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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	2020	2019	***Change***
	HK$'000	*HK$'000*	*%*
		(Restated)	
Continuing operations			
Revenue	**4,021,402**	5,034,359	**-20.1%**
Gross profit	**964,901**	1,453,147	**-33.6%**
Gross profit margin	**24.0%**	28.9%	**-4.9% pt**
Operating (loss)/profit	**(47,068)**	209,468	**N/A**
(Loss)/profit for the year			
— Continuing operations	**(83,785)**	125,108	
— Discontinued operations	**(104,728)**	(51,360)	
	(188,513)	73,748	**N/A**
Basic (loss)/earnings per share *(HK cents)*	**(18.2)**	5.0	**N/A**
Dividends *(HK cents)*	**—**	1.0	**N/A**

OPERATIONAL HIGHLIGHTS

— Revenue from continuing operations decreased by 20.1% attributable to drop in sales generated from Sportswear Manufacturing Business, High-end Functional Outerwear Manufacturing Business and High-end Fashion Retailing Business due to dampened consumption sentiment amid the COVID-19 pandemic.

— Despite profit of HK$22.4 million was generated in the second half of 2020, it could not fully cover the loss in the first half of 2020, resulting in an overall loss for the year of HK$188.5 million (2019: profit of HK$73.7 million). Excluding discontinued operations, loss for the year from continuing operations would be HK$83.8 million (2019: profit of HK$125.1 million).

— The Board considers to conserve financial resources and does not recommend the payment of dividend as the current market situation is still highly uncertain. The Group will continue to monitor the market situation and review dividend payout from time to time.

The board of directors (the "**Board**" or "**Directors**") of Win Hanverky Holdings Limited (the "**Company**") presented the audited consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2020, together with the comparative amounts for 2019 and the relevant explanatory notes.

CHAIRMAN'S STATEMENT

Business and Financial Highlights

In 2020, the unprecedented pandemic of COVID-19 ("**COVID-19**") that is raging worldwide had made the operating environment extremely challenging.

Revenue of the Group from continuing operations amounted to HK$4,021.4 million (2019: HK$5,034.4 million), representing a decrease of 20.1% as a result of the severe impact of the COVID-19 outbreak.

Manufacturing Business experienced a very difficult year. Sportswear Manufacturing Business was impacted by the global economic uncertainties exacerbated by the outbreak of COVID-19 around the world. Sales orders from our customers inevitably reduced as a consequence of shrinking market demand for sportswear products in particular in the second half of 2020. High-end Functional Outerwear Manufacturing Business was also affected but it was partially offset by the increased business demand from its domestic customers in Mainland China. Revenue from Manufacturing Business amounted to HK$2,781.6 million (2019: HK$3,281.3 million), representing a decrease of 15.2%.

High-end Fashion Retailing Business was seriously affected by the spread of COVID-19 which started in the beginning of 2020. The impact to our stores was severe but the situation had gradually improved since mid-March 2020 in the Mainland China market. Revenue from High-end Fashion Retailing Business amounted to HK$1,239.8 million (2019: HK$1,753.0 million), representing a decrease of 29.3%.

Gross profit margin of the Group from continuing operations decreased to 24.0% in 2020 (2019: 28.9%) which was mainly a result of decreased operating efficiencies of Sportswear Manufacturing Business and High-end Functional Outerwear Manufacturing Business due to wide-ranging impact of COVID-19 and also increased promotional activities and higher retail discounts offered to motivate customer spending for High-end Fashion Retailing Business.

The Group has made all-out efforts to reduce costs to preserve working capital including but not limited to applications for government subsidies, social security exemption and reduction, negotiation with landlords for rental reductions, adjustment on factory operation mode and size of workforce, implementation of staff no pay leaves, as well as a 30% temporary salary reduction for all Directors of the Company.

As a result, despite the Group has generated profit after taxation of HK$22.4 million in the second half of 2020, it could not fully cover the loss after taxation of HK$210.9 million incurred in the first half of 2020 and therefore, the Group recorded an overall loss after taxation of HK$188.5 million for the year ended 31 December 2020 (2019: profit of HK$73.7 million).

The Group has divested and discontinued e.dye Business during the year ended 31 December 2020. Excluding discontinued operations, loss after taxation from continuing operations would be HK$83.8 million for the year ended 31 December 2020 (2019: profit of HK$125.1 million).

The Group's financial and liquidity position remains stable. As at 31 December 2020, the Group had HK$695.1 million (2019: HK$486.6 million) of cash and bank balances and the net gearing ratio reduced to 10.2% (2019: 25.5%).

The Group always pursues opportunities and optimises its corporate strategy of creating long-term value for our shareholders. In June 2020, the Group submitted a proposal to The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") regarding a proposed spin-off and separate listing of its High-end Fashion Retailing Business ("**Proposed Spin-off**"). The Group has used its best endeavors to demonstrate to the Stock Exchange the compliance with the relevant requirements for the Proposed Spin-off but unfortunately the Stock Exchange did not agree with the proposal and decided to reject it in November 2020. Having said that, the Group will continue exploring ways of enhancing and realising value for its shareholders.

Outlook

The global economic outlook is clouded by COVID-19 and the ongoing pandemic will create uncertainties in the foreseeable future. As a diversified business, we know well that our markets will not face the same circumstances at the same time.

The Mainland China market has recovered faster than other markets from the outbreak of COVID-19 and the economic environment is progressively restored. Revenue pick-up in the Mainland China market is expected to sustain in 2021 by riding on the momentum of the second half of 2020. The recovery in other markets will depend on when the pandemic is under control, after that daily life will be back to normal and travel restrictions will be relaxed. The recent launch of vaccines for COVID-19 has brought new hope to the world though everyone knows that it will take time for the full recovery.

Facing the challenges ahead, our long-standing well-established relationships with existing customers and suppliers will facilitate us in a well position to overcome difficulties in complex and volatile environment. We will continue to enhance our operational excellence in our Manufacturing Business and resume our mild store expansion plan to expand High-end Fashion Retailing Business in Mainland China.

We remain confident in the Group's long-term prospects given the development of vaccines for COVID-19 will bring new impetus to general global economic recovery. Having said that, we will diligently apply cost controls to rein in spending and we will pay more practical attention to the resilience under dynamic environment in order to prepare a bumpy recovery path ahead.

Dividends

The Board considers to conserve our financial resources and does not recommend the payment of dividend as the current market situation is still highly uncertain. We will continue to monitor the market situation and review our dividend payout from time to time.

Acknowledgement

Finally, I would like to take this opportunity to thank our Directors and all staff members for their professionalism, dedication, commitment and remarkable efforts. We have demonstrated resilience during the difficult time. My gratitude also goes to our clients, shareholders and business partners for their full support and trust.

LI Kwok Tung Roy
Chairman

Hong Kong, 25 March 2021

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** **HK$'000**	2019 HK$'000 (Restated)
Continuing operations			
Revenue	2	**4,021,402**	5,034,359
Cost of sales		**(3,056,501)**	(3,581,212)
Gross profit		**964,901**	1,453,147
Selling and distribution costs		**(613,952)**	(782,977)
General and administrative expenses		**(431,226)**	(476,249)
Other net income	3	**33,209**	15,547
Operating (loss)/profit		**(47,068)**	209,468
Finance costs — net	4	**(36,119)**	(38,554)
Share of profits of associates		**756**	3,225
(Loss)/profit before income tax		**(82,431)**	174,139
Income tax expense	5	**(1,354)**	(49,031)
(Loss)/profit from continuing operations		**(83,785)**	125,108
Discontinued operations			
Loss from discontinued operations	10	**(104,728)**	(51,360)
(Loss)/profit for the year		**(188,513)**	73,748
(Loss)/profit for the year attributable to:			
Equity holders of the Company			
— Continuing operations		**(84,669)**	90,375
— Discontinued operations		**(149,152)**	(26,161)
		(233,821)	64,214
Non-controlling interests		**45,308**	9,534
		(188,513)	73,748
(Loss)/earnings per share (basic and diluted) attributable to:			
(expressed in HK cents per share)	6		
— Equity holders of the Company from continuing operations		**(6.6)**	7.0
— Equity holders of the Company		**(18.2)**	5.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
(Loss)/profit for the year	**(188,513)**	73,748
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**57,845**	(20,101)
Share of other comprehensive income of associates	**241**	125
Item that has been reclassified to profit or loss		
Realisation of accumulated exchange differences upon disposal/liquidation of subsidiaries	**995**	(57,979)
Item that will not be reclassified to profit or loss		
Change in the fair value of financial assets at fair value through other comprehensive income	**(3,950)**	31
Total comprehensive income for the year	**(133,382)**	(4,176)
Total comprehensive income for the year attributable to:		
Equity holders of the Company		
— Continuing operations	**(32,263)**	13,518
— Discontinued operations	**(148,486)**	(26,735)
	(180,749)	(13,217)
Non-controlling interests	**47,367**	9,041
	(133,382)	(4,176)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**1,030,022**	1,330,091
Intangible assets		**224,142**	248,828
Investments in associates		**14,864**	13,867
Other receivables and financial assets		**59,326**	90,038
Deferred tax assets		**92,875**	70,935
Pledged bank deposits		**1,189**	1,114
		1,422,418	1,754,873
Current assets			
Inventories		**1,105,582**	1,224,202
Trade and bills receivable	*7*	**449,942**	637,524
Other receivables and financial assets		**144,568**	215,923
Current tax recoverables		**1,432**	24,780
Cash and bank balances		**695,088**	486,623
		2,396,612	2,589,052
Current liabilities			
Trade and bills payable	*8*	**257,525**	252,248
Accruals and other payables		**328,753**	414,372
Borrowings	*9*	**889,244**	874,876
Lease liabilities		**141,598**	179,300
Current tax liabilities		**79,461**	89,709
		1,696,581	1,810,505
Non-current liabilities			
Other payables		**20,554**	38,933
Lease liabilities		**125,813**	227,204
Deferred tax liabilities		**7,736**	7,708
Borrowings	*9*	**—**	146,250
		154,103	420,095
Net assets		**1,968,346**	2,113,325

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

	2020	2019
	HK$'000	*HK$'000*
Equity attributable to equity holders of the Company		
Share capital	**128,440**	128,440
Reserves	**1,844,369**	2,028,707
	1,972,809	2,157,147
Non-controlling interests	**(4,463)**	(43,822)
Total equity	**1,968,346**	2,113,325

NOTES:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results 2020 does not constitute the Group's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 consolidated financial statements. Certain comparative figures for the year ended 31 December 2019 have been re-presented to distinguish discontinued operations from continuing operations. The HKICPA has issued a number of new amendments that became applicable for the current reporting period. None of the developments have had a material effect on the Group's result and financial position for the current and prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current reporting period. The Group is in the process of making an assessment of what the impact of those developments is expected to be in the period of initial adoption. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2. 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 year ended 31 December 2020 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.

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

- The e.dye segment represents manufacturing and sales of fabric and yarn products. It was disposed of during the year ended 31 December 2020 and regarded as discontinued operations (Note 10). The comparative segment information for the year ended 31 December 2019 has been re-presented to align with current year'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 consolidated financial statements.

Disaggregation of revenue from contracts with customer by products or service lines is as follows:

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Sales of goods	**4,012,248**	5,020,418
Provision of services	**9,154**	13,941
	4,021,402	5,034,359

For the year ended 31 December 2020, revenues of approximately HK$2,029,451,000 (2019: HK$2,562,897,000), representing 50.5% (2019: 50.9% (restated)) of the Group's total revenue from continuing operations, were derived from a single group of external customers. These revenues were attributable to the Manufacturing segment.

2. SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2020 (discontinued operations − e.dye Business for the period from 1 January to 20 August 2020) are as follows:

	Manufacturing					
	Sportswear Manufacturing *HK$'000*	High-end Functional Outerwear Manufacturing *HK$'000*	High-end Fashion Retailing *HK$'000*	Total Continuing Operations *HK$'000*	Discontinued Operations − e.dye *(Note 10)* *HK$'000*	Total *HK$'000*
Total segment revenue	2,393,775	392,524	1,239,786	4,026,085	26,008	4,052,093
Inter-segment revenue	(3,149)	(1,534)	—	(4,683)	(741)	(5,424)
Revenue	2,390,626	390,990	1,239,786	4,021,402	25,267	4,046,669
Operating (loss)/profit and segment results	(59,861)	(8,890)	21,683	(47,068)	(94,544)	(141,612)
Finance costs — net				(36,119)	(2,727)	(38,846)
Share of profits of associates	756	—	—	756	—	756
Loss before income tax				(82,431)	(97,271)	(179,702)
Income tax expense				(1,354)	—	(1,354)
Loss on disposal of discontinued operations				—	(7,457)	(7,457)
Loss for the year/period				(83,785)	(104,728)	(188,513)

Other segment items included in the consolidated income statement for the year ended 31 December 2020 (discontinued operations − e.dye Business for the period from 1 January to 20 August 2020) are as follows:

	Sportswear Manufacturing	High-end Functional Outerwear Manufacturing	High-end Fashion Retailing	Total Continuing Operations	Discontinued Operations − e.dye	Total
Depreciation and amortisation of property, plant and equipment, and leased assets	104,283	13,717	173,824	291,824	3,270	295,094
Amortisation of intangible assets	—	2,130	698	2,828	1,874	4,702
Impairment of, net:						
— property, plant and equipment, and leased assets	—	—	47,035	47,035	12,984	60,019
— intangible assets	—	—	—	—	19,984	19,984
— trade receivables	—	2,222	1,664	3,886	6,641	10,527
— other receivables	—	—	—	—	22,587	22,587
(Gain)/loss on disposal of property, plant and equipment, and lease modifications, net	(221)	282	(6,801)	(6,740)	—	(6,740)
Provision/(write-back of provision) for inventories, net	27,112	5,296	(44,325)	(11,917)	11,637	(280)
Loss on disposal of subsidiaries, net	—	—	—	—	7,457	7,457

Inter-segment transactions are conducted at terms mutually agreed among group companies.

2. SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2019 are as follows:

	Manufacturing					
	Sportswear Manufacturing *HK$'000*	High-end Functional Outerwear Manufacturing *HK$'000*	High-end Fashion Retailing *HK$'000*	Total Continuing Operations *HK$'000*	Discontinued Operations — e.dye *(Note 10)* *HK$'000*	Total *HK$'000*
Total segment revenue	2,842,694	444,140	1,753,018	5,039,852	35,532	5,075,384
Inter-segment revenue	(3,133)	(2,360)	—	(5,493)	(163)	(5,656)
Revenue	2,839,561	441,780	1,753,018	5,034,359	35,369	5,069,728
Operating profit/(loss) and segment results	98,249	(62,012)	173,231	209,468	(45,908)	163,560
Finance costs — net				(38,554)	(5,159)	(43,713)
Share of profits of associates	3,225	—	—	3,225	—	3,225
Profit/(loss) before income tax				174,139	(51,067)	123,072
Income tax expense				(49,031)	(293)	(49,324)
Profit/(loss) for the year				125,108	(51,360)	73,748

Other segment items included in the consolidated income statement for the year ended 31 December 2019 are as follows:

Depreciation and amortisation of property, plant and equipment, and leased assets	98,292	16,479	215,205	329,976	6,901	336,877
Amortisation of intangible assets	—	2,130	698	2,828	3,747	6,575
Impairment of, net:						
— property, plant and equipment, and leased assets	—	—	5,431	5,431	—	5,431
— trade receivables	7	651	—	658	—	658
Loss on disposal of property, plant and equipment, and lease modifications, net	1,360	2,168	18	3,546	29	3,575
Provision for inventories, net	6,130	2,525	62,818	71,473	2,140	73,613
Staff compensation and factory relocation costs	46,075	—	—	46,075	—	46,075
Gain on disposal and liquidation of subsidiaries, net	(77,123)	—	—	(77,123)	—	(77,123)

Inter-segment transactions are conducted at terms mutually agreed among group companies.

2. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities are as follows:

	Manufacturing						
	Sportswear Manufacturing *HK$'000*	High-end Functional Outerwear Manufacturing *HK$'000*	High-end Fashion Retailing *HK$'000*	Total Continuing Operations *HK$'000*	Discontinued Operations – e.dye *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Total assets							
31 December 2020	2,020,097	383,877	1,320,749	3,724,723	—	94,307	3,819,030
31 December 2019	2,058,851	451,485	1,630,778	4,141,114	107,096	95,715	4,343,925
Total liabilities							
31 December 2020	991,928	185,117	586,442	1,763,487	—	87,197	1,850,684
31 December 2019	982,068	246,230	889,586	2,117,884	15,299	97,417	2,230,600

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

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:

	2020 *HK$'000*	2019 *HK$'000* *(Restated)*
Continuing operations		
Mainland China	**1,705,233**	2,180,604
Europe	**963,179**	1,098,319
Other Asian countries	**531,412**	492,141
United States	**499,823**	735,394
Hong Kong	**194,408**	310,921
Canada	**35,216**	87,095
Others	**92,131**	129,885
	4,021,402	5,034,359

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

	2020 *HK$'000*	2019 *HK$'000*
Mainland China	**490,745**	601,938
Hong Kong	**391,274**	546,218
Vietnam	**240,099**	286,170
Cambodia	**199,532**	221,286
Others	**7,893**	28,326
	1,329,543	1,683,938

3. OTHER NET INCOME

	2020 *HK$'000*	2019 *HK$'000* *(Restated)*
Continuing operations		
Net exchange gains/(losses)	**10,586**	(8,136)
Gain/(loss) on disposal of property, plant and equipment, and lease modifications, net	**6,740**	(3,546)
Government subsidies	**6,471**	2,544
Rental income	**1,405**	1,366
Gain on disposal and liquidation of subsidiaries, net	**—**	77,123
Staff compensation and factory relocation costs *(Note)*	**—**	(46,075)
Others	**8,007**	(7,729)
	33,209	15,547

Note: In August 2019, the Group's factory in Heyuan city, Mainland China, was relocated to another site within Heyuan city due to the expiry of the existing lease. To facilitate the relocation, the Group had agreed with most of the factory's employees to terminate their existing employment contracts and enter into new ones simultaneously. Accordingly, staff compensation for termination of existing employment contracts and other relocation costs totaling HK$46,075,000, which were non-recurring and one-off in nature, were incurred during the year ended 31 December 2019.

4. FINANCE COSTS — NET

	2020 *HK$'000*	2019 *HK$'000* *(Restated)*
Continuing operations		
Finance income		
— Interest income from discontinued operations	**2,625**	4,980
— Interest income from bank deposits and receivables from a landlord	**1,635**	1,643
— Others	**421**	1,253
	4,681	7,876
Finance cost		
— Interest on bank borrowings	**(26,743)**	(29,412)
— Interest on lease liabilities	**(14,057)**	(18,861)
Less: interest expenses capitalised	**—**	1,843
	(40,800)	(46,430)
	(36,119)	(38,554)

5. INCOME TAX EXPENSE

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

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Current tax		
— Mainland China	**19,536**	68,232
— Hong Kong	**2,292**	977
— Overseas	**916**	3,775
— Under/(over)-provision in prior years	**524**	(472)
	23,268	72,512
Deferred tax	**(21,914)**	(23,481)
	1,354	49,031

Mainland China corporate income tax and Hong Kong profits tax have been provided at the rates of 25% (2019: 25%) and 16.5% (2019: 16.5%) on the estimated assessable profits respectively. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the consolidated (loss)/profit attributable to equity holders of the Company and on the weighted average number of ordinary shares of 1,284,400,000 shares (2019: 1,284,400,000 shares) in issue during the year.

	2020	2019
		(Restated)
Basic (loss)/earnings per share *(HK cents)*		
— Continuing operations	**(6.6)**	7.0
— Discontinued operations	**(11.6)**	(2.0)
	(18.2)	5.0
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*		
— Continuing operations	**(84,669)**	90,375
— Discontinued operations	**(149,152)**	(26,161)
	(233,821)	64,214

The diluted (loss)/earnings per share for the years ended 31 December 2020 and 2019 are the same as the basic (loss)/earnings per share as the potential ordinary shares arising from the share options granted by the Company outstanding do not have dilutive effect.

7. TRADE AND BILLS RECEIVABLE

	2020 *HK$'000*	2019 *HK$'000*
Trade receivables		
— from third parties	**449,067**	625,308
— from related parties	**—**	6,682
Bills receivable	**6,241**	7,145
	455,308	639,135
Less: impairment of trade receivables	**(5,366)**	(1,611)
Financial assets measured at amortised cost	**449,942**	637,524

Majority of trade receivables are with customers having good credit history. The Group usually 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:

	2020 *HK$'000*	2019 *HK$'000*
0–90 days	**434,860**	629,006
91–180 days	**9,814**	661
181–365 days	**6,272**	2,428
Over 365 days	**4,362**	7,040
	455,308	639,135

8. TRADE AND BILLS PAYABLE

	2020 *HK$'000*	2019 *HK$'000*
Trade payables		
— to third parties	**242,256**	245,503
— to related parties	**13,322**	6,340
Bills payable	**1,947**	405
Financial liabilities measured at amortised cost	**257,525**	252,248

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

	2020 *HK$'000*	2019 *HK$'000*
0–90 days	**239,513**	246,538
91–180 days	**12,482**	2,783
181–365 days	**1,228**	1
Over 365 days	**4,302**	2,926
	257,525	252,248

9. BORROWINGS

The interest-bearing bank borrowings are repayable as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 year or on demand	**889,244**	874,876
After 1 year but within 2 years	**—**	45,000
After 2 years but within 5 years	**—**	101,250
	889,244	1,021,126

10. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

e.dye Business possesses an innovative textile technology for waterless fabric dying. The outlook and pipeline orders of e.dye Business had been deteriorated since the global outbreak of COVID-19 in late March 2020. The crisis had changed the mindset of the major existing and potential customers of e.dye Business. Given the uncertainties of global economy, they tended to use traditional water-dye and old fabrics to clear their inventories instead of using new technology fabrics in the near future. The expected revenue breakthrough of e.dye Business became pessimistic.

In June 2020, as part of the cost reduction initiatives, the Group re-assessed its strategic investments and decided to divest e.dye Business after a comprehensive review. It was considered that e.dye Business, being a non-core business operation of the Group, had been underperforming for a number of years and the outlook was gloomy. It had hence triggered the Group's decision in discontinuing this investment in order to stop further losses and for better deployment of the Group's resources. The discontinuance of e.dye Business could stop cash burn and reserve cash resources for other core businesses which would still face strong headwind in the near future.

As at 30 June 2020, the management of the Group assessed the impairment losses and provisions for e.dye Business and impairment losses were recognised for e.dye Business for the six months ended 30 June 2020.

	Note	*HK$'000*
Property, plant and equipment	*(a)*	12,984
Intangible assets — know-how	*(a)*	19,984
Other receivables — deposits for plant and equipment	*(a)*	16,131
Trade and bills receivables	*(b)*	6,641
Other receivables	*(b)*	6,456
Inventories	*(c)*	11,637
		73,833

10. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (CONTINUED)

Notes:

(a) Property, plant and equipment, intangible assets and deposits for plant and equipment in other receivables

As at 30 June 2020, the management of the Group assessed the impairment losses and provisions for e.dye Business as a separate group of cash generating unit ("**CGU**") by comparing its value in use ("**VIU**") and fair value less costs of disposal in accordance with Hong Kong Accounting Standard ("**HKAS**") 36 "Impairment of Assets". As defined in HKAS 36, the recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its VIU.

The recoverable amount of e.dye Business as a separate CGU was determined based on VIU as it was estimated that the fair value less costs of disposal of e.dye Business would not be more than that of VIU as market participants did not have the Group's specific synergy nor available restructuring opportunities and a marketability discount should be applied. The VIU calculation used pre-tax cash flow projection which was based on financial forecast and business plan adopted by the management of the Group covering a five-year period of e.dye Business. Key assumptions applied in VIU calculation included forecasted revenue growth, gross margin, terminal growth rate and discount rate. The forecasted revenue growth was estimated based on customer's orders on hand, management of e.dye Business' ongoing discussion with the respective customers and their experience in the market using estimated average growth rate of 28% (2019: 61%) and estimated average gross margin of −1% (2019: 22%) under the forecasting period. Cash flows beyond the forecasted period were extrapolated using an estimated growth rate of 2% (2019: 3%) which did not exceed the long-term growth rate for e.dye Business. The cash flows were discounted using discount rate of 16% (2019: 14%) which reflected specific risks relating to e.dye Business. Weighted average cost of capital was adopted to determine the discount rate.

As compared to the cash flow projection conducted during the year 2019, the forecasted revenue for 2020 and the years after were adjusted downward to reflect the significant change in the situation as explained above that the expected revenue breakthrough would be highly unlikely. The forecasted cost of sales was adjusted downward in accordance with the change in forecasted revenue. The forecasted other operating costs were assumed to be at a similar level to those incurred during the first half of 2020. In addition, the terminal growth rate and the discount rate applied in the calculation were adjusted from 3% and 14%, respectively, to 2% and 16%, respectively, in order to reflect the decrease of forecasted revenue and increased risk premium of e.dye Business with the impact of COVID-19.

As the revenue breakthrough of e.dye Business in the next 4 to 5 years would be highly unlikely, negative cash flow would therefore continue in the forecasting period. The recoverable amount of e.dye Business as a CGU using VIU was estimated to be negative as at 30 June 2020. The management of the Group then assessed and allocated an impairment loss to individual assets of e.dye Business and reduced the carrying amount of an asset to the highest of: (a) its fair value less cost of disposal; (b) its value in use (if determinable); and (c) zero. The fair value less costs of disposal calculation was a level 3 fair value measurement.

10. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (CONTINUED)

Notes: (Continued)

(a) Property, plant and equipment, intangible assets and deposits for plant and equipment in other receivables (Continued)

As the management of the Group had decided to divest e.dye Business, there was no identified alternative usage for its property, plant and equipment and intangible assets. Property, plant and equipment and deposits for machineries (amounted to HK$16,131,000 which mainly representing 70% payment made for certain specifically designed machines for e.dye Business in its potential business expansion) were assessed based on the fair value less costs of disposal (i.e. scrap values of the machineries obtained from the market) in determining the recoverable amounts. Intangible assets were fully provided.

As at 30 June 2020, the recoverable amounts of property, plant and equipment; intangible assets and deposits for plant and equipment were HK$1,923,000; Nil and Nil respectively.

(b) Trade and bills receivable and other receivables

The amount of impairment loss of trade and bill receivables was measured based on the expected credit loss of e.dye Business by considering the historical default rate of customers of similar nature in the past two years as well as other forward-looking factors such as current market conditions.

The amount of impairment loss of other receivables comprised value-added-tax ("**VAT**") recoverable of HK$5,642,000 and miscellaneous items of HK$814,000. The Group forecasted that there would not be sufficient VAT payable from sales to offset this VAT recoverable balance. The probability to utilise the balance through future deduction was remote. Therefore, it was fully impaired accordingly.

(c) Inventories

The amount of provision for inventories was the estimated selling price with committed sales orders on hand less estimated costs of completion and selling expenses. As such, inventories were written down to either (i) its net realisable value with reference to customer orders on hand or (ii) provision was fully made for inventories that aged over one year and with no re-sell value.

On 20 August 2020, the Group entered into a sale and purchase agreement with one of the other shareholders of e.dye Business, Mr. Yang Chou-Fu ("**Mr. Yang**"), and disposed of the 51% equity interest of e.dye Business which represented all the interest held by the Group to Mr. Yang. The transaction was completed and a loss on disposal, net of tax, amounting to HK$7,457,000 was recognised during the year ended 31 December 2020.

10. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (CONTINUED)

The consolidated income statement distinguishes discontinued operations from continuing operations. Comparative figures for the year ended 31 December 2019 have been re-presented. Financial information relating to the discontinued operations for the period from 1 January to 20 August 2020 is set out below.

	1 January – 20 August 2020 *HK$'000*	1 January – 31 December 2019 *HK$'000*
Revenue	**26,008**	35,532
Cost of sales	**(27,747)**	(46,397)
Gross loss	**(1,739)**	(10,865)
Selling and distribution costs	**(1,964)**	(6,031)
General and administrative expenses	**(18,361)**	(30,745)
Other net (expenses)/income *(Note)*	**(72,480)**	1,733
Operating loss	**(94,544)**	(45,908)
Finance costs — net	**(2,727)**	(5,159)
Loss before income tax	**(97,271)**	(51,067)
Income tax expense	**—**	(293)
Loss on disposal of discontinued operations	**(7,457)**	—
Loss for the period/year	**(104,728)**	(51,360)

Note:

	1 January – 20 August 2020 *HK$'000*	1 January – 31 December 2019 *HK$'000*
Other net (expenses)/income		
Impairment of assets	**(73,833)**	—
Net exchange gain	**353**	354
Government subsidies	**353**	161
Others	**647**	1,218
	(72,480)	1,733

11. DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 December 2020 (2019: interim dividend of HK1.0 cent per share, amounting to HK$12,844,000).

12. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, Bowker (Vietnam) Garment Factory Co., Ltd (the "**Tenant**"), an indirect wholly-owned subsidiary of the Company, renewed the lease contract ("**Lease Contract**") with a third party for certain factories in Binh Duong Province, Vietnam ("**Leased Premises**") for a term of 6 years from 1 February 2021 to 31 January 2027 (both dates inclusive), with an option to extend for a further term of 3 years at the discretion of the Tenant. The Leased Premises had been using by the Group since 2005 and would continue to be used by the Group as one of its production bases in Vietnam. The relevant lease contracts have expired on 31 January 2021.

The Group will recognise a right-of-use asset, being the present value of aggregated lease payments to be made as discounted using a discount rate which is equivalent to the Tenant's incremental borrowing rate, and related lease liability on its consolidated statement of financial position in connection with the Lease Contract at its commencement date according to HKFRS 16 "Leases". The amount of right-of-use asset to be recognised by the Group for the expected lease term (i.e. from 1 February 2021 to 31 January 2030 (both dates inclusive), assuming that the Group will exercise its option to extend the lease term) under the Lease Contract is approximately VND214,607,599,000 (equivalent to approximately HK$72,674,000).

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 year ended 31 December 2020 is summarised below:

OVERALL REVIEW

Revenue of the Group from continuing operations amounted to HK$4,021.4 million (2019: HK$5,034.4 million), representing a decrease of 20.1%. The decrease was attributable to drop in sales generated from Sportswear Manufacturing Business, High-end Functional Outerwear Manufacturing Business and High-end Fashion Retailing Business due to dampened consumption sentiment amid the COVID-19 pandemic.

Gross profit margin of the Group from continuing operations reduced to 24.0% (2019: 28.9%). The decrease in gross profit margin of 4.9 percentage points was mainly a result of decreased operating efficiencies of Sportswear Manufacturing Business and High-end Functional Outerwear Manufacturing Business due to wide-ranging impact of COVID-19 and also increased promotional activities and higher retail discounts offered to motivate customer spending for High-end Fashion Retailing Business. As a result, gross profit decreased by HK$488.2 million to HK$964.9 million in 2020 (2019: HK$1,453.1 million), 33.6% lower than that of the preceding year.

Selling and distribution costs decreased by HK$169.0 million to HK$614.0 million (2019: HK$783.0 million), which was mainly attributable to the decrease in rental and operating costs of High-end Fashion Retailing Business.

General and administrative expenses decreased by HK$45.0 million to HK$431.2 million (2019: HK$476.2 million), which was mainly attributable to the results of the Group's cost reduction initiatives.

Operating result from continuing operations recorded a loss of HK$47.1 million (2019: profit of HK$209.5 million). It was a combined result of decrease in revenue and gross profit due to COVID-19, mitigating by the reduction in operating costs.

As part of its cost reduction initiatives, the Group re-assessed its strategic investments and decided to divest and discontinue e.dye Business after a comprehensive review. An aggregate net loss of HK$104.7 million (2019: loss of HK$51.4 million) was incurred for discontinued operations, which included a one-off non-cash asset impairment in a total of HK$73.8 million.

Overall, despite the Group has generated profit after taxation of HK$22.4 million in the second half of 2020, it could not fully cover the loss after taxation of HK$210.9 million incurred in the first half of 2020 and therefore, the Group recorded an overall loss after taxation of HK$188.5 million for the year ended 31 December 2020 (2019: profit of HK$73.7 million). Excluding discontinued operations, loss after taxation from continuing operations would be HK$83.8 million for the year ended 31 December 2020 (2019: profit of HK$125.1 million).

The Board considers to conserve financial resources and does not recommend the payment of dividend for the year ended 31 December 2020 (2019: interim dividend HK1.0 cent per share) as the current market situation is still highly uncertain. We will continue to monitor the market situation and review our dividend payout from time to time.

BUSINESS REVIEW

The unprecedented outbreak of COVID-19 worldwide had made the operating environment extremely difficult and the Group's performance was seriously affected in 2020. The Group made all-out efforts to minimise the impact and to preserve working capital including but not limited to applications for government subsidies, social security exemption and reduction, negotiation with landlords for rental reductions, adjustment on factory operation mode and size of workforce, implementation of staff no pay leaves, as well as a 30% temporary salary reduction for all Directors of the Company.

The financial performances of the business segments are summarised below:

Manufacturing Business

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

Manufacturing Business had been impacted by the global economic uncertainties exacerbated by the outbreak of COVID-19 around the world. Since the global outbreak of COVID-19, many shopping malls and retail stores were temporarily closed, with areas in lockdown and implementation of social distance as part of the precautionary measurements. These situations remained intermittently in 2020 and affected our business as a consequence of shrinking market demand for sportswear and high-end functional outerwear products.

Productions of the factories situated in Mainland China were temporarily suspended due to lockdowns and other social distancing measures imposed following COVID-19 in early 2020 though the production activities were resumed in late March 2020. The supply of raw materials for production from certain major suppliers was unstable throughout 2020 as their operations and logistic had been severely affected by COVID-19. The reduced orders from our major customers due to shrinking market demand have created unavoidable idle capacity in all our factories. As a result, the operating activities of Sportswear Manufacturing Business and High-end Functional Outerwear Manufacturing Business were hindered throughout 2020.

Sportswear Manufacturing Business

The Group's Sportswear Manufacturing Business operates mainly through its OEM arrangements for a number of internationally renowned 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 decreased by HK$449.0 million to HK$2,390.6 million (2019: HK$2,839.6 million), representing a decrease of 15.8%. The decrease was mainly due to the reduction of orders received in the third quarter of 2020 attributable to the global outbreak of COVID-19, in particular demand from the United States market dropped significantly though the orders received gradually picked up in the fourth quarter of 2020 as compared with the third quarter of 2020. It was partially mitigated by additional revenue brought in by certain customers who were newly introduced to the Group in the second quarter of 2019.

In response to the operational challenges, we were very cautious on deployment of our resources by adjusting factory operation mode and size of workforce and holding up all major capital expenditure projects since the second quarter of 2020. Nevertheless, an operating loss of HK$44.7 million was incurred in the first half of 2020 due to the decrease of operating efficiencies mentioned above though the situation was alleviated and an operating loss of HK$15.2 million was recorded in the second half of 2020 mainly a result of the cost reduction initiatives enforced despite the fact that sales orders received in the second half reduced significantly. As such, a total operating loss of HK$59.9 million was inescapably recorded for the year ended 31 December 2020 (2019: profit of HK$98.2 million).

High-end Functional Outerwear Manufacturing Business

Revenue from High-end Functional Outerwear Manufacturing Business decreased by HK$50.8 million to HK$391.0 million (2019: HK$441.8 million), representing a decrease of 11.5%. Sport Field Group, being a major revenue driver of High-end Functional Outerwear Manufacturing Business, has successfully developed its business with domestics customer in Mainland China but regretfully the export sales to European countries were significantly impacted by the outbreak of COVID-19 in 2020.

An operating loss of HK$10.0 million was incurred in the first half of 2020 and an operating profit of HK$1.1 million had been achieved in the second half of 2020, resulting in a total operating loss of HK$8.9 million being recorded for the year ended 31 December 2020 (2019: loss of HK$62.0 million). The improvement of this segment's operating results was driven by the continuous enhancement of cost control in our production lines in Mainland China and Vietnam.

High-end Fashion Retailing Business

The Group's High-end Fashion Retailing Business had fashion retail networks through "***D-mop***" and "***J-01***" stores to sell self-owned brands, as well as imported brands, in Hong Kong and Mainland China. In addition, it had distribution rights for brands including "***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 operated licensed stores for brands "***Champion***" and "***DAKS***" in Mainland China, "***Marcelo Burlon***" in Hong Kong and "***New Era***" in Hong Kong and Macau.

Revenue from High-end Fashion Retailing Business decreased by HK$513.2 million to HK$1,239.8 million (2019: HK$1,753.0 million), representing a decrease of 29.3% which was mainly attributable to the temporary closure of stores, drop in store traffic and dampened consumption sentiment amid COVID-19 starting from the first quarter of 2020. In Mainland China, 170 stores were temporarily closed at the beginning of February 2020. Although COVID-19 had been rapidly under control and revenue had gradually recovered in the Mainland China market after re-opening of the stores since the second quarter of 2020, revenue generated from the Mainland China market in 2020 decreased by 27.0% as compared to the year 2019. In other markets, the impact arising from COVID-19 to our stores was severe as cities such as Hong Kong, Macau and Singapore were not opened to tourists for almost the entire year 2020 and therefore, total revenue generated from other markets in 2020 decreased by 38.5% when compared with 2019.

Despite the revenue from the Mainland China market had picked up since the second quarter of 2020, gross profit margin of High-end Fashion Retailing Business was under high pressure due to increased promotional activities and higher retail discounts offered to motivate customer spending in order to avoid inventory pile up and to clear the aged items. In Hong Kong retail market, in light of the expected longer-term adverse impact on the performance as a consequence of COVID-19, an impairment loss of HK$47.0 million was provided mainly for the retail store assets in Hong Kong.

As a result, an operating loss of HK$40.7 million was incurred in the first half of 2020 and due to the revenue pick-up in the Mainland China market, an operating profit of HK$62.4 million had been achieved in the second half of 2020. Despite certain inventory provision made in prior years was reversed upon clearance sales of aged items together with reduction in rental and staff expenses of retail stores offset part of the impact arising from COVID-19, total operating profit for the year ended 31 December 2020 inevitably decreased to HK$21.7 million (2019: profit of HK$173.2 million).

As at 31 December 2020, the total number of stores decreased to 233 (2019: 252), of which 192 stores were in Mainland China, 31 stores were in Hong Kong and Macau, and 10 stores in Taiwan and Singapore.

Discontinued Operations — e.dye Business

e.dye Business possesses an innovative textile technology for waterless fabric dying. The outlook and pipeline orders of e.dye Business had been deteriorated since the global outbreak of COVID-19 in late March 2020. The crisis had changed the mindset of the major existing and potential customers of e.dye Business. Given the uncertainties of global economy, they tended to use traditional water-dye and old fabrics to clear their inventories instead of using new technology fabrics in the near future. The expected revenue breakthrough of e.dye Business became pessimistic.

As part of the cost reduction initiatives, the Group re-assessed its strategic investments and decided to divest e.dye Business after a comprehensive review. It was considered that e.dye Business, being a non-core business operation of the Group, had been underperforming for a number of years and the outlook was gloomy. It had hence triggered the Group's decision in discontinuing this investment in order to stop further losses and for better deployment of the Group's resources. The discontinuance of e.dye Business could stop cash burn and reserve cash resources for other core businesses which would still face strong headwind in the near future.

The business was disposed of in August 2020. An aggregate net loss of HK$104.7 million (2019: loss of HK$51.4 million) was incurred for discontinued operations, which included a one-off non-cash asset impairment in a total of HK$73.8 million.

PROSPECTS

The outbreak of COVID-19 has been affecting people's livelihood and disrupting the global economy. The ongoing pandemic will create uncertainties in the near future and the operating environment will remain tough. We are well-prepared to cope with the uncertainties and will continue to maintain resilience by promptly adjusting our operational mode and making swift responses in order to minimise the impact. With the development of vaccines for COVID-19, it is anticipated that new impetus will be brought in to general global economic recovery.

Manufacturing Business

Sportswear Manufacturing Business

Sportswear Manufacturing Business in no doubt has been adversely affected by the global outbreak of COVID-19 but it has also brought new opportunities.

Social activities have been changed structurally such as work-from-home arrangements, limited in-person contact and more exercise to maintain a healthier lifestyle. In fact, the concept of consumers' healthy living style is enhanced along with the increasing health awareness of general public. With increasing concerns about physical exercise and awareness of healthy lifestyle, the market will be benefit from accelerated potential demand for sportswear products, but the effect is uncertain and depends on the actual speed of demand recovery.

In the near future, we will continue to explore new initiatives to further enhance operational excellence in order to embrace the challenging market ahead. We will resume the development for our new factories in Vinh Long, Vietnam to cater for the medium to long-term needs of our customers.

High-end Functional Outerwear Manufacturing Business

High-end Functional Outerwear Manufacturing Business has successfully developed its business with domestic customers in Mainland China resulting from the continuous efforts in product development and industry penetration. In terms of market potential and consumer demand, Mainland China will continue to be an important market of this business segment in particular it has recovered faster than other markets from the outbreak of COVID-19. Therefore, we believe that the revenue growth momentum in the Mainland China market will continue and outperform other markets. Nevertheless, we will continue to improve our production efficiency and enhance cost control in order to unleash the potential power of this business.

High-end Fashion Retailing Business

Mainland China will maintain as the major market of our High-end Fashion Retailing Business. Since COVID-19 is continuously under control in Mainland China, we are cautiously optimistic on the development of our business in this market. We will resume mild store expansion plan in Mainland China and in particular, we have already expanded the retail store network of "***New Era***" to Mainland China in January 2021. In response to the keen market competition, the focus on improving customers experience remains. Moreover, multi-branding will remain as one of the key strategies of the Group to tap into the full potential of the Mainland China market. Apart from the existing brand portfolio in the young and light luxury fashion segment which includes several internationally renowned brands, "***Champion***", "***Y-3***", "***New Era***", "***DAKS***" and "***Heron Preston***", the Group will continue to approach and gain distribution rights for young and high-end fashion brands to further enrich and rationalise our brand portfolio.

In other markets, the impact arising from COVID-19 to our stores in Hong Kong, Macau and Singapore is severe and it is anticipated that the negative impact will continue until re-opening of the cities to tourists. As such, we will continue to increase promotional activities to stimulate local customer spending but unavoidably the profit margin would be affected. On the other hand, we will continue to negotiate with landlords for rental reductions in order to minimise the impact. We will also continue to prudently assess the profitability of the retail stores across the region and subject to the outcome, certain retail stores would be closed when necessary.

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 year.

The unprecedented pandemic of COVID-19 that is raging worldwide has made the operating environment extremely difficult. In view of the challenges and uncertainties ahead, the Group will continue to proactively monitor the situation and impose strict cost control measures and focus on its cash flow management to ensure that it remains a healthy liquidity position. Against the backdrop of the challenging business environment, the Group's financial and liquidity position remains stable. As at 31 December 2020, the Group had cash and bank balances of HK$695.1 million (2019: HK$486.6 million) and net borrowings (bank borrowings and loans from non-controlling interests of subsidiaries less cash and bank balances) of HK$201.6 million (2019: HK$539.4 million), together with available undrawn banking facilities of HK$693.1 million (2019: HK$493.4 million). The net gearing ratio (being net borrowings divided by total equity) as at 31 December 2020 was 10.2% (2019: 25.5%).

The Group expects that there will be steady cash inflow from operations, coupled with sufficient cash and bank balances and based on its readily available banking facilities, amid of COVID-19 continues to impact the Group's operations, the Group has adequate liquidity and financial resources to cover its operating costs and meet its financial obligations as and when they fall due in the coming twelve months from the date of this announcement.

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 year given that HKD was pegged against USD.

The Group's revenue and purchases were primarily denominated in USD, Renminbi ("**RMB**") and HKD. During the year, approximately 55.3%, 39.0% and 4.0% of revenue were denominated in USD, RMB and HKD respectively, whereas approximately 84.4%, 11.1% and 3.2% of purchases were denominated in USD, RMB and HKD respectively.

As at 31 December 2020, approximately 57.7%, 28.6% and 10.5% of cash and bank balances were denominated in USD, RMB and HKD respectively, and approximately 59.6%, 37.7% and 2.7% of bank borrowings were denominated in HKD, USD and RMB respectively.

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 31 December 2020, the Group had approximately 19,000 employees (2019: approximately 21,000 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 31 December 2020, bank deposit of HK$1.2 million (2019: 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$57.5 million (2019: HK$59.2 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 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

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**"). Having made enquiry to all Directors, they all have confirmed that they have complied with the required standards as set out in the Model Code during the year.

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 year.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 June 2021 to Thursday, 10 June 2021 (both dates inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all transfers of shares of the Company 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 Wednesday, 2 June 2021.

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 during the year.

PUBLICATION OF RESULTS AND ANNUAL 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 annual report for the year ended 31 December 2020 will be dispatched to the Shareholders and will be available on the aforesaid websites in due course.

AUDIT COMMITTEE REVIEW

The Audit Committee has discussed with the management of the Company the internal control and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 December 2020. It has also reviewed the consolidated financial statements for the year ended 31 December 2020 with the management and the auditor of the Company and recommended them to the Board for approval.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 10 June 2021. The notice of the annual general meeting, which constitutes part of the circular to the Shareholders, will be published on the aforesaid websites and despatched to the Shareholders together with the Company's annual report 2020 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 Mr. CHAN Ka Kui being the independent non-executive directors.

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

Hong Kong, 25 March 2021