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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 2024**

	Six months ended 30 September		Change
	2024	2023	
	<i>HK\$' million</i>	<i>HK\$' million</i>	
Revenue	2,786.2	2,726.4	+2.2%
Gross profit	553.5	498.0	+11.1%
Gross profit margin	19.9%	18.3%	+1.6 p.p.
Net profit	312.8	305.6	+2.4%
Profit attributable to the owners of the Company	298.2	289.1	+3.1%
Adjusted net profit (Note)	298.5	289.1	+3.3%
Adjusted net profit margin	10.7%	10.6%	+0.1 p.p.
Earnings per share			
— Basic and diluted	13.1 HK cents	12.7 HK cents	+3.1%
Interim dividend per share	9.8 HK cents	9.5 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 2024, together with the comparative figures for the six months ended 30 September 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

(Expressed in Hong Kong dollars)

		(Unaudited)	
		Six months ended	
		30 September	
		2024	2023
	Note	HK\$'000	HK\$'000
Revenue	5	2,786,212	2,726,382
Cost of sales	7	<u>(2,232,726)</u>	<u>(2,228,388)</u>
Gross profit		553,486	497,994
Other income		6,418	7,062
Other gains, net	6	24,964	46,676
Selling and distribution expenses	7	(20,980)	(17,829)
General and administrative expenses	7	<u>(173,452)</u>	<u>(162,218)</u>
Operating profit		390,436	371,685
Share of post-tax profit of a joint venture		919	758
Finance income		3,429	10,628
Finance expenses		<u>(28,610)</u>	<u>(33,684)</u>
Finance expenses, net	8	<u>(25,181)</u>	<u>(23,056)</u>
Profit before income tax		366,174	349,387
Income tax expenses	9	<u>(53,402)</u>	<u>(43,804)</u>
Profit for the period		<u>312,772</u>	<u>305,583</u>
Profit for the period attributable to:			
— Owners of the Company		298,185	289,122
— Non-controlling interests		<u>14,587</u>	<u>16,461</u>
		<u>312,772</u>	<u>305,583</u>
Earnings per share attributable to the owners of the Company during the period			
— Basic and diluted (HK cents per share)	10	<u>13.1</u>	<u>12.7</u>

	(Unaudited)	
	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
Profit for the period	312,772	305,583
Other comprehensive loss, net of tax:		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
— Currency translation differences	(72,275)	(29,384)
— Share of other comprehensive (loss)/income of a joint venture	(412)	141
Other comprehensive loss for the period, net of tax	(72,687)	(29,243)
Total comprehensive income for the period	240,085	276,340
Total comprehensive income for the period attributable to:		
— Owners of the Company	225,498	266,145
— Non-controlling interests	14,587	10,195
	240,085	276,340

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2024

(Expressed in Hong Kong dollars)

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2024	2024
Note	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,811,286	1,785,060
Right-of-use assets	380,671	290,709
Investment properties	9,185	1,590
Interest in a joint venture	6,840	7,083
Financial assets at fair value through profit or loss	193,632	191,118
Prepayments, deposits, other receivables and other assets	85,495	122,908
Loan to a non-controlling shareholder of a subsidiary	6,987	–
Deferred income tax assets	886	704
	<u>2,494,982</u>	<u>2,399,172</u>
Current assets		
Inventories	838,454	910,552
Trade receivables	409,234	167,149
Prepayments, deposits, other receivables and other assets	520,180	253,826
Cash and cash equivalents	569,028	717,404
	<u>2,336,896</u>	<u>2,048,931</u>
Total assets	<u><u>4,831,878</u></u>	<u><u>4,448,103</u></u>

		(Unaudited) As at 30 September 2024 <i>HK\$'000</i>	(Audited) As at 31 March 2024 <i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		22,794	22,794
Reserves		2,506,033	2,360,314
		<u>2,528,827</u>	<u>2,383,108</u>
Non-controlling interests		267,820	215,851
Total equity		<u><u>2,796,647</u></u>	<u><u>2,598,959</u></u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	14	530,871	454,811
Loans from non-controlling shareholders of subsidiaries		2,609	3,359
Lease liabilities	15	181,754	120,675
Provision for reinstatement costs		2,303	4,409
Deferred income tax liabilities		4,882	4,812
		<u>722,419</u>	<u>588,066</u>
Current liabilities			
Trade and bills payables	13	270,101	335,457
Accruals and other payables		403,479	255,832
Current income tax liabilities		316,158	274,275
Bank borrowings	14	257,215	353,129
Lease liabilities	15	65,859	42,385
		<u>1,312,812</u>	<u>1,261,078</u>
Total liabilities		<u><u>2,035,231</u></u>	<u><u>1,849,144</u></u>
Total equity and liabilities		<u><u>4,831,878</u></u>	<u><u>4,448,103</u></u>
Net current assets		<u><u>1,024,084</u></u>	<u><u>787,853</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") 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 22 November 2024.

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 2024 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 2024, 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 2024, except for the adoption of amended standards and revised interpretation as set out below.

(a) Amended standards and revised interpretation adopted by the Group

The Group has applied the following amended standards and revised interpretation for the first time for the current reporting period beginning 1 April 2024:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current Liabilities with Covenants
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements

The adoption of these amended standards and revised interpretation did not have any significant impact on the amounts recognised in prior or current periods.

(b) New and amended standards and revised interpretation issued but not yet adopted by the Group

The following new and amended standards and revised interpretation have been issued that are not effective for periods commencing on or after 1 April 2024 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 21 and HKFRS 1 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
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 and revised interpretation 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 judgements, 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 judgements 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 2024.

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 2024 and 2023, 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 based on a measure of gross profit.

(a) Revenue by location of goods delivery

	(Unaudited)	
	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Japan	592,102	764,182
North America	439,339	423,311
Europe	631,710	511,823
Mainland China	503,805	524,447
Southeast Asia	292,570	212,544
Other countries	326,686	290,075
	2,786,212	2,726,382

(b) Non-current assets

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2024	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	35,947	30,725
Mainland China	427,319	436,038
Vietnam	1,695,362	1,594,319
Myanmar	134,968	134,498
	2,293,596	2,195,580

The non-current assets information above is based on the location of the assets and excludes interest in a joint venture, financial instruments 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	
	2024	2023
	HK\$'000	HK\$'000
Customer A	1,161,289	1,307,649
Customer B	351,306	284,741

The five largest customers accounted for approximately 69.1% (2023: 72.4%) of revenue for the six months ended 30 September 2024.

(d) **Disaggregation of revenue from contracts with customers**

For the six-month period ended 30 September 2024 and 2023, the revenue of the Group was recognised at a point in time.

6. OTHER GAINS, NET

	(Unaudited)	
	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
Net foreign exchange gains	14,455	24,680
Net gains on financial assets at fair value through profit or loss	2,514	2,489
Net gains on disposals of property, plant and equipment	8,270	19,453
Net realised and unrealised (losses)/gains from derivative financial instruments	(275)	54
	24,964	46,676

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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advertising and promotion expenses	3,233	4,579
Auditor's remuneration		
— audit services	1,161	1,507
— non-audit services	289	356
Depreciation		
— owned property, plant and equipment	97,385	98,891
— right-of-use assets	17,632	15,934
Depreciation of investment properties	1,256	41
Employment benefit expenses (including directors' emoluments)	544,028	534,218
Raw materials used	1,257,822	1,167,981
Changes in inventories of finished goods and work in progress	181,508	297,676
Reversal of impairment of inventories	(22,775)	(22,383)
Consumables	71,164	58,157
Subcontracting charges	111,757	91,632
Agency and commission expenses	930	421
Transportation charges	18,867	15,912
Donations	794	140
Short-term lease payments	501	240
Utilities expenses	65,220	65,590
Sample charges	6,423	4,883
Others	69,963	72,660
	<u>2,427,158</u>	<u>2,408,435</u>

8. FINANCE EXPENSES, NET

	(Unaudited)	
	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income from bank deposits	3,429	10,628
Finance expenses		
Interest expenses on:		
— Bank borrowings	(22,886)	(30,921)
— Lease liabilities	(5,724)	(2,763)
	<u>(28,610)</u>	<u>(33,684)</u>
Finance expenses, net	<u>(25,181)</u>	<u>(23,056)</u>

9. INCOME TAX EXPENSES

For the six months ended 30 September 2024, Hong Kong profits tax has been provided for at the rate of 16.5% (2023: 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% (2023: 25%) on estimated assessable profits. However, two (2023: 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 the 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 subject to the BIT rate of 17%, whereas, the other two subsidiaries in Vietnam have no taxable profit for the six months ended 30 September 2024.

	(Unaudited)	
	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current and deferred income tax		
— Hong Kong profits tax	15,409	9,653
— China corporate income tax	28,687	32,400
— Vietnam business income tax	9,416	1,778
— Deferred taxation	(110)	(27)
	<u>53,402</u>	<u>43,804</u>

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six-month period ended 30 September 2024 and 2023 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	
	2024	2023
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>298,185</u>	<u>289,122</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,279,392</u>	<u>2,279,392</u>
Basic earnings per share (<i>HK cents</i>)	<u>13.1</u>	<u>12.7</u>

(b) **Diluted**

Diluted earnings per share for the six-month period ended 30 September 2024 and 2023 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	
	2024	2023
	HK\$'000	HK\$'000
Interim dividend of 9.8 HK cents (2023: 9.5 HK cents) per ordinary share	223,380	216,542

At the Board meeting held on 22 November 2024, the Board declared an interim dividend of 9.8 HK cents (2023: 9.5 HK cents) per share. The interim dividend amounting to approximately HK\$223,380,000 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 2025.

12. TRADE RECEIVABLES

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2024	2024
	HK\$'000	HK\$'000
Trade receivables	409,234	167,149

The credit periods granted by the Group to its customers generally range from 0 to 90 days. As at 30 September 2024 and 31 March 2024, the ageing analysis of the trade receivables based on invoice date is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2024	2024
	HK\$'000	HK\$'000
Up to three months	388,989	145,002
Three to six months	18,178	20,904
Over six months	2,067	1,243
	409,234	167,149

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 2024 and 31 March 2024, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	(Unaudited) As at 30 September 2024 HK\$'000	(Audited) As at 31 March 2024 HK\$'000
Within one month	101,395	192,782
One to two months	98,555	68,148
Two to three months	56,566	63,536
Over three months	13,585	10,991
	<u>270,101</u>	<u>335,457</u>

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

Note: As at 30 September 2024, trade and bills payables include trade payables to related companies of approximately HK\$5,616,000 (31 March 2024: HK\$2,975,000).

14. BANK BORROWINGS

	(Unaudited) As at 30 September 2024 HK\$'000	(Audited) As at 31 March 2024 HK\$'000
Current		
Short-term bank borrowings, unsecured	67,462	60,000
Portion of long-term bank borrowings, unsecured, due for repayment within one year	189,753	293,129
	<u>257,215</u>	<u>353,129</u>
Non-current		
Bank borrowings, unsecured	530,871	454,811
Total bank borrowings	<u>788,086</u>	<u>807,940</u>

The weighted average effective interest rate as at 30 September 2024 is 4.86% (31 March 2024: 5.66%).

The bank borrowings are due for repayment as follows:

	(Unaudited) As at 30 September 2024 <i>HK\$'000</i>	(Audited) As at 31 March 2024 <i>HK\$'000</i>
Within one year	257,215	353,129
Between one and two years	322,335	181,006
Between two and five years	208,536	273,805
	<u>788,086</u>	<u>807,940</u>

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

15. LEASE LIABILITIES

	(Unaudited) As at 30 September 2024 <i>HK\$'000</i>	(Audited) As at 31 March 2024 <i>HK\$'000</i>
Current		
Lease liabilities due for repayment within one year	<u>65,859</u>	<u>42,385</u>
Non-current		
Lease liabilities due for repayment after one year:		
Between one and two years	68,383	41,052
Between two and five years	113,371	79,623
	<u>181,754</u>	<u>120,675</u>
Total lease liabilities	<u>247,613</u>	<u>163,060</u>

The weighted average effective interest rate as at 30 September 2024 is 5.13% (31 March 2024: 4.31%).

The lease liabilities are due for repayment as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2024	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross lease liabilities — minimum lease payments:		
Within one year	77,179	48,629
Between one and two years	76,474	45,515
Between two and five years	119,465	82,862
	<u>273,118</u>	177,006
Future finance charges on leases	(25,505)	(13,946)
	<u>247,613</u>	163,060

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The global economic landscape has shown a complex recovery trajectory following the post-pandemic period. While the initial rebound was robust, several challenges remained in place that have tempered the recovery progress. Rising tensions between major economies have led to increased trade barriers. Brand customers have been reassessing their purchasing strategies, often resulting in an increased shift in procurement to South East Asian countries. Prolonged international conflicts and geopolitical conflicts led to fluctuating commodity prices and have further complicated recovery efforts. The navigation of the delicate balance in curbing inflation and a slightly later-than-expected interest rate cut have led to cautionary spending patterns in the six months ended 30 September 2024 (“First Half of Financial Year 2025”).

In the First Half of Financial Year 2025, export values from the People’s Republic of China (“Mainland China”) saw a small increase of 4.9%, while Vietnam experienced an increase of 14.7%. Mainland China’s export value of knitwear including knitted and crocheted products increased slightly by 2.2%, while Vietnam’s export value of textiles and garments increased by 8.2%.

Although the downward trajectory in interest rate cuts and stimulus measures have boosted sentiment momentarily, yet the geopolitical conflicts in Ukraine and the Middle East and the presidential election in the United States of America (“USA”) may have profound impacts on economic conditions and societal dynamics. Trade tensions undoubtedly remain and persistently raises concerns in discretionary spending and optimism towards recovery.

The Group’s performance has demonstrated strong resilience even during challenging times in the past few years, and this is exemplary of our endeavour in being adaptive to changing market dynamics. As orders continue to shift to South East Asian countries, our timely strategic investment in increasing capacity in Central Vietnam has proven to be beneficial to the Group’s development. This development has allowed us to not only meet the changing demands of the market, but also to maintain our sales volume for knitwear products in the First Half of Financial Year 2025. This outcome reflects our agility in adapting to shifts in the supply chain and reinforces our commitment to delivering high-quality products to our customers as a preferred supplier.

We have also placed a strong focus on maintaining a diversified customer portfolio across various regions to reduce business risks. By prioritising internal operational efficiency and enhancing customer service, we have effectively positioned ourselves to respond to market demands. Our commitment to fostering a supply hub around our facilities demonstrates our proactive approach, ensuring we meet client needs promptly and reliably. These strategic initiatives have culminated in our achievement of record-high half-year profitability, highlighting the effectiveness of our efforts in navigating the complexities of the current business landscape.

BUSINESS REVIEW

We have dedicated significant effort in finding an equilibrium between orders and pricing, as well as expansion and control. We managed to achieve a modest growth in the Group's revenue, with improved profitability and margins. This demonstrates our ability to navigate challenges while enhancing our operational efficiency and financial health, positioning us for sustainable growth in the future.

The Group initiated its production capacity expansion in Vietnam in the previous year, effectively counterbalancing the softer order volumes being allocated to Mainland China for production. By prioritising shorter lead times, leveraging our proximity to supplies and enhancing logistics, we are able to fulfill more orders when needed, while placing focus on maintaining healthy profit margins. This adaptability is underpinned by the strong mutual trust we have established with our customers, as well as the familiarity our staff have with streamlined workflows. These elements collectively contribute to our operational resilience and ability to respond swiftly to market demands.

In the First Half of Financial Year 2025, the sales volume of our men's and women's knitwear decreased by 5.3% to 18.0 million pieces. This decline was partly attributed to a softer economic recovery in Mainland China and global markets affecting discretionary consumer spending, resulting in more cautious order placements from customers compared to initial expectations. Additionally, delayed seasonal transitions contributed to this slight decrease.

Despite an overall reduction in raw material prices, which led to lower like-for-like average selling prices, the blended average selling price remained stable due to an increase in the sales of cashmere products. Consequently, revenue for our men's and women's knitwear fell slightly by 5.0% to HK\$2,142.5 million.

The Group's total revenue increased by 2.2% to HK\$2,786.2 million, contributed by an increase in both the cashmere yarn sales and fabrics businesses. The Group's gross profit and gross profit margin improved compared to the same period last year.

Selling and distribution expenses, together with general and administrative expenses in aggregate remained fairly stable as a proportion to revenue. The Group recorded a 57.5% lower net gains on disposals of property, plant and equipment in the First Half of Financial Year 2025, yet the Group's operating profit still recorded a 5.0% increase to HK\$390.4 million, and a record-high half-year net profit for the period of HK\$312.8 million, a 2.4% increase against the same period last year.

Given the Group's consistent commitment to prudent cash management, strong cash flow, and healthy gearing ratio, the Board is pleased to declare an interim dividend of 9.8 HK cents per share to the Company's shareholders representing a payout ratio of 75%, as a gesture of appreciation for our shareholders' consistent trust and support.

FUTURE STRATEGIES AND PROSPECTS

The outcome in the new administration from the presidential election in the USA is pivotal to global trade, policies, partnerships, and the global economy. On the other hand, common expectations on further interest rate cuts may provide some stimulus to economic recovery. The dynamics point to a complex interplay of caution amongst brand customers in their procurement strategies, while the recovery pace of Mainland China and global consumption remains uncertain.

Nevertheless, Vietnam has increasingly become a preferred destination for manufacturing due to its competitive costs, improving infrastructure and trade arrangements. Its strategic location has benefited when Bangladesh protests had disrupted its manufacturing progress. Our strategic decision to expand the manufacturing facilities in Central Vietnam is set to benefit the Group in the coming years. With the support of quality suppliers, Vietnam has established itself as a key supply and manufacturing hub for numerous global brands. The Group is exceptionally well-positioned to capitalise on greater opportunities with international clients. Our ongoing commitment to improvement and product quality facilitates negotiations with new customers, and we are confident in our ability to diversify our customer portfolio, driving more profitable business and returns for the Group.

By moving early to develop our upstream cashmere yarn business, we have been expanding the business with increasing sales to satisfy both external customers and internal usage. With distinct advantages in creating sustainable materials that offer complete traceability, our cashmere yarn business is making a positive contribution to the Group as anticipated. Driven by demand, we are going to shift part of this business to Vietnam as a first-mover and are highly confident that it will continue to deliver positive results for the Group.

As demand for fabric increases, we recognise the significant potential in Vietnam's growing need for raw materials. We are confident that we will be well-positioned to continue to benefit when the business continues to ramp up. Meanwhile, as we immerse ourselves in the business, we remain vigilant in using existing resources and exploring more opportunities that align with the current market demand. For instance, we have established a collaboration for fabric printing. We are confident that we will successfully navigate the value chain and gradually establish ourselves as a key raw material solutions provider in Vietnam.

Our adaptable management approach has strengthened the Group's resilience to challenges and refined our skills to pursue even greater excellence.

We will remain open-minded in pursuing additional breakthroughs in innovation, lean manufacturing, and digitisation as appropriate. Our commitment to enhancing product design will focus on functionality and material development, ensuring we meet the diverse and rapidly changing preferences of customers in the end market.

In the face of ongoing uncertainty, particularly due to persistent geopolitical conflicts, the management adopts a fluid and flexible approach to business operations. While maintaining a strong emphasis on enhancing our core activities, the Group will seek opportunities to broaden and diversify its business. Our long-term commitment remains focused on delivering greater returns to our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2024 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.

The Group's revenue increased by 2.2% to HK\$2,786.2 million for the six months ended 30 September 2024 from HK\$2,726.4 million for the six months ended 30 September 2023. The increase was mainly attributable to the increase in sales revenue of cashmere yarns and fabrics, while the total sales revenue of men's and women's knitwear products for the six months ended 30 September 2024 decreased by HK\$112.5 million to HK\$2,142.5 million as compared to the corresponding period in year 2023. For the six months ended 30 September 2024, the sales revenue of cashmere yarns increased by HK\$88.5 million to HK\$418.5 million as compared to the corresponding period in year 2023.

The decrease in the total sales revenue of men's and women's knitwear products was due to the decrease in sales volume. The Group's sales volume of men's and women's knitwear products decreased by 5.3% from 19.0 million pieces for the six months ended 30 September 2023 to 18.0 million pieces for the six months ended 30 September 2024, while the average selling price of the Group's men's and women's knitwear products slightly increased by 0.1% from HK\$118.7 per piece for the six months ended 30 September 2023 to HK\$118.8 per piece for the six months ended 30 September 2024.

On the other hand, consistent with the Group's geographical market distribution for the six months ended 30 September 2023, Europe, Japan and Mainland China remained as the top three markets of our Group for the six months ended 30 September 2024. The revenue attributable to the European market, Japanese market and Chinese market accounted for 22.7%, 21.3% and 18.1% respectively of the Group's total revenue for the six months ended 30 September 2024.

Cost of Sales

For the six months ended 30 September 2024, the Group incurred cost of sales of HK\$2,232.7 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 2024, the Group recorded gross profit of HK\$553.5 million and gross profit margin of 19.9% as compared to the gross profit of HK\$498.0 million and gross profit margin of 18.3% for the six months ended 30 September 2023.

The increases in gross profit and gross profit margin for the six months ended 30 September 2024 were mainly due to the improved performance of the Group's fabrics business, while the Group's business performance in knitwear products business remained strong with some upward trend and displayed its resilience to the ever-changing business environment.

Other Income

Other income primarily consisted of rental income from investment properties, government subsidies, and miscellaneous other income. The other income decreased by HK\$0.7 million from HK\$7.1 million for the six months ended 30 September 2023 to HK\$6.4 million for the six months ended 30 September 2024. Such decrease was mainly due to the decrease in government subsidies and miscellaneous other income by HK\$2.0 million, which was partially offset by the increase in rental income from investment properties by HK\$1.6 million as the Group rented out some underused factory space in Mainland China during the six months ended 30 September 2024.

Other Gains, Net

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

Other gains decreased by HK\$21.7 million from HK\$46.7 million for the six months ended 30 September 2023 to HK\$25.0 million for the six months ended 30 September 2024. Such decrease was primarily attributable to (i) the decrease in net foreign exchange gains from HK\$24.7 million for the six months ended 30 September 2023 to net foreign exchange gains of HK\$14.5 million for the six months ended 30 September 2024 as a result of the smaller appreciation of the United States dollars during the six months ended 30 September 2024; and (ii) the decrease in net gains on disposals of property, plant and machinery by HK\$11.2 million as the Group disposed of a smaller number of aged machines and recorded net disposal gains of HK\$8.3 million during the six months ended 30 September 2024.

In summary, other gains for the six months ended 30 September 2024 mainly represented net foreign exchange gains of HK\$14.5 million, net gains on disposals of property, plant and machinery of HK\$8.3 million and net gains on financial assets at fair value through profit or loss of HK\$2.5 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\$3.2 million from HK\$17.8 million for the six months ended 30 September 2023 to HK\$21.0 million for the six months ended 30 September 2024. Such increase was mainly due to the increase in transportation cost and it was in line with the increase in overall sales volume.

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\$11.3 million from HK\$162.2 million for the six months ended 30 September 2023 to HK\$173.5 million for the six months ended 30 September 2024. Such increase was mainly attributable to the increase in staff costs as the Group's business scope was expanding during the six months ended 30 September 2024.

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 increased by HK\$2.1 million from HK\$23.1 million for the six months ended 30 September 2023 to HK\$25.2 million for the six months ended 30 September 2024. Due to the Group's prudent and effective cash management strategies, the Group's net finance expenses remained considerably stable even though its gearing ratio was higher as compared to the corresponding period in year 2023.

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 2024 and 2023 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 2024 and 2023 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 subject to the BIT rate of 17%, whereas, the other two subsidiaries in Vietnam have no taxable profit for the six months ended 30 September 2024.

The effective tax rates of the Group were 14.6% and 12.5% for the six-month period ended 30 September 2024 and 2023 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\$298.2 million and HK\$289.1 million for the six-month period ended 30 September 2024 and 2023 respectively.

The increase in net profit for the six months ended 30 September 2024 was primarily due to the increase in gross profit as a result of the improved performance of the Group's fabrics business and the strong performance of the Group's knitwear products business, while such increase was partially offset by (i) the decreases in other gains from foreign exchange and other gains on disposals of property, plant and equipment; and (ii) the increase in staff costs as a result of the expansion of business scope.

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 (losses)/gains 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 increased by HK\$9.4 million from HK\$289.1 million for the six months ended 30 September 2023 to HK\$298.5 million for the six months ended 30 September 2024, and the adjusted net profit margin slightly increased from 10.6% for the six months ended 30 September 2023 to 10.7% for the six months ended 30 September 2024.

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 2024 was HK\$106.5 million, primarily due to profit before income tax of HK\$366.2 million, adjusted for depreciation of HK\$116.3 million and the decrease in accruals and other payables of HK\$142.0 million, which was partially offset by the increases in trade receivables of HK\$242.1 million and prepayments, deposits, other receivables and other assets of HK\$225.3 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2024 was HK\$149.1 million, primarily due to the purchase of property, plant and equipment of HK\$153.9 million, which was partially offset by the proceeds from disposals of property, plant and equipment of HK\$8.3 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the six months ended 30 September 2024 was HK\$106.3 million, primarily due to the net decrease in the Group's total bank borrowings of HK\$19.9 million, the dividend payments of HK\$79.8 million and the payments for lease liabilities of HK\$32.9 million, which was partially offset by the capital contribution from non-controlling interests of HK\$26.9 million.

Cash and Cash Equivalents

For the six months ended 30 September 2024, the Group's cash and cash equivalents decreased by HK\$148.9 million and the exchange gain was HK\$0.5 million. The net decrease in the Group's cash and cash equivalents was from HK\$717.4 million as at 31 March 2024 to HK\$569.0 million as at 30 September 2024.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 September 2024, 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 8.9% as at 31 March 2024 to 14.3% as at 30 September 2024. 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 2024, the Group's cash and cash equivalents, amounting to HK\$569.0 million, were denominated in US dollars ("US\$") (60.2%), HK\$ (5.8%), Renminbi ("RMB") (30.5%), Vietnamese Dong ("VND") (3.2%) and other currencies (0.3%).

As at 30 September 2024, the Group's total bank borrowings and lease liabilities were due for repayment as follows:

	As at 30 September 2024 HK\$'000	As at 31 March 2024 HK\$'000
Within one year	323,074	395,514
Between one and two years	390,718	222,058
Between two and five years	321,907	353,428
	<u>1,035,699</u>	<u>971,000</u>

Notes:

- (a) The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand rights.
- (b) As at 30 September 2024, the Group's total bank borrowings and lease liabilities were denominated in HK\$(77.0%), US\$(22.2%) 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 2024 was 4.86%.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK\$316.8 million for the six months ended 30 September 2024, which were mainly related to the purchase of machinery for our factories and the construction of new production bases in Vietnam. These capital expenditures were fully financed by internal resources, bank borrowings and lease liabilities.

The Group's capital commitments as at 30 September 2024 amounted to approximately HK\$142.1 million which were mainly related to the purchase of machinery for our factories and the construction of new production bases in Vietnam.

Charge on Assets

As at 30 September 2024, the Group had no charges on assets.

Contingent Liabilities

The Group had no material contingent liability as at 30 September 2024.

Events after Balance Sheet Date

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

Financial Instruments

As at 30 September 2024, the Group had outstanding HK\$ interest rate swap contracts with a total notional principal amount of HK\$123.5 million (31 March 2024: HK\$130.0 million).

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 2024, the Group did not enter into any forward foreign currency contracts to mitigate its exposures of RMB against US\$. 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. During the six months ended 30 September 2024, the Group entered into HK\$ interest rate swap contracts to mitigate some of its interest rate risk in light of the market interest rate hike during the period. The Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

(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 2024, 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 2024, the Group had a total of approximately 16,300 full-time employees in Mainland China, Vietnam and Hong Kong. For the six months ended 30 September 2024, the total staff costs, including the directors' emoluments, amounted to HK\$544.0 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 Mainland China, Vietnam and Hong Kong. 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 9.8 HK cents per share for the six months ended 30 September 2024 (2023: 9.5 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, 12 December 2024. The interim dividend is expected to be payable on or about Friday, 20 December 2024.

The Company's register of members will be closed from Tuesday, 10 December 2024 to Thursday, 12 December 2024 (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, 9 December 2024.

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

During the six months ended 30 September 2024, 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 C1 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 2024.

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 C3 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 2024.

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 three independent non-executive Directors, namely, Mr. Fan Chun Wah, Andrew (Chairman), Mr. Kan Chung Nin, Tony 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 22 November 2024 to meet with the external auditor of the Company, PricewaterhouseCoopers, and review the Company's interim financial report for the six months ended 30 September 2024. In addition, the Company's external auditor has carried out a review of the unaudited interim results in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 2025 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 MH
Chairman

22 November 2024

As at the date of this announcement, the Board comprises Mr. Wong Wai Yue MH (Chairman), Mr. Man Yu Hin (Chief executive officer), Mr. Wong Ting Chun and Mr. Li Po Sing, as executive directors of the Company; and Ms. Fan Chiu Fun, Fanny GBM, GBS, JP, Mr. Kan Chung Nin, Tony SBS, JP, Mr. Fan Chun Wah, Andrew JP and Mr. Ip Shu Kwan, Stephen GBS, JP, as independent non-executive directors of the Company.