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 2019

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2019	2018	*Change*
	HK$'000	*HK$'000* *(Restated)*	*%*
Continuing operations			
Revenue	**2,265,292**	1,865,884	+21.4%
Gross profit	**691,577**	505,367	+36.8%
Gross profit margin	**30.5%**	27.1%	+3.4% pt
Operating profit*	**84,253**	116,579	−27.7%
Operating profit/(loss) (excluding impact of subsidiary disposals)	**64,446**	(7,198)	N/A
Profit attributable to equity holders	**27,642**	63,467	−56.4%
Profit/(loss) attributable to equity holders (excluding impact of subsidiary disposals)	**12,216**	(40,831)	N/A
Basic EPS *(HK cents)*	**2.2**	4.9	−55.1%
Dividends *(HK cents)*	**1.0**	3.0	−66.7%

* Included in operating profit was a gain (before taxation) on disposal of a subsidiary amounting to HK$19.8 million (30 June 2018: HK$123.8 million).

OPERATIONAL HIGHLIGHTS

- Revenue from continuing operations increased by 21.4% mainly attributable to rebounding orders from a major customer under Sportswear Manufacturing Business and rapid expansion of retail networks in Mainland China for High-end Fashion Retailing Business.
- Profit attributable to equity holders decreased from HK$63.5 million to HK$27.6 million. Excluding the impact of disposal gain of a subsidiary, profit attributable to equity holders would have been HK$12.2 million (30 June 2018: loss of HK$40.8 million).
- The Board proposed an interim dividend of HK1.0 cent per share.

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 2019, together with the comparative amounts for the corresponding period of 2018, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
			(Restated)
Continuing operations			
Revenue	3	**2,265,292**	1,865,884
Cost of sales		**(1,573,715)**	(1,360,517)
Gross profit		**691,577**	505,367
Selling and distribution costs		**(359,826)**	(267,174)
General and administrative expenses		**(261,455)**	(244,816)
Other net income	4	**13,957**	123,202
Operating profit		**84,253**	116,579
Finance costs — net	5	**(19,583)**	(3,638)
Share of losses of associates		**(196)**	(119)
Profit before income tax		**64,474**	112,822
Income tax expense	6	**(26,977)**	(29,625)
Profit from continuing operations		**37,497**	83,197
Discontinued operations			
Loss from discontinued operations	11(b)	**—**	(23,119)
Profit for the period		**37,497**	60,078

CONSOLIDATED INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
			(Restated)
Profit for the period attributable to:			
Equity holders of the Company			
— Continuing operations		**27,642**	85,246
— Discontinued operations		**—**	(21,779)
		27,642	63,467
Non-controlling interests			
— Continuing operations		**9,855**	(2,049)
— Discontinued operations		**—**	(1,340)
		9,855	(3,389)
		37,497	60,078
Earnings per share from continuing operations attributable to equity holders of the Company (expressed in HK cents per share)	7		
Basic		**2.2**	6.6
Diluted		**2.2**	6.6
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	7		
Basic		**2.2**	4.9
Diluted		**2.2**	4.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Profit for the period	**37,497**	60,078
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(14,538)**	(9,811)
Share of other comprehensive income of associates	**210**	(18)
Item that has been reclassified to profit or loss		
Realisation of accumulated exchange differences upon liquidation of a subsidiary	**(3,613)**	—
Total comprehensive income for the period	**19,556**	50,249
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**9,935**	55,600
Non-controlling interests	**9,621**	(5,351)
	19,556	50,249
Total comprehensive income for the period attributable to equity holders of the Company from:		
— Continuing operations	**9,935**	75,083
— Discontinued operations	**—**	(19,483)
	9,935	55,600

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	**Unaudited 30 June 2019 *HK$'000***	Audited 31 December 2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,323,733**	918,144
Intangible assets		**252,115**	255,403
Investments in associates		**10,531**	10,517
Other receivables and financial assets		**96,027**	86,780
Deferred tax assets		**63,338**	46,971
Total non-current assets		**1,745,744**	1,317,815
Current assets			
Inventories		**1,275,540**	872,094
Trade and bills receivable	8	**576,050**	544,029
Other receivables and financial assets		**272,299**	251,388
Current tax recoverables		**24,387**	22,677
Pledged bank deposits		**1,138**	1,139
Cash and bank balances		**389,835**	355,053
		2,539,249	2,046,380
Assets classified as held for sale	11(a)	**—**	30,295
Total current assets		**2,539,249**	2,076,675
Current liabilities			
Trade and bills payable	9	**368,098**	226,482
Accruals and other payables		**382,509**	425,603
Borrowings	10	**711,585**	478,904
Lease liabilities		**168,559**	—
Current tax liabilities		**88,287**	65,325
		1,719,038	1,196,314
Liabilities directly associated with assets classified as held for sale	11(a)	**—**	2,017
Total current liabilities		**1,719,038**	1,198,331

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2019

	Note	**Unaudited 30 June 2019 *HK$'000***	Audited 31 December 2018 *HK$'000*
Non-current liabilities			
Other payables		**1,935**	—
Borrowings	10	**121,875**	—
Lease liabilities		**255,615**	—
Deferred tax liabilities		**8,358**	11,505
Total non-current liabilities		**387,783**	11,505
Net assets		**2,178,172**	2,184,654
Equity			
Equity attributable to equity holders of the Company			
Share capital		**128,440**	128,440
Reserves		**2,023,324**	2,037,360
		2,151,764	2,165,800
Non-controlling interests		**26,408**	18,854
Total equity		**2,178,172**	2,184,654

NOTES:

1. BASIS OF PREPARATION

The condensed interim financial information included in this preliminary announcement of interim results for the six months ended 30 June 2019 does not constitute the Group's interim report but is derived from that interim report.

The condensed interim financial information 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 ("**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed interim financial information contains interim financial statements and selected explanatory notes. The condensed interim financial information does not include all of the notes of the type normally included in the annual financial report. Except as described in note 2, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018. Accordingly, readers should read the interim results in conjunction with the annual financial statements for the year ended 31 December 2018, prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

During the year ended 31 December 2018, the Group's Sportswear Retailing Business had been wholly ceased. The income statement distinguishes discontinued operations from continuing operations. Comparative figures have been re-presented.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16 *Leases*, and a number of new amendments that became applicable for the current reporting period.

Except for HKFRS 16, none of the developments have had a material effect on the Group's result and financial position for the current or prior periods have been prepared or presented in this condensed interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) The Group's leasing activities and how these are accounted for

The Group is a lessee of its retail shops, offices, warehouses, plant and equipment which are currently classified as operating leases. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Under the 2018 financial year, leases were classified as operating leases. Payments made under operating leases were charged to income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. Finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use asset is presented within property, plant and equipment and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.74%.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in income statement. Short-term leases are leases with a lease term of 12 months or less.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Adjustments recognised on adoption of HKFRS 16

The table shows the adjustments recognised for each individual line item.

Consolidated statement of financial position (extract)

	31 December 2018 *HK$'000* *(As originally presented)*	**HKFRS 16** *HK$'000* *(Initial adoption)*	**1 January 2019** *HK$'000* *(Restated)*
Non-current assets			
Property, plant and equipment	918,144	415,729	1,333,873
Deferred tax assets	46,971	3,979	50,950
Current liabilities			
Accruals and other payables	425,603	(4,299)	421,304
Lease liabilities	—	150,666	150,666
Non-current liabilities			
Lease liabilities	—	286,882	286,882
Equity			
Reserves	2,037,360	(11,474)	2,025,886
Non-controlling interests	18,854	(2,067)	16,787

The Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Adjustments recognised on adoption of HKFRS 16 (Continued)

The reconciliation of operating lease commitment to lease liabilities is set out below:

	HK$'000
Operating lease commitment at 31 December 2018	**498,677**
Discounted using the lessee's incremental borrowing rates at the date of initial application	**(54,248)**
Less: short term leases recognised on a straight-line basis as expense	**(6,881)**
Lease liabilities at 1 January 2019	**437,548**

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.

The executive directors review the performance of the Group mainly from a business operation perspective. The major business segments of the Group for the six months ended 30 June 2019 are Manufacturing and High-end Fashion Retailing.

- The Manufacturing segment represents manufacturing and sales of (i) sportswear and (ii) high-end functional outerwear of which both primarily under OEM arrangements to customers mainly in Europe, the United States, Mainland China and other countries; and (iii) manufacturing and sales of fabric and yarn products under "**e.dye**".

- The High-end Fashion Retailing segment represents retail of high-end fashion products in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

In order to further refine the management of the Manufacturing Business for better resources allocation and performance assessment, the executive directors have decided to re-divide Manufacturing into (i) Sportswear Manufacturing (ii) High-end Functional Outerwear Manufacturing and (iii) e.dye to align with the internal review process. In addition, the Sportswear Retailing segment which represented the retail of sportswear products was discontinued during the year ended 31 December 2018. As such, the comparative segment information for the six months ended 30 June 2018 has been re-presented to align with current period's disclosure.

The executive directors assess the performance of the business segments based on a measure of operating results of each segment, which excludes net 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 interim financial information.

3. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2019 are as follows:

	Manufacturing				
	Sportswear Manufacturing *HK$'000*	High-end Functional Outerwear Manufacturing *HK$'000*	e.dye *HK$'000*	High-end Fashion Retailing *HK$'000*	Total Continuing Operations *HK$'000*
Total segment revenue	**1,275,009**	**151,374**	**13,819**	**826,911**	**2,267,113**
Inter-segment revenue	**(1,762)**	**—**	**(59)**	**—**	**(1,821)**
Revenue	**1,273,247**	**151,374**	**13,760**	**826,911**	**2,265,292**
Operating profit/(loss) and segment results	**24,657**	**(39,923)**	**(24,128)**	**123,647**	**84,253**
Finance costs — net					**(19,583)**
Share of losses of associates	**(196)**	**—**	**—**	**—**	**(196)**
Profit before income tax					**64,474**
Income tax expense					**(26,977)**
Profit for the period					**37,497**

Other segment items charged/(credited) to the operating profit for the six months ended 30 June 2019 are as follows:

Depreciation and amortisation of property, plant and equipment	**51,137**	**7,391**	**3,892**	**98,050**	**160,470**
Amortisation of intangible assets	**—**	**1,065**	**1,874**	**349**	**3,288**
Provision for inventories, net	**16,586**	**672**	**1,189**	**37,281**	**55,728**
Impairment of trade receivables	**—**	**530**	**—**	**—**	**530**
Loss on disposal of property, plant and equipment, net	**810**	**2,193**	**29**	**18**	**3,050**
Gain on disposal of a subsidiary	**(19,807)**	**—**	**—**	**—**	**(19,807)**

3. SEGMENT INFORMATION (CONTINUED)

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

	Manufacturing						
	Sportswear Manufacturing	High-end Functional Outerwear Manufacturing	e.dye	High-end Fashion Retailing	Total Continuing Operations	Discontinued Operations – Sportswear Retailing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	1,162,322	147,483	14,596	549,321	1,873,722	90,933	1,964,655
Inter-segment revenue	(7,266)	(572)	—	—	(7,838)	—	(7,838)
Revenue	1,155,056	146,911	14,596	549,321	1,865,884	90,933	1,956,817
Operating profit/(loss) and segment results	135,051	(29,281)	(21,759)	32,568	116,579	(23,126)	93,453
Finance costs — net					(3,638)	7	(3,631)
Share of losses of associates	(119)	—	—	—	(119)	—	(119)
Profit/(loss) before income tax					112,822	(23,119)	89,703
Income tax expense					(29,625)	—	(29,625)
Profit/(loss) for the period					83,197	(23,119)	60,078

Other segment items charged/(credited) to the operating profit for the six months ended 30 June 2018 are as follows:

	Sportswear Manufacturing	High-end Functional Outerwear Manufacturing	e.dye	High-end Fashion Retailing	Total Continuing Operations	Discontinued Operations – Sportswear Retailing	Total
Depreciation and amortisation of property, plant and equipment	36,055	4,858	2,689	19,704	63,306	466	63,772
Impairment of property, plant and equipment	—	—	—	337	337	—	337
Amortisation of intangible assets	—	865	1,874	349	3,088	—	3,088
Provision/(write-back of provision) for inventories, net	19,843	1,810	765	19,076	41,494	(1,627)	39,867
Provision for onerous leases	—	—	—	2,168	2,168	155	2,323
(Gain)/loss on disposal of property, plant and equipment, net	(6,476)	(13)	—	131	(6,358)	—	(6,358)
Gain on disposal of a subsidiary	(123,777)	—	—	—	(123,777)	—	(123,777)

3. SEGMENT INFORMATION (CONTINUED)

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.

The segment assets and liabilities are as follows:

	Manufacturing							
	Sportswear Manufacturing *HK$'000*	High-end Functional Outerwear Manufacturing *HK$'000*	e.dye *HK$'000*	High-end Fashion Retailing *HK$'000*	Total Continuing Operations *HK$'000*	Discontinued Operations – Sportswear Retailing *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Total assets								
30 June 2019	2,125,416	448,414	115,319	1,508,119	4,197,268	—	87,725	4,284,993
31 December 2018	1,851,209	407,880	108,059	937,203	3,304,351	19,999	70,140	3,394,490
Total liabilities								
30 June 2019	944,093	272,085	15,792	778,206	2,010,176	—	96,645	2,106,821
31 December 2018	567,315	203,084	8,671	352,371	1,131,441	1,565	76,830	1,209,836

The Group's revenue by geographical location is determined by the final destination of delivery of the products. The Group's revenue from external customers by geographical location is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Mainland China	**895,744**	506,500
Europe	**480,059**	519,681
United States	**388,018**	321,277
Other Asian countries	**214,075**	210,600
Hong Kong	**176,531**	220,848
Canada	**50,780**	33,508
Others	**60,085**	53,470
	2,265,292	1,865,884

3. SEGMENT INFORMATION (CONTINUED)

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

	As at	
	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**568,295**	447,433
Mainland China	**565,783**	309,615
Vietnam	**300,350**	265,794
Cambodia	**230,541**	238,266
Other countries	**17,437**	9,736
	1,682,406	1,270,844

4. OTHER NET INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
		(Restated)
<u>Continuing operations</u>		
Gain on disposal of subsidiaries *(Note 11(a))*	**19,807**	123,777
Realisation of accumulated exchange differences upon liquidation of a subsidiary	**3,613**	—
Rental income	**663**	663
Net exchange losses	**(740)**	(10,868)
(Loss)/gain on disposal of property, plant and equipment, net	**(3,050)**	6,358
Others	**(6,336)**	3,272
	13,957	123,202

5. FINANCE COSTS — NET

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Finance income		
— Interest income from bank deposits and receivables from a landlord	**1,237**	1,676
— Others	**553**	21
	1,790	1,697
Finance cost		
— Interest on bank borrowings	**(12,252)**	(5,121)
— Interest on lease liabilities	**(9,844)**	—
— Others	**—**	(214)
Less: interest expense capitalised	**723**	—
	(21,373)	(5,335)
	(19,583)	(3,638)

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Current tax		
— Mainland China	**38,705**	9,362
— Hong Kong	**1,936**	3,608
— Overseas	**914**	1,028
— Under/(over) provision in prior years	**523**	(878)
Deferred tax	**(15,101)**	16,505
	26,977	29,625

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

Mainland China Corporate Income Tax has been provided at the rate of 25% (2018: 25%) on the estimated assessable profits.

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits.

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.

7. EARNINGS PER SHARE

	Six months ended 30 June 2019	2018 *(Restated)*
Profit/(loss) attributable to equity holders of the Company *(HK$'000)*		
— Continuing operations	**27,642**	85,246
— Discontinued operations	**—**	(21,779)
	27,642	63,467
Weighted average number of ordinary shares in issue *('000)*	**1,284,400**	1,284,400
Adjustment for share option *('000)*	**71**	—
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,284,471**	1,284,400

(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 2019	2018 *(Restated)*
Basic earnings/(losses) per share *(HK cents)*		
— Continuing operations	**2.2**	6.6
— Discontinued operations	**—**	(1.7)
	2.2	4.9

(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. 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 which have dilutive effect.

	Six months ended 30 June 2019	2018 *(Restated)*
Diluted earnings/(losses) per share *(HK cents)*		
— Continuing operations	**2.2**	6.6
— Discontinued operations	**—**	(1.7)
	2.2	4.9

8. TRADE AND BILLS RECEIVABLE

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Trade receivables		
— from third parties	**560,424**	524,121
— from related parties	**7,201**	7,759
Bills receivable	**10,023**	13,747
	577,648	545,627
Less: impairment of trade receivables	**(1,598)**	(1,598)
Financial assets measured at amortised cost	**576,050**	544,029

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 2019 HK$'000	As at 31 December 2018 HK$'000
0–90 days	**566,602**	533,389
91–180 days	**1,645**	3,014
181–365 days	**1,276**	684
Over 365 days	**8,125**	8,540
	577,648	545,627

9. TRADE AND BILLS PAYABLE

	As at 30 June 2019 HK$'000	31 December 2018 HK$'000
Trade payables		
— to third parties	**320,171**	211,207
— to related parties	**44,703**	11,201
Bills payable	**3,224**	4,074
Financial liabilities measured at amortised cost	**368,098**	226,482

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

	As at 30 June 2019 HK$'000	31 December 2018 HK$'000
0–90 days	**346,901**	217,798
91–180 days	**16,029**	4,970
181–365 days	**1,439**	347
Over 365 days	**3,729**	3,367
	368,098	226,482

10. BORROWINGS

The interest-bearing bank borrowings were repayable as follows:

	As at 30 June 2019 HK$'000	31 December 2018 HK$'000
Within 1 year or on demand	**711,585**	478,904
After 1 year but within 2 years	**32,500**	—
After 2 years but within 5 years	**89,375**	—
	121,875	—
	833,460	478,904

11. DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATIONS

(a) Disposal of a subsidiary

On 23 November 2018, the Group entered into a sale and purchase agreement with a third party in relation to the disposal of Bowker Garment Accessories (Heyuan) Company Limited, a subsidiary in Mainland China, for an adjusted consideration of HK$36,034,000. Respective assets and liabilities were classified as assets held for sale and liabilities directly associated with assets held for sale respectively as at 31 December 2018. The transaction had been completed in May 2019 and a gain on disposal amounting to HK$19,807,000 was recognised during the six months ended 30 June 2019.

(b) Discontinued operations

During the year ended 31 December 2018, the Group's Sportswear Retailing Business had been wholly ceased. Financial information relating to the discontinued operations for the six months ended 30 June 2018 is set out below.

	Six months ended 30 June 2018 *HK$'000*
Revenue	90,933
Cost of sales	(68,195)
Gross profit	22,738
Selling and distribution costs	(42,458)
General and administrative expenses	(4,076)
Other net income	670
Operating loss	(23,126)
Finance income	7
Loss before income tax	(23,119)
Income tax expense	—
Loss from discontinued operations	(23,119)
Attributable to:	
Equity holders of the Company	(21,779)
Non-controlling interests	(1,340)
	(23,119)

12. DIVIDENDS

A final dividend of HK$12,844,000 relating to the year ended 31 December 2018 was paid in June 2019.

At the Board meeting held on 22 August 2019, the Company's Board of Directors declared an interim dividend of HK1.0 cent (2018: interim dividend of HK3.0 cents) per share. The interim dividend amounting to HK$12,844,000 (2018: interim dividend amounting to HK$38,532,000) has not been recognised as a liability in this condensed interim financial information.

13 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group's factory located in Heyuan city, Mainland China, was relocated to another site within Heyuan city due to expiry of the existing lease. To facilitate the relocation, the Group has agreed with most of the factory's employees to terminate their existing employment contracts and enter new ones simultaneously. Accordingly, staff compensation for termination of existing employment contracts and other relocation costs, amounting to approximately HK$44.0 million and HK$4.0 million respectively, which are non-recurring and one-off in nature, will be incurred in the second half of 2019. No adjustment has been made in this condensed interim financial information in this regard.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an integrated manufacturer, distributor and retailer for internationally renowned sports, fashion and outdoor brands. The financial performance of the Group for the six months ended 30 June 2019 is summarised below:

OVERALL REVIEW

Revenue of the Group from continuing operations amounted to HK$2,265.3 million (30 June 2018: HK$1,865.9 million), representing an increase of 21.4%, for the six months ended 30 June 2019. The increase was mainly attributable to rebounding orders from a major customer under Sportswear Manufacturing Business and rapid expansion of retail networks in Mainland China for High-end Fashion Retailing Business.

Gross profit margin of the Group increased to 30.5% in the current period (30 June 2018: 27.1%). The increase in gross profit margin of 3.4 percentage point was mainly attributable to the significant growth of High-end Fashion Retailing Business with higher gross profit margin which brought in additional gross profit to the Group. As a result, gross profit of the Group increased by HK$186.2 million to HK$691.6 million in the current period (30 June 2018: HK$505.4 million), 36.8% higher than corresponding period of 2018.

Operating profit of the Group reduced by HK$32.3 million to HK$84.3 million in the current period (30 June 2018: HK$116.6 million). The decrease was mainly due to the absence of a substantial gain arising from disposal of a subsidiary which owned a piece of land in Mainland China amounting to HK$123.8 million (before taxation) in the first half of 2018 while gain on disposal of another subsidiary in current period was HK$19.8 million (before taxation). The operating results were complemented by profit contribution from the rapidly expanding High-end Fashion Retailing Business.

Net finance costs of the Group increased by HK$16.0 million to HK$19.6 million in current period (30 June 2018: HK$3.6 million). The increase was mainly attributable to the increase in interest on bank borrowings (net of amount capitalised) and interest on lease liabilities upon adoption of HKFRS 16 by HK$6.4 million and HK$9.8 million respectively.

The Group has discontinued the sportswear retail network in Hong Kong and all retail stores were closed before the end of 2018 and there was no further financial impact in 2019 (30 June 2018: loss of HK$23.1 million).

Overall, profit attributable to equity holders of the Company decreased by HK$35.9 million to HK$27.6 million (30 June 2018: HK$63.5 million). Excluding the impact of disposal gain of a subsidiary mentioned above, profit attributable to equity holders would have been HK$12.2 million (30 June 2018: loss of HK$40.8 million).

The Board proposed to pay an interim dividend of HK1.0 cent per share for the six months ended 30 June 2019 (30 June 2018: HK3.0 cents per share).

BUSINESS REVIEW

The financial performances of the business segments are summarised below:

Manufacturing Business

Our Manufacturing Business comprises "***Sportswear Manufacturing Business***", "***High-end Functional Outerwear Manufacturing Business***" and "***e.dye Business***".

Sportswear Manufacturing Business

The Group's Sportswear Manufacturing Business operates mainly through OEM arrangements for a number of internationally renowned sports brands. Most of the Group's products are exported and sold to Europe, the United States and Mainland China. 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.

Revenue from Sportswear Manufacturing Business increased by HK$118.1 million to HK$1,273.2 million (30 June 2018: HK$1,155.1 million), representing an increment of 10.2%. The increase in revenue was mainly due to rebounding orders from a major customer since the fourth quarter of 2018 and also the introduction of certain new customers which had already generated revenue in the first half of 2019 after continuous efforts in product developments and penetration of the sportswear manufacturing market.

The Group completed the disposal of a subsidiary in Mainland China and a gain (before taxation) of HK$19.8 million was recorded in the six months ended 30 June 2019 (30 June 2018: HK$123.8 million).

Operating profit decreased to HK$24.7 million (30 June 2018: HK$135.1 million) which included the gain (before taxation) arising from disposal of a subsidiary as mentioned above. Excluding the impact of disposal gain of a subsidiary, operating profit would have been decreased to HK$4.9 million (30 June 2018: HK$11.3 million). The decrease in operating profit was mainly due to the development costs and expenses incurred for conversion of production lines for new customers while the factory had yet to achieve economies of scale to cover the running costs.

High-end Functional Outerwear Manufacturing Business

Since the acquisition of Sport Field Group in the first half of 2018, High-end Functional Outerwear Manufacturing Business has become one of our major segments in Manufacturing Business. In order to develop the business of this new segment, we have invested in setting up a new factory in Mainland China and conversion of existing production facilities in Vietnam.

Revenue from High-end Functional Outerwear Manufacturing Business increased by HK$4.5 million to HK$151.4 million (30 June 2018: HK$146.9 million) while operating loss was HK$39.9 million (30 June 2018: loss of HK$29.3 million). The acquired business of Sport Field Group had generated a modest operating profit in the first half of 2019. The increase in operating loss of the whole segment was mainly attributable to additional costs incurred for production lines setup in the new factory as mentioned above while the factory had yet to achieve optimal production efficiency.

e.dye Business

Revenue from e.dye Business decreased by HK$0.8 million to HK$13.8 million (30 June 2018: HK$14.6 million) while operating loss was HK$24.1 million (30 June 2018: loss of HK$21.8 million).

High-end Fashion Retailing Business

The Group's High-end Fashion Retailing Business has fashion retail networks through "***D-mop***" stores to sell several self-owned brands, as well as imported brands, in Hong Kong, Mainland China and Taiwan and "***J-01***" stores in Hong Kong and Mainland China. In addition, it has distribution rights for "***Y-3***" in Mainland China, Hong Kong, Macau, Taiwan and Singapore, "***Thomas Sabo***", "***Tara Jarmon***" and "***Heron Preston***" in Mainland China, Hong Kong and Macau. 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***".

Revenue from High-end Fashion Retailing Business increased by HK$277.6 million to HK$826.9 million (30 June 2018: HK$549.3 million), representing an increment of 50.5%. The significant growth was mainly attributable to continuous rapid expansion of retail networks in Mainland China. In the first half of 2019, High-end Fashion Retailing Business continued to expand its presence in the market by opening new stores particularly in Mainland China. As at 30 June 2019, the total number of offline stores increased to 209 (30 June 2018: 154), of which 164 stores were in Mainland China, 35 stores were in Hong Kong and Macau, 9 stores were in Taiwan and 1 store was in Singapore.

Operating profit increased by HK$91.0 million to HK$123.6 million (30 June 2018: HK$32.6 million), representing an increment of 279.1%.

PROSPECTS

The global economy has been impacted by the escalating China-US trade disputes and the uncertainties of Brexit. The market in Mainland China is steady but affected by unfavorable currency fluctuation. The contracting retail market in Hong Kong is intensified by recent social unrest. Notwithstanding the signs of economy slowdown around the world, we will maintain a cautiously optimistic view and closely monitor the developments in order to achieve sustainable growth on our diversified businesses.

Manufacturing Business

Sportswear Manufacturing Business

Sportswear Manufacturing Business has been recovered in the fourth quarter of 2018 and return to the growth track starting from 2019. In order to cope with the increased domestic demand from customers, our factory located in Heyuan city of Mainland China has been relocated to another site within the same city due to the expiry of existing lease. In addition to the rebounding orders from the customer, we have successfully introduced new internationally renowned customers into the Group, one of which has already generated revenue for the Group since the second half of 2018, while the remaining ones have generated revenue in the first half of 2019.

However, giving the increasingly fragile state of global economy, we are more cautious on deployment of our resources and capital expenditure. As such, we have revisited our production capacities and concluded that there is still room to uplift existing facilities to meet the demand from our customers in the near future. We have conducted a holistic review for our new factories in Vinh Long, Vietnam and the development schedule will be slowed down. We will closely monitor the situation and review the development time table again at the end of 2019.

High-end Functional Outerwear Manufacturing Business

High-end Functional Outerwear Manufacturing Business has become one of our major segments in Manufacturing Business after acquisition of Sport Field Group. The Sport Field Group possesses technologies and licensed facilities to produce high-end functional outerwear for certain internationally renowned brands. In order to cope with the high market demand, the Group has subsequently invested in setting up a new factory and conversion of existing production facilities for Sport Field Group. It is expected that revenue will steadily increase in the coming years through the increased production capacities in our new factory and new production lines. Its contribution will continue to be well-sustained by synergising with our existing product categories, expand our customer portfolio, market penetration and competitive edge in the manufacturing industry.

Looking forward, we will focus on improving our production efficiency in our new factory in Mainland China and newly converted production facilities in Vietnam in order to achieve optimal level.

e.dye Business

We will continue to expand our strategic partnership with international brands to promote eco-friendly production and play an important role in green production. We are centralising our resources and actively working with certain renowned brands in seeking a revenue breakthrough to achieve economies of scale to cover the development and running costs.

High-end Fashion Retailing Business

Mainland China will remain as the major market of our High-end Fashion Retailing Business and it will continue to expand its retail network to further penetrate the market. As such, we will centralise our resources to speed up the pace of growing the retail footprints in order to maintain the high growth momentum of the performing brands. In addition, we will continue to promote the retail presence of our existing stores and will enhance the shopping experience for our customers. At the same time, we will continue to develop our e-commerce channels in order to tap into the fast-growing online market and we will continue to focus on product categories to capture the huge potential market opportunity.

Multi-branding is one of our key strategies to tap into the full potential of the Greater China market. Apart from the existing brand portfolio in the young and light luxury fashion segment which including several internationally renowned brands, "***Champion***", "***Y-3***", "***Tara Jarmon***", "***DAKS***", "***Thomas Sabo***", "***New Era***", "***Marcelo Burlon***" and "***Heron Preston***", we will continue to approach and gain distribution rights for young and high-end fashion brands to further enrich and rationalise our brand portfolio.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and banking facilities and has maintained a healthy financial position during the period. As at 30 June 2019, it had cash and bank balances amounting to HK$389.8 million (31 December 2018: HK$355.1 million). The net increase was mainly attributable to the cash generated from operating activities and bank borrowings, net with cash used in capital expenditure and payment of final dividends.

As at 30 June 2019, the Group had bank borrowings amounting to HK$833.5 million (31 December 2018: HK$478.9 million), which were on floating rates and unutilised banking facilities amounting to HK$559.1 million (31 December 2018: HK$152.5 million). The net gearing ratio, being total borrowings (including bank borrowings and loans from non-controlling interests of subsidiaries) less cash and bank balances divided by total equity, as at 30 June 2019, was 20.6% (31 December 2018: 5.9%).

FOREIGN CURRENCY EXPOSURE

Hong Kong Dollar ("**HKD**") serves as the Company's functional currency and the Group's presentation currency. The Group considers its foreign currency exchange exposure arising from United States Dollar ("**USD**") transactions and USD cash balances to be minimal during the period given that HKD was pegged against USD.

The Group's revenue and purchases were primarily denominated in USD, Renminbi ("**RMB**") and HKD. During the period, approximately 51.6%, 38.0% and 7.1% of revenue were denominated in USD, RMB and HKD respectively, whereas approximately 85.8%, 8.4% and 3.8% of purchases were denominated in USD, RMB and HKD respectively.

As at 30 June 2019, approximately 50.5%, 24.3% and 20.5% of cash and bank balances were denominated in USD, RMB and HKD respectively, and approximately 49.6%, 49.0% and 1.4% of bank borrowings were denominated in USD, HKD and RMB respectively.

Regarding the trade disputes between China and the United States, it is expected that on-going currency fluctuation of RMB against USD is unavoidable. It was noted that RMB depreciated sharply against USD in 2019 and it was unfavourable to our assets denominated in RMB.

To minimise the impact of foreign currency rate volatility, we monitor foreign currency risk closely on an ongoing basis to ensure that the net exposure is at an acceptable level. 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.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group had approximately 21,000 employees (31 December 2018: approximately 19,000 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 2019, bank deposits of HK$1.1 million (31 December 2018: HK$1.1 million) was pledged as security deposit at Custom Department for a subsidiary of the Group; and land and properties with carrying value of HK$61.0 million (31 December 2018: HK$35.3 million) was pledged to banks for certain banking facilities of the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities, litigation or arbitration of material importance as at 30 June 2019.

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 2019.

DIVIDENDS

The Board has declared an interim dividend of HK1.0 cent (2018: interim dividend of HK3.0 cents) per share for the six months ended 30 June 2019 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, 20 September 2019. The dividends will be paid on or about Tuesday, 8 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18 September 2019 to Friday, 20 September 2019 (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 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 September 2019.

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 interim financial information for the six months ended 30 June 2019. It has also reviewed the unaudited condensed interim financial information for the six months ended 30 June 2019 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 interim financial information for the six months ended 30 June 2019 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 2019 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, 22 August 2019