Win Hanverky Holdings Limited
永嘉集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3322)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2018	2017	*Change*
	HK$'000	*HK$'000*	*%*
Revenue	**1,956,817**	1,921,516	+1.8%
Gross profit	**528,105**	536,444	-1.6%
Gross profit margin	**27.0%**	27.9%	-0.9% pt
Operating profit	**93,453**	45,787	+104.1%
Gain on disposal of a subsidiary	**123,777**	—	N/A
Operating (loss)/profit (excluding impact of subsidiary disposal and factory closure)	**(30,324)**	69,550	N/A
Profit attributable to equity holders	**63,467**	25,913	+144.9%
(Loss)/profit attributable to equity holders (excluding impact of subsidiary disposal and factory closure)	**(60,310)**	49,676	N/A
Basic EPS *(HK cents)*	**4.9**	2.0	+145.0%
Dividends *(HK cents)*	**3.0**	2.0	+50.0%

OPERATIONAL HIGHLIGHTS

- Slight increase in revenue was mainly due to 32.3% increase from High-end Fashion Retailing Business outweighing 5.0% drop from Manufacturing Business and 23.4% drop from Sportswear Retailing Business.

- Profit attributable to equity holders increased from HK$25.9 million to HK$63.5 million. Excluding the impact of subsidiary disposal and factory closure, loss attributable to equity holders would have been HK$60.3 million (30 June 2017: profit of HK$49.7 million) primarily due to decrease in revenue and gross profit from sportswear manufacturing business. Also, excess costs inevitably incurred for keeping our production capacity and labour at a higher level in anticipation of rebounding orders from major customer which is expected to start from the fourth quarter in 2018.

- The Board proposed an interim dividend of HK3.0 cents per share in consideration of healthy cash position.

The board of directors (the "**Board**" or "**Directors**") of Win Hanverky Holdings Limited (the "**Company**") is pleased to present the unaudited interim results of the Company and its subsidiaries (together the "**Group**") for the six months ended 30 June 2018, together with the comparative amounts for the corresponding period of 2017, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	3	**1,956,817**	1,921,516
Cost of sales		**(1,428,712)**	(1,385,072)
Gross profit		**528,105**	536,444
Selling and distribution costs		**(309,632)**	(280,170)
General and administrative expenses		**(248,892)**	(203,679)
Other income/(expenses) — net	4	**4,600**	(19,120)
Other gains — net	5	**119,272**	12,312
Operating profit		**93,453**	45,787
Finance income		**1,704**	2,141
Finance costs		**(5,335)**	(1,196)
Finance (costs)/income — net		**(3,631)**	945
Share of (losses)/profits of associates		**(119)**	1,428
Profit before income tax		**89,703**	48,160
Income tax expense	6	**(29,625)**	(24,264)
Profit for the period		**60,078**	23,896
Attributable to:			
Equity holders of the Company		**63,467**	25,913
Non-controlling interests		**(3,389)**	(2,017)
		60,078	23,896
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	7		
Basic		**4.9**	2.0
Diluted		**4.9**	2.0

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**60,078**	23,896
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(9,811)**	21,310
Share of other comprehensive income of associates	**(18)**	166
Total comprehensive income for the period	**50,249**	45,372
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**55,600**	43,185
Non-controlling interests	**(5,351)**	2,187
	50,249	45,372

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	**Unaudited 30 June 2018** *HK$'000*	Audited 31 December 2017 *HK$'000*
Non-current assets			
Land use rights		**22,958**	22,699
Property, plant and equipment		**745,700**	709,484
Intangible assets	8	**214,307**	164,793
Investments in associates		**11,967**	12,105
Deferred tax assets		**46,196**	62,816
Deposits, prepayments and other receivables		**106,680**	104,241
Pledged bank deposits		**—**	1,201
Total non-current assets		**1,147,808**	1,077,339
Current assets			
Inventories		**856,357**	802,867
Trade and bills receivable	9	**428,684**	382,908
Current tax recoverables		**5,018**	5,021
Deposits, prepayments and other receivables		**218,640**	169,579
Pledged bank deposits		**1,185**	—
Cash and bank balances		**565,082**	424,809
		2,074,966	1,785,184
Non-current assets classified as held for sale		**—**	92,735
Total current assets		**2,074,966**	1,877,919
Current liabilities			
Trade and bills payable	10	**258,936**	154,491
Accruals and other payables		**263,370**	277,517
Current tax liabilities		**70,756**	76,040
Borrowings		**360,657**	177,106
Total current liabilities		**953,719**	685,154
Non-current liabilities			
Deferred tax liabilities		**5,457**	5,517
Net assets		**2,263,598**	2,264,587

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2018

	Unaudited 30 June 2018	Audited 31 December 2017
	HK$'000	*HK$'000*
Equity		
Equity attributable to equity holders of the Company		
Share capital	**128,440**	128,440
Reserves	**2,128,580**	2,097,977
	2,257,020	2,226,417
Non-controlling interests	**6,578**	38,170
Total equity	**2,263,598**	2,264,587

NOTES:

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("**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 December 2017, prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

2. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amendments to standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting following standards are disclosed below:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers.

The other newly adopted standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

(i) HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies.

The Group has two types of financial assets that are subject to the new expected credit loss model of the new HKFRSs:

- trade receivables and bills receivables, and
- other financial assets at amortised costs.

Trade and bills receivable

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivable. To measure the expected credit losses, trade and bills receivable has been grouped based on shared credit risk characteristics and the days past due. The Group applied different expected loss rates to different classes of trade and bills receivable, according to their respective risk characteristics. Trade and bills receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group has assessed the expected credit loss model applied to the trade and bills receivable as at 1 January 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The Group has adopted the expected credit loss model to assess the recoverability of other receivables as at 1 January 2018 and the change in impairment methodologies has no impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(ii) HKFRS 15 Revenue from contracts with customers

The Group has first time adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions of HKFRS 15, the Group has adopted the modified retrospective application and no comparative figures are restated.

HKFRS 15 establishes a new framework for revenue recognition. This replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard introduces a five-step model to determine when to recognise revenue and at what amount. Under the five-step model, revenue is recognised when control of goods or services is transferred to a customer and at the amount to which the entity expects to be entitled. Depending on the nature of the contracts, revenue is either recognised over time or at a point in time.

The adoption of HKFRS 15 did not result in any significant impact on the Group's financial position and results of operations based on the current business model.

(b) New standards and amendments to standards and interpretations issued but not yet effective for the financial year beginning 1 January 2018 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined
HKFRS 16 (Note i)	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019

Note i HKFRS 16 Leases

The Group is a lessee of its buildings and motor vehicles which are currently classified as operating leases. As at 30 June 2018, the Group has aggregate minimum lease payments, which are not reflected in the consolidated statement of financial position, under non-cancellable operating lease of approximately HK$481,323,000.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the consolidated statement of financial position. Instead, all long-term leases must be recognised in the consolidated statement of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in an increase in right-to-use asset and an increase in lease liability in the consolidated balance sheet. In the consolidated income statement, rental expenses will be replaced with depreciation and interest expense. Interest expense on the lease liability will be presented separately from depreciation under finance costs. As a result, the rental expenses under otherwise identical circumstances will decrease, while depreciation and the interest expense will increase.

The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified collectively as the executive Directors. The executive Directors review the Group's internal reporting in order to assess performance and allocate resources and report segment performance based on internal reporting.

In prior years, the Group's reportable and operating segments were Manufacturing and Distribution and Retail. The management changed the strategy to cope with the rapid expansion in High-end Fashion Retailing and decided to separate Distribution and Retail into High-end Fashion Retailing and Sportswear Retailing to align with internal review process. The comparative segment information for the six months ended 30 June 2017 has been restated to align with the presentation of the current period's segment information disclosure.

The executive Directors review the performance of the Group mainly from a business operation perspective. The Group has three major business segments, namely (i) Manufacturing, (ii) High-end Fashion Retailing, and (iii) Sportswear Retailing. The Manufacturing segment represents manufacturing and sales of sportswear primarily under OEM arrangements to customers mainly in Europe, the United States, Mainland China and other countries. The High-end Fashion Retailing segment represents the retail of high-end fashion products in Mainland China, Hong Kong, Macau, Taiwan and Singapore. The Sportswear Retailing segment represents the retail of sportswear products in Hong Kong.

The executive Directors assess the performance of the business segments based on a measure of operating results of each segment, which excludes finance income and finance costs in the result for each operating segment. Other information provided to the executive Directors is measured in a manner consistent with that in the condensed consolidated interim financial information.

Segment assets exclude current tax recoverables and deferred tax assets which are managed on a group basis.

Segment liabilities exclude current tax liabilities and deferred tax liabilities which are managed on a group basis.

3. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2018 are as follows:

	Manufacturing *HK$'000*	High-end Fashion Retailing *HK$'000*	Sportswear Retailing *HK$'000*	Total *HK$'000*
Total segment revenue	**1,322,112**	**549,321**	**90,933**	**1,962,366**
Inter-segment revenue	**(5,549)**	**—**	**—**	**(5,549)**
Revenue	**1,316,563**	**549,321**	**90,933**	**1,956,817**
Operating profit/(loss) and segment results	**84,011**	**32,568**	**(23,126)**	**93,453**
Finance income				**1,704**
Finance costs				**(5,335)**
Share of losses of associates	**(119)**	**—**	**—**	**(119)**
Profit before income tax				**89,703**
Income tax expense				**(29,625)**
Profit for the period				**60,078**

Other segment items included in the condensed consolidated interim income statement are as follows:

	Manufacturing *HK$'000*	High-end Fashion Retailing *HK$'000*	Sportswear Retailing *HK$'000*	Total *HK$'000*
Amortisation of land use rights	**368**	**—**	**—**	**368**
Depreciation of property, plant and equipment	**43,234**	**19,704**	**466**	**63,404**
Impairment of property, plant and equipment	**—**	**337**	**—**	**337**
Amortisation of intangible assets	**2,739**	**349**	**—**	**3,088**
Provision for/(write-back of provision for) inventories, net	**22,418**	**19,076**	**(1,627)**	**39,867**
Provision for onerous leases	**—**	**2,168**	**155**	**2,323**
(Gain)/loss on disposal of property, plant and equipment, net	**(6,489)**	**131**	**—**	**(6,358)**
Gain on disposal of a subsidiary	**(123,777)**	**—**	**—**	**(123,777)**

3. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 30 June 2018 are as follows:

	Manufacturing	**High-end Fashion Retailing**	**Sportswear Retailing**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Assets	**2,437,362**	**649,472**	**72,759**	**51,214**	**3,210,807**
Associates	**11,967**	**—**	**—**	**—**	**11,967**
Total assets	**2,449,329**	**649,472**	**72,759**	**51,214**	**3,222,774**
Total liabilities	**660,544**	**206,773**	**15,646**	**76,213**	**959,176**

The segment results for the six months ended 30 June 2017 are as follows:

	Manufacturing	High-end Fashion Retailing	Sportswear Retailing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	1,391,801	415,315	118,675	1,925,791
Inter-segment revenue	(4,275)	—	—	(4,275)
Revenue	1,387,526	415,315	118,675	1,921,516
Operating profit/(loss) and segment results	38,224	28,149	(20,586)	45,787
Finance income				2,141
Finance costs				(1,196)
Share of profits of associates	1,428	—	—	1,428
Profit before income tax				48,160
Income tax expense				(24,264)
Profit for the period				23,896

3. SEGMENT INFORMATION (CONTINUED)

Other segment items included in the condensed consolidated interim income statement are as follows:

	Manufacturing *HK$'000*	High-end Fashion Retailing *HK$'000*	Sportswear Retailing *HK$'000*	Total *HK$'000*
Amortisation of land use rights	1,618	—	—	1,618
Depreciation of property, plant and equipment	39,608	12,875	1,466	53,949
Impairment of property, plant and equipment	3,402	—	—	3,402
Reversal of impairment of trade receivables, net	(317)	—	—	(317)
Amortisation of intangible assets	1,900	349	—	2,249
Provision for/(write-back of provision for) inventories, net	20,706	18,427	(5,948)	33,185
(Gain)/loss on disposal of property, plant and equipment, net	(2,351)	(326)	394	(2,283)

The segment assets and liabilities as at 31 December 2017 are as follows:

	Manufacturing *HK$'000*	High-end Fashion Retailing *HK$'000*	Sportswear Retailing *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets	2,122,965	641,479	110,872	67,837	2,943,153
Associates	12,105	—	—	—	12,105
Total assets	2,135,070	641,479	110,872	67,837	2,955,258
Total liabilities	359,676	214,199	35,239	81,557	690,671

3. SEGMENT INFORMATION (CONTINUED)

The Group's revenue from external customers by geographical location is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Europe	**519,681**	539,453
Mainland China	**507,747**	423,098
United States	**321,277**	317,429
Hong Kong	**310,534**	304,911
Other Asian countries	**210,600**	230,698
Canada	**33,508**	26,913
Others	**53,470**	79,014
	1,956,817	1,921,516

The Group's revenue by geographical location is determined by the final destination of delivery of the products.

The total of non-current assets other than deferred tax assets by geographical location is as follows:

	As at	
	30 June	31 December
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**373,957**	295,446
Mainland China	**282,022**	264,875
Cambodia	**231,804**	239,355
Vietnam	**203,259**	209,141
Other countries	**10,570**	5,706
	1,101,612	1,014,523

4. OTHER INCOME/(EXPENSES) — NET

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Other income		
Rental income	**1,274**	1,085
Others	**3,326**	3,558
	4,600	4,643
Other expenses		
Factory closure costs *(Note)*	**—**	(23,763)
	4,600	(19,120)

Note: During the period ended 30 June 2017, the Group closed down a factory in Mainland China and recognised costs of approximately HK$23,763,000, including redundancy costs and impairment of assets.

5. OTHER GAINS — NET

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Gain on disposal of a subsidiary	**123,777**	—
Gain on disposal of property, plant and equipment, net	**6,358**	2,283
Net exchange (losses)/gains	**(10,863)**	10,029
	119,272	12,312

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the periods which are subject to Hong Kong profits tax.

Mainland China Corporate Income Tax ("**CIT**") has been provided at the rate of 25% (2017: 25%) on the estimated assessable profits for the periods which are subject to CIT.

Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profits for the period at the applicable rates of taxation prevailing in the countries in which the Group operates.

The amounts of income tax expense charged/(credited) to the condensed consolidated interim income statement represent:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Current tax		
— Hong Kong profits tax	**3,608**	15,298
— Mainland China taxes	**9,362**	10,301
— Overseas income tax	**1,028**	417
— (Over)/under provision in prior years	**(878)**	554
Deferred tax	**16,505**	(2,306)
	29,625	24,264

7. EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company and on the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company *(HK$'000)*	**63,467**	25,913
Weighted average number of ordinary shares in issue *('000)*	**1,284,400**	1,284,400
Basic earnings per share *(HK cents)*	**4.9**	2.0

7. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the daily average market share price of the Company's shares in the relevant periods) based on the monetary value of the subscription rights attached to outstanding share options in the relevant periods. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company *(HK$'000)*	**63,467**	25,913
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,284,400**	1,287,401
Diluted earnings per share *(HK cents)*	**4.9**	2.0

As the exercise price of the share options granted by the Company was higher than the average market price of the Company's shares for the six months ended 30 June 2018, the outstanding share options had no dilutive effect on earnings per share. Accordingly, diluted earnings per share was the same as basic earnings per share for the six months ended 30 June 2018.

8. INTANGIBLE ASSETS

	As at	
	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Goodwill	**155,689**	124,385
Know-how	**27,478**	29,351
Customer relationship	**20,433**	—
Trademarks	**10,707**	11,057
Net book amount	**214,307**	164,793

Impairment test for goodwill:

No impairment was recognised in respect of the golf and high-end apparel manufacturing and trading business and high-end fashion retailing business cash generating units during the six months ended 30 June 2018 (30 June 2017: Nil).

9. TRADE AND BILLS RECEIVABLE

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Trade receivables		
— from third parties	**372,844**	372,165
— from related parties	**16,860**	8,275
Bills receivable	**40,506**	3,996
	430,210	384,436
Less: impairment of trade receivables	**(1,526)**	(1,528)
	428,684	382,908

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

Majority of the trade receivables are with customers having good credit history. The Group grants its customers credit terms within 90 days. Most of the Group's sales are on open account, while sales made to a small number of customers are covered by letters of credit issued by banks or settled by documents against payment issued by banks. The ageing of trade and bills receivable based on invoice date is as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
0–90 days	**417,670**	344,061
91–180 days	**1,204**	21,064
181–365 days	**854**	17,570
Over 365 days	**10,482**	1,741
	430,210	384,436

10. TRADE AND BILLS PAYABLE

	As at 30 June 2018 HK$'000	31 December 2017 HK$'000
Trade payables		
— to third parties	**224,005**	144,217
— to related parties	**34,343**	7,682
Bills payable	**588**	2,592
	258,936	154,491

The ageing of the trade and bills payable based on invoice date is as follows:

	As at 30 June 2018 HK$'000	31 December 2017 HK$'000
0–90 days	**237,411**	149,184
91–180 days	**12,035**	1,279
181–365 days	**2,966**	1,657
Over 365 days	**6,524**	2,371
	258,936	154,491

11. BUSINESS COMBINATION

On 31 January 2018, the Group entered into a sale and purchase agreement ("**Agreement**") with a third party, Sport Field Holding Limited ("**SF Holding**"), which the Group conditionally agreed to purchase and SF Holding conditionally agreed to sell 60% of the issued shares of Sport Field Limited. In February 2018, the acquisition was completed and Sport Field Limited and its subsidiaries ("**Sport Field Group**") became non-wholly owned subsidiaries of the Group, with net liabilities of HK$44 million. The total consideration is HK$31 million (subject to upward or downward adjustments with a maximum cap of HK$50 million), which comprised of HK$5 million contingent consideration and net liabilities assumed (after deducting the non-controlling interest portion) of HK$26 million. The goodwill arising from the acquisition of Sport Field Group was HK$31 million. Up to 30 June 2018, HK$4.8 million was paid to SF Holding as first instalment for the acquisition. The remaining balance of the contingent consideration will be payable upon issuance of the financial results of the Sport Field Group for the year ending 31 December 2018.

12. DISPOSAL OF A SUBSIDIARY

On 26 September 2017, the Group entered into an equity transfer agreement with a third party, Dongguan Aochuang Property Co. Ltd ("**Aochuang**"), to transfer its entire equity interest in Bowker Property Development (Heyuan) Company Limited ("**Bowker Property**"), an indirect wholly-owned subsidiary of the Group, at a consideration of approximately RMB178 million (equivalent to approximately HK$219 million). Bowker Property mainly holds certain land use rights in Heyuan city, Guangdong province, Mainland China. A deposit of RMB20 million (approximately HK$25 million) had been received from Aochuang and was included in accrual and other payables as at 31 December 2017. During the period ended 30 June 2018, the Group received the remaining consideration of approximately RMB158 million (equivalent to approximately HK$194 million) and the entire equity interest in Bowker Property was transferred to Aochuang.

	HK$'000
Cash consideration received	219,043
Carrying amount of net assets disposed of	(99,729)
Gain on disposal before income tax and release of foreign currency translation reserve	119,314
Release of foreign currency translation reserve	4,463
	123,777
Tax expense on gain	(19,479)
Gain on disposal after tax	104,298

13. DIVIDENDS

A final dividend of HK$25,688,000 relating to the year ended 31 December 2017 was paid in June 2018.

At the Board meeting held on 23 August 2018, the Company's Board of Directors declared an interim dividend of HK3.0 cents (2017: interim dividend of HK2.0 cents) per share. The interim dividend amounting to HK$38,532,000 (2017: interim dividend amounting to HK$25,688,000) has not been recognised as a liability in this interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

For the six months ended 30 June 2018, the Group's total revenue slightly increased by 1.8% to HK$1,956.8 million (30 June 2017: HK$1,921.5 million). The net increase was mainly due to the significant increase in revenue from High-end Fashion Retailing Business outweighing the decrease in revenue from Manufacturing Business and Sportswear Retailing Business.

Gross profit margin of the Group reduced to 27.0% in the current period (30 June 2017: 27.9%), primarily due to the decline of gross profit margin of Manufacturing Business resulting from the higher level of production capacity and labour maintained for the current period and a further drop in gross profit margin of Sportswear Retailing Business. The growth of High-end Fashion Retailing Business, with the highest gross profit margin among the segments, brought additional gross profit to the Group. Overall gross profit of the Group decreased by HK$8.3 million to HK$528.1 million in the current period (30 June 2017: HK$536.4 million).

Operating profit of the Group increased by HK$47.7 million to HK$93.5 million in the current period (30 June 2017: HK$45.8 million). This increase was mainly attributable to the gain (before taxation) of HK$123.8 million recognised on disposal of the entire equity interest in a subsidiary which owned a piece of land in the PRC, but partially offset by the excess operating costs that were incurred to maintain production capacity and labour in Manufacturing Business.

As a result, profit attributable to equity holders for the period ended 30 June 2018 also increased by HK$37.6 million to HK$63.5 million (30 June 2017: HK$25.9 million). Excluding the impact of disposal gain of a subsidiary mentioned above and cost of a factory closure in 2017, loss attributable to equity holders would have been HK$60.3 million (30 June 2017: profit of HK$49.7 million). In consideration of the healthy cash position, the Board proposed to pay an interim dividend of HK3.0 cents per share for the six months ended 30 June 2018 (30 June 2017: HK2.0 cents per share).

BUSINESS REVIEW

The Group is an integrated manufacturer, distributor and retailer for renowned sports, fashion and outdoor brands. The financial performances of the three business segments, namely "**Manufacturing Business**", "**High-end Fashion Retailing Business**" and "**Sportswear Retailing Business**" are summarised below.

Manufacturing Business

The Group's Manufacturing Business operates mainly through OEM arrangements for a number of renowned sports brands. Most of the Group's products are exported and sold to Europe, the United States, Mainland China and other countries. The Group has a long history and a distinctive position in sportswear garment manufacturing and has established long-term business relationships with its key customers.

Manufacturing Business recorded a decline in revenue by 5.0% to HK$1,322.1 million (30 June 2017: HK$1,391.8 million), accounting for 67.4% of the Group's total revenue as compared to 72.3% for the corresponding period in 2017. The first half of 2018 remained difficult for the sportswear manufacturing business, and the recovery is expected to occur in the fourth quarter of 2018. The Sport Field Group, which is newly acquired in February 2018, brought in additional revenue from manufacturing of high-end functional wear and outerwear, which mitigated the drop in revenue from the sportswear manufacturing business.

During the review period, the Group completed the disposal of the entire equity interest in a wholly-owned subsidiary in PRC which owned a piece of land there. In addition to the deposit of RMB20 million received by the Group in 2017, the Group received the balance payment of RMB158 million from the buyer of the subsidiary in the first half of 2018. A gain (before taxation) on disposal of the subsidiary amounting to HK$123.8 million was recognised in the income statement (after taxation: HK$104.3 million).

For the six months ended 30 June 2018, operating profit from Manufacturing Business increased by HK$45.8 million to HK$84.0 million (30 June 2017: HK$38.2 million), contributed by the gain on disposal of the subsidiary as mentioned above, which partially offset the increase in operating costs. As the revenue drop is expected to be short-term, we have kept our production capacity and labour at a higher level in anticipation of rebounding orders from major customer which is expected to start from the fourth quarter of 2018. As a result, excess costs were inevitably incurred during the current period. Excluding the gain from disposal of a subsidiary would have resulted in an operating loss of HK$39.8 million.

High-end Fashion Retailing Business

The Group's High-end Fashion Retailing Business is operated under the Shine Gold Group. It has fashion retail networks of "***D-mop***" and "***J-01***" stores to sell several self-owned brands, as well as imported brands, in Hong Kong, Macau, Mainland China and Taiwan. In addition, it has exclusive distribution rights for brands including "***Y-3***" in Mainland China (excluding Beijing), Hong Kong, Macau, Taiwan and Singapore, "***Thomas Sabo***" and "***Tara Jarmon***" in Mainland China, Hong Kong and Macau and certain Japanese brands in Hong Kong. It also operates licensed stores in Mainland China for the brands "***Champion***" and "***DAKS***" and in Hong Kong for the brands "***New Era***" and "***Marcelo Burlon***".

As at 30 June 2018, the Shine Gold Group had 154 (31 December 2017: 150) high-end fashion retail stores, of which 100 were in Mainland China, 43 were in Hong Kong and Macau, 10 were in Taiwan and 1 was in Singapore.

Revenue of the Shine Gold Group for the six months ended 30 June 2018 increased by 32.3% to HK$549.3 million (30 June 2017: HK$415.3 million), accounting for 28.0% of the Group's total revenue as compared with 21.6% for the corresponding period in 2017. The increment mainly came from the expanding retail networks in the PRC, especially for the brands "***Y-3***" and "***Champion***". As compared with the corresponding period in 2017, the number of offline stores in PRC has been increased to 100 (30 June 2017: 71).

The Shine Gold Group generated operating profit of HK$32.6 million in the first half of 2018 (30 June 2017: HK$28.1 million). Operating profit margin decreased by 0.9 percentage points to 5.9% (30 June 2017: 6.8%). The performance of certain newly-obtained licensed brands was not as strong as "***Y-3***" and "***Champion***" and partially offset the profit contribution from other performing brands. The newly-obtained licensed brands are relatively new to the markets and are expected to take time to develop and build up brand awareness.

Sportswear Retailing Business

The Group's Sportswear Retailing Business is operated under the Win Sports Group. As at 30 June 2018, it had 18 (31 December 2017: 20) sportswear retail stores in Hong Kong, of which 3 were under the "***Futbol Trend***" name, 8 were "***Sports Corner***" or "***Little Corner***" stores and 7 were under the names of several international sports brands.

Revenue from the Win Sports Group for the six months ended 30 June 2018 decreased by HK$27.8 million to HK$90.9 million (30 June 2017: HK$118.7 million), representing a 23.4% decrease. In line with its plan, the Win Sports Group did not renew any lease agreements upon expiry and did not launch any new stores during the period. As compared with the corresponding period in 2017, the number of stores decreased by 4 to 18 (30 June 2017: 22).

The Win Sports Group incurred operating loss of HK$23.1 million in the first half of 2018 (30 June 2017: HK$20.6 million). Further discounts were offered to customers during the period leading to the decreased operating profit margin.

PROSPECTS

Manufacturing Business

Facing both market and internal challenges, the Group has refined its strategic plan. In its five-year strategic plan, Manufacturing Business is expected to make a recovery in the fourth quarter of 2018 and will return to the growth track starting from 2019. The objectives of 2020 to 2022 will not only focus on organic revenue growth in garment production, but also focus on vertical integration to expand the manufacturing business upstream into material supplies. In the next five years, the Group aims to progressively enhance production efficiency of its existing manufacturing facilities through process automation and advanced information technology platforms, maintain good relationships with existing customers to achieve organic sales growth, develop new types of products utilising internal resources and through collaboration with business partners, and, ultimately, further expand its customer base.

According to the strategic plan, the Group expects that the existing production capacity in Vietnam would be fully utilised in 2020. It has completed the feasibility study on the location selection of new factories in Vietnam, and is now proceeding to the next stage of the new factory plan. The potential factory site is in Vinh Long, a southern city in Mekong Delta, and the size is nearly 200,000 square meters. Commencement of construction is planned in the first half of 2019 and commencement of production is targeted in the second half of 2020.

Thanks to the strong support of our major customer and the new management team at the Vietnam factory, we foresee an obvious rebound of sales orders of the sportswear manufacturing business in the fourth quarter of 2018 as compared with the same quarter in 2017, as a result, we anticipate the annual revenue of the sportswear manufacturing business in 2018 will achieve a similar level as the annual revenue in 2017 despite a decline in the first half of 2018. With the ongoing efforts in product development and penetration of the sportswear manufacturing market, the Group has succeeded in securing sales orders from a new renowned sports brand from which it will generate revenue starting from the second half of 2018. On the other hand, the Group is also in the product development stage with another new renowned sports brand and expects that shipment will commence in 2019. According to the market forecasts from the above-mentioned new customers, we expect the revenue from them in 2019 could be more than double than the revenue from them in 2018.

As stated in the 5-year plan, the Group will enhance overall product development capability and enrich its product profile for its targeted new customers. During the first half of 2018, the Group has completed the acquisition of 60% of the equity of the Sport Field Group. The acquisition is not merely intended to supplement its customer base, product portfolio and market penetration, but also equip the Group with technologies and licensed facilities in producing high-end functional wear and outerwear. These advantages, together with the combined force of the Sport Field's talent, offer potentially great synergies and new opportunities to the Group. The Group intends to further leverage the know-how of Sport Field and its customer base on high-end outerwear and fashion brands. Considering the strong demand from the customers of Sport Field in the PRC to produce their high-end products locally, the Group also plans to establish a new factory in Mainland China apart from Southeast Asia. It has completed the feasibility study on the factory location in Mainland China. We will choose a location at Guangxi province of Mainland China with existing factory buildings to speed up the process and target to commence production in the second half of 2019.

Innovative Textile Technology — e.dye

Aside from developing the garment manufacturing business, it has always been the Group's intention to seek and seize opportunities for vertical integration. With rising concerns for protecting the environment, the Group is fully aware of the importance of manufacturing non-hazardous textiles, a practice that is lacking in the market. Towards that end, the Group has joined forces with a partner that possesses an innovative textile technology, forming a joint venture to further develop the technology and associated production business. The technology and production business is developing and operating under Win Success Holding Limited and its subsidiaries (together, "**Win Success Group**") using the trademark "***e.dye***". A pilot factory has been established in Kunshan, Jiangsu province of Mainland China, to demonstrate the revolutionary production process.

During the review period, the e.dye management team participated in the Functional Fabric Fair and Outdoor Retailer exhibitions to build up the brand and connect with worldwide customers. Their strong positive feedback has further strengthened the Group's confidence in this eco-friendly production of the textiles business. The Group will continue to expand its strategic partnership with international brands to promote eco-friendly production of textiles and play a greater role in green production.

High-end Fashion Retailing Business

Multi-branding is one of the key strategies of the Group to tap the full potential of the Greater China market. Over the past few years, the Group has endeavored to enhance and broaden its existing brand portfolio in the young and light luxury fashion segment and gained distribution rights from several internationally-renowned brands, including "***Champion***", "***Tara Jarmon***", "***DAKS***", "***Thomas Sabo***", "***New Era***" and "***Marcelo Burlon***".

Among these brands, the outperformance of the Champion stores in the first half of 2018 has been encouraging. In response to the positive market reaction towards Champion, the Group is allocating additional resources and speeding up the pace of expanding the retail network for the brand. It plans to further open 15 Champion stores in Mainland China in the second half of 2018, bringing the total number of stores to 25.

While the performance of certain new brands is currently not as strong as Y-3 and Champion, the Group nonetheless remains confident as these brands are new to the market and require more time to develop and arouse market awareness. Thus it will devote greater effort on marketing and enrichment of merchandise mix and product line in the stores, in order to match customers' preferences.

Regarding the current brands and product mix on hand, the Group also monitors the moves of other market players in the regions so as to initiate a proper response. It periodically revisits its retail network and brand portfolio, prudently updating its store opening and closure plan. To improve its overall brand portfolio, it will continue to source and obtain license rights from new brands and may discontinue cooperation with existing non-performing brands.

Seeing the demand for fashion and sportswear products remaining strong along with the rapid rise of the young affluent middle class, Mainland China therefore remains the Group's major target market and it will expand its retail network across the country. It will continue to enhance and broaden its brand and product portfolio in the young and light luxury fashion segment so as to capture a bigger market share in the Greater China region. Moreover, the Group will continue its efforts to promote the retail presence of its own brand stores, namely "***D-mop***" and "***J-01***". Furthermore, it will strive to enhance the shopping experience for our customers, in particularly the newly opened stores, by offering an attractive product mix and enhancing shop efficiency and in-store customer services.

Last but not least, online shopping has become increasingly popular among consumers in the past few years. Online sales are assuming a bigger and bigger share of total retail sales in Mainland China. The Group therefore is continuing to develop its e-commerce channel so as to tap the fast-growing online market with huge potential.

Sportswear Retailing Business

Due to the keen competition and tough operating environment in the sportswear retail market in Hong Kong, the Group will continue to scale down the retail network in Hong Kong and will not renew lease agreements upon their expiry. According to the lease agreements which are mostly going to expire in mid 2019, there will be only 4 regular stores still operating by the end of 2018, it will also consider speeding up the termination of all stores before the end of 2018. The inventory level is decreasing under our continuous effort, it will put greater efforts and arrange different sales campaigns and offer further discounts to clear the inventories. The Group will also streamline human resources and apply other cost-control measures to reduce operating costs.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and bank facilities and has maintained a healthy financial position during the period. As at 30 June 2018, it had cash and bank balances amounting to HK$565.1 million (31 December 2017: HK$424.8 million). The net increase was mainly attributable to the cash generated from operating activities and bank borrowing, net with cash used in capital expenditure and payment of final dividends.

As at 30 June 2018, the Group had bank borrowings amounting to HK$360.7 million (31 December 2017: HK$177.1 million), which were on floating rates, and unutilised banking facilities amounting to HK$291.3 million (31 December 2017: HK$419.0 million). The gearing ratio, being total borrowings divided by total equity, as at 30 June 2018, was 16.1% (31 December 2017: 8.0%).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2018, the Group had approximately 18,000 employees (31 December 2017: approximately 16,000 employees). The Group remunerates employees based on their performance, working experience and prevailing market conditions. Other employee benefits include retirement benefits, insurance, medical coverage and share option schemes.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018, bank deposits of HK$1.2 million (31 December 2017: HK$1.2 million) was pledged as security deposit at Custom Department for a subsidiary of the Group.

As at 30 June 2018, property, plant and equipment with carrying value of HK$40.3 million (31 December 2017: Nil) was pledged to banks for certain bank facilities of the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities, litigation or arbitration of material importance as at 30 June 2018.

FOREIGN CURRENCY EXPOSURE

The Group's revenue and purchases were primarily denominated in US Dollars, Hong Kong Dollars and RMB. During the period, approximately 57.1%, 24.8% and 14.7% of revenue were denominated in US Dollars, RMB and Hong Kong Dollars respectively, whereas approximately 73.9%, 12.0% and 11.1% of purchases were denominated in US Dollars, RMB and Hong Kong Dollars respectively.

As at 30 June 2018, approximately 69.2%, 25.1% and 3.1% of cash and bank balances were denominated in RMB, US Dollars and Hong Kong Dollars respectively, and approximately 63.5%, 33.3% and 3.3% of bank borrowings were denominated in Hong Kong Dollars, US Dollars and RMB respectively.

Hong Kong Dollar serves as the Company's functional currency and the Group's presentation currency. The Group considers its foreign currency exchange exposure arising from US Dollar transactions and US Dollar cash balances to be minimal during the period given that Hong Kong Dollar was pegged against US Dollar. Regarding to the recent rising tensions of the China-US trade war, management believes that the short-term currency fluctuation of RMB against USD is unavoidable and any action proposed by either China or US could have immediate impact to the exchange rate of RMB against USD. Management noted that RMB depreciated sharply against USD since the beginning of trade war and it was unfavorable to our assets denominated in RMB. We will continue to monitor the development of the China-US trade war as well as the trend of the exchange rates, and assess its impact to the Group. If necessary, after consideration of the Group's future operation and investment needs in different currencies, we may use proper financial instruments to reduce the currency risk exposure.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). All Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the accounting period covered by the interim report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

DIVIDENDS

The Board has declared an interim dividend of HK3.0 cents (2017: interim dividend of HK2.0 cents) per share for the six months ended 30 June 2018 payable to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 21 September 2018. The dividends will be paid on or about Tuesday, 9 October 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 19 September 2018 to Friday, 21 September 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2018, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 18 September 2018.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the interim report.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has discussed with the management of the Company the internal control and financial reporting matters related to the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018. It has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 with the management and the auditor of the Company and recommended them to the Board for approval.

The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 in accordance with 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 results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.winhanverky.com). The interim report for the six months ended 30 June 2018 will be dispatched to the shareholders and will be available on the aforesaid websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping, Mr. LEE Kwok Leung and Mr. WONG Chi Keung being the executive Directors, and Dr. CHAN Kwong Fai, Mr. MA Ka Chun, Mr. KWAN Kai Cheong and Ms. CHAU Pui Lin being the independent non-executive Directors.

By order of the Board
Win Hanverky Holdings Limited
LI Kwok Tung Roy
Chairman

Hong Kong, 23 August 2018