



南旋控股有限公司
NAMESON HOLDINGS LIMITED

Nameson Announces FY2019 Interim Results

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**Sales Increased by 36.3% with Rising Customer Demand
Establishes Upstream Cashmere Spinning through Vertical Integration to
Strengthen Industry-Leading Position**

(Hong Kong, 26 November 2018) **Nameson Holdings Limited** (“Nameson” or the “Group”, stock code: 1982), one of the leading knitwear manufacturers in China, has today announced its interim results for the six months ended 30 September 2018 (“FY2019 1H” or the “Review Period”).

During the Review Period, the trade imbalance between China and the United States has brought uncertainties to the global economy. Nevertheless, the Group has made use of its advanced equipment, refined knitting techniques, creative design concepts and strong production capacity to boost sales volume, and also changed its product mix to boost the average selling price. Sales rose by 36.3% year-on-year to HK\$2,881.5 million (FY2018 1H: HK\$ 2,114.3 million). Sales from the knitwear business in Japan and China grew substantially by 44.8% and 40.1% respectively, while sales from the North American and European markets increased by 21.1% and 19.0% respectively compared with the same period last year. However, the rising prices of raw materials and other overhead costs have exerted pressure on the overall business operation of the Group.

The Group managed to pass some of the higher raw material costs to customers by adjusting its average selling prices upward in the Review Period. However, the change in product mix increased the proportion of raw material costs, and the surge in costs of some raw materials such as wool and cotton also caused the Group’s costs of sales to climb. The benefit of the depreciation of Renminbi was offset by the increase in raw material costs and other overhead costs. Besides, as the utilisation rate of the Vietnam factory improved more quickly than expected, the Group had to recruit more staff and its production efficiency is yet to be released. Gross profit rose slightly by 2.7% to HK\$497.3 million in the Review Period (FY2018 1H: HK\$484.2 million), but gross profit margin declined to 17.3%(FY2018 1H:22.9%).In addition, the ongoing interest rate hikes also increased the Group’s finance expenses. The business of knitted upper for footwear recorded a loss under fierce competition. All of these factors squeezed the Group’s net profit by 19.2% to HK\$236.0 million (FY2018 1H: approximately HK\$292.1 million) and net profit margin dropped to 8.2% (FY2018 1H: 13.8%).

The Group has maintained a sound financial position. As at 30 September 2018, it had cash and cash equivalents of approximately HK\$801.2 million (31 March 2018: HK\$1,009.5 million). To reward shareholders for their support, the Board declared payment of an interim dividend of 3.6 HK cents per share (FY2018 1H: 5.0 HK cents).

Mr. Wong Ting Chung, Chairman, Executive Director and Chief Executive Officer of Nameson, said, “In the face of uncertain market environment, our production bases in China and Vietnam have made flexible production arrangements for customers while maintaining high production quality to complement customers’ procurement strategies so as to address shifting market trends. Thanks to the increase in fall and winter product orders from certain customers, the Group has recorded considerable sales growth during the Review Period.”

In response to growing customer demand, the Group plans to enhance the production capacity of its Vietnam Factory and to improve overall profitability. The Group is also optimistic about the long-term development potential of the business of knitted upper for footwear despite the intense market competition.

The Group believes applying cutting-edge technologies to produce knitwear products will become a new industry development trend, and seamless knitted garment products will serve as one of the key drivers for its knitwear business development. For this reason, the Group has spearheaded the introduction of advanced wholegarment knitting machines technology which facilitates streamlining the linking production processes and creating diversified product series that meet the market demand for innovative products and timely delivery. Looking ahead, the Group will continue to direct resources towards enhancing product design and the development of functional materials, with the aim of effectively utilizing wholegarment knitting machines to provide customers with better and more innovative product designs.

In addition to the seamless knitwear products, orders for cashmere garments also steadily increased and the Group confirmed the establishment of a cashmere yarn joint venture with a quality cashmere producer during the period. This newly-formed joint venture enables the Group to expand its business upstream from knitted products to cashmere yarns, aiming to secure cost as well as supply of raw materials, and will also fortify its leadership position in the knitted manufacturing industry.

Mr Wong concluded, “In the long run, we will be able to realize economies of scale, facilitate overall business development to enhance profitability and deliver better returns to shareholders by securing a stable supply of raw materials and costs through bolstering vertical integration as well as taking advantage of our strong production capacity and cutting-edge production technologies. We will also closely monitor future market demand with the objective of tapping opportunities to extend our production facilities into other Southeast Asian regions.”

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About Nameson Holdings Limited (Stock code: 1982)

Nameson Holdings Limited is one of the leading knitwear manufacturers in the PRC.* The Group offers a one-stop in-house solution for its customers comprising design orientation, development of raw materials, sampling production, quality products and other value-added services. Its knitwear products include sweaters, cashmere garments, seamless knitted garments. Leveraging its high product quality, design development capability, timely delivery, and important one-stop solution services, Nameson has established longstanding and strong relationships with many renowned international apparel brands, including UNIQLO, Tommy Hilfiger and Lands' End. The Group extended its reach to knitted upper for footwear via acquiring V. Success Group from 15 December 2017. Currently, the Group operates four production facilities, two in China and two in Vietnam.

* Source: Euromonitor – by manufacturers' revenue in 2014

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