



南旋控股有限公司
NAMESON HOLDINGS LIMITED
Stock Code : 1982.HK

FY2022 INTERIM RESULTS

November 2021



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Presenters



Benny Wong
Chairman &
Executive Director



Jason Man
CEO &
Executive Director



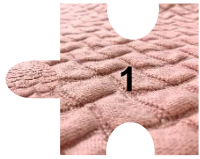
Stephen Tao
CFO &
Company Secretary



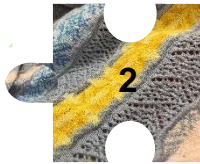
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Agenda



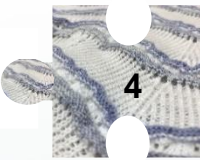
Results Overview



Financial Highlights



Business Review and Corporate Strategies



Question & Answer



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Results Overview



REVENUE (HK\$)

2,452.5mn ▲ 6.9%



- Volume of sweaters 17.9mn, -2.2%
- ASP HK\$110.5, -3.3%



- Positive sentiment and continuous efficiency improvement in 1Q
- Port congestion, some delay in shipment
- Delta COVID-19 impacted VN, re-worked allocations with customers and delivery



GROSS PROFIT (HK\$)

422.8mn ▼ 2.8%

GROSS PROFIT MARGIN

17.2% ▼ 1.8%pt



- Increased labour costs (more incentives to VN staff during lockdown and continued increase in CN labour costs)
- Increased subcontracting charges for alternations in allocation on urgent basis
- Surging utility costs
- Increased cashmere yarn and fabric businesses that has lower margin



NET PROFIT (HK\$)

203.1mn ▼ 11.3%

NET PROFIT MARGIN

8.3% ▼ 1.7%pt

EARNINGS PER SHARE (HK cents)

8.4 cents ▼ 20.0%

BREAKDOWN BY BUSINESSES



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

DIVIDEND PER SHARE (HK CENTS)



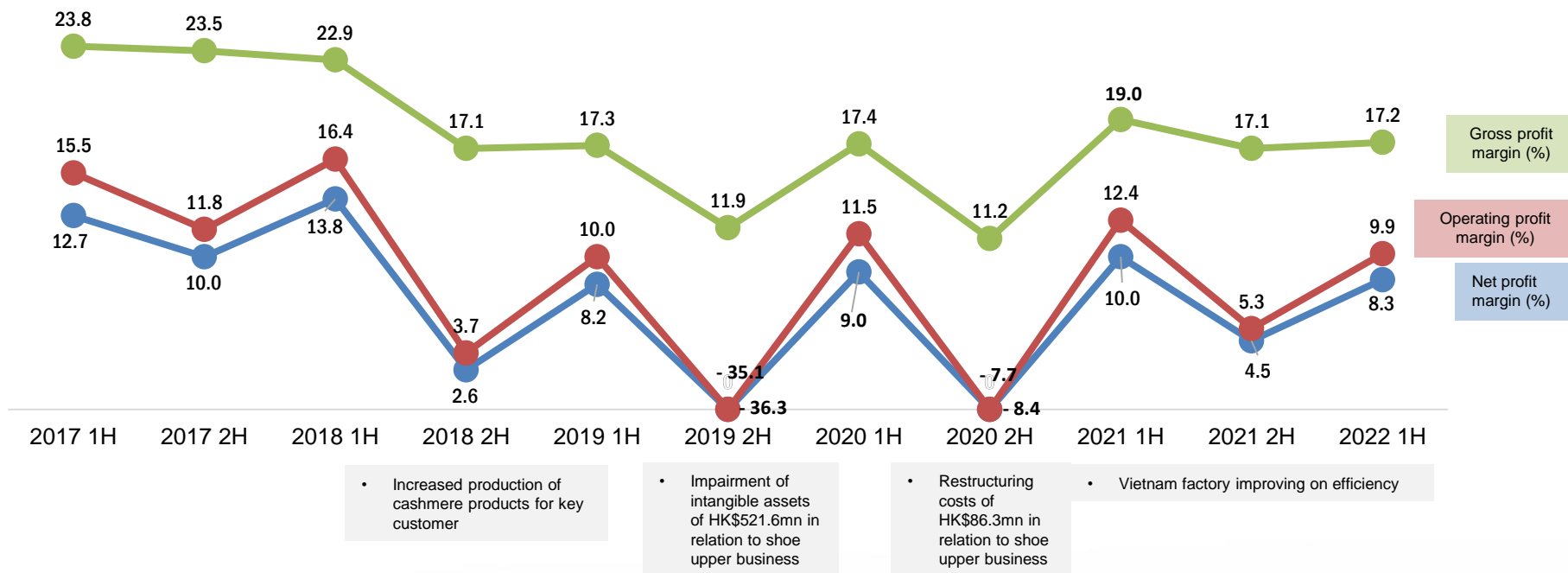
Payout Ratio **36.2%** **50.0%**



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Profit Ratio Trends



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
VN	2.5	2.8	4.3	4.1	8.0	5.5	7.9	6.0	9.7	7.3	8.9
CN	16.5	10.1	15.7	9.6	15.3	8.0	13.5	7.1	8.6	5.4	9.0



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FINANCIAL HIGHLIGHTS



Financial Review

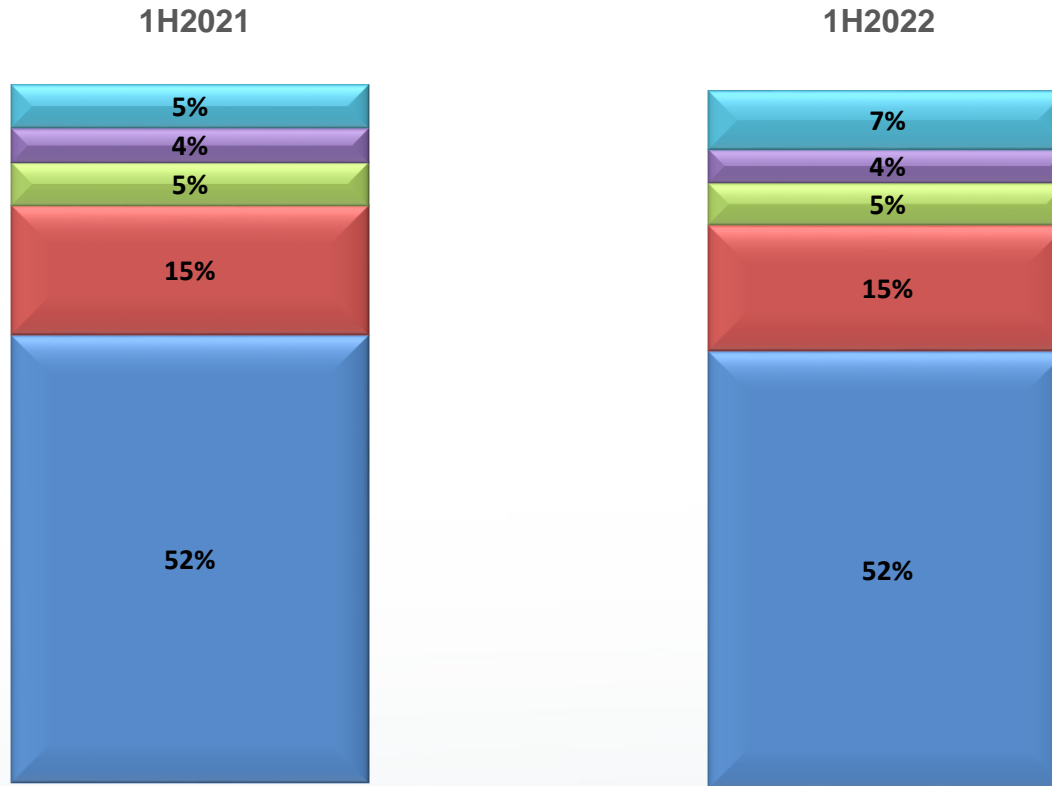
<i>(HK\$ 'mn)</i>	1H 2021	1H 2022	Change
Revenue	2,295.1	2,452.5	+6.9%
Gross Profit	435.0	422.8	-2.8%
<i>Gross Profit Margin</i>	19.0%	17.2%	-1.8ppts
Operating Profit	285.6	243.7	-14.7%
<i>Operating Profit Margin</i>	12.4%	9.9%	-2.5ppts
Profit before Tax	265.5	233.4	-12.1%
Profit for the Period	229.1	203.1	-11.3%
Profit attributable to the owners of the Company	238.5	192.5	-19.3%
Adjusted Net Profit*	235.0	191.7	-18.4%
<i>Adjusted Net Profit Margin</i>	10.2%	7.8%	-2.4ppts
<i>(HK¢ cents)</i>	1H 2021	1H 2022	Change
Basic Earnings Per Share (EPS)	10.5	8.4	-20.0%
Interim Dividend Per Share	3.8	4.2	+10.5%
Payout Ratio	36.2%	50.0%	

*Adjusted net profit is derived from profit attributable to the owners of the Company excluding realized and unrealized gain / losses from derivative financial instruments, which are income / expenses not considered as recurring in nature.



Cost of Sales Breakdown

(as % of revenue)



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



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Financial Position

(HK\$ 'mn)	As at 31 Mar 2021	As at 30 Sep 2021	Change
Cash and cash equivalents	793.2	569.0	-28.3%
Inventories	721.6	822.0	+13.9%
Trade Receivables	143.9	600.7	+317.4%
Trade and Bills Payables	314.4	318.5	+1.3%
Current Assets	1,786.2	2,140.8	+19.9%
Total Assets	4,655.6	4,980.1	+7.0%
Total Bank Borrowings and Lease Liabilities	1,519.3	1558.6	+2.6%
Net Debt	726.1	989.6	+36.3%
Total Equity	2,416.1	2,592.1	+7.3%
Gearing Ratio (%) #	23.1%	27.6%	+4.5 pts
Adjusted Return on Equity (%) *	12.6%	14.8%	+2.2 pts
Adjusted Return on Assets (%) *	6.6%	7.7%	+1.1 pts

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

* Adjusted ROE and Adjusted ROA are calculated using the adjusted net profit to better reflect the Group's operating results



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Summary of Cash Flow

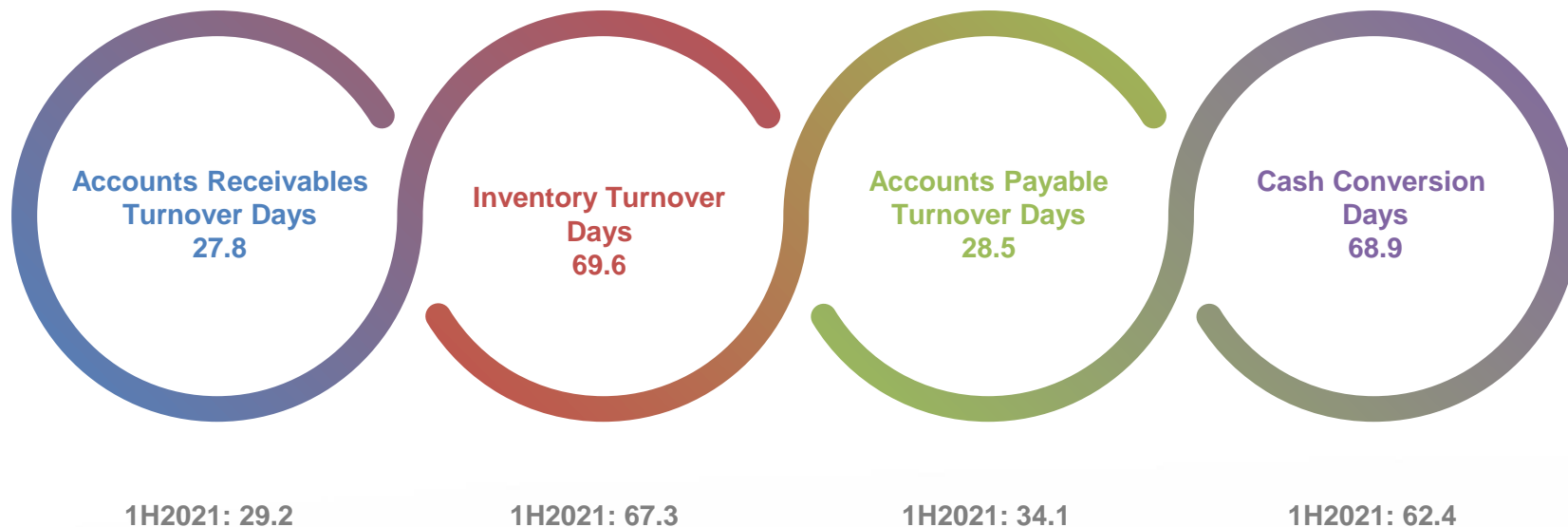
<i>(HK\$ 'mn)</i>	1H 2021	1H 2022
Net cash from / (used in) operating activities	269.8	(166.9)
<i>Profit before income tax</i>	265.5	233.4
<i>Adjusted for:</i>		
<i>Depreciation</i>	104.6	113.9
<i>Decrease / (Increase) in inventories</i>	247.3	(100.6)
<i>Increase in trade receivables</i>	(403.9)	(456.8)
<i>Decrease / (increase) in prepayments, deposits, other receivables and other assets</i>	128.9	(29.4)
<i>(Decrease) / Increase in accruals and other payables</i>	(87.6)	81.4
<i>Others</i>	15.0	(8.8)
Net cash used in investing activities	(146.0)	(56.6)
<i>Capital expenditures on property, plant and equipment</i>	(147.2)	(83.1)
<i>Disposals of property plant and equipment</i>	-	21.6
<i>Others</i>	1.2	4.9
Net cash used in financing activities	(30.4)	(0.7)
<i>(Decrease) / Increase in bank borrowings and lease liabilities</i>	(87.9)	26.6
<i>Dividend payment</i>	-	(27.3)
<i>Capital contribution from non-controlling interests</i>	57.5	-
Net Inflow / (Outflow) of Cash	93.4	(224.2)



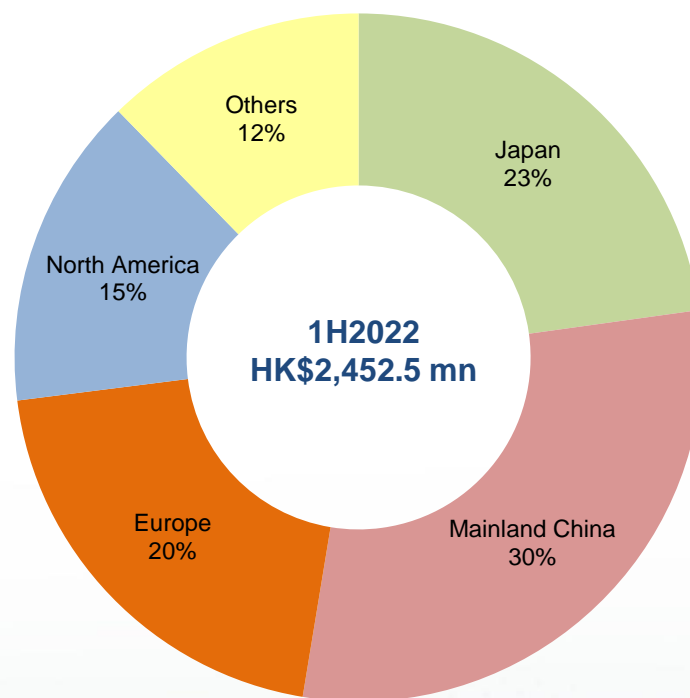
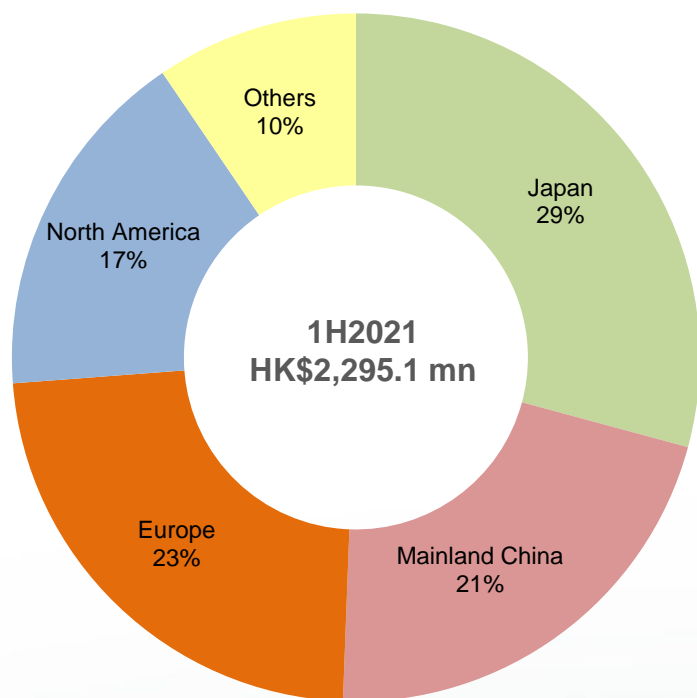
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Cash Conversion Cycle



Geographic Breakdown by Revenue

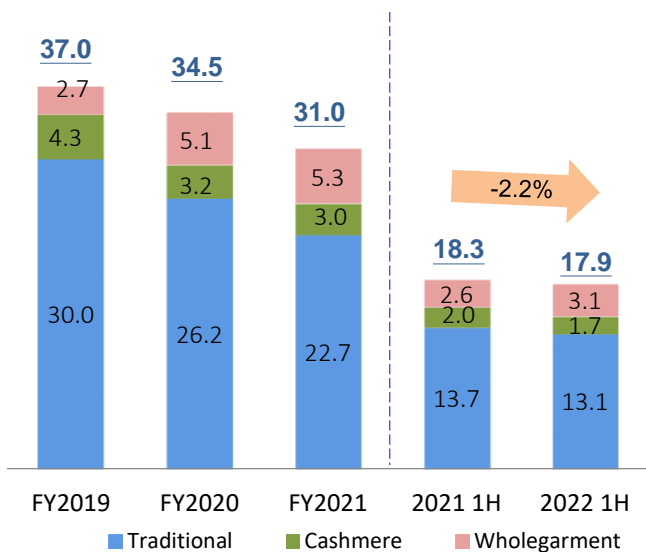


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Core Product: Sweaters

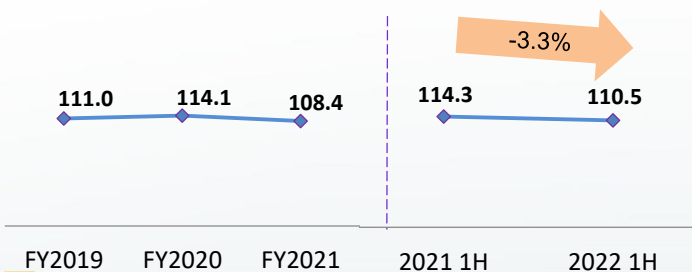
Sales Volume ('mn pieces)



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

- Better than expected efficiency in 1Q, ahead of time in production, port congestion caused some delay in shipment
- 2Q Delta variant affected productivity, but shipment of previously manufactured products continued
- VN remained in operation with lower productivity
- Re-worked allocation with customers, shipment volume was 17.9mn pieces

Average Selling Price (HK\$)



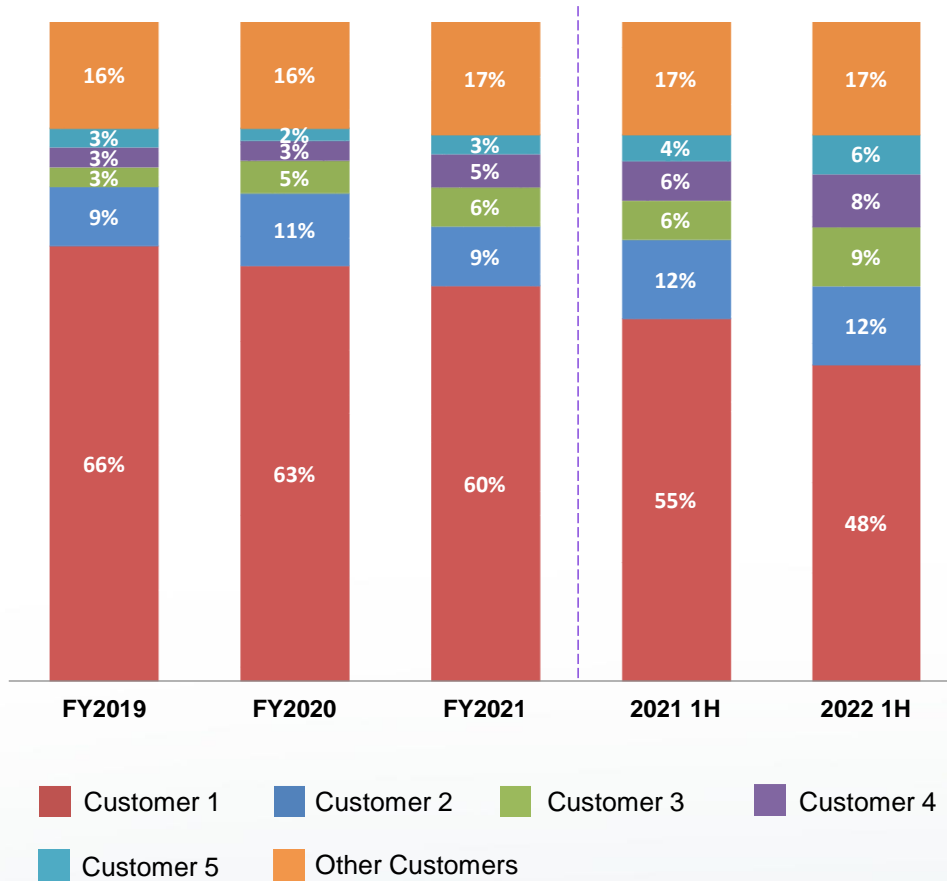
- Lower volume of cashmere products, ASP dropped mainly due to product mix



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Sweaters: Customer Mix



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Capacity by Location: Sweaters

Vietnam Factory

- Operating since 1Q2015
- GFA of > 130,000m²
- Machinery: ≈ 3,400
- Labor: > 7,500 employees
- Manufactured 50% of total sweaters in 2022 1H

China Factory

- Operating since 2002
- GFA of >350,000m²
- Machinery: ≈ 4,000
- Labor: > 5,000 employees
- Manufactured 50% of total sweaters in 2022 1H



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Remark: The above figures on labor in Vietnam refer to the number of contracted staff instead of number of staff on duty, given the temporary variance when we were in full compliance with “three-on-site” policy



Development of Myanmar for Knitwear

- Phase 1 construction almost complete, development was decelerated until political unrest and COVID-19 situation is less severe
- Myanmar is in a good position for its lot-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



Sewage Treatment



Interior Construction



Greenery



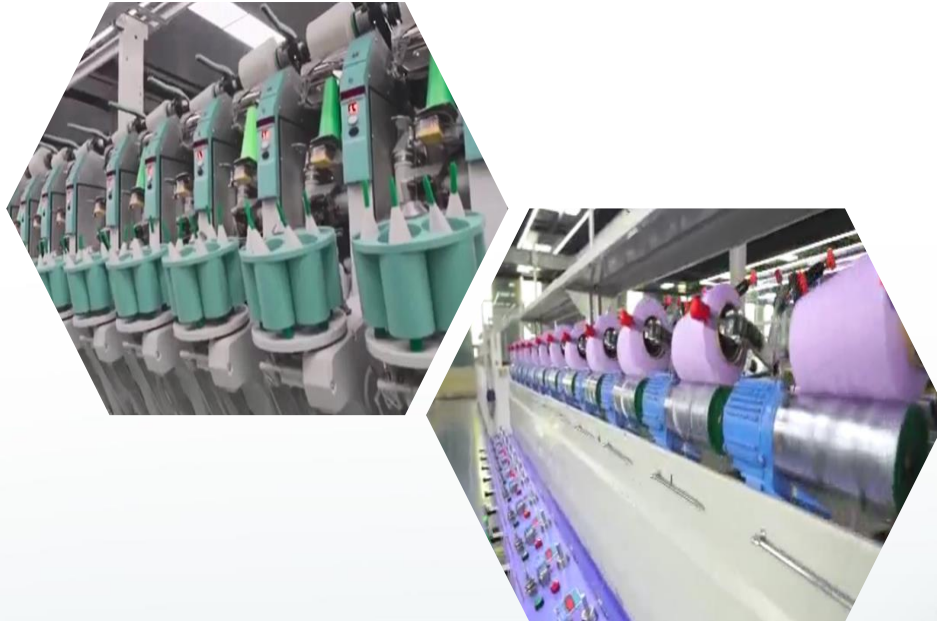
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Other Products – Cashmere Yarn

Cashmere Yarn

- 13 production lines, totaling approx. 900 tons annual design production capacity ramped up as planned
- Approx. 480 tons produced in FY2022 1H
- Satisfy internal usage and external customers



Cashmere Spinning Machines at Nanguan Tech

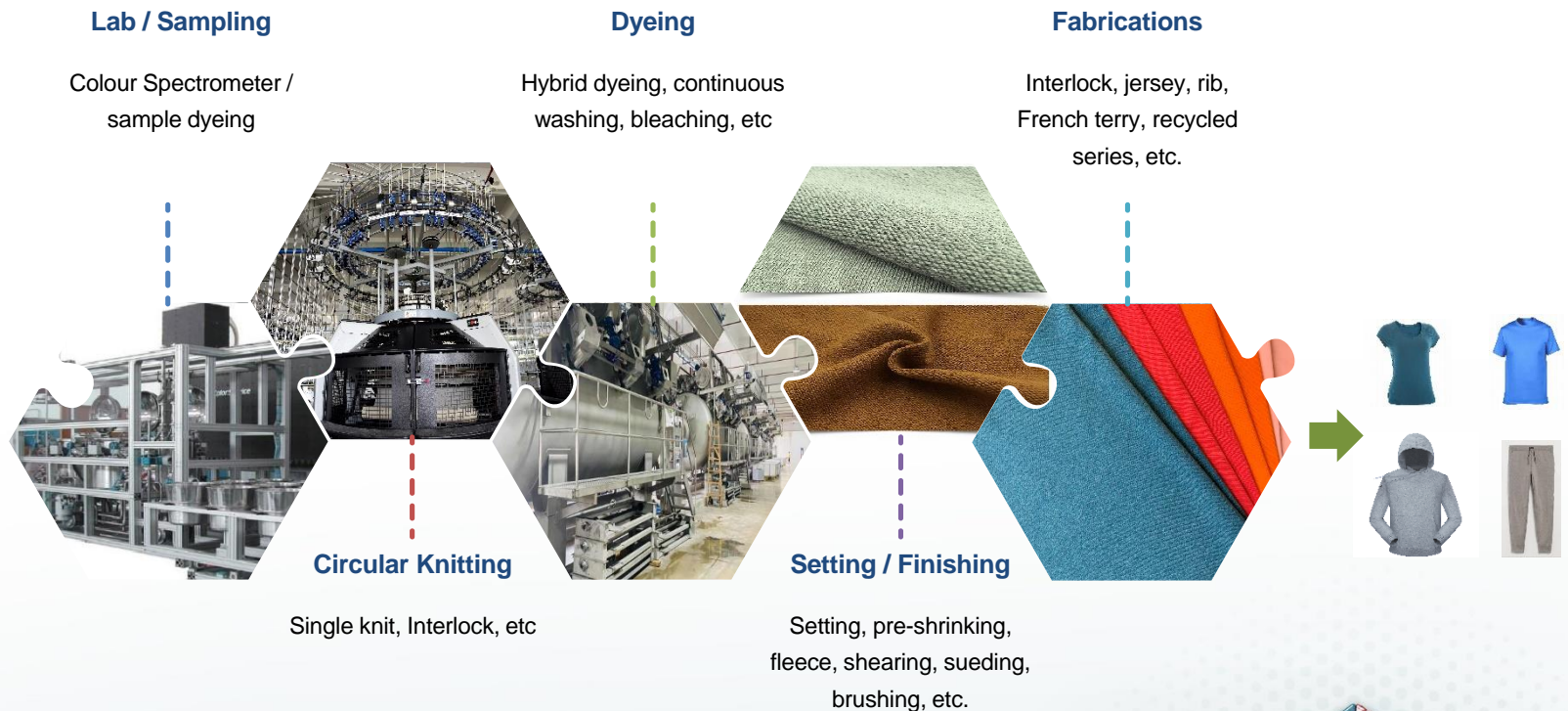


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Other Products - Fabrics

- Diversified into fabrics 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 1Q FY2022, contribution to the Group begins to take shape



Corporate Strategy



Digitisation / Automation

Upgrade ERP, digitise and automate, establish better management of resources



Environment

Embark on new energy project to save on energy costs while being good to the environment



Fundamental

Continue to diversify into businesses that are accretive to the Group



Innovation

Continue to innovate and design products of improved function, grow together with customers



Production Ratio

Continue to expand production ratio outside of China: expand Vietnam and embark on Myanmar when appropriate. Build scale to cater for quicker response time



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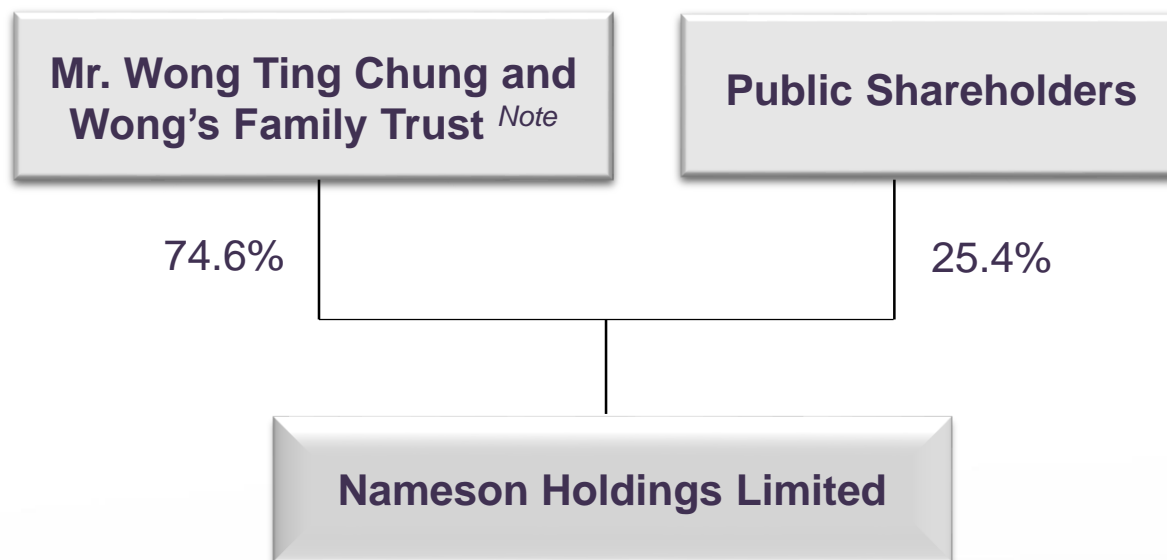


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QUESTION & ANSWER



Shareholding Structure



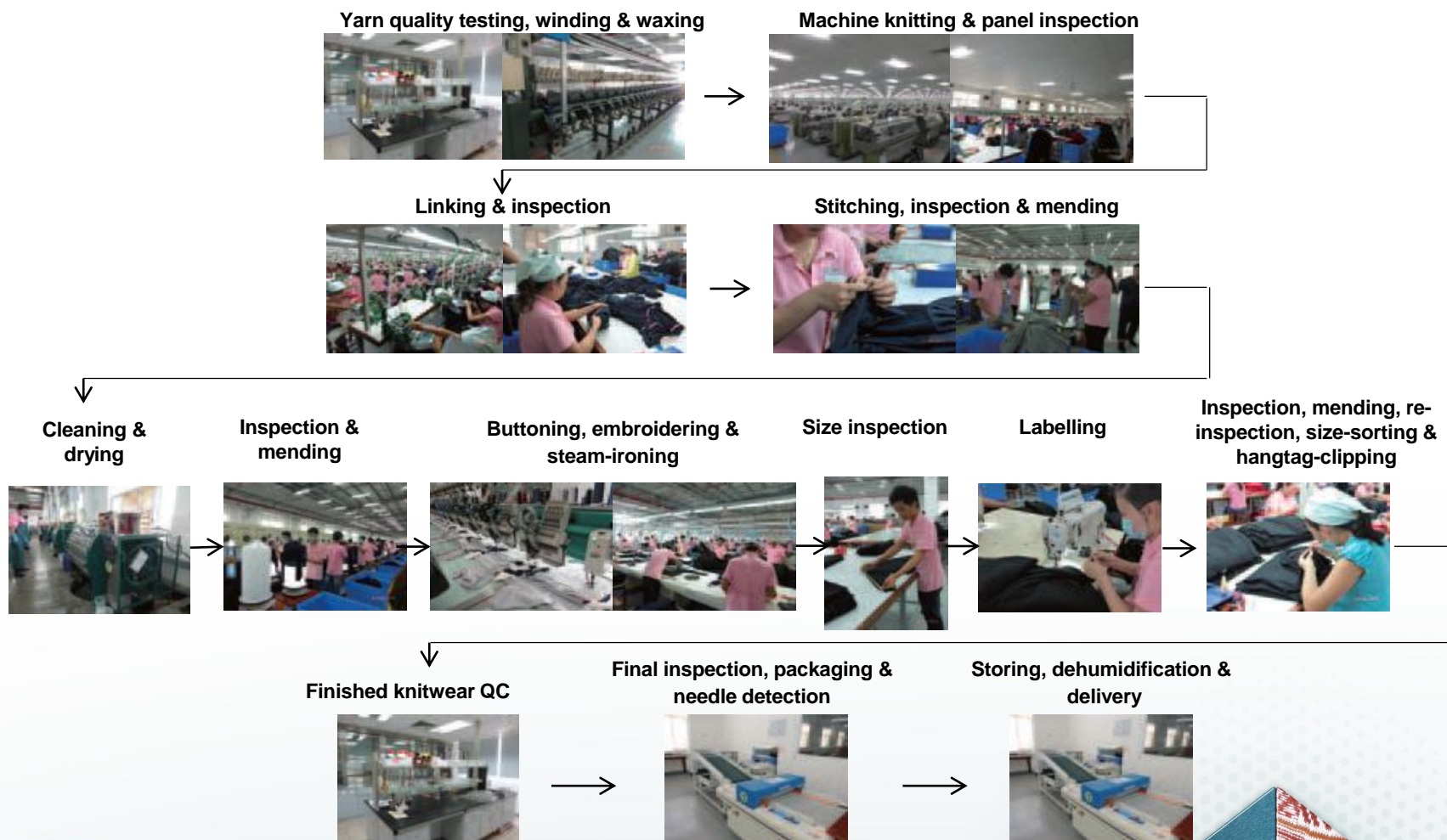
Note: The above diagram is a simplified shareholding structure. The family trust is a trust established by Founding Chairman Mr. Wong Ting Chung as the settlor with the beneficiaries being Mr. Wong Ting Chung and certain family members of the Wong's family.



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Knitwear Production Process



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WholeGarment Knitting VS Traditional Knitting

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



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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



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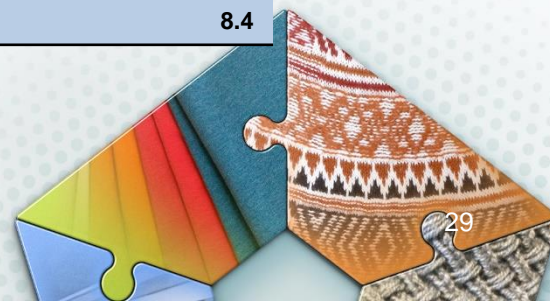


Consolidated Income Statement

	Unaudited 6 months ended 30 September	
	2020 (HK\$ '000)	2021 (HK\$ '000)
Revenue	2,295,057	2,452,469
Cost of sales	(1,860,019)	(2,029,661)
Gross profit	435,038	442,808
Other income	7,224	13,056
Other gains, net	20,349	980
Selling and distribution expenses	(19,953)	(23,252)
General and administrative expenses	(158,822)	(169,933)
Reversal of impairment losses on financial assets	1,720	-
Operating profit	285,556	243,659
Share of post-tax profit of a joint venture	216	630
Finance expenses, net	(20,270)	(10,869)
Profit before income tax	265,502	233,420
Income tax expenses	(36,417)	(30,345)
Profit for the period	229,085	203,075
Profit for the period attributable to		
- the owners of the Company	238,486	192,538
- Non-controlling interests	(9,401)	10,537
Earnings per share		
- Basic and diluted (HK cents per share)	10.5	8.4



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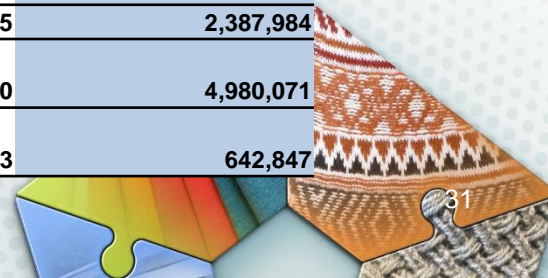
Consolidated Balance Sheet

	<i>Audited</i> As at 31 March 2021 (HK\$ '000)	<i>Unaudited</i> As at 30 September 2021 (HK\$ '000)
ASSETS		
Non-current assets		
Property, plant and equipment	1,770,817	1,938,751
Right-of-use assets	830,109	649,755
Investment properties	1,836	1,795
Intangible assets	-	-
Interest in a joint venture	8,297	4,787
Financial assets at fair value through profit or loss	173,113	175,528
Prepayments, deposits, other receivables and other assets	84,499	68,005
Deferred income tax assets	691	680
	2,869,362	2,839,301
Current assets		
Inventories	721,606	822,032
Trade receivables	143,866	600,666
Prepayments, deposits, other receivables and other assets	124,605	148,981
Tax recoverable	2,970	59
Cash and cash equivalents	793,201	569,032
	1,786,248	2,140,770
Total assets	4,655,610	4,980,071



Consolidated Balance Sheet (con'd)

	<i>Audited</i> As at 31 March 2021 (HK\$ '000)	<i>Unaudited</i> As at 30 September 2021 (HK\$ '000)
EQUITY		
Capital and reserves		
Share capital	22,794	22,794
Reserves	2,218,397	2,383,341
Capital and reserve attributable to the owners of the Company	2,241,191	2,406,135
Non-controlling interests	174,944	185,952
Total equity	2,416,135	2,592,087
LIABILITIES		
Non-current liabilities		
Bank borrowings	342,967	800,130
Lease liabilities	112,757	87,626
Provision for reinstatement cost	381	405
Deferred income tax liabilities	2,355	1,900
	458,460	890,061
Current liabilities		
Trade and bills payables	314,378	318,508
Accruals and other payables	183,798	258,638
Current income tax liabilities	219,224	249,905
Bank borrowings	881,317	519,660
Lease liabilities	182,298	151,212
	1,781,015	1,497,923
Total liabilities	2,239,475	2,387,984
Total equity and liabilities	4,655,610	4,980,071
Net current assets	5,233	642,847



THANK YOU



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