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 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2023	2022	Change
	HK$' million	*HK$' million*	
Revenue	**2,726.4**	3,099.4	-12.0%
Gross profit	**498.0**	516.4	-3.6%
Gross profit margin	**18.3%**	16.7%	+1.6 p.p.
Net profit	**305.6**	255.1	+19.8%
Profit attributable to the owners of the Company	**289.1**	232.8	+24.2%
Adjusted net profit *(Note)*	**289.1**	342.9	-15.7%
Adjusted net profit margin	**10.6%**	11.1%	-0.5 p.p.
Earnings per share — Basic and diluted	**12.7 HK cents**	10.2 HK cents	+24.5%
Interim dividend per share	**9.5 HK cents**	5.1 HK cents	

Note: Adjusted net profit is a non-HKFRS financial measure and 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 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 2023, together with the comparative figures for the six months ended 30 September 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2023
(Expressed in Hong Kong dollars)

		(Unaudited) Six months ended 30 September	
		2023	2022
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**2,726,382**	3,099,367
Cost of sales	*7*	**(2,228,388)**	(2,582,967)
Gross profit		**497,994**	516,400
Other income		**7,062**	29,601
Other gains, net	*6*	**46,676**	75,629
Selling and distribution expenses	*7*	**(17,829)**	(23,738)
General and administrative expenses	*7*	**(162,218)**	(168,388)
Impairment loss on the production base in Myanmar	*7*	**–**	(109,034)
Operating profit		**371,685**	320,470
Share of post-tax profit of a joint venture		**758**	570
Finance income		**10,628**	1,270
Finance expenses		**(33,684)**	(16,453)
Finance expenses, net	*8*	**(23,056)**	(15,183)
Profit before income tax		**349,387**	305,857
Income tax expenses	*9*	**(43,804)**	(50,727)
Profit for the period		**305,583**	255,130
Profit for the period attributable to:			
— Owners of the Company		**289,122**	232,848
— Non-controlling interests		**16,461**	22,282
		305,583	255,130
Earnings per share attributable to the owners of the Company during the period			
— Basic and diluted (HK cents per share)	*10*	**12.7**	10.2

	(Unaudited) Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Profit for the period	**305,583**	255,130
Other comprehensive loss, net of tax:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Currency translation differences	**(29,384)**	(31,190)
— Share of other comprehensive income of a joint venture	**141**	–
Other comprehensive loss for the period, net of tax	**(29,243)**	(31,190)
Total comprehensive income for the period	**276,340**	223,940
Total comprehensive income for the period attributable to:		
— Owners of the Company	**266,145**	208,261
— Non-controlling interests	**10,195**	15,679
	276,340	223,940

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2023
(Expressed in Hong Kong dollars)

	Note	**(Unaudited) As at 30 September 2023** *HK$'000*	(Audited) As at 31 March 2023 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,763,146**	1,780,432
Right-of-use assets		**337,628**	334,450
Investment properties		**1,631**	1,672
Interest in a joint venture		**6,382**	5,483
Financial assets at fair value through profit or loss		**187,419**	184,930
Prepayments, deposits, other receivables and other assets		**66,237**	74,632
Deferred income tax assets		**691**	676
		2,363,134	2,382,275
Current assets			
Inventories		**658,502**	1,032,006
Trade receivables	*12*	**453,085**	132,691
Derivative financial instruments		**289**	–
Prepayments, deposits, other receivables and other assets		**200,664**	165,041
Tax recoverable		**–**	61
Cash and cash equivalents		**1,120,724**	717,027
		2,433,264	2,046,826
Total assets		**4,796,398**	4,429,101

	Note	(Unaudited) As at 30 September 2023 HK$'000	(Audited) As at 31 March 2023 HK$'000
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**22,794**	22,794
Reserves		**2,504,729**	2,252,260
		2,527,523	2,275,054
Non-controlling interests		**212,815**	202,620
Total equity		**2,740,338**	2,477,674
LIABILITIES			
Non-current liabilities			
Bank borrowings	*14*	**382,500**	530,930
Loan from a non-controlling shareholder of a subsidiary		**4,663**	5,767
Lease liabilities	*15*	**104,909**	81,683
Provision for reinstatement costs		**2,800**	487
Deferred income tax liabilities		**154**	166
		495,026	619,033
Current liabilities			
Trade and bills payables	*13*	**291,438**	363,392
Accruals and other payables		**254,988**	224,636
Current income tax liabilities		**293,471**	262,475
Bank borrowings	*14*	**664,533**	405,825
Lease liabilities	*15*	**56,604**	76,066
		1,561,034	1,332,394
Total liabilities		**2,056,060**	1,951,427
Total equity and liabilities		**4,796,398**	4,429,101
Net current assets		**872,230**	714,432

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 24 November 2023.

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 2023 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 2023, 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 2023, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for the current reporting period beginning 1 April 2023:

HKAS 1 and HKFRS Practice Statement (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17 (Amendments)	Amendments to HKFRS 17
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

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

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

The following amended standards and revised interpretation have been issued that are not effective for periods commencing on or after 1 April 2023 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
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 2024
HKAS 7 and HKAS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
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 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 2023.

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 2023 and 2022, 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	
	2023	2022
	HK$'000	*HK$'000*
Japan	**764,182**	928,368
North America	**423,311**	519,238
Europe	**511,823**	633,759
Mainland China	**524,447**	546,430
Other countries	**502,619**	471,572
	2,726,382	3,099,367

(b) Non-current assets

	(Unaudited) As at 30 September 2023	(Audited) As at 31 March 2023
	HK$'000	*HK$'000*
Hong Kong	**48,198**	48,883
Mainland China	**474,449**	514,031
Vietnam	**1,467,247**	1,450,856
Myanmar	**178,748**	177,416
	2,168,642	2,191,186

The non-current assets information above is based on the location of the assets and excludes 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	
	2023	2022
	HK$'000	*HK$'000*
Customer A	**1,307,649**	1,407,195
Customer B	**284,741**	N/A*

The five largest customers accounted for approximately 72.4% (2022: 70.2%) of revenue for the six months ended 30 September 2023.

* The revenue from customer B did not contribute over 10% of the total revenue of the Group for the six months ended 30 September 2022.

(d) Disaggregation of revenue from contracts with customers

For the six-month period ended 30 September 2023 and 2022, the revenue of the Group was recognised at a point in time.

6. OTHER GAINS, NET

	(Unaudited) Six months ended 30 September	
	2023	2022
	HK$000	*HK$000*
Net foreign exchange gains	**24,680**	46,689
Net gains on financial assets at fair value through profit or loss	**2,489**	2,444
Net gains on disposals of property, plant and equipment	**19,453**	27,519
Net realised and unrealised gains/(losses) from derivative financial instruments	**54**	(1,023)
	46,676	75,629

7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and impairment loss on the production base in Myanmar are analysed as follows:

	(Unaudited) Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Advertising and promotion expenses	**4,579**	1,679
Auditor's remuneration		
— audit services	**1,507**	1,473
— non-audit services	**356**	330
Depreciation		
— owned property, plant and equipment	**98,891**	100,307
— right-of-use assets	**15,934**	18,124
Depreciation of investment properties	**41**	41
Employment benefit expenses (including directors' emoluments)	**534,218**	539,666
Raw materials used	**1,167,981**	1,370,492
Changes in inventories of finished goods and work in progress	**297,676**	340,456
Reversal of impairment of inventories	**(22,383)**	(9,481)
Impairment loss on the production base in Myanmar *(Note)*	**–**	109,034
Consumables	**58,157**	74,777
Subcontracting charges	**91,632**	135,531
Agency and commission expenses	**421**	1,303
Transportation charges	**15,912**	25,513
Donations	**140**	71
Short-term lease payments	**240**	249
Utilities expenses	**65,590**	93,561
Sample charges	**4,883**	7,622
Others	**72,660**	73,379
Total cost of sales, selling and distribution expenses, general and administrative expenses and impairment loss on the production base in Myanmar	**2,408,435**	2,884,127

Note:

As at 30 September 2023, the Group's production base in Myanmar had certain assets with a net total carrying amount, after impairment, of approximately HK$180,676,000, which included property, plant and equipment, right-of-use assets, prepayments for property, plant and equipment and other operating assets. These assets have been allocated to the Myanmar cash-generating unit (the "Myanmar CGU") for impairment testing.

The construction and development progress of the production base in Myanmar has been affected by the incidents in Myanmar in recent years. The directors of the Company have carried out impairment assessments over the Myanmar CGU with reference to the valuations performed by Vincorn Consulting and Appraisal Limited, an independent professional valuer, for the interim and year-end periods. The recoverable amounts of the Myanmar CGU are determined by using value-in-use calculations based on cash flow forecasts covering a five-year period from the expected commencement date of full operation.

The directors of the Company plan to allocate part of the Group's knitwear sales orders to Myanmar for production and the financial model assumes the Group's revenue of knitwear sales has an annual growth rate of 7.00% for financial year ending 31 March 2024; an annual growth rate of 2.50% for financial years ending 31 March 2025 to 31 March 2026 and an annual growth rate of 1.25% for financial years ending 31 March 2027 to 31 March 2030.

The terminal growth rate is assumed to be 3.00% per annum beyond the forecast period, taking into account of long-term gross domestic product growth, inflation rate and other relevant economic factors.

During the six months ended 30 September 2022, due to the deterioration of the global economy and the unfavorable developments in Myanmar, the Group's business development in Myanmar had been decelerated. In carrying out the impairment assessment, the expected commencement date of full operation of the Group's Myanmar production base was assessed to be further delayed to the financial year ending 31 March 2026 and the allocation of part of the Group's knitwear sales orders to Myanmar for production would be also delayed and affected. The pre-tax discount rate used in the value-in-use calculations was 21.7% per annum to reflect the overall changes in risk premiums. With the delay in operating cash flow and the larger discounting effect, the recoverable amount of the Myanmar CGU determined based on the value-in-use calculations was lower than the carrying amount of the Myanmar CGU and resulted in a provision for impairment of property, plant and equipment of HK$109,034,000 for the six months ended 30 September 2022.

During the six months ended 30 September 2023, the directors of the Company assessed the recoverable amount of the Myanmar CGU based on the value-in-use calculations without change in events and circumstances as compared to the last impairment assessment performed for the year ended 31 March 2023 and the pre-tax discount rate used in value-in-use calculation was 27.8% per annum. As at 30 September 2023, the recoverable amount of the Myanmar CGU was not lower than the net carrying amount of the Myanmar CGU after impairment and therefore no additional provision for impairment of the Myanmar CGU was required to be recognised for the six months ended 30 September 2023.

8. FINANCE EXPENSES, NET

	(Unaudited) Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**10,628**	1,270
Finance expenses		
Interest expenses on:		
— Bank borrowings	**(30,921)**	(14,999)
— Lease liabilities	**(2,763)**	(1,454)
	(33,684)	(16,453)
Finance expenses, net	**(23,056)**	(15,183)

9. INCOME TAX EXPENSES

For the six months ended 30 September 2023, Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 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% (2022: 25%) on estimated assessable profits. However, two (2022: 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 are entitled to the first year of full exemption from BIT if there is any taxable profit for the six months ended 30 September 2023.

	(Unaudited) Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Hong Kong profits tax	**9,653**	13,880
China corporate income tax	**32,400**	38,370
Vietnam business income tax	**1,778**	–
Deferred taxation	**(27)**	(1,523)
	43,804	50,727

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six-month period ended 30 September 2023 and 2022 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	
	2023	2022
Profit attributable to the owners of the Company *(HK$'000)*	**289,122**	232,848
Weighted average number of ordinary shares in issue *('000)*	**2,279,392**	2,279,392
Basic earnings per share *(HK cents)*	**12.7**	10.2

(b) Diluted

Diluted earnings per share for the six-month period ended 30 September 2023 and 2022 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	
	2023	2022
	HK$'000	*HK$'000*
Interim dividend of 9.5 HK cents (2022: 5.1 HK cents) per ordinary share	**216,542**	116,249

At the Board meeting held on 24 November 2023, the Board declared an interim dividend of 9.5 HK cents (2022: 5.1 HK cents) per share. The interim dividend amounting to approximately HK$216,542,000 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 2024.

12. TRADE RECEIVABLES

	(Unaudited) As at 30 September 2023	(Audited) As at 31 March 2023
	HK$'000	*HK$'000*
Trade receivables	**453,085**	132,691

The credit periods granted by the Group to its customers generally range from 0 to 90 days. As at 30 September 2023 and 31 March 2023, the ageing analysis of the trade receivables based on invoice date is as follows:

	(Unaudited) As at 30 September 2023	(Audited) As at 31 March 2023
	HK$'000	*HK$'000*
Up to three months	**429,596**	91,298
Three to six months	**18,707**	41,343
Over six months	**4,782**	50
	453,085	132,691

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 2023 and 31 March 2023, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	(Unaudited) As at 30 September 2023 *HK$'000*	(Audited) As at 31 March 2023 *HK$'000*
Within one month	**187,291**	192,633
One to two months	**70,241**	109,117
Two to three months	**27,418**	54,213
Over three months	**6,488**	7,429
	291,438	363,392

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

Note: As at 30 September 2023, trade and bills payables include trade payables to related companies of approximately HK$4,771,000 (31 March 2023: HK$2,776,000).

14. BANK BORROWINGS

	(Unaudited) As at 30 September 2023 *HK$'000*	(Audited) As at 31 March 2023 *HK$'000*
Current		
Portion of long-term bank borrowings, secured, due for repayment within one year which contain a repayment on demand clause	**–**	1,032
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause	**–**	86
Portion of long-term bank borrowings, unsecured, due for repayment within one year	**664,533**	404,707
	664,533	405,825
Non-current		
Bank borrowings, unsecured	**382,500**	530,930
Total bank borrowings	**1,047,033**	936,755

The weighted average effective interest rate as at 30 September 2023 is 5.91% (31 March 2023: 4.63%).

The bank borrowings are due for repayment as follows:

	(Unaudited) As at 30 September 2023 *HK$'000*	(Audited) As at 31 March 2023 *HK$'000*
Within one year	**664,533**	405,739
Between one and two years	**130,000**	531,016
Between two and five years	**252,500**	–
	1,047,033	936,755

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 31 March 2023, 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$6,742,000.

15. LEASE LIABILITIES

	(Unaudited) As at 30 September 2023 *HK$'000*	(Audited) As at 31 March 2023 *HK$'000*
Current		
Lease liabilities due for repayment within one year	**56,604**	76,066
Non-current		
Lease liabilities due for repayment after one year:		
Between one and two years	**34,357**	22,285
Between two and five years	**70,552**	59,398
	104,909	81,683
Total lease liabilities	**161,513**	157,749

The weighted average effective interest rate as at 30 September 2023 is 3.52% (31 March 2023: 2.77%).

The lease liabilities are due for repayment as follows:

	(Unaudited) As at 30 September 2023 *HK$'000*	(Audited) As at 31 March 2023 *HK$'000*
Gross lease liabilities — minimum lease payments:		
Within one year	**61,762**	79,481
Between one and two years	**38,012**	24,700
Between two and five years	**73,580**	61,553
	173,354	165,734
Future finance charges on leases	**(11,841)**	(7,985)
Present value of lease liabilities	**161,513**	157,749

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 sentiment continued to be pummeled by geopolitical conflicts that showed no signs of abating, causing fluctuating currencies, trade tensions that bring about repercussions for deteriorating consumer spending in Europe, the United States of America ("USA") and Japan. In the absence of trade cooperation, the reliance on the People's Republic of China ("Mainland China" or "PRC") manufacturing persistently declined, while the post-COVID-19 reopening of the PRC brings some restoration in domestic demand, the overall weak sentiment creates a vicious cycle in the slower growth of the global economy.

The Group maintains a healthy customer portfolio in all geographical locations to balance business risks. On the supply side, the Group acted swiftly by increasing its production capacity in Vietnam, responding to client needs timely. Our strong foundation built with quality customers and suppliers, and our agility to increase our productivity in Vietnam have favoured us during these challenging times.

The overall weak consumer demand is reflected in the decline in total export values across Mainland China and Vietnam. The total export value in Mainland China showed a decline of 8.2% for the six months ended 30 September 2023 ("First Half of Financial Year 2024"). The total export value of knitwear (including knitted products and crochet products, as well as knitted or crocheted clothing and accessories) from Mainland China dropped by a similar magnitude of 10.8% in the First Half of Financial Year of 2024. Mainland Chinese exports of knitwear to Europe, the USA and Japan declined by 19.5%, 15.0% and 12.3% respectively as compared with the corresponding period.

The total export value in Vietnam also showed a decline of 7.0% during the same period. Vietnam's export value of textile and garments also dropped by 12.4% in the First Half of Financial Year 2024, its exports of textile and garments to Europe, the USA and Japan also declined by 13.4%, 16.3% and 3.3% respectively as compared with the corresponding period.

Following the re-opening of Mainland China, the domestic demand showed some recovery during the First Half of Financial Year 2024. However, slower import growth, property market crackdown, currency fluctuation and the increase in youth unemployment rate also gave rise to economic concerns on the growth of Mainland China's economic recovery.

BUSINESS REVIEW

Seeing the strong inclination to shift more production to Southeast Asian countries by brand customers, the Group was well prepared by swiftly increasing its production capacity in Vietnam in the previous year. Despite the softer end-consumer demand, the Group's increased productivity in Vietnam remedied the drop in its production in Mainland China. The Group spent careful consideration in selecting the location for the increase in production capacity in terms of ease of recruitment, proximity to supplies, and logistics, which appeals to customers and benefits the Group in the long run.

Driven by the Group's strategy to focus more on higher margin orders, the sales volume for cashmere sweaters has seen a drop in quantity. Moreover, some Wholegarment products also experienced a drop in selling prices mainly due to the product mix and mutually agreed price adjustments, and hence the Group's average selling price for men's and women's knitwear products declined. While most customers were more cautious in making orders during the First Half of Financial Year 2024, one of our domestic customers showed obvious signs of recovery, partly offsetting the drop in sales orders by other customers. During the First Half of Financial Year 2024, we managed to maintain the total sales volume of men's and women's knitwear products at a slight increase of 1.6% to 19.0 million pieces compared with the six months ended 30 September 2022 despite the overall softer demand. This testifies to the Group's resilience backed by our team of professionals. Nevertheless, the revenue for knitwear business saw a drop because of the decline in the abovementioned average selling price.

In spite of a decline in cashmere sweaters, our cashmere yarn business expanded its customer reach and made more sales to external customers, which clearly indicates our flexibility to adjust to different market conditions. Nonetheless, our relatively new fabric business was more prone to economic effects and resulted in a sharper decline in its orders as customers in this segment were dealing with the excess inventory during the First Half of Financial Year 2024.

The Group's total revenue dropped by 12.0% to HK$2,726.4 million for the First Half of Financial Year of 2024. We continued our relentless effort on cost control and hence our gross profit declined by 3.6%, which was a smaller magnitude as compared with the decline in revenue. Gross profit margin improved from 16.7% in the corresponding period to 18.3% for the First Half of Financial Year 2024.

Selling and distribution expenses, together with general and administrative expenses in aggregate recorded a slight drop, demonstrating our continuing attention on cost management. For the First Half of Financial Year 2024, the Group recorded lower other gains as compared with the corresponding period mainly due to the decrease in foreign exchange gains and the decrease in net gains on disposals of property, plant and equipment. In addition, in the absence of any impairment loss in the First Half of Financial Year 2024, compared with an impairment loss on the production base in Myanmar recorded in the last corresponding period, the Group's operating profit increased by 16.0% to HK$371.7 million.

Even though the market interest rates have continued to increase during the First Half of Financial Year 2024, the Group's financial management efforts enabled its finance costs to stay at a healthy level. The Group's net profit recorded an increase of 19.8% to HK$305.6 million. To better reflect the Group's core operating results, if impairment losses recorded for the six months ended 30 September 2022 were excluded, the Group's adjusted net profit would drop by 15.7% to HK$289.1 million for the six months ended 30 September 2023.

Considering the Group's prudent cash management directives, its healthy cash flow, as well as its improved gearing ratio, the Board is pleased to declare the payment of an interim dividend of 9.5 HK cents per share to the Company's shareholders, which represents an increase of payout ratio to approximately 75%, in appreciation for our shareholders' trust and support throughout the challenging times.

FUTURE STRATEGIES AND PROSPECTS

Brand customers have continuously displayed strong inclination to shift more production to Southeast Asian countries. Therefore, the Group's manufacturing capacities in Mainland China as a whole is expected to contract, and be utilised for products which require more sophisticated craftsmanship or technicality, or for orders which require quicker response time. Nonetheless, the Group is required to carefully balance between customers' instructions to take on more fast orders in Mainland China and our overall planning of order allocation, which remains an area for mutual planning. We see a fluid need for taking fast orders in Mainland China in the coming months, and in the years ahead.

On the other hand, the supply from Southeast Asian countries will continue to expand. The Group has already put in place a larger focal point in its Vietnam manufacturing facilities. Step by step, it has already strengthened its functions in Vietnam including its merchandising team, customer services, sampling offices, testing laboratories, etc. as well as expanded its capacity in central Vietnam which has attracted extensive interest from global customers with vast potential. Its carefully selected location has placed emphasis on considering the ease of recruitment, logistics, close proximity to its necessary supplies, etc. Together with quality suppliers, Vietnam is now an established supply and manufacturing hub for many global brands, we believe the Group is extremely well-positioned to further tap into larger potentials with global customers.

Our Myanmar manufacturing facility, on the contrary, is facing larger hurdles even with the gradual ease of its COVID-19 restrictions. There has been an increasing number of brand customers who have displayed their reluctance to procure from Myanmar due to political considerations. Nonetheless, the Group will still place efforts on tapping into customers' interest, yet it only gets even more difficult at this point.

Even though the demand for fabric is slower in the short-term, we continue to see vast potential in Vietnamese garment manufacturers' immense demand for raw materials. We took the effort to enhance our operational works of our new business of weaving, printing and dyeing of fabric, and we are confident that we will be in a better position when the business revives from the economic cyclicality. We shall continue to observe opportunities with relevancy to this business.

As a responsible global citizen acting in response to Mainland China's advocate to energy conservation, we continue to increase the level of renewable energy to our manufacturing facilities to achieve greater efficiencies on our energy usage. We are also accelerating, together with our customers, to increase the usage of sustainable materials in our products, in order to utilise recycled and upcycled materials to continue to add value in closing the loop and playing our part as an industry leader.

We will also continue to be open-minded to accomplish other breakthroughs on innovation, lean manufacturing and digitisation where appropriate. We will continue our paths to further enhance our product design with function, material development ability, and cater to the diverse range of customers' preferences to be in line with the quickly evolving end-market preferences.

Despite the fact that the remaining of the year and the upcoming year is still filled with uncertainty, especially driven by geopolitical conflicts, the management team will remain open-minded and respond to the changing conditions, as we have done so in the past couple of years, and remain focused on generating greater returns to our shareholders as a long-term commitment.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2023 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 decreased by 12.0% to HK$2,726.4 million for the six months ended 30 September 2023 from HK$3,099.4 million for the six months ended 30 September 2022. The decrease was mainly attributable to the decrease in total sales revenue of men's and women's knitwear products for the six months ended 30 September 2023 by HK$292.2 million to HK$2,255.0 million as compared to the corresponding period in year 2022, while the sales revenue of cashmere yarns for the six months ended 30 September 2023 increased by HK$49.1 million to HK$330.0 million as compared to the corresponding period in year 2022.

The decrease in the total sales revenue of men's and women's knitwear products was due to the decrease in average selling price. The Group's sales volume of men's and women's knitwear products slightly increased by 1.6% from 18.7 million pieces for the six months ended 30 September 2022 to 19.0 million pieces for the six months ended 30 September 2023, but the average selling price of the Group's men's and women's knitwear products decreased by 12.9% from HK$136.2 per piece for the six months ended 30 September 2022 to HK$118.7 per piece for the six months ended 30 September 2023.

On the other hand, consistent with the Group's geographical market distribution for the six months ended 30 September 2022, Japan, Mainland China and Europe remained as the top three markets of our Group for the six months ended 30 September 2023. The revenue attributable to the Japanese market, Chinese market and European market accounted for 28.0%, 19.2% and 18.8% respectively of the Group's total revenue for the six months ended 30 September 2023.

Cost of Sales

For the six months ended 30 September 2023, the Group incurred cost of sales of HK$2,228.4 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 2023, the Group recorded gross profit of HK$498.0 million and gross profit margin of 18.3% as compared to the gross profit of HK$516.4 million and gross profit margin of 16.7% for the six months ended 30 September 2022.

The decrease in gross profit for the six months ended 30 September 2023 was mainly due to the weaker performance of the Group's fabric and cashmere yarns business as the overall textile market sentiment was affected by the global inflation and the weak demand of some fashion retailers due to their high inventory levels in recent years. However, the Group's business performance in other areas was still quite stable and displayed its resilience to the ever-changing business environment.

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 decreased by HK$22.5 million from HK$29.6 million for the six months ended 30 September 2022 to HK$7.1 million for the six months ended 30 September 2023. Such decrease was mainly due to the decrease in income from claims settled by HK$18.2 million and the decrease in government subsidies by HK$4.1 million as compared to the corresponding period in year 2022.

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$28.9 million from HK$75.6 million for the six months ended 30 September 2022 to HK$46.7 million for the six months ended 30 September 2023. Such decrease was primarily attributable to (i) the decrease in net foreign exchange gains from HK$46.7 million for the six months ended 30 September 2022 to net foreign exchange gains of HK$24.7 million for the six months ended 30 September 2023 as a result of the smaller appreciation of the United States dollars during the six months ended 30 September 2023; and (ii) the decrease in net gains on disposals of property, plant and machinery by HK$8.1 million as the Group disposed a smaller number of aged machines and recorded net disposal gains of HK$19.5 million during the six months ended 30 September 2023.

In summary, other gains for the six months ended 30 September 2023 represented net foreign exchange gains of HK$24.7 million, net gains on disposals of property, plant and machinery of HK$19.5 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 decreased by HK$5.9 million from HK$23.7 million for the six months ended 30 September 2022 to HK$17.8 million for the six months ended 30 September 2023. Such decrease was mainly due to the decrease in transportation cost.

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 decreased by HK$6.2 million from HK$168.4 million for the six months ended 30 September 2022 to HK$162.2 million for the six months ended 30 September 2023. Such decrease was mainly attributable to the Group's continuous cost control measures.

Impairment Loss on the Production Base in Myanmar

The impairment losses on the production base in Myanmar for the six months ended 30 September 2022 represented impairment provision of HK$109.0 million on the property, plant and equipment of the Group's production base in Myanmar.

Events and circumstances leading to the recognition of the impairment loss

Since the middle of year 2022, global economic activity has been experiencing an extensive and faster-than-expected slowdown amid a very high global inflation rate. The tightening financial conditions in many countries, and the lingering COVID-19 pandemic all casted a shadow on the economic outlook of coming years. As there were many signs of the economy weakening, the Group's business development in Myanmar had been decelerated. While the Group continues to carefully monitor the economic and political conditions and effects from the COVID-19 pandemic, the expected commencement date of full operation of the Group's Myanmar production base and the estimated knitwear sales order to be allocated to this production base will be further delayed and affected.

The aforementioned and other related commercial factors, including some global fashion brands have reassessed and adjusted their sourcing strategy in Myanmar, were the principal bases for the Board's re-evaluation of the business development of the Group's production base in Myanmar. The Board therefore revised the financial budget and cash flow projection of the Myanmar cash-generating unit (the "Myanmar CGU") and recorded an impairment losses on the Myanmar production base of HK$109.0 million during the six months ended 30 September 2022.

The Company engaged an independent professional valuer, Vincorn Consulting and Appraisal Limited (the "Valuer"), to assess the recoverable amount of the Myanmar CGU as at 30 September 2023. As the recoverable amount of the Myanmar CGU, which was assessed with reference to the valuation performed by the Valuer, was not lower than the net carrying amount of the Myanmar CGU after impairment and no additional impairment provision or reversal of impairment provision on the property, plant and equipment of the Group's production base in Myanmar is considered necessary for the six months ended 30 September 2023 since the Board considered that the factors of last year's impairment assessment have fundamentally remained unchanged.

Valuation methodology, value of inputs and basis and assumptions

The valuation methodology, value of inputs in the current period and last year used in the valuations together with the basis and assumptions are as follows:

	Valuation as of 30 September 2023	Valuation as of 31 March 2023
Valuation Date	**30 September 2023**	31 March 2023
Valuation Methodology	**Income Approach**	Income Approach
Basis of Valuation	**Value in use calculation***	Value in use calculation
Expected Commencement Date of Full Operation	**Financial Year 2026**	Financial Year 2026
Pre-tax Discount Rate	**27.80%**	27.97%
Risk-free Rate (10-yr)	**19.77%**	20.74%
Beta Coefficient	**0.95**	0.76
Market Risk Premium	**20.18%**	23.20%
Company Specific Risk Premium	**7.00%**	7.00%
Small Company Risk Premium	**4.83%**	4.80%

* The calculation uses pre-tax cash flow projection based on financial budgets covering a five-year period from the commencement date of full operation and a long-term average growth rate.

The valuation method referred above was adopted to comply with the Group's accounting policies and is consistent with the common method adopted for valuation of a subject of similar nature. There is no change in valuation method used by the Valuer for the current period and last year.

According HKAS 36 — Impairment of Assets, recoverable amount is defined as the higher of a cash-generating unit's fair value less costs of disposal and its value in use.

For the fair value less costs of disposal, the standard clarifies that costs of disposal, other than those that have been recognised as liabilities, are deducted in determining measuring fair value less costs of disposal. The standard also clarifies that the following elements should be reflected in the calculation of an asset's value in use:

(1) an estimate of the future cash flows the entity expects to derive from the asset;
(2) expectations about possible variations in the amount or timing of those future cash flows;
(3) the time value of money, represented by the current market risk-free rate of interest;
(4) the price for bearing the uncertainty inherent in the asset; and
(5) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

The standard also clarifies that the second, fourth and fifth elements above can be reflected either as adjustments to the future cash flows or adjustments to the discount rate.

We consider income approach to be an appropriate valuation method in this valuation. The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realising those benefits.

Reasons for material changes in the value of the inputs and assumptions adopted for the six months ended 30 September 2022 from the year ended 31 March 2022

In view of the global economic uncertainties, fast-changing market environment and the lingering COVID-19 pandemic, as explained in more details under the subsection headed "Events and circumstances leading to the recognition of the impairment loss" above, the Group adopted more prudent forecasts for its production base in Myanmar. These commercial considerations had developed after the Company's last assessment of this business for the year ended 31 March 2022.

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$7.9 million from HK$15.2 million for the six months ended 30 September 2022 to HK$23.1 million for the six months ended 30 September 2023. Since the Group's gearing ratio has been maintained at a low level, the increase in net finance expenses was mainly due to the continuous hike in market interest rates since the middle of year 2022.

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 2023 and 2022 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 2023 and 2022 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 are entitled to the first year of full exemption from BIT if there is any taxable profit for the six months ended 30 September 2023.

The effective tax rates of the Group were 12.5% and 16.6% for the six-month period ended 30 September 2023 and 2022 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$289.1 million and HK$232.8 million for the six-month period ended 30 September 2023 and 2022 respectively.

The increase in net profit for the six months ended 30 September 2023 was primarily due to no impairment loss on the production base in Myanmar for the six months ended 30 September 2023, while the Group incurred an impairment loss of HK$109.0 million on the production in Myanmar for the six months ended 30 September 2022. However, the aforementioned positive effect on the net profit for the six months ended 30 September 2023 was partially offset by (i) the decrease in gross profit as a result of the weaker performance of the Group's fabric and cashmere yarns businesses; (ii) the decrease in other income from claims settled; and (iii) the decreases in other gains from foreign exchange and other gains on disposals of property, plant and equipment.

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 (i) impairment loss on the production base in Myanmar; and (ii) 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$53.8 million from HK$342.9 million for the six months ended 30 September 2022 to HK$289.1 million for the six months ended 30 September 2023, and the adjusted net profit margin decreased from 11.1% for the six months ended 30 September 2022 to 10.6% for the six months ended 30 September 2023.

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 2023 was HK$383.6 million, primarily due to profit before income tax of HK$349.4 million, adjusted for depreciation of HK$114.9 million and the decrease in inventories of HK$394.2 million, which was partially offset by the increase in trade receivables of HK$319.6 million and the decrease in trade and bills payables of HK$72.0 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the six months ended 30 September 2023 was HK$34.1 million, primarily due to the purchase of property, plant and equipment of HK$72.8 million, which was partially offset by the proceeds from disposals of property, plant and equipment of HK$28.1 million.

Net Cash Generated from Financing Activities

The Group's net cash generated from financing activities for the six months ended 30 September 2023 was HK$52.9 million, primarily due to the net increase in the Group's total bank borrowings of HK$110.3 million, which was partially offset by the dividend payments of HK$13.7 million and the payments for lease liabilities of HK$42.6 million.

Cash and Cash Equivalents

For the six months ended 30 September 2023, the Group's cash and cash equivalents increased by HK$402.5 million and the exchange gain was HK$1.2 million. The net increase in the Group's cash and cash equivalents was from HK$717.0 million as at 31 March 2023 to HK$1,120.7 million as at 30 September 2023.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 September 2023, 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 decreased from 13.2% as at 31 March 2023 to 3.1% as at 30 September 2023. 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 2023, the Group's cash and cash equivalents, amounting to HK$1,120.7 million, were denominated in US dollars ("US$") (65.3%), HK$ (13.1%), Renminbi ("RMB") (20.5%), Vietnamese Dong ("VND") (1.0%) and other currencies (0.1%).

As at 30 September 2023, the Group's total bank borrowings and lease liabilities were due for repayment as follows:

	As at 30 September 2023	As at 31 March 2023
	HK$'000	*HK$'000*
Within one year	**721,137**	481,805
Between one and two years	**164,357**	553,301
Between two and five years	**323,052**	59,398
	1,208,546	1,094,504

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 2023, the Group's total bank borrowings and lease liabilities were denominated in HK$(86.7%), US$(11.8%) and RMB(1.5%). 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 2023 was 5.91%.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK$118.9 million for the six months ended 30 September 2023, which were mainly related to the purchase of machinery for our factories and the construction of a new production base 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 2023 amounted to approximately HK$90.7 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 2023, the Group's right-of-use assets with a total carrying amount of HK$12.3 million and buildings and leasehold improvements with a total carrying amount of HK$96.3 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 2023.

Events after Balance Sheet Date

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

Financial Instruments

As at 30 September 2023, the Group had an outstanding HK$ interest rate swap contract with a total notional principal amount of HK$130.0 million.

The Group did not have any outstanding hedging contracts or financial derivatives as at 31 March 2023.

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 2023, 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 2023, the Group entered into a HK$ interest rate swap contract 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 2023, 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 2023, the Group had a total of approximately 15,100 full-time employees in Mainland China, Vietnam, Hong Kong and Myanmar. For the six months ended 30 September 2023, the total staff costs, including the directors' emoluments, amounted to HK$534.2 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, Hong Kong and Myanmar. 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 9.5 HK cents per share for the six months ended 30 September 2023 (2022: 5.1 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 Tuesday, 12 December 2023. The interim dividend is expected to be payable on or about Wednesday, 20 December 2023.

The Company's register of members will be closed from Friday, 8 December 2023 to Tuesday, 12 December 2023 (both days inclusive), and during such period no transfer of the Company's shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Thursday, 7 December 2023.

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

During the six months ended 30 September 2023, 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 2023.

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 2023.

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 24 November 2023 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 2023. 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 2024 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

24 November 2023

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; 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.