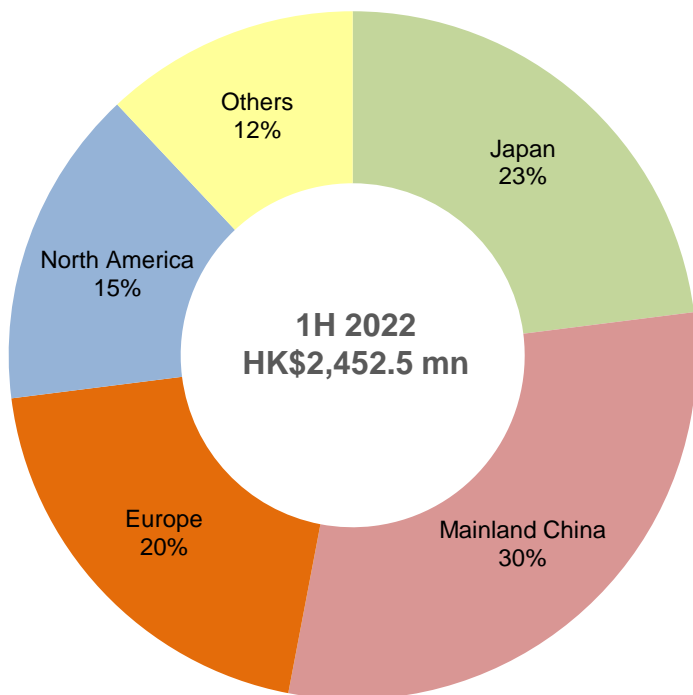




# Cash Conversion Cycle



# Geographic Breakdown By Revenue



南旋控股有限公司  
NAMESON HOLDINGS LIMITED

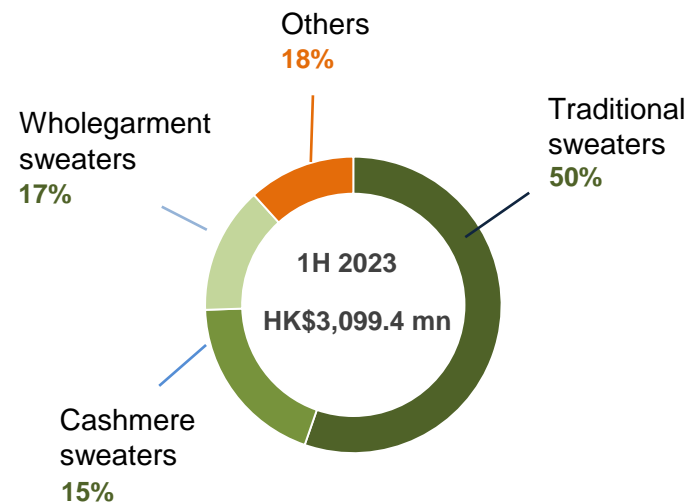
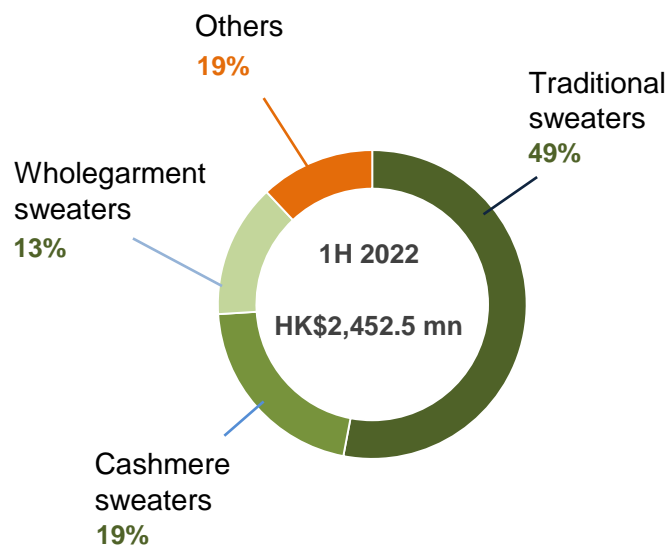


南旋控股有限公司  
NAMESON HOLDINGS LIMITED

## BUSINESS REVIEW



# Breakdown By Business



	1H 2022	1H 2023
 <b>Men's and Women's Knitwear Products</b>	81%	82%
 <b>Others</b>	19%	18%

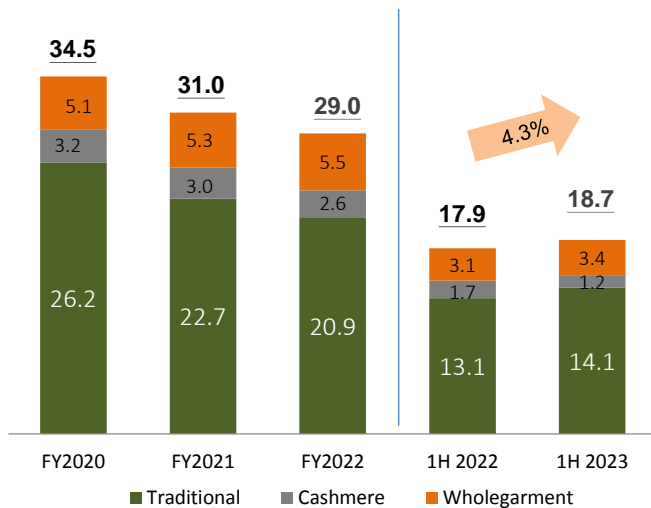
"Others" includes cashmere yarn, fabric, knitted upper for footwear, children's wear, scarfs, hats, gloves, etc.



南旋控股有限公司  
NAMESON HOLDINGS LIMITED

# Core Product: Sweaters

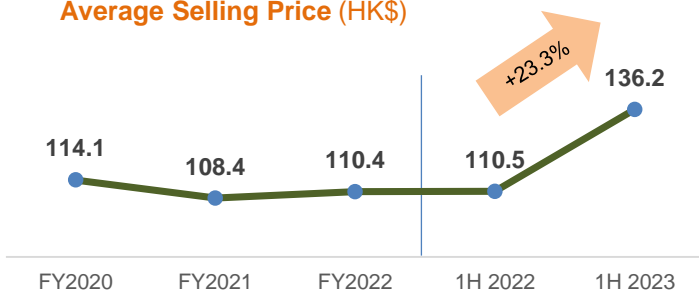
Sales Volume ('mn pieces)



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

- Vietnam resumed to full-fledged productivity since relaxation of restrictions
- City-wide lockdown implemented in China since late March 2022 disrupted supply chain and logistics

Average Selling Price (HK\$)



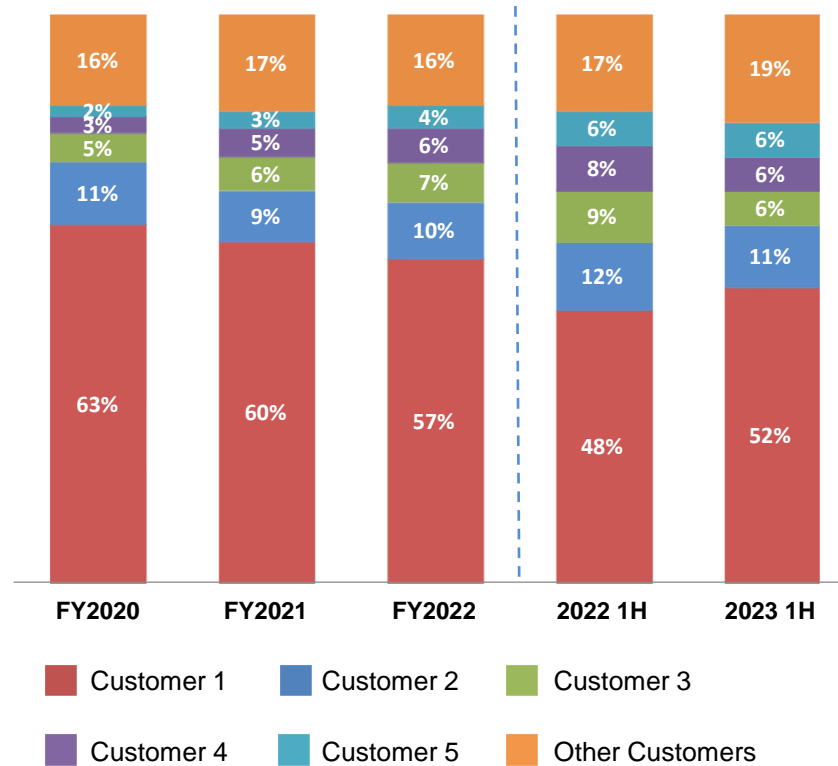
- ASP increased despite lower volume of cashmere sweaters which are higher in sales value
- Uncompromised quality and delivery enhanced our position to negotiate greater value in pricing



南旋控股有限公司  
NAMESON HOLDINGS LIMITED



# Sweaters: Customer Mix



# Capacity by Location: Sweaters

## Vietnam Factory

- Operating since 1Q 2015
- GFA of > 130,000m<sup>2</sup>
- Machinery: ≈ 3,500
- Labor: ≈ 7,400 employees
- Manufactured 50% of total sweaters in 1H 2023

## China Factory

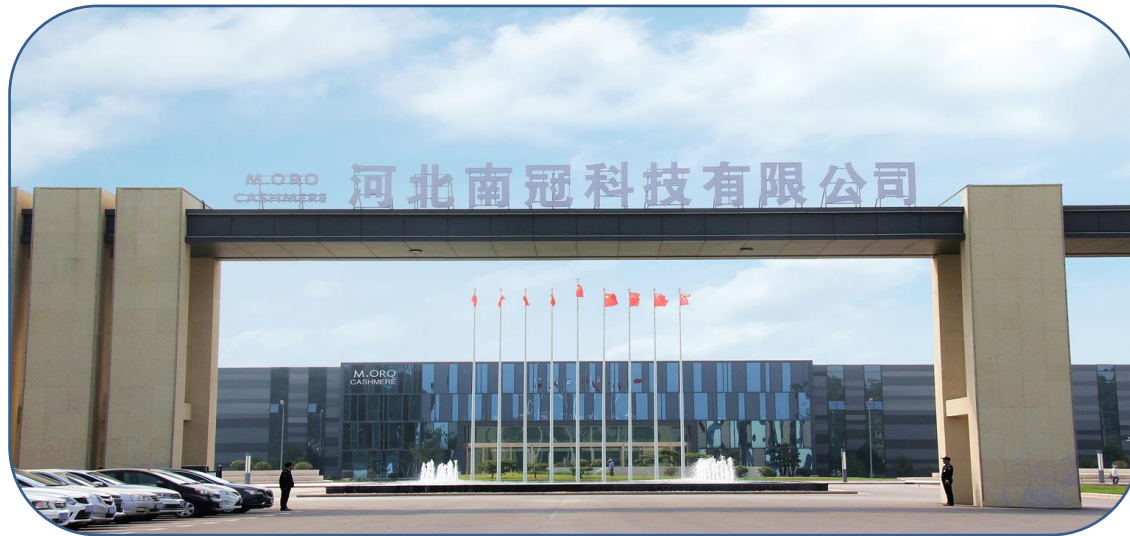
- Operating since 2002
- GFA of >350,000m<sup>2</sup>
- Machinery: ≈ 4,200
- Labor: ≈ 5,700 employees
- Manufactured 50% of total sweaters in 1H 2023



南旋控股有限公司  
NAMESON HOLDINGS LIMITED

# Other Products: Cashmere Yarn

- 13 production lines, totaling approx. 900 tons of annual design production capacity, ramped up as planned
- Exceeding 450 tons self-produced in 1H 2023
- Satisfy internal usage and external customers



Cashmere Spinning Factory (Hebei)



Scalable production



Cashmere spinning machines



Cashmere spinning machines



南旋控股有限公司  
NAMESON HOLDINGS LIMITED

# Other Products: Fabric

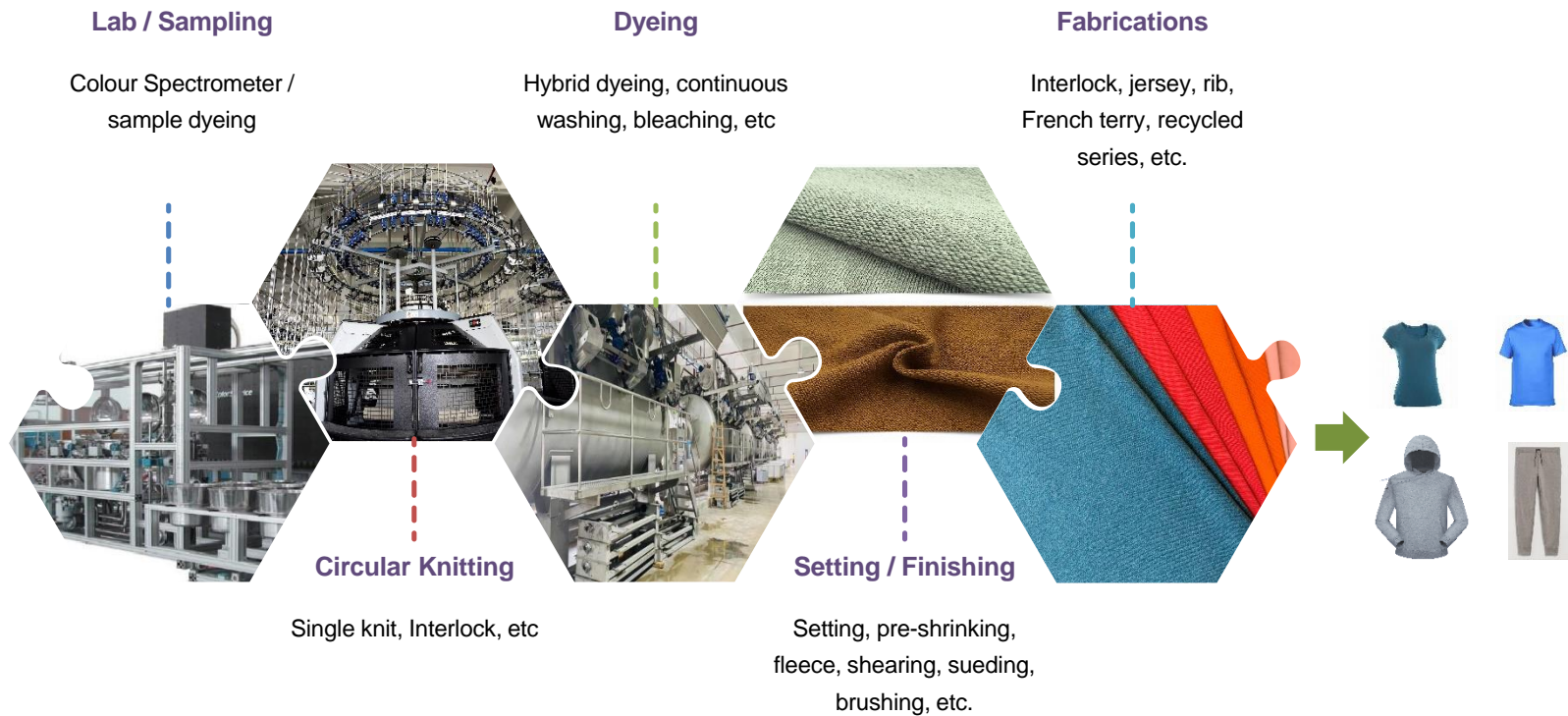
- Diversified into fabric business to tap the inherent demand for the local fabric supply for Vietnam's apparel industry
- Designed annual production capacity is approximately 36 million pounds of fabric
- Trial production commenced in 2Q FY2022, contribution to the Group begins to take shape, targets to exceed 20% of capacity utilization in FY2023



Fabric Factory (Vietnam)



# Other Products: Fabric (Con'd)





# Other Developments: Myanmar for Knitwear

- Construction almost complete, development was decelerated while we carefully monitor the political conditions and effects from the pandemic
- Trial production is expected to delay, recognised an impairment loss of HK\$109.0 million
- In talks with a Japanese client, plans on commencing trial production in FY2024
- Nonetheless, Myanmar is in a good position for its low-cost alternative as customers' procurement needs shift, for its duty concession to China, Japan and Europe, especially when China's status in trade preference is diminishing



*Exterior of Myanmar plant*





南旋控股有限公司  
NAMESON HOLDINGS LIMITED

## OUTLOOK



# Outlook

## End-consumer sentiment:

Inflationary pressures,  
interest rate hikes,  
fluctuating currency

## Production outside China:

Adjustment of border control  
of China still uncertain

## Customer purchases:

Excess inventory and  
quicker response time



## Production Ratio: Further grow non-China:

- Strengthen customer service functions in Vietnam
- Flex productivity to service increased demand
- Myanmar production to enlarge overseas production proportion

## Fabric manufactured in VN highly demanded:

observe and expand as appropriate

## Tapping and growing with customers:

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

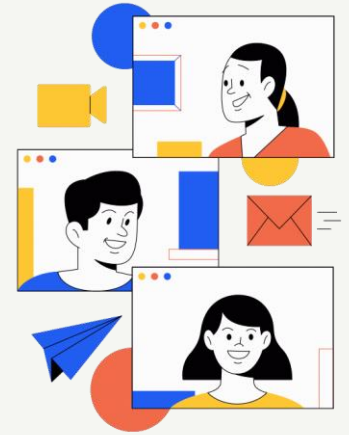


南旋控股有限公司  
NAMESON HOLDINGS LIMITED



南旋控股有限公司  
NAMESON HOLDINGS LIMITED

## QUESTION & ANSWER





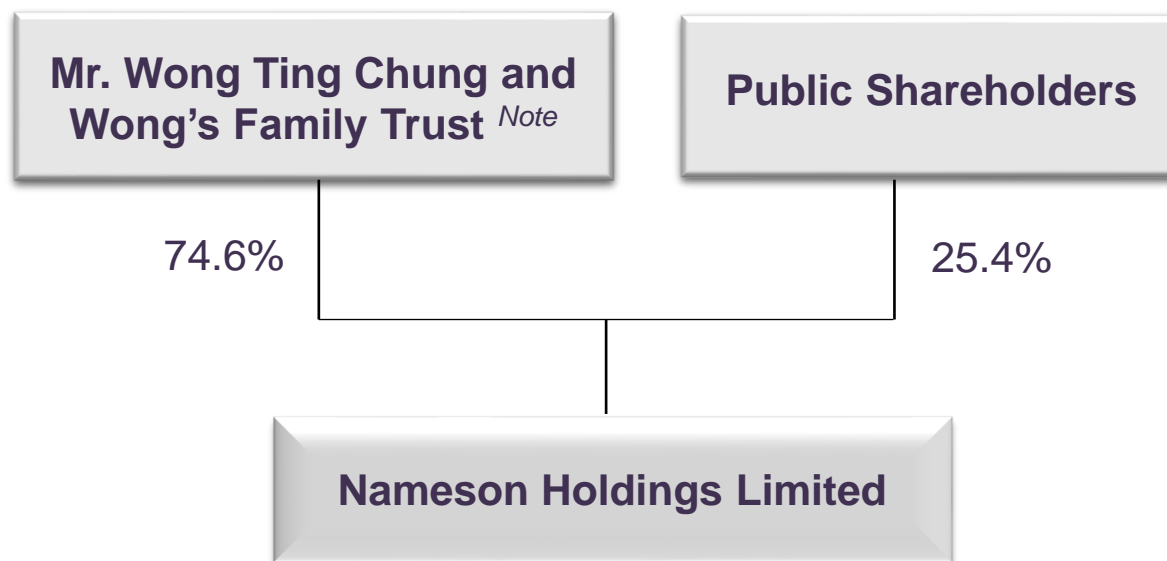
南旋控股有限公司  
NAMESON HOLDINGS LIMITED

## APPENDIX





# Shareholding Structure



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



# Environmental Protection Strategies

## TARGETS before 2031\*

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

\* Yearly target compared to FY2021

## SOLAR INSTALLATION

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

## ONGOING INITIATIVES

- Coal consumption -7% with installation of natural gas boiler
- Water recycling ~60% reuse of water resources



## ETHICAL PROCUREMENT

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

## GREENERY

- 40% of factories' area is planted with trees

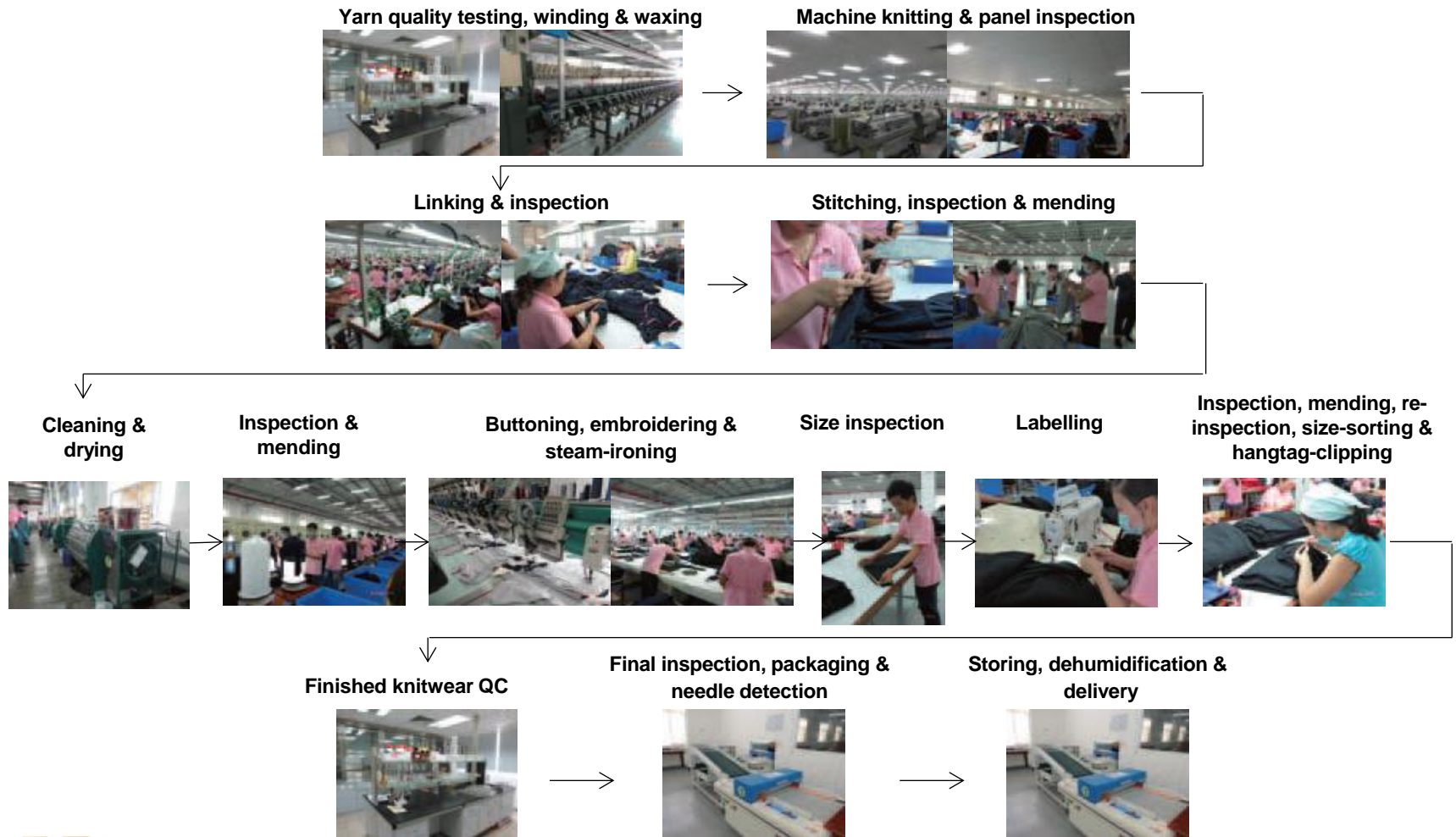
## HIGG INDEX

- Score of 87% in Facility Social & Labor Module
- Score of 65% in Facility Environmental Module







南旋控股有限公司  
NAMESON HOLDINGS LIMITED

# Knitwear Production Process



# WholeGarment Knitting vs Traditional Knitting

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



# Seamless Knitting Technology: WholeGarment

## Cost Effectiveness of Deploying WholeGarment Machinery

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



## Cater to Diverse Customer Needs

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

## Accretive to the Group's Development

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



南旋控股有限公司  
NAMESON HOLDINGS LIMITED

# Consolidated Income Statement

(Unaudited)  
Six months ended  
30 September

	2021 (HK\$ '000)	2022 (HK\$ '000)
<b>Revenue</b>	2,452,469	3,099,367
Cost of sales	(2,029,661)	(2,582,967)
<b>Gross profit</b>	422,808	516,400
Other income	13,056	29,601
Other gains, net	980	75,629
Selling and distribution expenses	(23,252)	(23,738)
General and administrative expenses	(169,933)	(168,388)
Impairment loss on the production base in Myanmar	-	(109,034)
<b>Operating profit</b>	243,659	320,470
Share of post-tax profit of a joint venture	630	570
Finance expenses, net	(10,869)	(15,183)
<b>Profit before income tax</b>	233,420	305,857
Income tax expenses	(30,345)	(50,727)
Profit for the period	203,075	255,130
<b>Profit for the period attributable to</b>		
- <b>Owners of the Company</b>	192,538	232,848
- <b>Non-controlling interests</b>	10,537	22,282
	203,075	255,130
<b>Earnings per share</b>		
- Basic and diluted (HK cents per share)	8.4	10.2



南旋控股有限公司  
NAMESON HOLDINGS LIMITED

# Consolidated Balance Sheet

	<i>Audited</i> <i>As at 31 March</i> 2022 <i>(HK\$ '000)</i>	<i>Unaudited</i> <i>As at 30 September</i> 2022 <i>(HK\$ '000)</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,131,132	2,006,908
Right-of-use assets	384,553	367,743
Investment properties	1,754	1,713
Interest in a joint venture	4,919	5,489
Financial assets at fair value through profit or loss	178,830	181,274
Prepayments, deposits, other receivables and other assets	69,298	66,528
Deferred income tax assets	694	676
	2,771,180	2,630,331
<b>Current assets</b>		
Inventories	1,161,246	802,447
Trade receivables	146,193	637,854
Derivative financial instruments	34	-
Prepayments, deposits, other receivables and other assets	124,813	203,882
Tax recoverable	73	-
Cash and cash equivalents	610,718	778,917
	2,043,077	2,423,100
<b>Total assets</b>	4,814,257	5,053,431





# Consolidate Balance Sheet (Con'd)

	<i>Audited</i> <i>As at 31 March</i> 2022 <i>(HK\$ '000)</i>	<i>Unaudited</i> <i>As at 30 September</i> 2022 <i>(HK\$ '000)</i>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the owners of the Company</b>		
Share capital	22,794	22,794
Reserves	2,385,610	2,559,680
	2,408,404	2,582,474
Non-controlling interests	194,490	211,337
<b>Total equity</b>	<b>2,602,894</b>	<b>2,793,811</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Bank borrowings	935,637	727,033
Loan from a non-controlling shareholder of a subsidiary	3,976	3,882
Lease liabilities	47,954	81,669
Provision for reinstatement cost	426	487
Deferred income tax liabilities	1,753	212
	989,746	813,283
<b>Current liabilities</b>		
Trade and bills payables	415,942	303,258
Accruals and other payables	240,062	269,688
Current income tax liabilities	236,048	280,491
Bank borrowings	254,471	508,423
Lease liabilities	75,094	84,477
	1,221,617	1,446,337
<b>Total liabilities</b>	<b>2,211,363</b>	<b>2,259,620</b>
<b>Total equity and liabilities</b>	<b>4,814,257</b>	<b>5,053,431</b>
<b>Net current assets</b>	<b>821,460</b>	<b>976,763</b>





南旋控股有限公司  
NAMESON HOLDINGS LIMITED

## Investor Contact:

Doris Chan  
[dorisc@nameson.com.hk](mailto:dorisc@nameson.com.hk)

