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 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2017	2016	Change
	HK$' million	*HK$' million*	
Revenue	**2,114.3**	1,776.9	19.0%
Gross profit	**484.2**	420.1	15.3%
Profit attributable to the owners of the Company	**292.1**	225.4	29.6%
Adjusted net profit	**292.1**	226.8	28.8%
Adjusted net profit margin	**13.8%**	12.8%	7.8%
Earnings per share — Basic and diluted	**14.1 HK cents**	11.1 HK cents	27.0%
Interim dividend per share	**5.0 HK cents**	3.8 HK cents	31.6%

Note: Adjusted net profit is derived from profit attributable to the owners of the Company excluding listing expenses which are not considered as recurring in nature.

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 2017, together with the comparative figures for the six months ended 30 September 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017
(Expressed in Hong Kong dollars)

		(Unaudited) Six months ended 30 September	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**2,114,317**	1,776,867
Cost of sales	*7*	**(1,630,089)**	(1,356,766)
Gross profit		**484,228**	420,101
Other income		**6,672**	3,281
Other gains, net	*6*	**20,908**	6,175
Selling and distribution expenses	*7*	**(24,536)**	(22,429)
General and administrative expenses	*7*	**(140,691)**	(133,310)
Operating profit		**346,581**	273,818
Finance income		**1,530**	945
Finance expenses		**(8,995)**	(10,159)
Finance expenses, net	*8*	**(7,465)**	(9,214)
Profit before income tax		**339,116**	264,604
Income tax expenses	*9*	**(47,002)**	(39,217)
Profit for the period attributable to the owners of the Company		**292,114**	225,387
Earnings per share attributable to the owners of the Company during the period			
— Basic (HK cents per share)	*10*	**14.1**	11.1
— Diluted (HK cents per share)	*10*	**14.1**	11.1

	(Unaudited) Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**292,114**	225,387
Other comprehensive income, net of tax:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Currency translation differences	**15,243**	(7,996)
— Fair value gains on available-for-sale financial assets	**—**	31
— Release of investment reserve upon disposal of available-for-sale financial assets	**—**	(135)
Other comprehensive income for the period, net of tax	**15,243**	(8,100)
Total comprehensive income for the period attributable to the owners of the Company	**307,357**	217,287

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2017
(Expressed in Hong Kong dollars)

	Note	(Unaudited) As at 30 September 2017 HK$'000	(Audited) As at 31 March 2017 HK$'000
ASSETS			
Non-current assets			
Land use rights		**95,365**	42,624
Property, plant and equipment		**1,219,598**	1,227,821
Investment properties		**27,884**	2,282
Available-for-sale financial assets		**146,973**	144,800
Prepayments, deposits, other receivables and other assets		**32,680**	42,310
		1,522,500	1,459,837
Current assets			
Inventories		**401,129**	417,970
Trade receivables	*12*	**460,027**	104,913
Prepayments, deposits, other receivables and other assets		**86,798**	55,915
Short-term bank deposits		**50,437**	50,229
Cash and cash equivalents		**1,022,318**	643,197
		2,020,709	1,272,224
Total assets		**3,543,209**	2,732,061
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**20,756**	20,750
Reserves		**1,819,146**	1,549,246
Total equity		**1,839,902**	1,569,996

	Note	(Unaudited) As at 30 September 2017 HK$'000	(Audited) As at 31 March 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*14*	**384,891**	378,836
Deferred income tax liabilities		**2,521**	2,443
		387,412	381,279
Current liabilities			
Trade and bills payables	*13*	**248,760**	174,999
Accruals and other payables		**132,376**	82,992
Current income tax liabilities		**157,243**	107,226
Borrowings	*14*	**777,516**	415,569
		1,315,895	780,786
Total liabilities		**1,703,307**	1,162,065
Total equity and liabilities		**3,543,209**	2,732,061
Net current assets		**704,814**	491,438

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 27 November 2017.

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 2017 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 2017, 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 2017, except as mentioned below.

(a) The following amendments to standards are mandatory for the first time for the financial year beginning 1 April 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

The Group has adopted these standards and the adoption of these 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 this interim period that could be expected to have a material impact on the Group.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2017 and have not been early adopted by the Group:

HKAS 28 (Amendment)	Measuring an Associate or Joint Venture at Fair Value[1]
HKAS 40 (Amendment)	Transfers of Investment Property[1]
HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014–2016 Cycle[1]
HKFRS 2 (Amendment)	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendment)	Clarifications to HKFRS 15[1]
HKFRS 16	Leases[2]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for financial years beginning on or after 1 January 2018
[2] Effective for financial years beginning on or after 1 January 2019
[3] No mandatory effective date yet determined

The directors of the Company is in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and interpretations. The directors of the Company will adopt the new standards, amendments to standards and interpretations 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 2017.

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 **2017** *HK$'000*	2016 *HK$'000*
Japan	**712,439**	661,282
North America	**425,466**	394,614
Europe	**467,483**	329,976
Mainland China	**271,157**	220,144
Other countries	**237,772**	170,851
	2,114,317	1,776,867

(b) Non-current assets

	(Unaudited) As at 30 September 2017 *HK$'000*	(Audited) As at 31 March 2017 *HK$'000*
Hong Kong	**62,865**	73,343
Mainland China	**388,138**	380,248
Vietnam	**924,524**	861,446
	1,375,527	1,315,037

The non-current asset information above is based on the location of the assets and excludes 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 **2017** *HK$'000*	2016 *HK$'000*
Customer A	**1,301,875**	1,045,352
Customer B	**305,300**	355,228

The five largest customers accounted for approximately 85.2% (2016: 88.6%) of revenue for the period ended 30 September 2017.

6. OTHER GAINS, NET

	(Unaudited) Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Net foreign exchange gains	**1,765**	3,880
Net gains on investments	**2,173**	2,390
Net gains/(losses) on disposals of property, plant and equipment	**16,970**	(95)
	20,908	6,175

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	
	2017	2016
	HK$'000	*HK$'000*
Amortisation of land use rights	**547**	556
Auditor's remuneration (excluding listing related services)		
— audit services	**1,241**	1,205
— non-audit services	**635**	540
Depreciation		
— owned property, plant and equipment	**53,480**	67,279
— property, plant and equipment held under finance leases	**20,513**	8,243
Employment benefit expenses (including directors' emoluments)	**379,689**	312,337
Cost of inventories	**941,554**	748,205
Subcontracting charges	**211,089**	214,931
Commission expenses	**1,555**	2,061
Operating lease rental in respect of land and buildings	**1,704**	1,535
Utilities expenses	**34,213**	29,829
Sample charges	**7,662**	6,878
Listing expenses	**—**	1,378
Others	**141,434**	117,528
Total cost of sales, selling and distribution expenses and general and administrative expenses	**1,795,316**	1,512,505

8. FINANCE EXPENSES, NET

	(Unaudited) Six months ended 30 September 2017 *HK$'000*	2016 *HK$'000*
Finance income		
Interest income from bank deposits	**1,530**	945
Finance expenses		
Interest expense on:		
— Bank borrowings	**(6,572)**	(8,850)
— Finance lease obligations	**(2,423)**	(1,309)
	(8,995)	(10,159)
Finance expenses, net	**(7,465)**	(9,214)

9. INCOME TAX EXPENSES

For the period ended 30 September 2017, Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 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% (2016: 25%) on estimated assessable profits. However, one of the Group's subsidiaries in Mainland China is subject to the China Corporate Income Tax at the rate of 15% for the 3 years ending 31 December 2018, after being assessed as a high and new technology enterprise.

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%. 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 2017 and 2016.

	(Unaudited) Six months ended 30 September 2017 *HK$'000*	2016 *HK$'000*
Hong Kong profits tax	**13,344**	13,988
China corporate income tax	**33,580**	24,922
Deferred taxation	**78**	307
	47,002	39,217

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the periods ended 30 September 2017 and 2016 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the periods. The weighted average number of ordinary shares are determined 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;

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

(vi) the 568,000 ordinary shares in connection with the exercise of share options were issued during the period ended 30 September 2017.

	(Unaudited) Six months ended 30 September	
	2017	2016
Profit attributable to the owners of the Company (HK$'000)	**292,114**	225,387
Weighted average number of ordinary shares in issue ('000)	**2,075,008**	2,033,880
Basic earnings per share (HK cents)	**14.1**	11.1

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	(Unaudited) Six months ended 30 September	
	2017	2016
Profit attributable to the owners of the Company (HK$'000)	**292,114**	225,387
Weighted average number of ordinary shares in issue ('000)	**2,075,008**	2,033,880
Adjustment for potential dilutive effect in respect of outstanding share options ('000)	**905**	—
Weighted average number of ordinary shares for diluted earnings per share ('000)	**2,075,913**	2,033,880
Diluted earnings per share (HK cents)	**14.1**	11.1

11. DIVIDENDS

	(Unaudited) Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Interim dividend of 5.0 HK cents (2016: 3.8 HK cents) per ordinary share	**103,778**	78,850

At the Board meeting held on 27 November 2017, the Company's Board of Directors declared an interim dividend of 5.0 HK cents (2016: 3.8 HK cents) per share. The interim dividend amounting to approximately HK$103,778,000 has not been recognised as a liability in this interim financial information. It will be recognised as a distribution in shareholder's equity in the year ending 31 March 2018.

12. TRADE RECEIVABLES

	(Unaudited) As at 30 September 2017 ***HK$'000***	(Audited) As at 31 March 2017 *HK$'000*
Trade receivables	**460,027**	104,913

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 2017 ***HK$'000***	(Audited) As at 31 March 2017 *HK$'000*
Up to three months	**454,767**	102,191
Three to six months	**3,560**	2,658
Over six months	**1,700**	64
	460,027	104,913

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 2017 ***HK$'000***	(Audited) As at 31 March 2017 *HK$'000*
Within one month	**150,168**	137,944
One to two months	**70,473**	32,053
Two to three months	**27,920**	4,931
Over three months	**199**	71
	248,760	174,999

14. BORROWINGS

	(Unaudited) As at 30 September 2017 *HK$'000*	(Audited) As at 31 March 2017 *HK$'000*
Non-current		
Bank borrowings, unsecured	**301,389**	165,111
Finance lease obligations	**83,502**	213,725
	384,891	378,836
Current		
Short-term bank borrowings, unsecured	**349,412**	188,637
Portion of long-term bank borrowings, secured, due for repayment within one year	**7,501**	7,501
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**8,126**	11,877
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**134,111**	96,833
Portion of long-term bank borrowings, unsecured, due for repayment after one year which contain a repayment on demand clause	**156,000**	—
Finance lease obligations	**122,366**	110,721
	777,516	415,569
Total borrowings	**1,162,407**	794,405

The weighted average effective interest rates as at 30 September 2017 and 2016 are as follows:

	(Unaudited) Six months ended 30 September 2017	2016
Finance lease obligations	**1.70%**	1.70%
Bank borrowings	**1.70%**	2.00%

The bank borrowings are due for repayment as follows:

	(Unaudited) As at 30 September 2017 *HK$'000*	(Audited) As at 31 March 2017 *HK$'000*
Within one year	**491,024**	292,971
Between one and two years	**228,445**	86,612
Between two and five years	**237,070**	90,376
	956,539	469,959

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 2017, the Group's certain borrowings are secured by available-for-sale financial assets with a total carrying amount of HK$69,767,000 (31 March 2017: HK$68,798,000).

15. SUBSEQUENT EVENTS

On 28 September 2017, Nameson Group Limited ("Nameson Group"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Wong Ting Chung ("Mr. Wong"), pursuant to which Nameson Group agreed to acquire the entire issued share capital of V. Success Limited held by Mr. Wong, at the consideration of HK$550,000,000 (the "Acquisition"). V. Success Limited and its subsidiaries are principally engaged in the manufacturing of knitted upper for footwear and knitted upper shoes.

As one or more of the applicable percentage ratio(s) (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) in relation to the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules.

Mr. Wong is the chairman, chief executive officer, an executive director and a substantial shareholder of the Company, Mr. Wong is therefore a connected person of the Company for the purpose of the Listing Rules and accordingly, the Acquisition also constituted a connected transaction for the Company under the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The global economy maintained moderate growth during the first three quarters of 2017. The introduction of various favourable policies in China such as the internationalisation of the Renminbi and the "Belt and Road" strategy has brought about opportunities to the business environment. The Eurozone maintained promising momentum for economic recovery with improvement in economic outlook resulting from the declining unemployment rate and the strengthening of the Euro. Nevertheless, the global business environment was still affected by geopolitics and uncertainties in policies. The currently indefinite trade policy direction in the United States, together with the possibility of rising trade protectionism added uncertainties to its economy. Meanwhile, the Bank of Japan remains committed to maintain its quantitative easing policy regardless of low inflation, whereas the economic outlook was still under challenge by the persistent trouble caused by structural problems.

In spite of the recorded growth of the global economy, the knitwear industry in China was affected by certain external uncertainties. 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 April and September 2017 amounted to US$48.7 billion, representing a slight decrease of approximately 0.9% compared with the same period last year. The total export value to the United States, Japan and Europe from April to September 2017 also decreased compared with the same period last year. Although consumption was generally weak in different countries, export data of the textile and garment industry in Vietnam recorded growth. According to Vietnam Customs statistics, the country's total export value of textile and garments between April and September 2017 amounted to US$13.6 billion, representing an increase of 7.8% compared with the same period last year. The total export value to Japan grew by approximately 2.5% to US$1.54 billion; yet that to the United States dropped by approximately 7.4% compared with the same period last year.

BUSINESS REVIEW

In recent years, affected by the rising labour cost in China coupled with the increasingly stringent environmental protection requirements of the Chinese government, the textile industry has been undergoing transformation, upgrading itself from low efficiency and high energy consumption to efficient and streamlined sustainable growth. These trends have helped the textile industry in China to achieve further integration, which in turn has better benefitted the leading enterprises in the industry. In response to the shift of industry focus from quantity to quality, the Group has been committed to pursuing technological innovation while keeping abreast of the latest trends to stand out among industry peers. During the reporting period, the Group spearheaded the deployment of advanced wholegarment knitting machines and streamlined the linking production process, resulting in a reduction in labour cost alongside the addition of more stylish product series offerings. Leveraging its high level of productivity and control on product quality, the Group has always been favored by internationally renowned brand customers over the years, driving sales in the first half of the financial year 2018 up by 19.0% to HK$2,114.3 million from HK$1,776.9 million in the same period last year. Moreover, as the second phase of the Vietnam Factory has gradually ramped up operations, expansion of production capacity has helped boost economies of scale and continued to generate synergies. Together with the low cost advantage enjoyed by the factory along with its foothold in Vietnam, the Group has managed to maintain its competitiveness in the industry. During the first half of the financial year 2018, the Group's net profit and net profit margin increased by 29.6% to HK$292.1 million and 8.7% to 13.8%, respectively compared with the same period last year. The Board has recommended payment of an interim dividend of 5.0 HK cents per share to our shareholders as a reward for their unwavering support to the Group.

As an industry-leading knitwear manufacturer, the Group's vertically integrated business model has been the key in maintaining its competitive edge. On top of its capability to provide customers with one-stop solutions within a short time, the Group's focus on both quality and quantity has also proved crucial in gaining recognition from many international brand apparel customers, enabling continued expansion of its customer base. The solid customer base coupled with continuous increase in number of customers has contributed to the Group's outstanding performance in each market. During the reporting period, revenue attributable to the European and Chinese markets significantly increased by 41.7% and 23.2% to HK$467.5 million and HK$271.2 million, respectively, compared with the same period last year, while the Japanese and North American markets also delivered a steady yet considerable growth in revenue. Heeding the growing market demand, the Group will continue to actively expand its market share in China. At the same time, the Group has been adhering to the development strategies of the internationalised production roadmap, under which the production efficiency of the Vietnam Factory has been continuously enhanced while the PRC Factory has focused on producing products with more sophisticated designs and a shorter delivery lead time. Flexible and rational arrangement of production with a rising level of automation have all been effective to enhance overall production efficiency. During the reporting period, under increasing operating efficiency as well as effective cost control measures, the Group's gross profit margin registered only a slight reduction to 22.9%, despite the impact of changes in product portfolio and the relatively strong Renminbi exchange rate.

PROSPECTS

Looking ahead, the market demand for knitwear products will continue to grow steadily. The Group remains focused on its knitwear product business. In the meantime, our management believes that the development of a more diversified business can help minimise the impact of seasonal fluctuations of the knitwear business of the Group and bring about complementary advantages as well as higher revenue growth. Given that knitted upper shoes have become a new fashion trend in recent years and the huge development potential of this business, the Group has decided to extend its reach to the manufacturing of knitted uppers for footwear and knitted upper shoes through the acquisition of V. Success Group. We believe that V. Success Group's knitted uppers for footwear and knitted upper shoes manufacturing business as well as its product development capabilities can create synergies with the Group's knitwear manufacturing business. Besides, V. Success Group's unique knitting techniques for knitted footwear uppers are also closely related and beneficial to the Group's development strategy of constantly enhancing its product standards.

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 significantly increased by 19.0% to HK$2,114.3 million for the six months ended 30 September 2017 from HK$1,776.9 million for the six months ended 30 September 2016. The increase was primarily due to increase in both the average selling price of the Group's knitwear products and the sales volume of menswear, which was partially offset by the decrease in sales volume of womenswear.

The increase in the Group's revenue was largely in line with the increase in both the average selling price and total sales volume. The average selling price of the Group's knitwear products increased by 13.7% from HK91.1 per piece for the six months ended 30 September 2016 to HK$103.6 per piece for the six months ended 30 September 2017, while the Group's sales volume increased by 4.6% from 19.5 million pieces of knitwear products for the six months ended 30 September 2016 to 20.4 million pieces of knitwear products for the six months ended 30 September 2017.

Consistent with the Group's geographical market distribution for the six months ended 30 September 2016, Japan, North America (mainly the United States of America) and Europe were still our top three markets for the six months ended 30 September 2017. The revenue attributable to the Japan market, North America market and Europe market accounted for 33.7%, 20.1% and 22.1% of the Group's total revenue for the six months ended 30 September 2017.

Cost of Sales

For the six months ended 30 September 2017, the Group incurred cost of sales of HK$1,630.1 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 2017, the Group recorded gross profit of HK$484.2 million and gross profit margin of 22.9% as compared to the gross profit of HK$420.1 million and gross profit margin of 23.6% for the six months ended 30 September 2016.

The slight decrease in gross profit margin for the six months ended 30 September 2017 was mainly due to the effect of (i) changes in product mix; and (ii) appreciation of RMB during the period.

Other Income

Other income primarily consisted of rental income from staff quarter and rental income from investment properties. The other income increased by HK$3.4 million from HK$3.3 million for the six months ended 30 September 2016 to HK$6.7 million for the six months ended 30 September 2017. Such increase was mainly due to the increases in rental income from investment properties and miscellaneous other income.

Other Gains, Net

Other gains and losses primarily consisted of net foreign exchange gains or losses, net gains or losses on investments and net gains or losses on disposal of property, plant and equipment.

Other gains increased by HK$14.7 million from HK$6.2 million for the six months ended 30 September 2016 to HK$20.9 million for the six months ended 30 September 2017. Such increase was primarily due to the Group disposed of some old machines resulting in net gains on disposal of property, plant and equipment of HK$17.0 million for the six months ended 30 September 2017.

The other gains for the six months ended 30 September 2017 mainly represented net gains on disposal of property, plant and equipment of HK$17.0 million, net foreign exchange gains of HK$1.8 million and net gains on investments of HK$2.1 million.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses slightly increased by HK$2.1 million, from HK$22.4 million for the six months ended 30 September 2016 to HK$24.5 million for the six months ended 30 September 2017. Such increase was mainly due to the increase in transportation cost and this is largely in line with the increase in the Group's revenue.

General and Administrative Expenses

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

The Group's general and administrative expenses increased by HK$7.4 million from HK$133.3 million for the six months ended 30 September 2016 to HK$140.7 million for the six months ended 30 September 2017. Such increase was mainly due to 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$1.7 million from HK$9.2 million for the six months ended 30 September 2016 to HK$7.5 million for the six months ended 30 September 2017. The decrease in net finance expenses was mainly due to our decreased average borrowings and the decrease in interest rates during the six months ended 30 September 2017 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 2017 and 2016 on the estimated assessable profits arising in or derived from Hong Kong during the relevant periods.

The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax ("CIT") at a rate of 25% on the estimated assessable profits for the six-month periods ended 30 September 2017 and 2016. However, one of the Group's subsidiaries in the PRC is subject to the CIT at the rate of 15% for the 3 years ending 31 December 2018, after being assessed as a high and new technology enterprise.

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%. 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 2017 and 2016.

The effective tax rates of the Group were 13.9% and 14.8% for the six-month periods ended 30 September 2017 and 2016 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$292.1 million and HK$225.4 million for the six-month periods ended 30 September 2017 and 2016 respectively.

The increase in net profit for the six months ended 30 September 2017 was primarily due to (i) significant increase in the Group's revenue as a result of the increase in both the average selling price and sales volume; and (ii) the effect of economy of scale as most of the Group's expenses (e.g. general and administrative expenses and finance expenses) did not increase proportionally to the increase in the Group's revenue. Such increase was partially offset by the slight decrease in gross profit margin which was mainly caused by the (i) changes in product mix; and (ii) appreciation of RMB during the period.

Adjusted Net Profit

Adjusted net profit means net profit for the period without taking into account 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$65.3 million from HK$226.8 million for the six months ended 30 September 2016 to HK$292.1 million for the six months ended 30 September 2017. As a percentage of revenue, the adjusted net profit margin increased from 12.8% for the six months ended 30 September 2016 to 13.8% for the six months ended 30 September 2017.

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 2017 was HK$178.8 million, primarily due to profit before income tax of HK$339.1 million, adjusted for depreciation of property, plant and equipment of HK$74.0 million, decrease in inventories of HK$11.6 million and increases in trade receivables of HK$355.1 million, trade and bills payables of HK$73.8 million and accruals and other payables of HK$49.2 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2017 was HK$28.4 million, primarily due to the purchase of property, plant and equipment of HK$51.1 million, which was partially offset by the proceeds from disposals of property, plant and equipment of HK$24.2 million.

Net Cash Generated from Financing Activities

The Group's net cash generated from financing activities for the six months ended 30 September 2017 was HK$225.8 million, which was mainly attributable to the net increase in the Group's borrowings of HK$266.5 million, which was partially offset by the final dividend payment of HK$41.5 million.

Cash and Cash Equivalents

For the six months ended 30 September 2017, the Group's cash and cash equivalents increased by HK$376.2 million and the exchange gain was HK$2.9 million. The net increase in the Group's cash and cash equivalents was from HK$643.2 million as at 31 March 2017 to HK$1,022.3 million as at 30 September 2017.

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Liquidity and Financial Resources

For the six months ended 30 September 2017, the Group's cash and cash equivalents was mainly used in the expansion of the Group's business operations, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and borrowings and proceeds from the Company's listing on the Stock Exchange. The Group's gearing ratio slightly decreased from 8.8% as at 31 March 2017 to 7.1% as at 30 September 2017. 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 2017, the Group's cash and cash equivalents, amounting to HK$1,022.3 million, were denominated in US dollars ("US$") (21.9%), HK$(54.4%), Chinese Renminbi ("RMB") (21.8%), Vietnamese Dong ("VND") (1.7%) and other currencies (0.2%).

As at 30 September 2017, the Group's total borrowings (i.e. bank borrowings and finance lease obligations) were due for repayment as follows:

	As at 30 September 2017	As at 31 March 2017
	HK$'000	*HK$'000*
Within one year	**613,390**	403,692
Between one and two years	**265,440**	199,215
Between two and five years	**283,577**	191,498
	1,162,407	794,405

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 2017, the Group's borrowings were denominated in HK$(80.9%) and US$(19.1%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rates of the Group's bank borrowings and finance lease obligations for the six months ended 30 September 2017 were 1.7% and 1.7% respectively.

(c) As at 30 September 2017, the Group's certain bank borrowings were secured by available-for-sale financial assets with a total carrying amount of HK$69.8 million.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK$139.6 million for the six months ended 30 September 2017, which were mainly related to the purchase of a parcel of industrial land in Vietnam and more advanced machinery for our factories. These capital expenditures were fully financed by internal resources and borrowings.

The Group's capital commitments as at 30 September 2017 amounted to approximately HK$96.6 million which were mainly related to the purchase of machinery for our factories.

Operating Lease Commitments

As at 30 September 2017, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately HK$0.5 million, which is due within one year.

Charge on Assets

As at 30 September 2017, the Group's land use rights with a total carrying amount of HK$15.9 million, land and buildings and leasehold improvements with a total carrying amount of HK$237.6 million and available-for-sale financial assets with a total carrying amount of HK$69.8 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 2017.

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.

During the six months ended 30 September 2017, 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 2017 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 2017, 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 2017, the Group had a total of approximately 13,400 full-time employees in the PRC, Vietnam and Hong Kong. For the six months ended 30 September 2017, the total staff costs, including the directors' emoluments, amounted to HK$379.7 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 5.0 HK cents per share for the six months ended 30 September 2017 (2016: 3.8 HK cents) to be paid to the shareholders of the Company whose names recorded on the register of members of the Company at the close of business on Monday, 18 December 2017. The interim dividend is expected to be payable on or about Friday, 29 December 2017.

The Company's register of members will be closed from Friday, 15 December 2017 to Monday, 18 December 2017 (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 Thursday, 14 December 2017.

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

During the six months ended 30 September 2017, 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 2017.

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 2017.

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 27 November 2017 to meet with the external auditors of the Company and review the Company's interim financial report for the six months ended 30 September 2017.

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 2018 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

27 November 2017

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, Mr. Li Po Sing and Ms. Chan Mei Hing, Aurora, as executive Directors; Mr. Tam Wai Hung, David, Mr. Wong Ting Kau and Mr. Lau Ka Keung MH, JP, 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 and Ms. Lee Bik Kee, Betty, as independent non-executive Directors.