



南旋控股有限公司

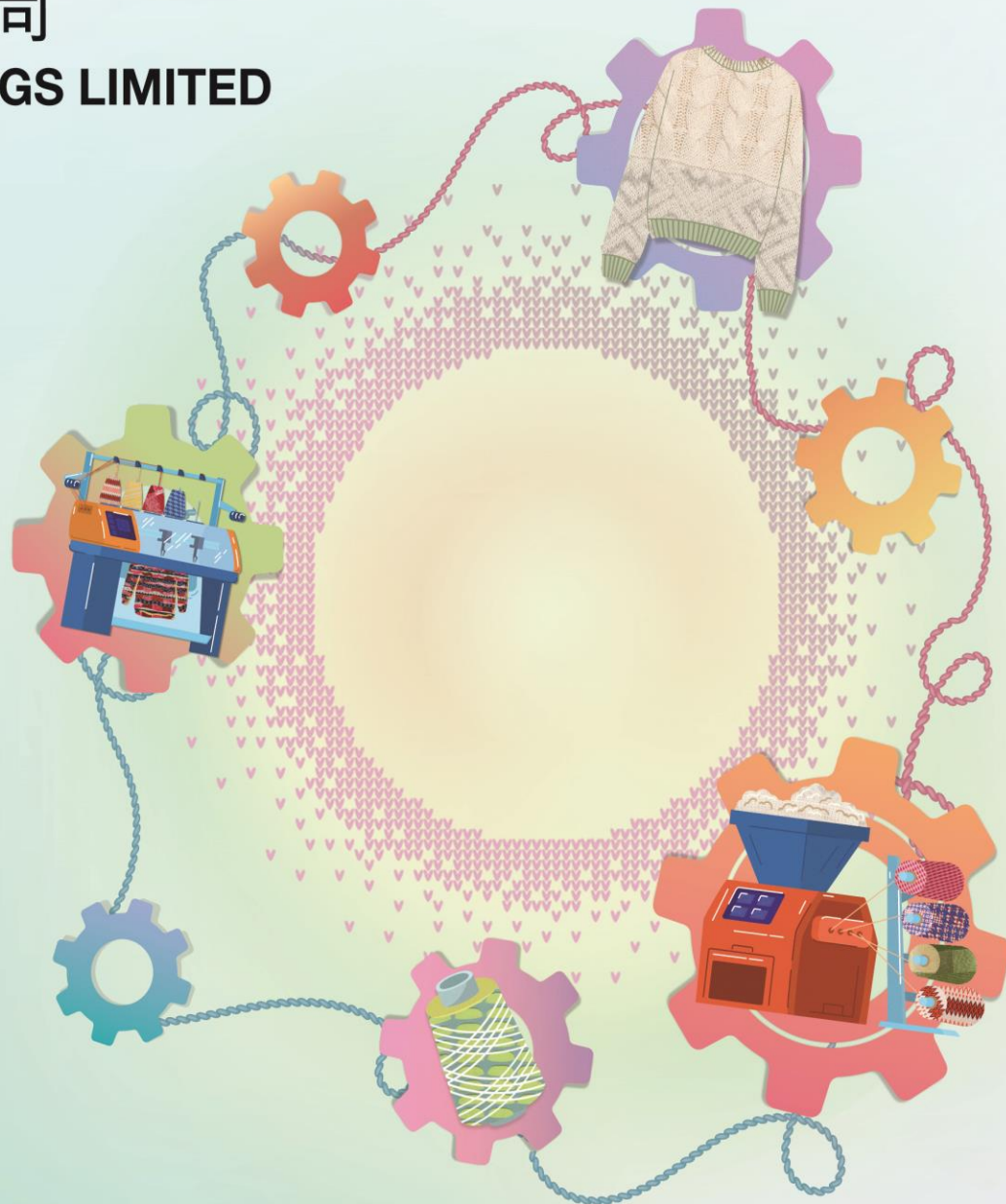
NAMESON HOLDINGS LIMITED

Stock Code : 1982.HK

FY2024

Interim Results

November 2023





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Presenters



Benny Wong
Chairman &
Executive Director



Jason Man
CEO &
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Stephen Tao
CFO &
Company Secretary

Agenda



1

Results Overview



2

Financial Highlights



3

Business Review



4

Outlook

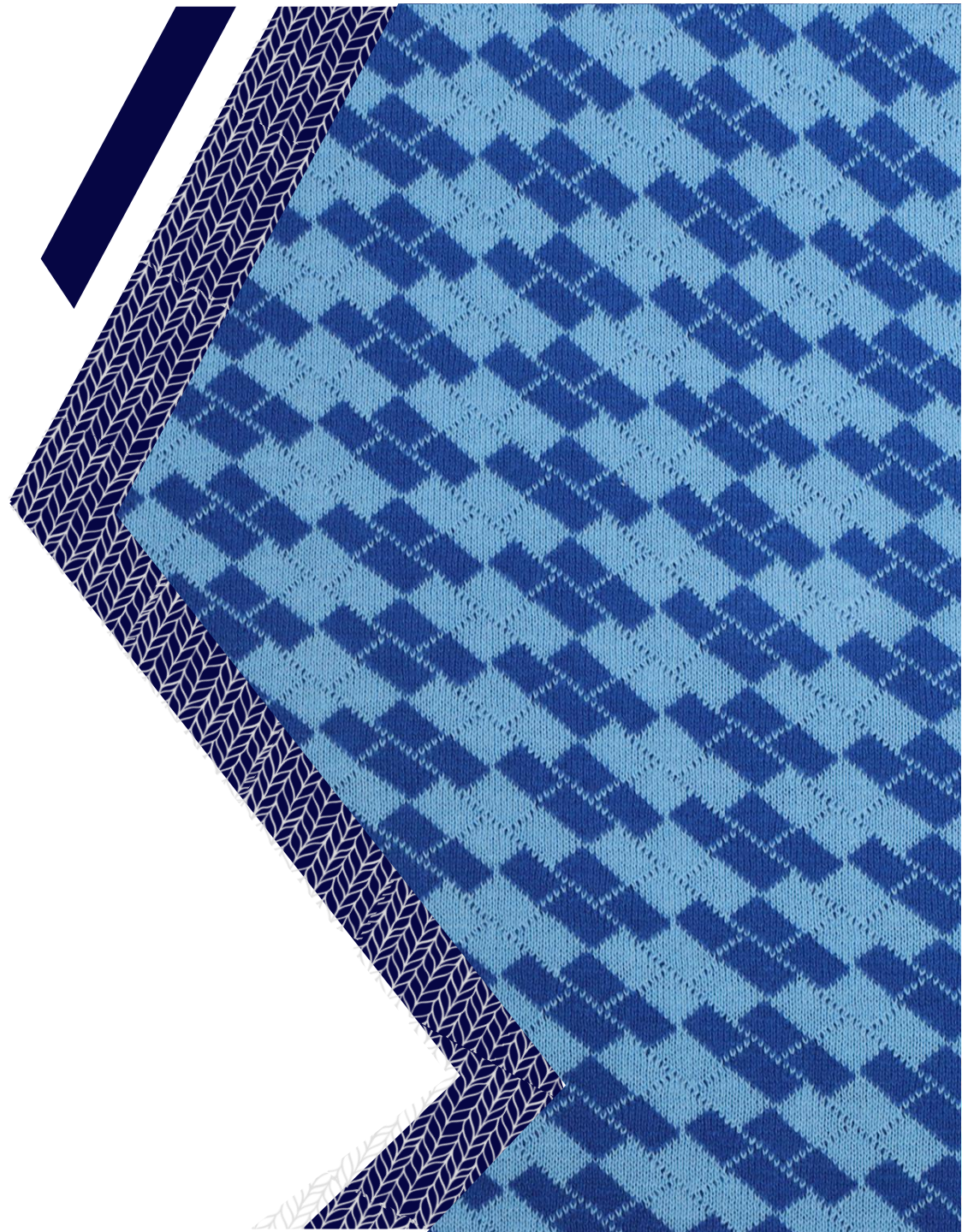


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Q&A



RESULTS OVERVIEW



Results Overview

Revenue (HK\$)

2,726.4 mn ▼ 12.0%

Gross Profit (HK\$)

498.0 mn ▼ 3.6%

Gross Profit Margin (%)
18.3% ▲ 1.6%pt

Operating Profit (HK\$)

371.7 mn ▲ 16.0%

Operating Profit Margin (%)
13.6% ▲ 3.3%pt

- Volume of men's and women's knitwear products 19.0 mn (+1.6%): despite weaker market, displaying resilience
- ASP of men's and women's knitwear products HK\$118.7 (-12.9%): product mix and mutually agreed price adjustments for WG
- Other businesses: more external sales for cashmere yarn; fabric business more prone to economic concerns and excess inventory

- SG&A decreased, effective cost controls
- Decreased other gains
- Absence of impairment vs impairment loss recognised for production base in Myanmar in previous corresponding period

Net Profit (HK\$)

305.6 mn ▲ 19.8%

Earnings Per Share

12.7 HK cents ▲ 24.5%

Adjusted Net Profit* (HK\$)

289.1 mn ▼ 15.7%

Adjusted Net Profit Margin
10.6% ▼ 0.5%pt

Cash and cash equiv. (HK\$)

1,120.7 mn ▲ 56.3%

Gearing Ratio

3.1% ▼ 10.1%pt

Operating Cash Flow (HK\$)

383.6 mn ▲ 127.8%

- DPS increased by 86.3% to 9.5 HK cents per share

- Dividend payout increased to 74.8%

1H 2023

5.1 cents

1H 2024

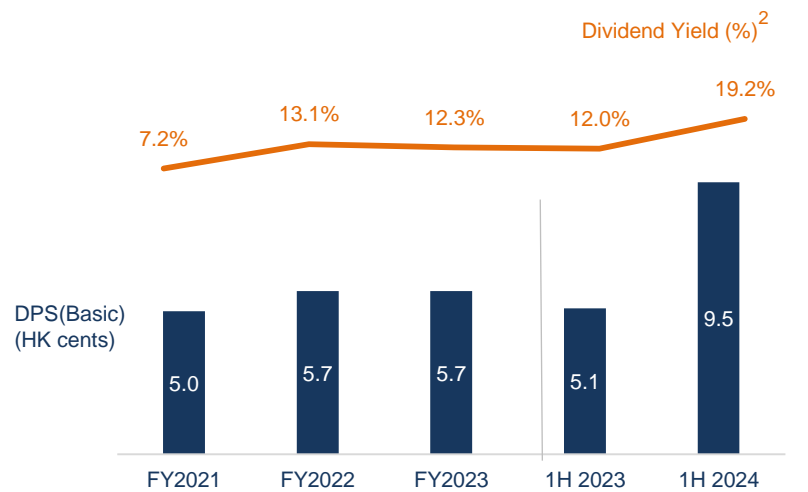
9.5 cents

- Adjusted Net Profit is derived from profit attributable to the owner of the Company, excluding (i) impairment loss on the production base in Myanmar; and (ii) realised and unrealised losses/gains from derivative financial instruments, which are expenses/income not considered as recurring in nature

Historical Dividend



¹ FY2023: Reported net profit included non-cash impairment loss of HK\$243.4 million, if based on adjusted net profit which excluded non-recurring items, payout ratio would be 36.5%



² Dividend yield calculated based on closing share price on corresponding announcement dates

(HK\$ 'mn)	FY2021	FY2022	FY2023	1H 2023	1H 2024
Cash and cash equivalents	713.1	610.7	717.0	778.9	1,120.7
Gearing ratio (%)	37.9%	21.3%	13.2%	18.2%	3.1%
Operating Cash Flow	876.3	244.0	593.2	168.4	383.6
Capex	291.9	168.4	198.1	131.0	118.9

FINANCIAL HIGHLIGHTS



Financial Review

(HK\$ 'mn)	1H 2023	1H 2024	Change
Revenue	3,099.4	2,726.4	-12.0%
Gross Profit	516.4	498.0	-3.6%
<i>Gross Profit Margin</i>	16.7%	18.3%	+1.6 ppt
Other income	29.6	7.0	-76.4 %
Other gains, net	75.6	46.7	-38.2%
Selling and distribution expenses	(23.8)	(17.8)	-25.2%
General and administrative expenses	(168.3)	(162.2)	-3.6%
Impairment loss on the production base in Myanmar	(109.0)	-	-
Operating Profit	320.5	371.7	+16.0%
<i>Operating Profit Margin</i>	10.3%	13.6%	+3.3 ppt
Profit before Tax	305.9	349.4	+14.2%
Net Profit	255.1	305.6	+19.8%
<i>Net Profit Margin</i>	8.2%	11.2%	+3.0 ppt
Profit attributable to the owners of the Company	232.8	289.1	+24.2%
Adjusted Net Profit ¹	342.9	289.1	-15.7%
<i>Adjusted Net Profit Margin</i>	11.1%	10.6%	-0.5 ppt

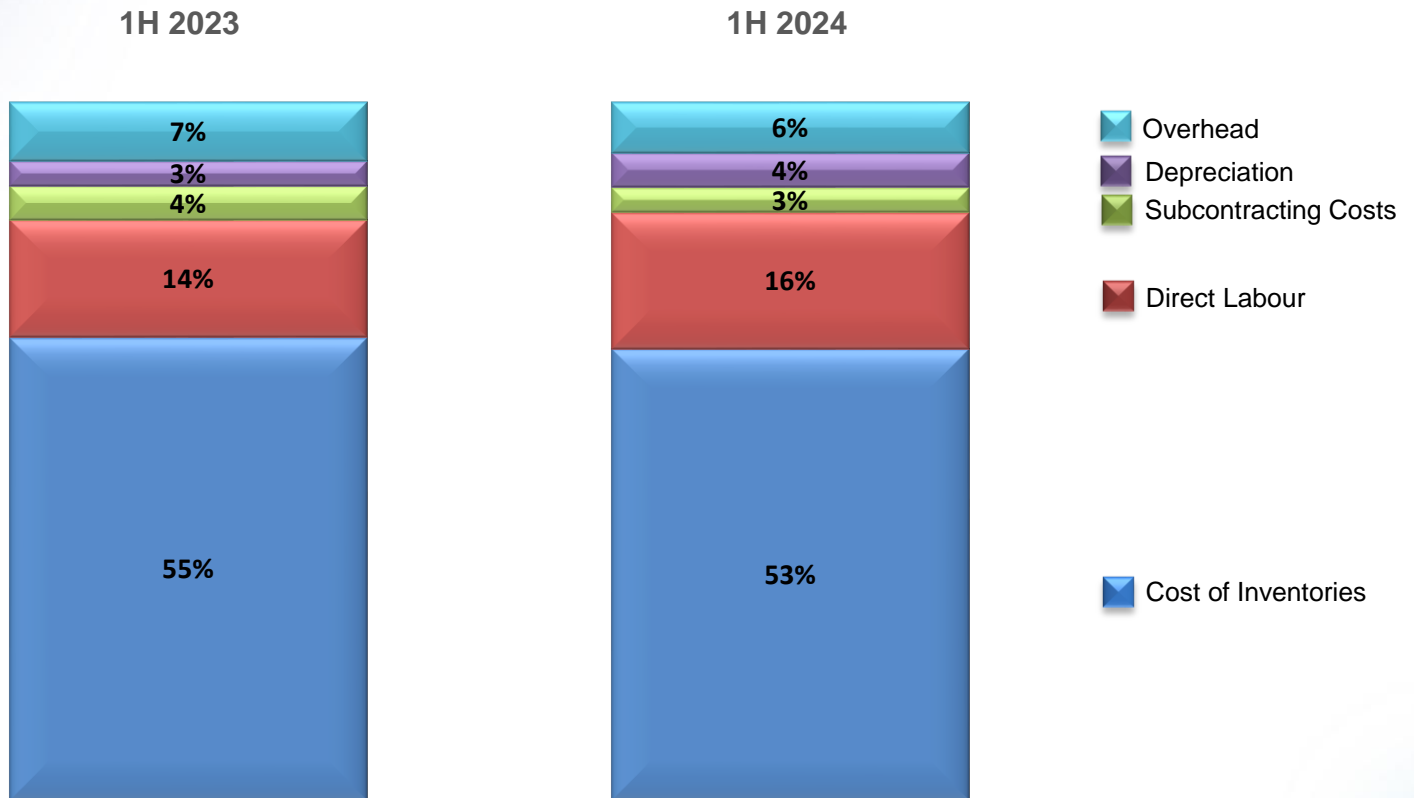
¹ Adjusted net profit is derived from profit attributable to the owners of the Company excluding (i) impairment loss on the production base in Myanmar; and (ii) realised and unrealised losses/gains from derivative financial instruments, which are expenses/income not considered as recurring in nature.

Financial Review

(HK¢ cents)	1H 2023	1H 2024	Change
Basic Earnings Per Share (EPS)	10.2	12.7	+24.5%
Interim Dividend Per Share	5.1	9.5	+86.3%
Payout Ratio	50.0%	74.8%	

Cost of Sales Breakdown

(as % of revenue)



Financial Position

(HK\$ 'mn)

	As at 31 Mar 2023	As at 30 Sep 2023	Change
Cash and cash equivalents	717.0	1,120.7	+56.3%
Inventories	1,032.0	658.5	-36.2%
Trade Receivables	132.7	453.1	+241.4%
Trade and Bills Payables	363.4	291.4	-19.8%
Current Assets	2,046.8	2,433.3	+18.9%
Total Assets	4,429.1	4,796.4	+8.3%
Total Bank Borrowings and Lease Liabilities	1,094.5	1,208.5	+10.4%
Net Debt	377.5	87.8	-76.7%
Total Equity	2,477.7	2,740.3	+10.6%
Gearing Ratio (%) #	13.2%	3.1%	-10.1 ppt
Return on Equity (%)	6.4%	22.3%	
Return on Assets (%)	3.6%	12.7%	

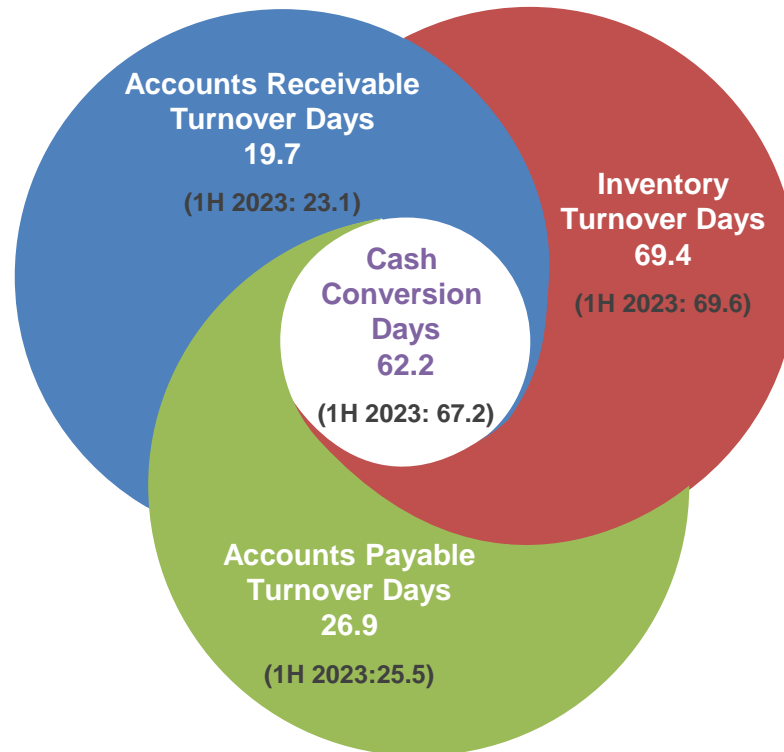
Calculation of Gearing Ratio: Net debt divided by total capital. Net debt is calculated as total bank borrowings and lease liabilities less cash and cash equivalents. Total capital is the sum of equity and net debt

Summary of Cash Flow

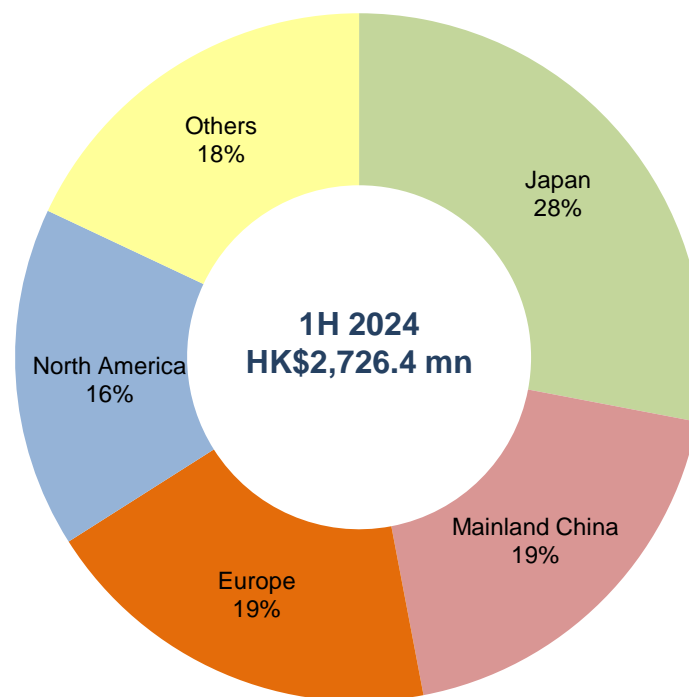
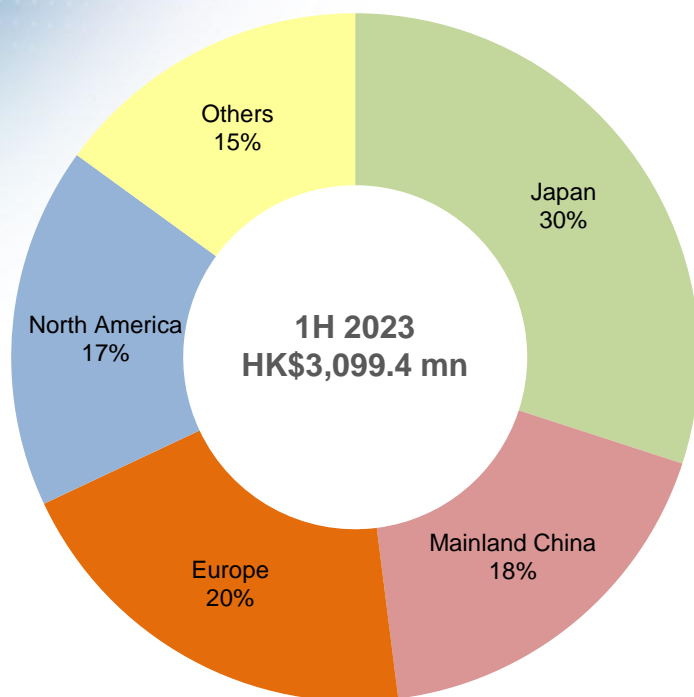
(HK\$ 'mn)

	1H 2023	1H 2024
Net cash generated from operating activities	168.4	383.6
<i>Profit before income tax</i>	305.9	349.4
<i>Adjusted for:</i>		
<i>Income tax paid, net</i>	(10.8)	(27.6)
<i>Depreciation</i>	118.5	114.9
<i>Increase in prepayment, deposits, other receivable and other assets</i>	(85.3)	(9.4)
<i>Decrease in inventories</i>	368.2	394.2
<i>Impairment loss on the production base in Myanmar</i>	109.0	-
<i>Net gains on disposal of property, plant and equipment</i>	(27.5)	(19.5)
<i>Increase in trade receivables</i>	(491.2)	(319.6)
<i>Decrease in trade and bills payable</i>	(113.5)	(72.0)
<i>Increase in accruals and other payables</i>	77.8	41.1
<i>Others</i>	(82.7)	(67.9)
Net cash generated from / (used in) investing activities	28.9	(34.1)
<i>Purchases of property, plant and equipment</i>	(29.6)	(72.8)
<i>Proceeds from disposals of property, plant and equipment</i>	57.2	28.1
<i>Others</i>	1.3	10.6
Net cash (used in) / generated from financing activities	(26.8)	53.0
<i>Increase in bank borrowings</i>	45.3	110.3
<i>Dividend paid</i>	(34.2)	(13.7)
<i>Capital contribution from non-controlling interests</i>	1.2	-
<i>Repayment of a loan from a non-controlling shareholder of a subsidiary</i>	-	(1.0)
<i>Payment of lease liabilities</i>	(39.1)	(42.6)
Net Inflow of Cash	170.5	402.5

Cash Conversion Cycle



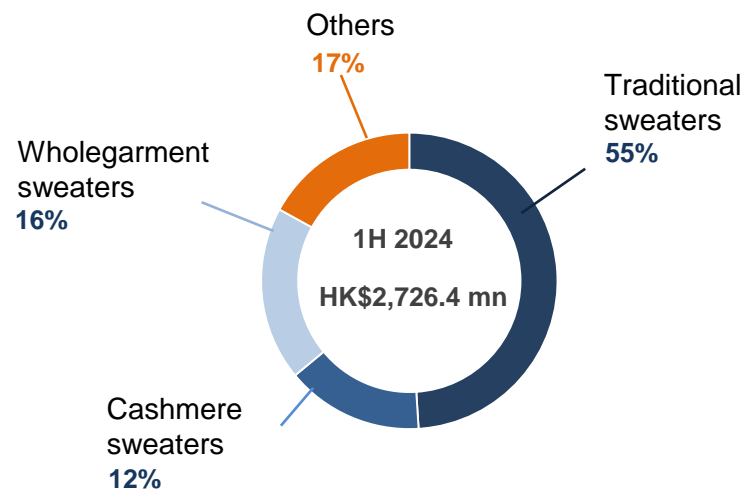
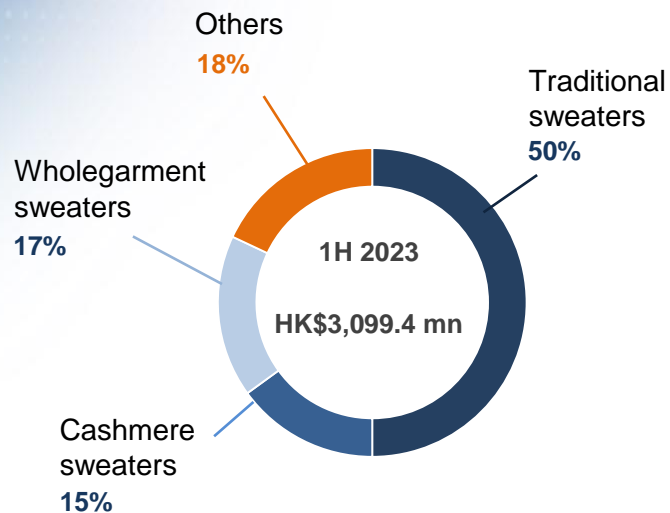
Geographical Breakdown by Revenue



BUSINESS REVIEW



Breakdown by Business

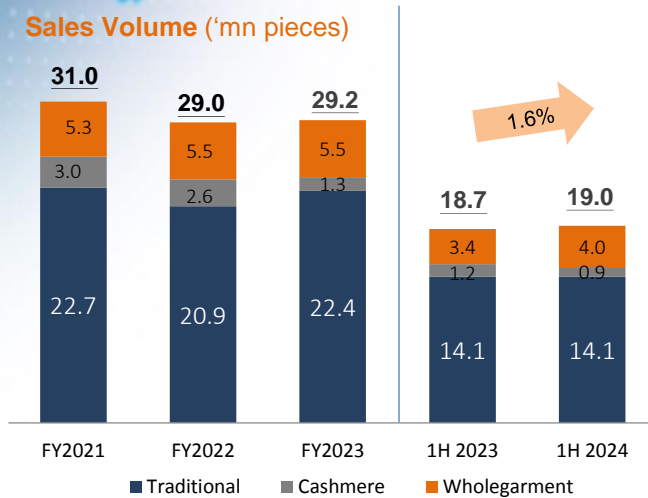


	1H 2023	1H 2024
 Men's and Women's Knitwear Products	82%	83%
 Others	18%	17%

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

Core Product: Sweaters

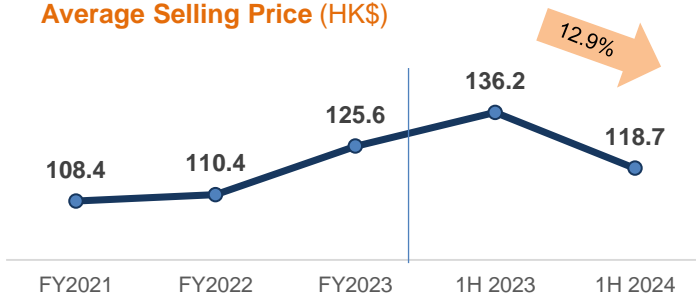
Sales Volume ('mn pieces)



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

- Balanced customer portfolio, domestic demand recovery offsetting softer markets
- Vietnam increased production capacity, well in advance for procurement shift
- Showed resilience despite weak consumption market

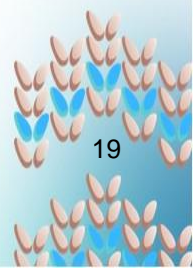
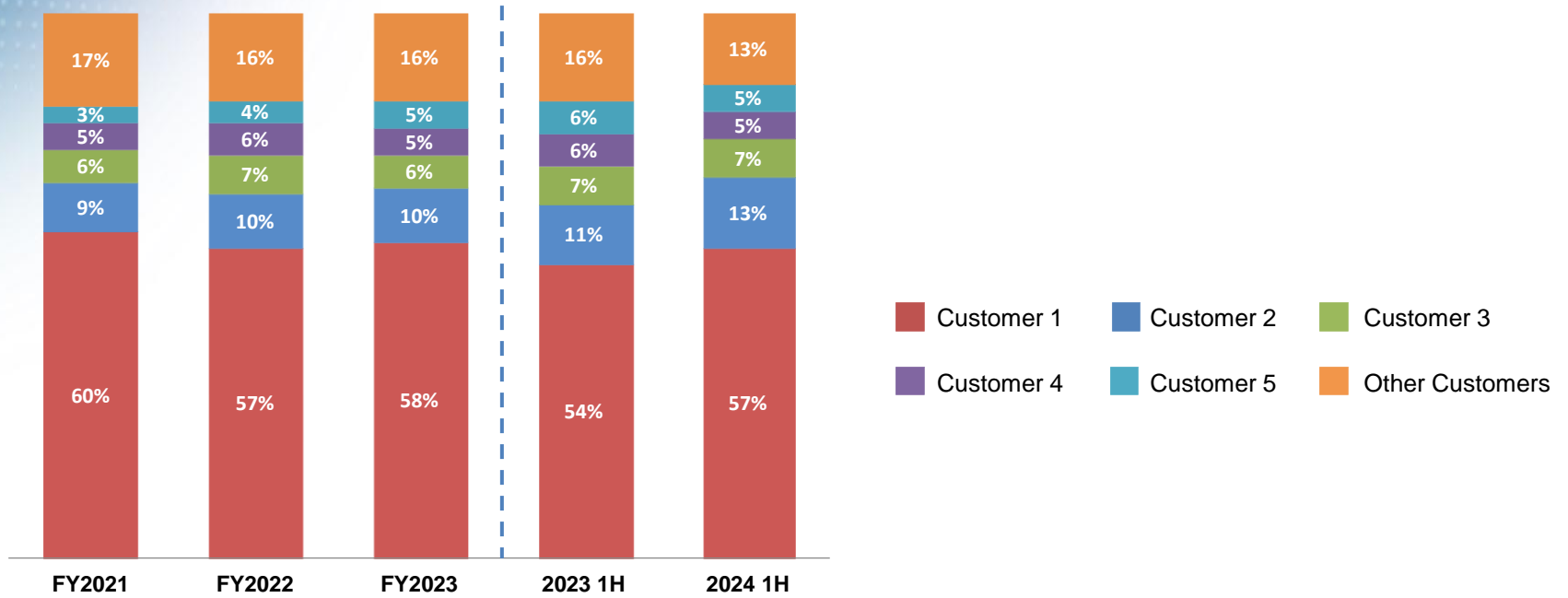
Average Selling Price (HK\$)



- ASP declined as a result of strategic product mix change, and mutually agreed price adjustment on Wholegarment with customer



Sweaters: Customer Mix



Capacity by Location

Vietnam Factory

- Operating since 1Q 2015
- GFA of > 130,000m²
- Machinery: ≈ 3,700
- Labor: ≈ 9,100 employees
- Manufactured 65% of total sweaters in 1H 2024
- Increased capacity by expanding in central Vietnam



China Factory

- Operating since 2002
- GFA of >350,000m²
- Machinery: ≈ 3,700
- Labor: ≈ 5,100 employees
- Manufactured 34% of total sweaters in 1H 2024

Volume ('mn) <i>(Menswear and womenswear knitwear only)</i>											
	2019 1H	2019 2H	2020 1H	2020 2H	2021 1H	2021 2H	2022 1H	2022 2H	2023 1H	2023 2H	2024 1H
VN	8.0	5.5	7.9	6.0	9.7	7.3	8.9	4.7	9.5	6.0	12.4
CN	15.3	8.0	13.5	7.1	8.6	5.4	9.0	6.4	9.2	4.5	6.5

Other Developments: Myanmar for Knitwear

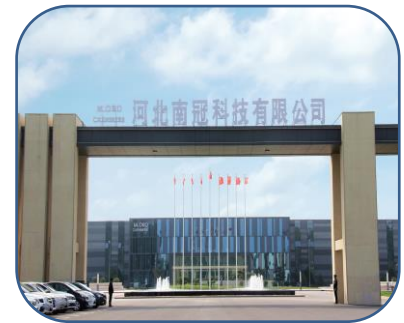
- Trial production took place smoothly
- However, increasing number of brand customers displayed reluctance to procure from Myanmar due to political considerations
- Continuous effort on tapping customers' interest, yet it only gets more difficult at this point



Myanmar plant

Other Products: Cashmere Yarn

- 13 production lines, totaling approx. 900 tons of annual design production capacity, produced approximately 450 tons in 1H 2024
- Satisfy internal usage and external customers
- Own branded cashmere yarn – M.oro, gaining reputation with customers. Flexibly increased sales to external customers: HK330.0mn, contributing to improved gross profit margin for cashmere yarn



Cashmere Spinning Factory (Hebei)



Scalable production



Cashmere spinning machines



让每根羊绒生命更精彩

M.ORO CASHMERE
传递天然纤维

河北南冠科技有限公司
HEBEI NANGUAN TECHNOLOGY COMPANY LIMITED

Own branded cashmere yarn – **M.oro**

Other Products: Fabric

- Global demand saw a decrease since 2H 2023, sharp decline in fabric market, more prone to economic downturn and excess inventory
- Meanwhile we spend continuous effort on enriching customer relationship and enhancing our own product quality to pave way for further growing the business
- Enhancements:
 - (i) Product safety: Chemical suppliers certified by internationally recognised agencies; supplier declarations to guarantee they are free from prohibited carcinogens substances; periodic specimen testing for harmful substances
 - (ii) Certifications: Oeko-Tex, Global Organic Textile Standard (GOTS), Global Recycled Standard (GRS), Organic Content Standard (OCS), HIGG Index, and others under application
 - (iii) Quality Control: Quality checkpoints in major steps of the production processes including: incoming material, greige fabric, in-line colour, and QA spot checks on all finished products



Fabric Factory (Vietnam)

Other Products: Fabric



Total Plot Size: 140,000 m²
 Production Area (Phase 1): 33,500 m²
 Water Treatment Facility: 1500 m²
 Chemical Warehouse: 1,800 m²
 Wastewater Treatment Capacity: 5000 m³



Laboratory workshop

6/F
Laboratory

- 700 m² standard Lab, equipped with advanced devices and strictly follow international standards for product quality



Knitting machines

Greige Fabric Inspection

5/F
Knitting

Air-conditioned workshops, and latest machines from Germany & China:

- 2 yarn winding machines
- 54 knitting machines
- 20 collar rib knitting machines
- 4 greige fabric inspection machines



Dyeing tube machine

Continuous open-width machine

4/F
Dyeing

5600 m² dyeing workshop with eco-friendly hybrid dyeing machines:

- 27 dyeing tube machines
- 4 sample dyeing machines
- 4 continuous open-width (washing / bleaching) machines



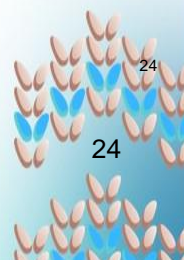
Singeing machine

Raising machine

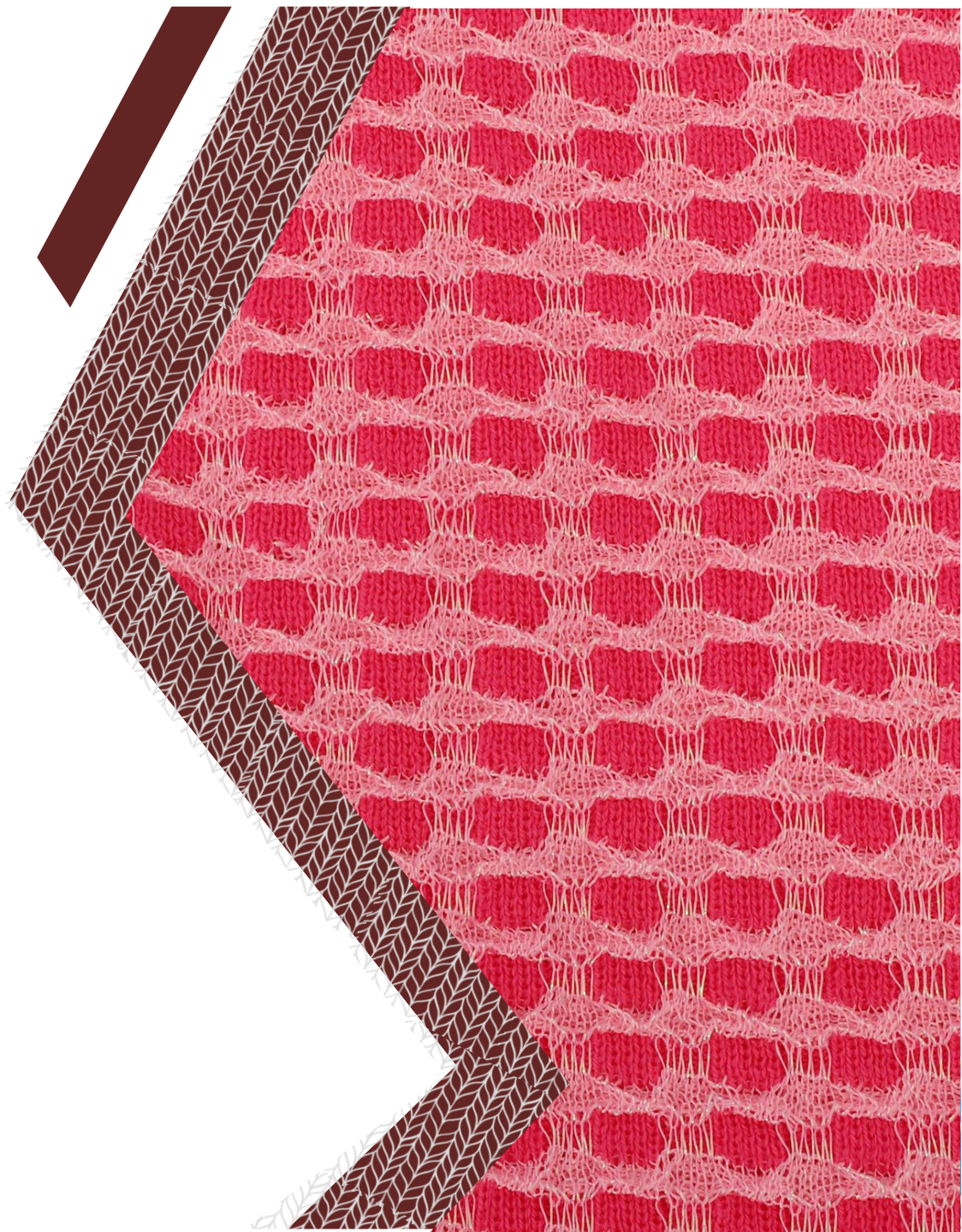
Relaxing machine

2-3/F
Setting / Finishing / QC & QA

- Setting machines and pre-shrinking machines from Italy
- Special finishing: Singing, Brushing, Raising, Sueding, Shearing, Flat dry collar, Relaxing
- QC 100% Fabric inspection
- QA Spot checks
- Automatic packing machine



OUTLOOK



Outlook

End-consumer sentiment:

Concerns for global economy, especially driven by global conflicts

CHALLENGES

OPPORTUNITIES

Production Ratio: Further grow Vietnam:

- Strengthen customer service functions in Vietnam
- Flex productivity to service increased demand; further grow capacity in VN

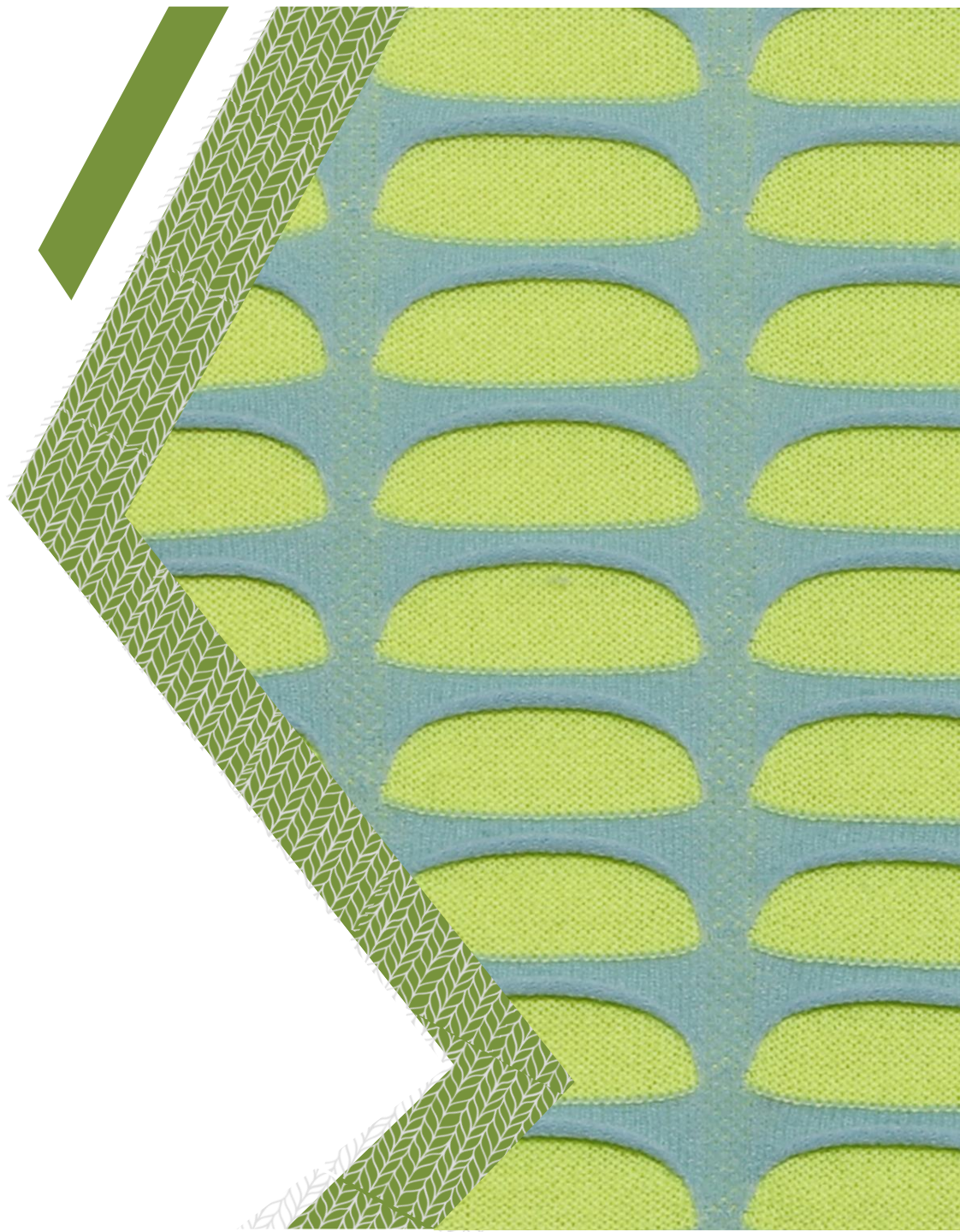
Fabric manufactured in VN highly demanded:

Observe and expand as appropriate

Tapping and growing with customers:

Continue to lead in material development, uncompromised quality tapping and deepening cooperation with quality customers

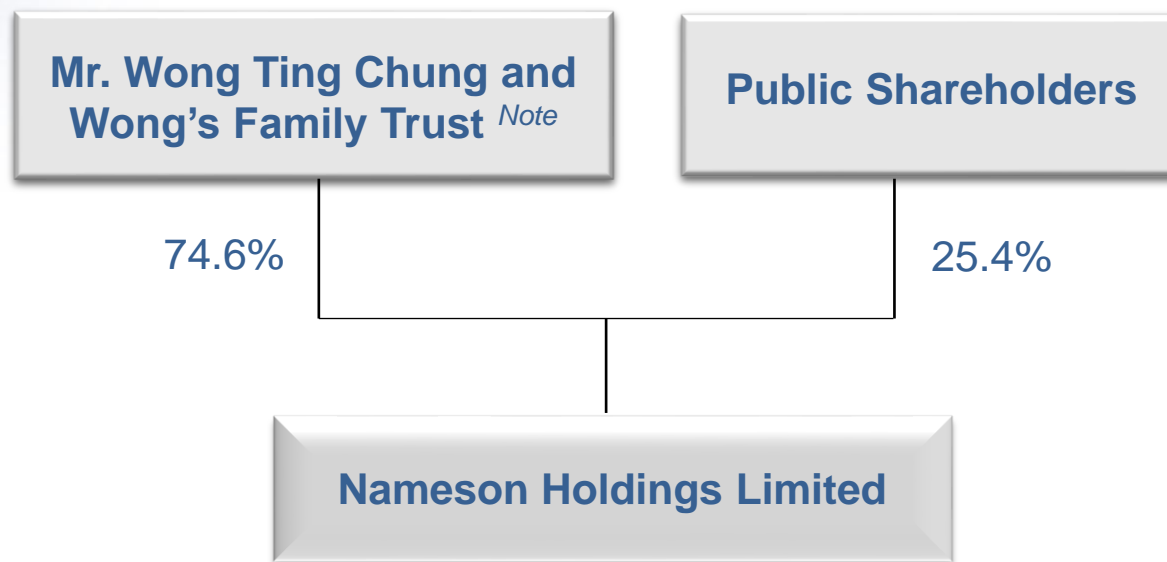
QUESTION & ANSWER



APPENDIX



Shareholding Structure



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

Environmental Protection Strategies

TARGETS before 2031*

- Reduce carbon emission by 10.5%
- Reduce energy consumption by 4.3%

* Yearly target compared to FY2021

SOLAR INSTALLATION

- Embarked on solar panel installation at Huizhou production facility
- Targets approx. 8,200 tons of reduced carbon emission / year

ONGOING INITIATIVES

- Coal consumption **-30.6%** by replacing coal with burning wood pellets
- Water recycling **~60%** reuse of water resources



ETHICAL PROCUREMENT

- 12 memberships / certificates attained for responsible and ethical sourcing
- Expects all suppliers to comply with ethical sourcing

GREENERY

- 40% of factories' area is planted with trees

HIGG INDEX (FY2023)

- China Factory: Score of 78% in Facility Environmental Module
- Vietnam Factory: Score of 69% in Facility Environmental Module

The HIGG Index is a suite of tools for the standardized measurement of value chain sustainability, and it is central to the Sustainable Apparel Coalition's mission to transform businesses for exponential impact.

Knitwear Production Process



WholeGarment Knitting vs Traditional Knitting

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

Seamless Knitting Technology: WholeGarment

Cost Effectiveness of Deploying WholeGarment Machinery

- Reduce production lead time by >50%
- Reduce labour in production process
- Reduce material wastage, especially beneficial for expensive raw materials



Cater to Diverse Customer Needs

- Better fit and styles very well-received by end market since inception
- Customer driving up the speed of introducing more knitwear utilising WholeGarment Technology

Accretive to the Group's Development

- Better selling prices and margins accretive to the Group
- Confirmed orders received early in the pipeline given the limited supply in the market, beneficial for production planning

Consolidated Income Statement

(Unaudited)
Six months ended 30 September

	2022 (HK\$ '000)	2023 (HK\$ '000)
Revenue	3,099,367	2,726,382
Cost of sales	(2,582,967)	(2,228,388)
Gross profit	516,400	497,994
Other income	29,601	7,062
Other gains, net	75,629	46,676
Selling and distribution expenses	(23,738)	(17,829)
General and administrative expenses	(168,388)	(162,218)
Impairment loss on the production base in Myanmar	(109,034)	-
Operating profit	320,470	371,685
Share of post-tax profit of a joint venture	570	758
Finance expenses, net	(15,183)	(23,056)
Profit before income tax	305,857	349,387
Income tax expenses	(50,727)	(43,804)
Profit for the period	255,130	305,583
Profit for the period attributable to		
- Owners of the Company	232,848	289,122
- Non-controlling interests	22,282	16,461
	255,130	305,583
Earnings per share		
- Basic and diluted (HK cents per share)	10.2	12.7

Consolidated Balance Sheet

	<i>Audited</i> <i>As at 31 March</i> <i>2023</i> <i>(HK\$ '000)</i>	<i>Unaudited</i> <i>As at 30 September</i> <i>2023</i> <i>(HK\$ '000)</i>
ASSETS		
Non-current assets		
Property, plant and equipment	1,780,432	1,763,146
Right-of-use assets	334,450	337,628
Investment properties	1,672	1,631
Interest in a joint venture	5,483	6,382
Financial assets at fair value through profit or loss	184,930	187,419
Prepayments, deposits, other receivables and other assets	74,632	66,237
Deferred income tax assets	676	691
	2,382,275	2,363,134
Current assets		
Inventories	1,032,006	658,502
Trade receivables	132,691	453,085
Derivative financial instruments	-	289
Prepayments, deposits, other receivables and other assets	165,041	200,664
Tax recoverable	61	-
Cash and cash equivalents	717,027	1,120,724
	2,046,826	2,433,264
Total assets	4,429,101	4,796,398

Consolidated Balance Sheet (Con'd)

	<i>Audited</i> <i>As at 31 March</i> 2023 <i>(HK\$ '000)</i>	<i>Unaudited</i> <i>As at 30 September</i> 2023 <i>(HK\$ '000)</i>
EQUITY		
Capital and reserves attributable to the owners of the Company		
Share capital	22,794	22,794
Reserves	2,252,260	2,504,729
	2,275,054	2,527,523
Non-controlling interests	202,620	212,815
Total equity	2,477,674	2,740,338
LIABILITIES		
Non-current liabilities		
Bank borrowings	530,930	382,500
Loan from a non-controlling shareholder of a subsidiary	5,767	4,663
Lease liabilities	81,683	104,909
Provision for reinstatement costs	487	2,800
Deferred income tax liabilities	166	154
	619,033	495,026
Current liabilities		
Trade and bills payables	363,392	291,438
Accruals and other payables	224,636	254,988
Current income tax liabilities	262,475	293,471
Bank borrowings	405,825	664,533
Lease liabilities	76,066	56,604
	1,332,394	1,561,034
Total liabilities	1,951,427	2,056,060
Total equity and liabilities	4,429,101	4,796,398
Net current assets	714,432	872,230



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