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 2021

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2021	2020	Change
	HK$' million	*HK$' million*	
Revenue	**2,452.5**	2,295.1	+6.9%
Gross profit	**422.8**	435.0	–2.8%
Gross profit margin	**17.2%**	19.0%	–1.8p.p.
Net profit	**203.1**	229.1	–11.3%
Profit attributable to the owners of the Company	**192.5**	238.5	–19.3%
Adjusted net profit *(Note)*	**191.7**	235.0	–18.4%
Adjusted net profit margin	**7.8%**	10.2%	–2.4p.p.
Earnings per share — Basic and diluted	**8.4 HK cents**	10.5 HK cents	–20.0%
Interim dividend per share	**4.2 HK cents**	3.8 HK cents	

Note: Adjusted net profit is a non-HKFRS financial measure and derived from profit attributable to the owners of the Company excluding realised and unrealised gains/losses from derivative financial instruments, which are income/expenses not considered as recurring in nature. We believe the adjusted net profit presented herein better reflects the Group's core operating results.

The Board (the "Board") of directors (the "Directors") 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 2021, together with the comparative figures for the six months ended 30 September 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021
(Expressed in Hong Kong dollars)

		(Unaudited) Six months ended 30 September	
		2021	2020
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**2,452,469**	2,295,057
Cost of sales	*7*	**(2,029,661)**	(1,860,019)
Gross profit		**422,808**	435,038
Other income		**13,056**	7,224
Other gains, net	*6*	**980**	20,349
Selling and distribution expenses	*7*	**(23,252)**	(19,953)
General and administrative expenses	*7*	**(169,933)**	(158,822)
Reversal of impairment losses on financial assets	*7*	**–**	1,720
Operating profit		**243,659**	285,556
Share of post-tax profit of a joint venture		**630**	216
Finance income		**769**	939
Finance expenses		**(11,638)**	(21,209)
Finance expenses, net	*8*	**(10,869)**	(20,270)
Profit before income tax		**233,420**	265,502
Income tax expenses	*9*	**(30,345)**	(36,417)
Profit for the period		**203,075**	229,085
Profit for the period attributable to:			
— Owners of the Company		**192,538**	238,486
— Non-controlling interests		**10,537**	(9,401)
		203,075	229,085
Earnings per share attributable to the owners of the Company during the period			
— Basic and diluted (HK cents per share)	*10*	**8.4**	10.5

	(Unaudited) Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Profit for the period	**203,075**	229,085
Other comprehensive income/(loss), net of tax:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Currency translation differences	**195**	(26,954)
— Share of other comprehensive income of a joint venture	**31**	–
Other comprehensive income/(loss) for the period, net of tax	**226**	(26,954)
Total comprehensive income for the period	**203,301**	202,131
Total comprehensive income for the period attributable to:		
— Owners of the Company	**192,293**	211,532
— Non-controlling interests	**11,008**	(9,401)
	203,301	202,131

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2021
(Expressed in Hong Kong dollars)

	Note	**(Unaudited) As at 30 September 2021** *HK$'000*	(Audited) As at 31 March 2021 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,938,751**	1,770,817
Right-of-use assets		**649,755**	830,109
Investment properties		**1,795**	1,836
Intangible assets		**–**	–
Interest in a joint venture		**4,787**	8,297
Financial assets at fair value through profit or loss		**175,528**	173,113
Prepayments, deposits, other receivables and other assets		**68,005**	84,499
Deferred income tax assets		**680**	691
		2,839,301	2,869,362
Current assets			
Inventories		**822,032**	721,606
Trade receivables	*12*	**600,666**	143,866
Prepayments, deposits, other receivables and other assets		**148,981**	124,605
Tax recoverable		**59**	2,970
Cash and cash equivalents		**569,032**	793,201
		2,140,770	1,786,248
Total assets		**4,980,071**	4,655,610

	Note	(Unaudited) As at 30 September 2021 HK$'000	(Audited) As at 31 March 2021 HK$'000
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**22,794**	22,794
Reserves		**2,383,341**	2,218,397
		2,406,135	2,241,191
Non-controlling interests		**185,952**	174,944
Total equity		**2,592,087**	2,416,135
LIABILITIES			
Non-current liabilities			
Bank borrowings	*14*	**800,130**	342,967
Lease liabilities	*15*	**87,626**	112,757
Provision for reinstatement costs		**405**	381
Deferred income tax liabilities		**1,900**	2,355
		890,061	458,460
Current liabilities			
Trade and bills payables	*13*	**318,508**	314,378
Accruals and other payables		**258,638**	183,798
Current income tax liabilities		**249,905**	219,224
Bank borrowings	*14*	**519,660**	881,317
Lease liabilities	*15*	**151,212**	182,298
		1,497,923	1,781,015
Total liabilities		**2,387,984**	2,239,475
Total equity and liabilities		**4,980,071**	4,655,610
Net current assets		**642,847**	5,233

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 (the "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 26 November 2021.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standards ("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 2021, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

The accounting policies applied by the Group are consistent with those of the annual financial statements for the year ended 31 March 2021, except for the adoption of amended standards as set out below.

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for the current reporting period beginning 1 April 2021:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform (Phase 2)
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use

The Group has early adopted HKAS 16 (Amendments) "Property, Plant and Equipment — Proceeds before Intended Use" retrospectively from 1 April 2021. The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment and require the entity to recognise the proceeds before intended use and related cost in the statement of comprehensive income.

Proceeds of approximately HK$14,661,000 and costs of approximately HK$13,825,000 relating to the items produced before that asset is available for use have been recognised in revenue and cost in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2021. There is no impact on the opening balance of equity at 1 April 2021.

A number of amended standards became applicable for the current reporting period. Except for the HKAS 16 (Amendments) set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(b) Impact of new and amended standards, interpretation and accounting guideline issued but not yet applied by the Group

The following new and amended standards, interpretation and accounting guideline that are not effective for the periods commencing on or after 1 April 2021 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 (Amendments)	Annual Improvements to HKFRS Standards 2018 to 2020	1 January 2022
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in process of making an assessment of the impact of these new and amended standards, interpretation and accounting guideline upon initial application, and has concluded on a preliminary basis that these are not expected to have a significant impact on the Group's results of operations or financial position.

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 expenses. 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 2021.

5. SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors and senior management of the Company led by the Group's chief executive officer, being the Group's chief operating decision-maker ("CODM"), which are used for the purposes of assessing performance and making strategic decisions.

During the six months ended 30 September 2021, 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.

The CODM assesses the performance of the operating segment base on a measure of gross profit.

(a) Revenue by location of goods delivery

	(Unaudited) Six months ended 30 September 2021 *HK$'000*	2020 *HK$'000*
Japan	**559,359**	669,493
North America	**359,302**	383,647
Europe	**501,183**	532,497
Mainland China	**731,688**	491,333
Other countries	**300,937**	218,087
	2,452,469	2,295,057

(b) Non-current assets

	(Unaudited) As at 30 September 2021 *HK$'000*	(Audited) As at 31 March 2021 *HK$'000*
Hong Kong	**40,226**	32,797
Mainland China	**646,597**	703,166
Vietnam	**1,605,673**	1,635,424
Myanmar	**365,810**	315,874
	2,658,306	2,687,261

The non-current assets information above is based on the location of the assets and excludes intangible assets, interest in a joint venture, financial assets at fair value through profit or loss and deferred income tax 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 2021 *HK$'000*	2020 *HK$'000*
Customer A	**992,862**	1,157,418
Customer B	**N/A**	253,405

The five largest customers accounted for approximately 68.8% (2020: 75.7%) of revenue for the six months ended 30 September 2021.

(d) Disaggregation of revenue from contracts with customers

For the six-month period ended 30 September 2021 and 2020, the revenue of the Group was recognised at a point in time.

6. OTHER GAINS, NET

	(Unaudited) Six months ended 30 September	
	2021	2020
	HK$000	*HK$000*
Net foreign exchange (losses)/gains	**(2,779)**	14,056
Net gains on financial assets at fair value through profit or loss	**2,415**	2,529
Net gains on disposals of property, plant and equipment	**495**	19
Net realised and unrealised gains from derivative financial instruments	**842**	3,535
Others	**7**	210
	980	20,349

7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and reversal of impairment losses on financial assets are analysed as follows:

	(Unaudited) Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Advertising and promotion expenses	**3,889**	3,623
Auditor's remuneration		
— audit services	**1,219**	1,890
— non-audit services	**531**	326
Depreciation		
— owned property, plant and equipment	**73,213**	60,266
— right-of-use assets	**40,600**	44,260
Depreciation of investment properties	**41**	41
Employment benefit expenses (including directors' emoluments)	**487,602**	451,188
Raw materials used	**1,353,367**	1,065,420
Changes in inventories of finished goods and work in progress	**(86,499)**	142,686
Reversal of impairment of inventories	**(7,376)**	(2,848)
Consumables	**60,341**	40,882
Reversal of impairment losses on financial assets	**–**	(1,720)
Subcontracting charges	**130,577**	103,665
Agency and commission expenses	**1,187**	279
Transportation charges	**20,661**	16,517
Donations	**882**	2,856
Short-term lease payments	**265**	957
Utilities expenses	**66,408**	47,155
Sample charges	**5,903**	4,258
Others	**70,035**	55,373
Total cost of sales, selling and distribution expenses, general and administrative expenses and reversal of impairment losses on financial assets	**2,222,846**	2,037,074

8. FINANCE EXPENSES, NET

	(Unaudited) Six months ended 30 September 2021 *HK$'000*	2020 *HK$'000*
Finance income		
Interest income from bank deposits	**769**	939
Finance expenses		
Interest expenses on:		
— Bank borrowings	**(9,089)**	(17,139)
— Lease liabilities	**(2,549)**	(4,070)
	(11,638)	(21,209)
Finance expenses, net	**(10,869)**	(20,270)

9. INCOME TAX EXPENSES

For the six months ended 30 September 2021, Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 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% (2020: 25%) on estimated assessable profits. However, two (2020: two) of the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at the rate of 15% after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current period is within the fourth year of 50% reduction in the BIT rate, whereas, all the subsidiaries in Vietnam have no assessable profit for the six months ended 30 September 2021, and hence no BIT is provided.

	(Unaudited) Six months ended 30 September 2021 *HK$'000*	2020 *HK$'000*
Hong Kong profits tax	**12,547**	19,609
China corporate income tax	**18,242**	16,584
Deferred taxation	**(444)**	224
	30,345	36,417

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six-month period ended 30 September 2021 and 2020 respectively 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 respective periods.

	(Unaudited) Six months ended 30 September	
	2021	2020
Profit attributable to the owners of the Company *(HK$'000)*	**192,538**	238,486
Weighted average number of ordinary shares in issue *('000)*	**2,279,392**	2,279,392
Basic earnings per share *(HK cents)*	**8.4**	10.5

(b) Diluted

Diluted earnings per share for the six-month period ended 30 September 2021 and 2020 respectively equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

11. DIVIDENDS

	(Unaudited) Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Interim dividend of 4.2 HK cents (2020: 3.8 HK cents) per ordinary share	**95,734**	86,617

At the Board meeting held on 26 November 2021, the Board declared an interim dividend of 4.2 HK cents (2020: 3.8 HK cents) per share. The interim dividend amounting to approximately HK$95,734,000 has not been recognised as a liability in this interim financial information. It will be recognised as a distribution in shareholder's equity for the year ending 31 March 2022.

12. TRADE RECEIVABLES

	(Unaudited) As at 30 September 2021	(Audited) As at 31 March 2021
	HK$'000	*HK$'000*
Trade receivables	**600,666**	143,866

The credit periods granted by the Group to its customers generally ranging from 0 to 90 days. As at 30 September 2021 and 31 March 2021, the ageing analysis of the trade receivables based on invoice date is as follows:

	(Unaudited) As at 30 September 2021 *HK$'000*	(Audited) As at 31 March 2021 *HK$'000*
Up to three months	**577,406**	109,788
Three to six months	**16,962**	23,799
Over six months	**6,298**	10,279
	600,666	143,866

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group did not hold any collateral as security.

13. TRADE AND BILLS PAYABLES

As at 30 September 2021 and 31 March 2021, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	(Unaudited) As at 30 September 2021 *HK$'000*	(Audited) As at 31 March 2021 *HK$'000*
Within one month	**103,721**	151,750
One to two months	**71,769**	55,594
Two to three months	**96,774**	65,374
Over three months	**46,244**	41,660
	318,508	314,378

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

Note: As at 30 September 2021, trade and bills payables includes trade payables to related companies of approximately HK$7,703,000 (31 March 2021: HK$7,640,000).

14. BANK BORROWINGS

	(Unaudited) As at 30 September 2021 *HK$'000*	(Audited) As at 31 March 2021 *HK$'000*
Current		
Short-term bank borrowings, unsecured	**117,090**	–
Portion of long-term bank borrowings, secured, due for repayment within one year which contain a repayment on demand clause	**1,033**	1,033
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**1,634**	2,151
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**399,903**	878,133
	519,660	881,317
Non-current		
Bank borrowings, unsecured	**800,130**	342,967
Total bank borrowings	**1,319,790**	1,224,284

The weighted average effective interest rate as at 30 September 2021 is 1.48% (31 March 2021: 1.57%).

The bank borrowings are due for repayment as follows:

	(Unaudited) As at 30 September 2021 *HK$'000*	(Audited) As at 31 March 2021 *HK$'000*
Within one year	**518,026**	879,166
Between one and two years	**209,128**	147,333
Between two and five years	**592,636**	197,785
	1,319,790	1,224,284

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 2021, the Group's certain bank borrowings are secured by financial assets at fair value through profit or loss with a total carrying amount of HK$6,436,000 (31 March 2021: HK$6,318,000).

15. LEASE LIABILITIES

	(Unaudited) As at 30 September 2021 *HK$'000*	(Audited) As at 31 March 2021 *HK$'000*
Current		
Lease liabilities due for repayment within one year	**151,212**	182,298
Non-current		
Lease liabilities due for repayment after one year:		
Between one and two years	**65,850**	70,811
Between two and five years	**21,397**	41,946
Over five years	**379**	–
	87,626	112,757
Total lease liabilities	**238,838**	295,055

The lease liabilities are due for repayment as follows:

	(Unaudited) As at 30 September 2021 *HK$'000*	(Audited) As at 31 March 2021 *HK$'000*
Gross lease liabilities — minimum lease payments:		
Within one year	**153,817**	186,118
Between one and two years	**67,073**	72,708
Between two and five years	**21,600**	42,348
Over five years	**380**	–
	242,870	301,174
Future finance charges on leases	**(4,032)**	(6,119)
Present value of lease liabilities	**238,838**	295,055

The carrying amounts of lease liabilities are denominated in US dollars ("US$"), Renminbi ("RMB") and HK$.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The global market conditions in the first few months of the six months ended 30 September 2021 (“First Half of Financial Year 2022”) had begun to see improvements when consumption patterns registered notable pick up due to the relaxation of social distancing restrictions in regions such as United States and Europe. However, this positive sentiment did not perpetuate when the Delta variant of the novel coronavirus (COVID-19) brought to an escalation of confirmed cases in Vietnam and other Southeast Asian countries in the later months, which caused a major disruption to the whole supply chain. The rapid spread of the Delta variant has led to a sharp decrease in overall productivity for some manufacturers, while some manufacturers faced mandatory temporary shutdowns of their manufacturing plants in Vietnam since the middle of July 2021, and this also caused port congestion, which affected both imports and exports.

While the trade relations between China and the United States saw no signs of significant improvement, together with the developments of variants of COVID-19 despite increased inoculation rates of vaccines, which results in continued shadows of uncertainty to the worldwide economic recovery.

The short-term recovery in the first three months of the First Half of Financial Year 2022 was evidenced by the strong pick-up in exports in both China and Vietnam, registering a growth of 30.7% and 34.7% respectively. China’s total export value of knitwear (including knitted products and crochet products, as well as knitted or crocheted clothing and accessories) recorded a strong growth of 43.6% in the First Half of Financial Year 2022, especially when Vietnam and some other Southeast Asian countries faced a sudden and sharp productivity interruption. Vietnam, hence, on the other hand, faced export values of textile and garments decreasing in August and September 2021, and only recorded a single-digit 7.9% increase for the six months ended 30 September 2021.

During the last three months of the First Half of Financial Year 2022, the whole manufacturing landscape was generally faced with keen customer sentiment, but with a major disruption in supply chain. On the backdrop of solid customer relationships and trust that was built throughout the many years, this phase is another wave of challenge that is clearly to be overcome with the mutual understanding with customers, and that the Group has to conquer the challenges together.

BUSINESS REVIEW

The Group's constant quest for improving Vietnam's production efficiency has begun to bear some fruit since the last financial year, this enhanced efficiency extended into the first three months of the First Half of Financial Year 2022, and hence we were ahead of time in terms of production. Despite such improvement in production efficiency, port congestion also took place during those months which delayed certain shipments.

The better-than-expected efficiency in our Vietnam production base gained in the first three months of the First Half of Financial Year 2022 enabled us to deal with the practical challenges at this production base as a priority when the escalated COVID-19 confirmed cases in Vietnam took off in July 2021. Our management team exercised very strict and effective controls over the factory's operations, diligently observing the local government's "three-on-site" plan, immediately arranged the required precautionary measures to safeguard all our staff's health. Therefore, the Group's Vietnam production base managed to remain in operation despite temporary cut in productivity even during this severe time when some industry players had to stop production on a mandatory basis.

We then re-focused on working with customers on a realistic and mutually beneficial plan for products delivery under this temporary reduction in productivity and continued port congestion. The prominence of China's position in the manufacturing space is indisputable, evidenced by quality manufacturers who can flexibly make arrangements in shifting certain orders when required. We are able to re-allocate some orders to be produced in China, to serve our customers with greater flexibility. Under the power rationing implemented by the Chinese authorities, the Group made necessary arrangements on re-allocation of work processes, to facilitate on-time delivery to customers according to the mutual understanding with customers.

Subsequent to negotiations with all customers, while some customers also faced impacts from COVID-19 in their sales markets, we maintained our sales volume of our men's and women's knitwear products at 17.9 million pieces, 2.2% below that of the corresponding period last year, and the average selling price dropped slightly by 3.3% to HK$110.5 per piece due to a lower sales volume of cashmere sweater products during the First Half of Financial Year 2022. With an increase in cashmere yarn and fabric business, the Group's total revenue increased by 6.9% to HK$2,452.5 million in the First Half of Financial Year 2022.

There was inevitably more pressure on costs during the six months ended 30 September 2021. For example, increased labour costs due to offering more incentives to staff who continued to actively work in our Vietnam production base even during lockdowns, more subcontracting charges as we made alternations in allocation on an urgent basis for securing delivery to customers, and the surge in utility costs due to China's power rationing. Coupled with the addition of the cashmere yarn and fabric business that have a lower profit margin, the Group's gross profit declined by 2.8% to HK$422.8 million, and gross profit margin dropped from 19.0% in the same corresponding period last year to 17.2% for the six months ended 30 September 2021.

We also faced with cost pressure from added costs for pandemic prevention and control measures at all our production facilities. The Group's operating profit suffered a decrease by 14.7% to HK$243.7 million. Finance costs were on a downward trend as a result of the decrease in market interest rates and effective financial management strategies.

Despite the many imminent challenges faced in the First Half of Financial Year 2022, the Group's net profit declined prudently by 11.3% to HK$203.1 million in the First Half of Financial Year 2022. Net profit margin declined from 10.0% in the same corresponding period last year to 8.3% for the six months ended 30 September 2021.

The Group will continue its prudent cash management directives. In view of lower capital expenditure requirements in the near future, and the Group's healthy cash flow, the Board has recommended the payment of an interim dividend of 4.2 HK cents per share to the Company's shareholders, representing an increase in the dividend payout ratio during the First Half of Financial Year 2022, in appreciation for our shareholders' trust and support during these difficult times.

FUTURE STRATEGIES AND PROSPECTS

The First Half of Financial Year 2022 proved to be another challenging period of time for many manufacturers. Having built up important customer relationships during the past years, the tacit understanding enables us to quickly bond and work towards a mutually beneficial solution, and to overcome the challenges together.

As a result of the uncertainties in production seen in August and September 2021, and even though most manufacturers in Vietnam have resumed to full production after October 2021, as a responsible manufacturer, we have come into a unison understanding with some customers that we will be less aggressive in confirming quick orders as some parts of the production are still reeling from the earlier effects of the previous COVID-19 lockdowns. We believe that being more conservative at certain times can be conducive to greater development in the longer term.

We continue to see positive response from our WHOLEGARMENT products, we are very confident that our dedication through collaboration with customers to originate distinguished designs and product functions will help us further to continue to develop the full potential of this product.

The Group's development progress of the Myanmar production base was decelerated while we continue to examine the situation with priority placed on the safety of our staff. We expect trial production to be further delayed until the unrest and the pandemic in Myanmar becomes less severe. With China's position in trade preference schemes being lessened, we see Myanmar in an advantageous position enjoying tariff concessions exporting to China, Japan and Europe. Our ultimate goal is to further increase production capacity ratio to overseas production in response to the changing customer preferences.

At the same time, having overcome the challenges in the past months, we have gained even more confidence that our Vietnam production base is capable of further enhancing its efficiency when situations normalise.

As the manufacturing landscape in Vietnam further strengthens, we are confident that our devoted resources in the business of weaving, printing and dyeing of fabric will fill in the gap for the demand for Vietnam's domestic supply of raw materials. The production facility started production during the First Half of Financial Year 2022 even in face of the pandemic, we expect this business to take better shape when the pandemic is less severe.

The remaining of the year continues to be full of challenges for the entire garment and apparel industry. The increased tension in political stance, inflation and the surge in utility-related costs, port congestions, etc. all pose threats to all industries. The Group is confident that the track record in being able to perform even under challenges helps us to gain traction for our gradual increase in bargaining power. Moreover, the Group continues to exercise careful assessment to its business risks, while we will strive to improve internally. We are focused on bringing new energy to our manufacturing facilities through the introduction to renewable energy, we will continue our paths to further enhance product design with function, material development ability and embark on digitisation and automation where appropriate, in order to obtain better grip in careful and strategic planning of our business. All these efforts are inductive to our journey for generating greater returns to our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2021 mainly represented revenue from sales of knitwear products, namely womenswear, menswear and other products such as cashmere yarns, knitted upper for footwear, children's wear, scarfs, hats and gloves, to our customers.

Although the Group's production capacity in Vietnam was disrupted and impacted by the measures imposed by the Vietnamese government to contain COVID-19 pandemic, the Group's revenue still recorded an increase of 6.9% to HK$2,452.5 million for the six months ended 30 September 2021 from HK$2,295.1 million for the six months ended 30 September 2020. The increase was mainly attributable to the increase in sales revenue of cashmere yarns, while there was a slight decrease in total sales revenue of men's and women's knitwear products.

The slight decrease in the total sales revenue of men's and women's knitwear products was due to the slight decreases in sales volume and average selling price. The Group's sales volume of men's and women's knitwear products decreased by 2.2% from 18.3 million pieces for the six months ended 30 September 2020 to 17.9 million pieces for the six months ended 30 September 2021, while the average selling price of the Group's men's and women's knitwear products decreased by 3.3% from HK$114.3 per piece for the six months ended 30 September 2020 to HK$110.5 per piece for the six months ended 30 September 2021.

On the other hand, consistent with the Group's geographical market distribution for the six months ended 30 September 2020, Japan, Mainland China and Europe remained as the top three markets of our Group for the six months ended 30 September 2021. The revenue attributable to the Chinese market, Japanese market and European market accounted for 29.8%, 22.8% and 20.4% respectively of the Group's total revenue for the six months ended 30 September 2021.

Cost of Sales

For the six months ended 30 September 2021, the Group incurred cost of sales of HK$2,029.7 million. Cost of sales primarily consisted of cost of inventories, direct labour costs, subcontracting charges to our subcontractors, depreciation of property, plant and equipment and right-of-use assets, electricity and water and production overhead costs.

Gross Profit and Gross Profit Margin

During the six months ended 30 September 2021, the Group recorded gross profit of HK$422.8 million and gross profit margin of 17.2% as compared to the gross profit of HK$435.0 million and gross profit margin of 19.0% for the six months ended 30 September 2020.

The slight decrease in gross profit margin for the six months ended 30 September 2021 was mainly due to the increase in total direct labour costs and subcontracting charges as (i) we incurred additional costs to handle the impacts caused by the operational disruption in our Vietnam production base as a result of the COVID-19 pandemic; and (ii) there was an increase in labour wages of our China production base, such impact was partially offset by the improved gross profit margin of cashmere yarn sales.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidies, income from claims settled and miscellaneous other income. The other income increased by HK$5.9 million from HK$7.2 million for the six months ended 30 September 2020 to HK$13.1 million for the six months ended 30 September 2021. Such increase was mainly due to the income from claims settled of HK$6.3 million and the increase in miscellaneous other income.

Other Gains, Net

Other gains primarily consisted of net realised and unrealised gains or losses from derivative financial instruments, net foreign exchange gains or losses and net gains or losses on financial assets at fair value through profit or loss.

Other gains decreased by HK$19.3 million from HK$20.3 million for the six months ended 30 September 2020 to HK$1.0 million for the six months ended 30 September 2021. Such decrease was primarily attributable to the turnaround in net foreign exchange gains from HK$14.1 million for the six months ended 30 September 2020 to net foreign exchange losses of HK$2.8 million for the six months ended 30 September 2021.

In summary, other gains for the six months ended 30 September 2021 mainly represented net gains on financial assets at fair value through profit or loss of HK$2.4 million, net realised and unrealised gains from derivative financial instruments of HK$0.8 million and net foreign exchange losses of HK$2.8 million.

Selling and Distribution Expenses

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

The Group's selling and distribution expenses increased by HK$3.3 million from HK$20.0 million for the six months ended 30 September 2020 to HK$23.3 million for the six months ended 30 September 2021. Such increase was largely in line with the increase in the Group's sales volume of cashmere yarns.

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$11.1 million from HK$158.8 million for the six months ended 30 September 2020 to HK$169.9 million for the six months ended 30 September 2021. Such increase was mainly due to (i) the increase in staff costs as a result of the growth in cashmere yarn and fabric businesses; and (ii) the increase in other incidental office expenses (e.g. travelling and entertainment expenses) as our Group has dedicated more marketing efforts to promoting its products in face of the more competitive market conditions.

Finance Expenses, Net

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

The Group's net finance expenses significantly decreased by HK$9.4 million from HK$20.3 million for the six months ended 30 September 2020 to HK$10.9 million for the six months ended 30 September 2021. The decrease in net finance expenses was mainly due to the drop in market interest rates and using prudent and effective financial management strategies during the six months ended 30 September 2021.

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 period ended 30 September 2021 and 2020 respectively on the estimated assessable profits arising in or derived from Hong Kong during the relevant periods.

The Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax ("CIT") at a rate of 25% on the estimated assessable profits for the six-month period ended 30 September 2021 and 2020 respectively. However, two of the Group's subsidiaries in Mainland China are subject to the CIT at the rate of 15%, after being assessed as high and new technology enterprises.

The Group's subsidiaries in Vietnam are subject to preferential business income tax ("BIT") at the rate of 17%. According to the investment certificates, the subsidiaries are subject to preferential BIT rate on taxable income for the first 10 years from the commencement of operation. In addition, the subsidiaries are entitled to full exemption from BIT for first 2 years from the first year of earning taxable profit and are eligible for a 50% reduction in the BIT rate in the 4 years thereafter. For one of the subsidiaries in Vietnam, the current period is within the fourth year of 50% reduction in the BIT rate, whereas, all the subsidiaries in Vietnam have no assessable profit for the six months ended 30 September 2021, and hence no BIT is provided.

The effective tax rates of the Group were 13.0% and 13.7% for the six-month period ended 30 September 2021 and 2020 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$192.5 million and HK$238.5 million for the six-month period ended 30 September 2021 and 2020 respectively.

The decrease in net profit for the six months ended 30 September 2021 was primarily due to lower profit margin for men's and women's knitwear products resulting from higher direct labour costs and subcontracting charges and this is mainly caused by the impacts from the COVID-19 pandemic in Vietnam and the increase in labour wages in our China production base; while such decrease was partially set off by the improvement in profit margin of cashmere yarn sales as a result of the rise in cashmere market price.

Adjusted Net Profit

Adjusted net profit is a non-HKFRS financial measure and it is derived from net profit attributable to the owners of the Company for the period after excluding realised and unrealised gains/(losses) from derivative financial instruments. We believe the adjusted net profit presented herein better reflects the Group's core operating results.

Based on the formula above, the Group's adjusted net profit decreased by HK$43.3 million from HK$235.0 million for the six months ended 30 September 2020 to HK$191.7 million for the six months ended 30 September 2021, and the adjusted net profit margin decreased from 10.2% for the six months ended 30 September 2020 to 7.8% for the six months ended 30 September 2021.

Consolidated Cash Flow Statement

Net Cash Used in Operating Activities

The Group's net cash used in operating activities for the six months ended 30 September 2021 was HK$166.9 million, primarily due to profit before income tax of HK$233.4 million, adjusted for depreciation of HK$113.9 million, increases in inventories of HK$100.6 million, trade receivables of HK$456.8 million and prepayments, deposits, other receivables and other assets of HK$29.4 million, which was partially offset by the increase in accruals and other payables of HK$81.4 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2021 was HK$56.6 million, primarily used on the purchase of property, plant and equipment of HK$83.1 million, which was partially offset by the proceeds from disposals of property, plant and equipment of HK$21.6 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the six months ended 30 September 2021 was HK$0.7 million, which was attributable to the net increase in the Group's total bank borrowings and lease liabilities of HK$26.6 million and dividend payments of HK$27.4 million.

Cash and Cash Equivalents

For the six months ended 30 September 2021, the Group's cash and cash equivalents decreased by HK$224.2 million. The net decrease in the Group's cash and cash equivalents was from HK$793.2 million as at 31 March 2021 to HK$569.0 million as at 30 September 2021.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 September 2021, 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 bank borrowings. The Group's gearing ratio increased from 23.1% as at 31 March 2021 to 27.6% as at 30 September 2021. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 30 September 2021, the Group's cash and cash equivalents, amounting to HK$569.0 million, were denominated in US dollars ("US$") (42.9%), HK$ (28.6%), Renminbi ("RMB") (27.2%), Vietnamese Dong ("VND") (0.9%) and other currencies (0.4%).

As at 30 September 2021, the Group's total bank borrowings and lease liabilities were due for repayment as follows:

	As at 30 September 2021 *HK$'000*	As at 31 March 2021 *HK$'000*
Within one year	**669,238**	1,061,464
Between one and two years	**274,978**	218,144
Between two and five years	**614,033**	239,731
Over five years	**379**	–
	1,558,628	1,519,339

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 2021, the Group's total bank borrowings and lease liabilities were denominated in HK$(80.7%), US$(18.5%) and RMB(0.8%). All the Group's bank borrowings were floating rate borrowings. The weighted average effective interest rate of the Group's bank borrowings as at 30 September 2021 was 1.48%.

(c) As at 30 September 2021, the Group's certain bank borrowings were secured by financial assets at fair value through profit or loss with a total carrying amount of HK$6.4 million.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK$111.0 million for the six months ended 30 September 2021, which were mainly related to the purchase of machinery for our factories and the construction of a new production base in Myanmar. These capital expenditures were fully financed by internal resources and bank borrowings.

The Group's capital commitments as at 30 September 2021 amounted to approximately HK$50.7 million which were mainly related to the purchase of machinery for our factories as well as the construction of a new production base in Myanmar.

Charge on Assets

As at 30 September 2021, the Group's right-of-use assets with a total carrying amount of HK$14.2 million, buildings and leasehold improvements with a total carrying amount of HK$168.7 million and financial assets at fair value through profit or loss with a total carrying amount of HK$6.4 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 2021.

Events after Balance Sheet Date

The Group did not have any significant events after the balance sheet date.

Financial Instruments

The Group did not have any outstanding hedging contracts or financial derivatives as at 30 September 2021 (31 March 2021: Nil).

Financial Risk Management

(a) Foreign Currency Risk

The Group mainly operates in Hong Kong, Mainland China 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 2021, the Group entered into some forward foreign currency contracts to mitigate its exposures of RMB against US$ in light of the appreciation of RMB during the period. The Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

(b) Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk and bank 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 2021 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, economic environments in which the customers operate in 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 2021, majority of the Group's bank balances and deposits were held with major financial institutions in Hong Kong, Mainland China 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 2021, the Group had a total of approximately 9,200 full-time employees in Mainland China, Vietnam and Hong Kong. For the six months ended 30 September 2021, the total staff costs, including the directors' emoluments, amounted to HK$487.7 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, Mainland China 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 4.2 HK cents per share for the six months ended 30 September 2021 (2020: 3.8 HK cents) to be paid to the shareholders of the Company whose names are recorded on the register of members of the Company at the close of business on Thursday, 9 December 2021. The interim dividend is expected to be payable on or about Wednesday, 22 December 2021.

The Company's register of members will be closed from Tuesday, 7 December 2021 to Thursday, 9 December 2021 (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, 6 December 2021.

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

During the six months ended 30 September 2021, 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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of corporate governance. In the opinion of the Directors, the Company has complied with all the mandatory code provisions set out in the CG Code for the six months ended 30 September 2021.

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 2021.

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 four independent non-executive Directors, namely, Mr. Ong Chor Wei (Chairman), Mr. Kan Chung Nin, Tony, Mr. Fan Chun Wah, Andrew and Mr. Ip Shu Kwan, Stephen. 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 26 November 2021 to meet with the external auditors of the Company and review the Company's interim financial report for the six months ended 30 September 2021.

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 2022 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 Wai Yue
Chairman

26 November 2021

As at the date of this announcement, the Board comprises Mr. Wong Wai Yue (Chairman), Mr. Man Yu Hin (Chief executive officer), Mr. Wong Ting Chun and Mr. Li Po Sing, as executive directors of the Company; Mr. Tam Wai Hung, David, as non-executive director of the Company; 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, Ms. Lee Bik Kee, Betty and Mr. Ip Shu Kwan, Stephen GBS, JP, as independent non-executive directors of the Company.