

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2016

	Six months ended		Change
	2016	2015	
	<i>HK\$' million</i>	<i>HK\$' million</i>	
Revenue	1,772.0	1,756.4	0.9%
Gross profit	422.1	359.5	17.4%
Gross profit margin	23.8%	20.5%	16.1%
Profit attributable to the owners of the Company	225.4	155.4	45.0%
Adjusted net profit	226.8	182.7	24.1%
Adjusted net profit margin	12.8%	10.4%	23.1%
Earnings per share — Basic and diluted	11.1 HK cents	10.4 HK cents	6.7%
Interim dividend per share	3.8 HK cents	N/A	N/A

Note: Adjusted net profit is derived from profit attributable to the owners of the Company excluding (a) realised and unrealised gains/(losses) from derivative financial instruments and (b) listing expenses which are expenses not considered recurring in nature.

The Board of directors (the “Board”) of Nameson Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2016, together with the comparative figures for the six months ended 30 September 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

(Expressed in Hong Kong dollars)

		(Unaudited)	
		Six months ended	
		30 September	
		2016	2015
	Note	HK\$'000	HK\$'000
Revenue	5	1,772,029	1,756,432
Cost of sales	7	<u>(1,349,888)</u>	<u>(1,396,923)</u>
Gross profit		422,141	359,509
Other income		8,119	7,664
Other gains/(losses), net	6	6,175	(2,153)
Selling and distribution expenses	7	(29,307)	(32,692)
General and administrative expenses	7	<u>(133,310)</u>	<u>(136,573)</u>
Operation profit		273,818	195,755
Finance income		945	360
Finance expenses		<u>(10,159)</u>	<u>(15,643)</u>
Finance expenses, net	8	(9,214)	(15,283)
Profit before income tax		264,604	180,472
Income tax expenses	9	<u>(39,217)</u>	<u>(25,042)</u>
Profit for the period attributable to the owners of the Company		<u>225,387</u>	<u>155,430</u>
Earnings per share attributable to the owners of the Company during the period			
— Basic (HK cents per share)	10	<u>11.1</u>	<u>10.4</u>
— Diluted (HK cents per share)	10	<u>11.1</u>	<u>10.4</u>

	(Unaudited)	
	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>225,387</u>	<u>155,430</u>
Other comprehensive income, net of tax:		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
— Currency translation differences	(7,996)	(45,758)
— Fair value gains/(losses) on available-for-sale financial assets	31	(31)
— Release of investment reserve upon disposal of available-for-sale financial assets	<u>(135)</u>	<u>—</u>
Other comprehensive income for the period, net of tax	<u>(8,100)</u>	<u>(45,789)</u>
Total comprehensive income for the period attributable to the owners of the Company	<u>217,287</u>	<u>109,641</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2016

(Expressed in Hong Kong dollars)

		(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Land use rights		43,719	44,871
Property, plant and equipment		1,014,144	847,841
Investment properties		2,349	2,416
Deferred income tax assets		592	768
Available-for-sale financial assets		141,778	139,867
Prepayments, deposits, other receivables and other assets		61,843	49,768
		<u>1,264,425</u>	<u>1,085,531</u>
Current assets			
Inventories		326,376	422,244
Trade receivables	12	286,713	42,550
Prepayments, deposits, other receivables and other assets		40,146	40,099
Short-term bank deposits		50,000	–
Cash and cash equivalents		734,645	221,637
		<u>1,437,880</u>	<u>726,530</u>
Total assets		<u><u>2,702,305</u></u>	<u><u>1,812,061</u></u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		20,750	–
Reserves		1,521,506	657,293
Total equity		<u><u>1,542,256</u></u>	<u><u>657,293</u></u>

		(Unaudited) As at 30 September 2016 <i>HK\$'000</i>	(Audited) As at 31 March 2016 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	316,314	170,960
Deferred income tax liabilities		565	434
		<u>316,879</u>	<u>171,394</u>
Current liabilities			
Trade and bills payables	<i>13</i>	177,311	128,276
Accruals and other payables		150,175	77,502
Current income tax liabilities		130,215	92,906
Borrowings	<i>14</i>	385,469	684,690
		<u>843,170</u>	<u>983,374</u>
Total liabilities		<u>1,160,049</u>	<u>1,154,768</u>
Total equity and liabilities		<u>2,702,305</u>	<u>1,812,061</u>
Net current assets/(liabilities)		<u>594,710</u>	<u>(256,844)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing of knitwear products. The ultimate holding company of the Company is Happy Family Assets Limited. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("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 28 November 2016.

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 2016 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 2016, 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 2016, except as described below.

(a) Share based payments

There has been no share option plan and related accounting policy being disclosed in the annual financial statements for the year ended 31 March 2016. During the period ended 30 September 2016, the Company newly operates an equity-settled, share-based compensation plan under which the Group receives services from employees as consideration for equity instruments of the Company. As such, the accounting policy in relation to share based payments was disclosed for the period ended 30 September 2016. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price) and the impact of any non-vesting conditions; but
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) The following amendments to standards are mandatory for the first time for the financial year beginning 1 April 2016:

HKAS 1 (Amendments)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKFRS 14	Regulatory deferral accounts
HKFRSs (Amendments)	Annual improvements 2012–2014 cycle

The Group has adopted these amendments to standards and the adoption of these amendments to standards did not have significant impacts on the Group's results and financial position.

There are no other new standards or amendments to standards that are effective for the first time for the period ended 30 September 2016 that could be expected to have a material impact on the Group.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sale and contribution of assets between an investor and its associate or joint venture	No mandatory effective date yet determined
HKAS 7 (Amendments)	Statement of cash flows	1 January 2017
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 2 (Amendments)	Share-based payment	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The directors of the Company is in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

4. ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2016.

5. SEGMENT INFORMATION

During the period, the Group has principally engaged in the manufacturing of knitwear products.

The Group has been operating in a single operating segment, i.e. manufacturing of knitwear products.

Management monitors the operating performance of its business as a whole for the purpose of resources allocation and performance assessment.

The Board assesses the performance of the operating segment based on a measure of profit before income tax.

(a) Revenue by location of goods delivery

	(Unaudited)	
	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Japan	660,572	611,648
North America	393,278	543,141
Europe	329,196	291,010
Mainland China	220,144	122,731
Other countries	168,839	187,902
	<u>1,772,029</u>	<u>1,756,432</u>

(b) Non-current assets

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	73,197	61,218
Mainland China	432,218	504,618
Vietnam	616,640	379,060
	<u>1,122,055</u>	<u>944,896</u>

The non-current asset information above is based on the location of the assets and excludes deferred income tax assets and available-for-sale financial assets.

(c) Major customers

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

	(Unaudited)	
	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	1,044,818	875,239
Customer B	354,129	473,188
Customer C	N/A	139,426
	<u>1,400,947</u>	<u>1,487,853</u>

The five largest customers accounted for approximately 88.8% (2015: 91.9%) of revenue for the period ended 30 September 2016.

6. OTHER GAINS/(LOSSES), NET

	(Unaudited)	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Realised and unrealised losses from derivative financial instruments	–	(12,316)
Net foreign exchange gains	3,880	7,395
Net gains on investments	2,390	2,664
Net (losses)/gains on disposals of property, plant and equipment	(95)	105
Others	–	(1)
	<u>6,175</u>	<u>(2,153)</u>

7. 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	
	2016	2015
	HK\$'000	HK\$'000
Amortisation of land use rights	556	588
Auditor's remuneration (excluding listing related services)		
— audit services	1,205	1,000
— non-audit services	540	–
Depreciation		
— owned property, plant and equipment	67,279	86,555
— property, plant and equipment held under finance leases	8,243	200
Employment benefit expenses (including directors' emoluments)	312,337	337,388
Cost of inventories	748,205	741,436
Subcontracting charges	214,931	235,772
Commission expenses	2,061	3,127
Operating lease rental in respect of land and buildings	1,535	218
Utilities expenses	29,829	31,587
Sample charges	6,878	8,043
Listing expenses	1,378	14,923
Others	117,528	105,351
	<u>1,512,505</u>	<u>1,566,188</u>

8. FINANCE EXPENSES, NET

	(Unaudited)	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Finance income		
Interest income from bank deposits	<u>945</u>	<u>360</u>
Finance expenses		
Interest expense on:		
— Bank borrowings	(8,850)	(13,427)
— Finance lease obligations	<u>(1,309)</u>	<u>(2,216)</u>
	<u>(10,159)</u>	<u>(15,643)</u>
Finance expenses, net	<u>(9,214)</u>	<u>(15,283)</u>

9. INCOME TAX EXPENSES

For the period ended 30 September 2016, Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period and the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% (2015: 25%) on estimated assessable profits.

The Group's subsidiary in Vietnam was subjected to preferential business income tax ("BIT") at the rate of 20% (standard BIT rate: 22%) till 31 December 2015. Since 1 January 2016, the preferential BIT rate is lowered to 17% (standard BIT rate: 20%). According to the investment certificate, the subsidiary is subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiary is entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and is eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No income tax has been provided for the subsidiary in Vietnam since the subsidiary has no assessable profit for the periods ended 30 September 2016 and 2015.

	(Unaudited)	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong profits tax	13,988	10,086
China corporate income tax	24,922	15,284
Deferred taxation	<u>307</u>	<u>(328)</u>
	<u>39,217</u>	<u>25,042</u>

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the periods ended 30 September 2016 and 2015 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 period. The weighted average number of ordinary shares in issue are determined as follows:

- (i) the 1 ordinary share of the Company issued on 11 August 2015 (date of incorporation) was treated as if it had been issued since 1 April 2015;
- (ii) the 1,121 ordinary shares of the Company issued in December 2015 as a result of the reorganisation in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange were treated as if they had been issued since 1 April 2015;
- (iii) the 1,499,998,878 ordinary shares of the Company issued on 12 April 2016 under the capitalisation issue were treated as if they had been in issue since 1 April 2015;
- (iv) the 500,000,000 ordinary shares offered to the public were issued on 12 April 2016; and
- (v) the 75,000,000 ordinary shares in connection with the exercise of the over-allotment option were issued on 28 April 2016.

	(Unaudited)	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Profit attributable to the owners of the Company	<u>225,387</u>	<u>155,430</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,033,880</u>	<u>1,500,000</u>
Basic earnings per share (HK cents)	<u>11.1</u>	<u>10.4</u>

(b) Diluted

Diluted earnings per share for the period ended 30 September 2016 equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

Diluted earnings per share for the period ended 30 September 2015 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

11. DIVIDENDS

At the Board meeting held on 28 November 2016, the Company's Board of Directors declared an interim dividend of 3.8 HK cents per share. The interim dividend amounting to HK\$78,850,000 has not been recognised as a liability in this interim financial information. It will be recognised as distribution in shareholder's equity in the year ending 31 March 2017.

Dividend of HK\$120,000,000 relating to the period ended 30 September 2015 represented dividends declared by the companies now comprising the Group to the equity holder of these companies before the group reorganisation for the listing, after elimination of intra-group dividends.

12. TRADE RECEIVABLES

	(Unaudited) As at 30 September 2016 <i>HK\$'000</i>	(Audited) As at 31 March 2016 <i>HK\$'000</i>
Trade receivables	<u>286,713</u>	<u>42,550</u>

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

	(Unaudited) As at 30 September 2016 <i>HK\$'000</i>	(Audited) As at 31 March 2016 <i>HK\$'000</i>
Up to three months	286,454	41,860
Three to six months	152	590
Over six months	<u>107</u>	<u>100</u>
	<u>286,713</u>	<u>42,550</u>

13. TRADE AND BILLS PAYABLES

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

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

	(Unaudited) As at 30 September 2016 <i>HK\$'000</i>	(Audited) As at 31 March 2016 <i>HK\$'000</i>
Within one month	89,120	93,467
One to two months	71,435	19,234
Two to three months	13,164	13,722
Over three months	<u>3,592</u>	<u>1,853</u>
	<u>177,311</u>	<u>128,276</u>

14. BORROWINGS

	(Unaudited) As at 30 September 2016 <i>HK\$'000</i>	(Audited) As at 31 March 2016 <i>HK\$'000</i>
Non-current		
Bank borrowings, secured	218,833	84,605
Finance lease obligations	97,481	86,355
	<u>316,314</u>	<u>170,960</u>
Current		
Short-term bank borrowings, secured	173,911	268,728
Portion of long-term bank borrowings, secured	149,615	391,457
Finance lease obligations	61,943	24,505
	<u>385,469</u>	<u>684,690</u>
Total borrowings	<u><u>701,783</u></u>	<u><u>855,650</u></u>

The weighted average effective interest rates as at 30 September 2016 and 2015 are as follows:

	2016	2015
Finance lease obligations	1.70%	1.70%
Bank borrowings	<u>2.00%</u>	<u>3.22%</u>

The bank borrowings are due for repayment as follows:

	(Unaudited) As at 30 September 2016 <i>HK\$'000</i>	(Audited) As at 31 March 2016 <i>HK\$'000</i>
Within one year	268,424	459,574
Between one and two years	120,800	113,935
Between two and five years	153,135	171,281
	<u>542,359</u>	<u>744,790</u>

The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand rights.

As at 30 September 2016, the above borrowings are secured by certain land use rights with carrying amount of HK\$16,355,000 (31 March 2016: HK\$17,183,000); and certain land and buildings and leasehold improvements with a total carrying amount of HK\$230,578,000 (31 March 2016: HK\$246,992,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the first three quarters of 2016, uncertainties affected the global economy, resulting in a challenging operating environment for businesses. Although the overall statistics of the third quarter this year in the United States indicated that the economy had grown moderately, the pressure to raise interest rates had kept increasing, and that plus the uncertainty of the United States presidential election added to the instability of the country's economy. In Europe, economic growth weakened in part due to the underlying factors of Brexit. Inflation in Japan continued to trend down and, in the absence of drive from structural reforms, the economic outlook of the country remained challenging. As for the Chinese economy, despite feeling continuous downward pressure, it recorded positive economic data for the third quarter indicative of its relatively steady economic growth.

With the macro economy ridden with challenges, the operating environment has also been testing for the knitwear industry in China. 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 between January and September 2016 amounted to US\$67.6 billion, representing a slight decrease of 7.2% compared with the same period last year. The total export value to the United States, Japan and Europe from January to September 2016 also decreased compared with the same period last year. Despite that consumption was generally weak in different countries, the textile and garment industry in Vietnam recorded export growth of a good extent. According to Vietnam Customs statistics, the country's total export value of textile and garments between January and September 2016 amounted to US\$17.78 billion, representing an increase of 4.6% compared with the same period last year. The total export value to Japan grew by 5.7% to US\$2.15 billion and that to the United States was up by 3.7%, compared with the same period last year.

BUSINESS REVIEW

Expecting the low cost advantages, stable labour supply and favourable tariff policies in Vietnam to benefit its long-term development, the Group commenced strategic expansion of its production base in Vietnam back in 2014. That plus the persistent demand among international apparel brand customers for high-quality and innovative knitwear products and its effective cost control measures, the Group achieved satisfactory growth in both net profit and adjusted net profit in the first half of financial year 2017 in spite of the uncertain macroeconomic environment. Compared with the same period last year, net profit rose by 45.0% to HK\$225.4 million and net profit margin increased to approximately 12.7%.

During the reporting period, the Group's total sales amounted to HK\$1,772.0 million, representing an increase of 0.9% compared with the same period last year. With the first phase of the Vietnam Factory in operation since the first quarter of 2015, giving the Group enhanced production capacity, and the Group's quality production technology and designs and development capabilities enabling it to secure more orders from the Japanese and Chinese markets, sales to the Japanese and Chinese markets in the first half of financial year 2017 increased significantly by 8.0% and 79.4% to HK\$660.6 million and HK\$220.1 million respectively, compared with the same period last year, which in turn boosted the Group's total sales. The substantial increase in orders from the Chinese market also enabled the Group's PRC Factory to maintain high utilisation of production capacity. Due to the weak consumer sentiment in the United States, sales to the North American market, which amounted to HK\$393.3 million in the first half of financial year 2017, was down by 27.6% compared with the same period last year. During the period, the Group was able to increase its gross profit margin to 23.8% through cost control measures, optimising production equipment and processes, as well as actively enhancing operational efficiency. In addition, the relatively low exchange rate of Renminbi during the first half of financial year 2017 continued to help the Group's PRC Factory to save operating cost.

PROSPECTS

Looking forward, uncertainties continue to loom in the global economy, including the slowdown of growth in the United States, the Brexit referendum affecting investor confidence and the sluggish Japanese economy. Growth of Chinese economy is also likely to slow down and the overall global economy is expected to continue to grow slowly. The textile and garment industry in China is going to face keener yet competition from Southeast Asian countries such as Vietnam, Bangladesh and Myanmar, which enjoy low operating costs and preferential tariff treatments.

Nonetheless, market demand for knitwear products will remain enormous and stable. The Group will adhere to its set development strategy. It will push forward to achieve the goals of internationalisation of its production facilities and automation and standardisation of production technology, while closely monitoring market trends. With the second phase of the Vietnam Factory to progressively commence operation in the second half of financial year 2017, the Group will strive to strengthen the synergies between the production bases in China and Vietnam, enhance flexibility of production arrangements, and further increase the efficiency brought by the internationalisation of its production facilities.

FINANCIAL REVIEW

Revenue

Revenue of the Group represents revenue from sales of knitwear products, namely womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves, to our customers.

The Group's revenue slightly increased by 0.9% to HK\$1,772.0 million for the six months ended 30 September 2016 from HK\$1,756.4 million for the six months ended 30 September 2015. The increase was primarily due to increase in sales volume of womenswear, which was partially offset by the decrease in sales volume of menswear.

The increase in the Group's revenue was largely in line with the increase in the Group's sales volume. The Group's sales volume increased by 3.7% from 18.8 million pieces of knitwear products for the six months ended 30 September 2015 to 19.5 million pieces of knitwear products for the six months ended 30 September 2016.

Consistent with the Group's geographical market distribution for the six months ended 30 September 2015, Japan, North America (mainly the United States of America) and Europe were still our top three markets for the six months ended 30 September 2016. The revenue attributable to the Japanese market, North America market and Europe market accounted for 37.3%, 22.2% and 18.6% of the Group's total revenue for the six months ended 30 September 2016.

Cost of Sales

For the six months ended 30 September 2016, the Group incurred cost of sales of HK\$1,349.9 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation of property, plant and equipment, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the six months ended 30 September 2016, the Group recorded gross profit of HK\$422.1 million and gross profit margin of 23.8% as compared to the gross profit of HK\$359.5 million and gross profit margin of 20.5% for the six months ended 30 September 2015.

The significant increase in gross profit margin for the six months ended 30 September 2016 was mainly due to (i) improvement in cost and production efficiency as a result of cost control measures and streamlining of production process in our PRC Factory and Vietnam Factory; and (ii) continuous depreciation of RMB during the period.

Other Income

Other income primarily consisted of sample sales income, rental income from staff quarter and rental income from investment properties. The other income of the Group increased by HK\$0.4 million from HK\$7.7 million for the six months ended 30 September 2015 to HK\$8.1 million for the six months ended 30 September 2016. Such increase was mainly due to the increase in miscellaneous other income, which was partially offset by the decrease in sample sales income as the Group chose not to charge our customers for certain samples produced by us.

Other Gains/(Losses), Net

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

Other gains increased by HK\$8.4 million, turning other losses of HK\$2.2 million for the six months ended 30 September 2015 to other gains of HK\$6.2 million for the six months ended 30 September 2016. This is primarily due to the settlement and unwinding of all of the Group's outstanding forward foreign currency contracts which resulted in a net realised loss from derivative financial instruments of HK\$12.3 million for the six months ended 30 September 2015. For the six months ended 30 September 2016, the Group did not enter into any derivative financial instruments and did not have any realised and unrealised gains/(losses) from derivative financial instruments.

The other gains for the six months ended 30 September 2016 mainly represented net foreign exchange gains of HK\$3.9 million and net gains on investments of HK\$2.4 million.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses slightly decreased by HK\$3.4 million, from HK\$32.7 million for the six months ended 30 September 2015 to HK\$29.3 million for the six months ended 30 September 2016. Such decrease was mainly due to the decreases in advertising and promotion expenses and sample charges as a result of cost control measures.

General and Administrative Expenses

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

The Group's general and administrative expenses decreased by HK\$3.3 million from HK\$136.6 million for the six months ended 30 September 2015 to HK\$133.3 million for the six months ended 30 September 2016. Such decrease was mainly due to the decrease in listing expenses from HK\$14.9 million for the six months ended 30 September 2015 to HK\$1.4 million for the six months ended 30 September 2016 as the Company's shares were successfully listed on the Main Board of the Stock Exchange on 12 April 2016, which was partially offset by the increase in staff costs as a result of expansion of our administrative staff team and the annual salary increment of our administrative staff.

Finance Expenses, Net

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

The Group's net finance expenses decreased by HK\$6.1 million from HK\$15.3 million for the six months ended 30 September 2015 to HK\$9.2 million for the six months ended 30 September 2016. The decrease in net finance expenses was mainly due to our decreased average borrowings during the six months ended 30 September 2016 and this is consistent with the lower gearing ratio and stronger liquidity of our Group during the same period.

Income Tax Expenses

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

Hong Kong profits tax as applicable to the Group is 16.5% for the six-month periods ended 30 September 2016 and 2015 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 at a rate of 25% on the estimated assessable profits for the six-month periods ended 30 September 2016 and 2015.

The Group's subsidiary in Vietnam was subjected to preferential business income tax ("BIT") at the rate of 20% (standard BIT rate: 22%) till 31 December 2015. Since 1 January 2016, the preferential BIT rate is lowered to 17% (standard BIT rate: 20%). According to the investment certificate, the subsidiary is subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiary is entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and is eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No provision has been made for BIT as the Group's subsidiary in Vietnam did not generate any taxable profit subject to BIT for the six-month periods ended 30 September 2016 and 2015.

The effective tax rates of the Group were 14.8% and 13.9% for the six-month periods ended 30 September 2016 and 2015 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\$225.4 million and HK\$155.4 million for the six-month periods ended 30 September 2016 and 2015 respectively.

The increase in net profit for the six months ended 30 September 2016 was primarily due to (i) increase in gross profit margin as a result of cost control measures and streamlining of production process in our production bases and continuous depreciation of RMB; (ii) decrease in listing expenses incurred in connection with the Company's listing as the Company's shares were successfully listed on the Main Board of the Stock Exchange on 12 April 2016; and (iii) net losses of HK\$12.3 million from derivative financial instruments were recognised for the six months ended 30 September 2015 whilst no such (losses)/gains from derivative financial instruments for the six months ended 30 September 2016.

Adjusted Net Profit

Adjusted net profit means net profit for the period without taking into account realised and unrealised gains/(losses) from derivative financial instruments and listing expenses incurred in connection with the Company's listing on the Stock Exchange.

Based on the above, the Group's adjusted net profit increased by HK\$44.1 million from HK\$182.7 million for the six months ended 30 September 2015 to HK\$226.8 million for the six months ended 30 September 2016. As a percentage of revenue, the adjusted net profit margin increased from 10.4% for the six months ended 30 September 2015 to 12.8% for the six months ended 30 September 2016.

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 2016 was HK\$281.8 million, primarily due to profit before income tax of HK\$264.6 million, adjusted for depreciation of property, plant and equipment of HK\$75.5 million, decrease in inventories of HK\$97.8 million, increases in trade and bills payables of HK\$49.6 million and accruals and other payables of HK\$53.6 million, which was partially offset by the increase in trade receivables of HK\$241.9 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2016 was HK\$215.2 million, primarily due to the purchase of property, plant and equipment of HK\$168.0 million and increase in bank deposits with maturity over three months of HK\$50.0 million.

Net Cash Generated from Financing Activities

The Group's net cash generated from financing activities for the six months ended 30 September 2016 was HK\$448.6 million, which was mainly attributable to the proceeds from the Company's listing on the Stock Exchange on 12 April 2016 of HK\$690.0 million, which was partially offset by the net decrease in the Group's borrowings of HK\$218.6 million.

Cash and Cash Equivalents

For the six months ended 30 September 2016, the Group's cash and cash equivalents increased by HK\$515.2 million and the exchange loss was HK\$2.2 million. The net increase in the Group's cash and cash equivalents was from HK\$221.6 million as at 31 March 2016 to HK\$734.6 million as at 30 September 2016.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 September 2016, the Group's cash and cash equivalents was mainly used in the development of the second phase of our Vietnam Factory, 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 proceeds from initial public offering, cash generated from operating activities and borrowings. The Group's gearing ratio decreased from 49.1% as at 31 March 2016 to 0% as at 30 September 2016 as the Group had a net cash position as at 30 September 2016. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 30 September 2016, the Group's cash and cash equivalents, amounting to HK\$734.6 million, were denominated in US dollars ("US\$") (28.4%), HK\$ (53.2%), Chinese Renminbi ("RMB") (15.9%), Vietnamese Dong ("VND") (2.3%) and other currencies (0.2%).

As at 30 September 2016, the Group's total borrowings (i.e. bank borrowings and finance lease obligations) were due for repayment as follows:

	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000
Within one year	330,367	484,079
Between one and two years	185,278	156,749
Between two and five years	186,138	214,822
	<u>701,783</u>	<u>855,650</u>

Notes:

- (a) The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand rights.
- (b) As at 30 September 2016, the Group's borrowings were denominated in HK\$ (71.1%) and US\$ (28.9%). All the Group's borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and finance lease obligations as at 30 September 2016 were 2.00% and 1.70% respectively.
- (c) As at 30 September 2016, the Group's bank borrowings were secured by land use rights with carrying amount of HK\$16.4 million and land and buildings and leasehold improvements with a total carrying amount of HK\$230.6 million.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK\$255.7 million for the period ended 30 September 2016, which were mainly related to the construction of the factory buildings and purchase of machinery for the second phase of our Vietnam Factory.

The Group's capital commitments as at 30 September 2016 amounted to approximately HK\$175.2 million which were mainly related to the purchase of machinery for the second phase of our Vietnam Factory.

Operating Lease Commitments

As at 30 September 2016, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately HK\$0.3 million, which is due within one year.

Charge on Assets

As at 30 September 2016, the Group's land use rights with carrying amount of HK\$16.4 million and land and buildings and leasehold improvements with total carrying amount of HK\$230.6 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 2016.

Financial Risk Management

(a) Foreign Currency Risk

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

The Group entered into forward foreign currency contracts to mitigate its exposures of RMB against US\$. However, due to the depreciation of RMB against US\$ in early August 2015, the Group decided to unwind all of its outstanding forward foreign currency contracts by 30 September 2015 so as to crystallise its exposures and avoid the risk of any additional losses. During the six months ended 30 September 2016, the Group did not use any financial instruments to hedge against foreign currency risk but the Board will continue to closely monitor the foreign currency risk exposure of our Group and may use financial instruments for hedging purposes as and when necessary.

(b) Interest Rate Risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into any financial instruments to hedge against interest rate risk for the six months ended 30 September 2016 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 do not expect to experience any material impairment on trade receivables and receivables from other counterparties.

As at 30 September 2016, all the Group's bank balances and deposits were held with major financial institutions in Hong Kong, the PRC and Vietnam which the Directors believe are of high credit quality. The Directors do not expect any losses arising from the non-performance by these financial institutions.

(d) Liquidity Risk

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

Human Resources and Emolument Policy

As at 30 September 2016, the Group had a total of approximately 10,000 full-time employees in the PRC, Vietnam and Hong Kong. For the six months ended 30 September 2016, the total staff costs, including the directors' emoluments, amounted to HK\$312.3 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, the Group will provide appropriate training programs to the new recruits before they are assigned to work at the manufacturing facilities of the Group. From time to time, different on-the-job training will be provided to employees in order to ensure continuous staff development and skills upgrading.

OTHER INFORMATION

Interim Dividend and Closure of Register of Members

The Board has resolved to declare an interim dividend of 3.8 HK cents per share for the six months ended 30 September 2016 to be paid to the shareholders of the Company whose names recorded on the register of members of the Company at the close of business on Thursday, 15 December 2016. The interim dividend is expected to be payable on or about Friday, 30 December 2016.

The Company's register of members will be closed from Tuesday, 13 December 2016 to Thursday, 15 December 2016 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Monday, 12 December 2016.

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

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance Code

As the Company believes that good corporate governance can create value for its shareholders, the Board is committed to maintaining a high standard of corporate governance practices by placing strong emphasis on a quality board of Directors, sound internal controls and effective accountability to the shareholders as a whole.

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 since the listing of its shares on the Main Board of the Stock Exchange on 12 April 2016 (the "Listing Date") to 30 September 2016.

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 since the Listing Date to 30 September 2016.

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 three independent non-executive Directors, namely, Mr. Ong Chor Wei (Chairman), Mr. Kan Chung Nin, Tony and Mr. Fan Chun Wah, Andrew. 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 28 November 2016 to meet with the external auditor of the Company and review the Company's interim financial report for the six months ended 30 September 2016.

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 2017 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

28 November 2016

As at the date of this announcement, the Board comprises Mr. Wong Ting Chung BBS, JP (Chairman and chief executive officer), Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Li Po Sing and Ms. Chan Mei Hing, Aurora, as executive Directors; Mr. Tam Wai Hung, David, Mr. Wong Ting Kau, Mr. Wong Wai Yue and Mr. Lau Ka Keung MH, JP, as non-executive Directors; Ms. Fan Chiu Fun, Fanny GBS, JP, Mr. Kan Chung Nin, Tony SBS, JP, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew JP and Ms. Lee Bik Kee, Betty, as independent non-executive Directors.