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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 2021

FINANCIAL HIGHLIGHTS

	Unaudited		
	Six months ended 30 June		
	2021	2020	*Change*
	HK$'000	*HK$'000*	*%*
		(Restated)	
Continuing operations			
Revenue	**2,087,391**	1,942,825	+7.4%
Gross profit	**547,098**	438,206	+24.8%
Gross profit margin	**26.2%**	22.6%	+3.6% pt
Operating profit/(loss)	**49,252**	(95,437)	N/A
Profit/(loss) for the period			
— Continuing operations	**27,343**	(115,933)	
— Discontinued operations	**—**	(94,917)	
	27,343	(210,850)	N/A
Basic earnings/(loss) per share *(HK cents)*	**2.6**	(12.9)	N/A

OPERATIONAL HIGHLIGHTS

- Revenue from continuing operations increased by 7.4% mainly attributable to the recovery from the impact of COVID-19 pandemic ("**COVID-19**"). The orders received from customers of Sportswear Manufacturing Business regained a growth and, in addition, revenue of High-end Fashion Retailing Business generated from stores in the Mainland China market rebounded.

- Turned around to profit after taxation of HK$27.3 million (30 June 2020: loss of HK$210.9 million) mainly attributable to the improved operating efficiencies of Sportswear Manufacturing Business, the increased revenue from High-end Fashion Retailing Business and the absence of loss from e.dye Business, which was disposed of in August 2020 and regarded as discontinued operations (30 June 2020: loss of HK$94.9 million).

- The Board considers to conserve financial resources and does not recommend the payment of interim dividend in view of the challenges and uncertainties ahead arising from the new wave of COVID-19 variants. 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 unaudited interim results of the Company and its subsidiaries (together the "**Group**") for the six months ended 30 June 2021, together with the comparative amounts for the corresponding period of 2020, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Note	***HK$'000***	*HK$'000*
			(Restated)
Continuing operations			
Revenue	2	**2,087,391**	1,942,825
Cost of sales		**(1,540,293)**	(1,504,619)
Gross profit		**547,098**	438,206
Selling and distribution costs		**(291,884)**	(315,345)
General and administrative expenses		**(209,081)**	(227,156)
Other net income		**3,119**	8,858
Operating profit/(loss)		**49,252**	(95,437)
Finance costs — net	3	**(15,444)**	(20,297)
Share of profits of associates		**101**	423
Profit/(loss) before income tax		**33,909**	(115,311)
Income tax expense	4	**(6,566)**	(622)
Profit/(loss) from continuing operations		**27,343**	(115,933)
Discontinued operations			
Loss from discontinued operations	10	**—**	(94,917)
Profit/(loss) for the period		**27,343**	(210,850)

CONSOLIDATED INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Note	***HK$'000***	*HK$'000*
			(Restated)
Profit/(loss) for the period attributable to:			
Equity holders of the Company			
— Continuing operations		**33,033**	(117,883)
— Discontinued operations		**—**	(48,398)
		33,033	(166,281)
Non-controlling interests		**(5,690)**	(44,569)
		27,343	(210,850)
Earnings/(loss) per share (basic and diluted) attributable to:			
(expressed in HK cents per share)	5		
— Equity holders of the Company from continuing operations		**2.6**	(9.2)
— Equity holders of the Company		**2.6**	(12.9)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Profit/(loss) for the period	**27,343**	(210,850)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**10,046**	(15,879)
Share of other comprehensive income of associates	**51**	(19)
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	**—**	(354)
Total comprehensive income for the period	**37,440**	(227,102)
Total comprehensive income for the period attributable to:		
Equity holders of the Company		
— Continuing operations	**42,884**	(132,485)
— Discontinued operations	**—**	(48,651)
	42,884	(181,136)
Non-controlling interests	**(5,444)**	(45,966)
	37,440	(227,102)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	Unaudited 30 June 2021 HK$'000	Audited 31 December 2020 HK$'000
Non-current assets			
Property, plant and equipment		**1,051,769**	1,030,022
Intangible assets		**222,728**	224,142
Investments in associates		**15,016**	14,864
Other receivables and financial assets		**41,728**	59,326
Deferred tax assets		**94,689**	92,875
Pledged bank deposit		**—**	1,189
		1,425,930	1,422,418
Current assets			
Inventories		**1,206,415**	1,105,582
Trade and bills receivable	7	**451,929**	449,942
Other receivables and financial assets		**171,905**	144,568
Current tax recoverables		**3,001**	1,432
Pledged bank deposit		**1,201**	—
Cash and bank balances		**681,661**	695,088
		2,516,112	2,396,612
Current liabilities			
Trade and bills payable	8	**339,343**	257,525
Accruals and other payables		**293,262**	328,753
Borrowings	9	**907,352**	889,244
Lease liabilities		**114,899**	141,598
Current tax liabilities		**79,111**	79,461
		1,733,967	1,696,581
Non-current liabilities			
Other payables		**15,401**	20,554
Lease liabilities		**179,356**	125,813
Deferred tax liabilities		**7,532**	7,736
		202,289	154,103
Net assets		**2,005,786**	1,968,346

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2021

	Unaudited 30 June 2021 *HK$'000*	Audited 31 December 2020 *HK$'000*
Equity attributable to equity holders of the Company		
Share capital	**128,440**	128,440
Reserves	**1,887,253**	1,844,369
	2,015,693	1,972,809
Non-controlling interests	**(9,907)**	(4,463)
Total equity	**2,005,786**	1,968,346

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 2021 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 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. Certain comparative figures for the six months ended 30 June 2020 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 accounting period.

Save as described above, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020. Accordingly, readers should read the interim results in conjunction with the annual financial statements for the year ended 31 December 2020, prepared in accordance with Hong Kong Financial Reporting Standards.

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 six months ended 30 June 2021 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 represented manufacturing and sales of fabric and yarn products. It was disposed of in August 2020 and regarded as discontinued operations (Note 10). The comparative segment information for the six months ended 30 June 2020 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.

2. SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June 2021 HK$'000	2020 HK$'000
Continuing operations		
Sales of goods	**2,083,465**	1,938,314
Provision of services	**3,926**	4,511
	2,087,391	1,942,825

The segment results for the six months ended 30 June 2021 are as follows:

	Manufacturing			
	Sportswear Manufacturing *HK$'000*	**High-end Functional Outerwear Manufacturing** *HK$'000*	**High-end Fashion Retailing** *HK$'000*	**Total** *HK$'000*
Total segment revenue	**1,290,989**	**152,741**	**644,544**	**2,088,274**
Inter-segment revenue	**(883)**	—	—	**(883)**
Revenue	**1,290,106**	**152,741**	**644,544**	**2,087,391**
Operating profit/(loss) and segment results	**29,403**	**(17,778)**	**37,627**	**49,252**
Finance costs — net				**(15,444)**
Share of profits of associates	**101**	—	—	**101**
Profit before income tax				**33,909**
Income tax expense				**(6,566)**
Profit for the period				**27,343**

Other segment items charged/(credited) to the operating profit for the six months ended 30 June 2021 are as follow:

Depreciation and amortisation of property, plant and equipment, and leased assets	**50,974**	**6,843**	**75,823**	**133,640**
Amortisation of intangible assets	—	**1,065**	**349**	**1,414**
Reversal of impairment of trade receivables, net	—	**(1,214)**	—	**(1,214)**
Provision/(write-back of provision) for inventories, net	**17,199**	**2,136**	**(17,521)**	**1,814**
(Gain)/loss on disposal of property, plant and equipment, and lease modifications, net	**(1,124)**	**63**	—	**(1,061)**

2. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 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	1,237,498	164,780	542,455	1,944,733	20,009	1,964,742
Inter-segment revenue	(456)	(1,452)	—	(1,908)	(134)	(2,042)
Revenue	1,237,042	163,328	542,455	1,942,825	19,875	1,962,700
Operating loss and segment results	(44,737)	(9,995)	(40,705)	(95,437)	(92,268)	(187,705)
Finance costs — net				(20,297)	(2,649)	(22,946)
Share of profits of associates	423	—	—	423	—	423
Loss before income tax				(115,311)	(94,917)	(210,228)
Income tax expense				(622)	—	(622)
Loss for the period				(115,933)	(94,917)	(210,850)

Other segment items charged/(credited) to the operating loss for the six months ended 30 June 2020 are as follows:

Depreciation and amortisation of property, plant and equipment, and leased assets	51,953	7,467	100,865	160,285	2,871	163,156
Amortisation of intangible assets	—	1,065	349	1,414	1,874	3,288
Impairment of, net:						
— property, plant and equipment, and leased assets	—	—	35,889	35,889	12,984	48,873
— intangible assets	—	—	—	—	19,984	19,984
— trade receivables	—	—	—	—	6,641	6,641
— other receivables	—	—	—	—	22,587	22,587
Provision/(write-back of provision) for inventories, net	14,743	2,265	(30,323)	(13,315)	11,637	(1,678)
Loss/(gain) on disposal of property, plant and equipment, and lease modifications, net	2,512	134	(6,801)	(4,155)	—	(4,155)

2. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities are as follows:

	Manufacturing				
	Sportswear Manufacturing	High-end Functional Outerwear Manufacturing	High-end Fashion Retailing	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets					
30 June 2021	2,252,585	406,489	1,185,278	97,690	3,942,042
31 December 2020	2,020,097	383,877	1,320,749	94,307	3,819,030
Total liabilities					
30 June 2021	1,139,754	224,053	485,806	86,643	1,936,256
31 December 2020	991,928	185,117	586,442	87,197	1,850,684

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:

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Mainland China	**855,387**	751,942
Europe	**458,647**	532,970
United States	**323,807**	258,809
Other Asian countries	**268,232**	223,358
Hong Kong	**89,721**	98,269
Canada	**21,562**	15,167
Others	**70,035**	62,310
	2,087,391	1,942,825

2. 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
	2021	2020
	HK$'000	*HK$'000*
Mainland China	**457,148**	490,745
Hong Kong	**391,800**	391,274
Vietnam	**287,451**	240,099
Cambodia	**188,335**	199,532
Others	**6,507**	7,893
	1,331,241	1,329,543

3. FINANCE COSTS — NET

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Finance income		
— Interest income from bank deposits and receivables from a landlord	**566**	756
— Interest income from discontinued operations	**—**	2,567
— Others	**104**	278
	670	3,601
Finance cost		
— Interest on lease liabilities	**(8,102)**	(7,867)
— Interest on bank borrowings	**(8,012)**	(16,031)
	(16,114)	(23,898)
	(15,444)	(20,297)

4. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Current tax		
— Mainland China	**6,786**	7,233
— Overseas	**889**	405
— Hong Kong	**788**	2,001
— (Over)/under provision in prior years	**(14)**	6
Deferred tax	**(1,883)**	(9,023)
	6,566	622

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 and Hong Kong profits tax have been provided at the rates of 25% (2020: 25%) and 16.5% (2020: 16.5%) on the estimated assessable profits respectively. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

5. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the consolidated profit/(loss) attributable to equity holders of the Company and on the weighted average number of ordinary shares of 1,284,400,000 shares (30 June 2020: 1,284,400,000 shares) in issue during the period.

	Six months ended 30 June	
	2021	2020
Basic earnings/(loss) per share *(HK cents)*		
— Continuing operations	**2.6**	(9.2)
— Discontinued operations	**—**	(3.7)
	2.6	(12.9)

The diluted earnings/(loss) per share for the six months ended 30 June 2021 and 2020 are the same as the basic earnings/(loss) per share as the potential ordinary shares arising from the share options granted by the Company outstanding do not have dilutive effect.

6. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

7. TRADE AND BILLS RECEIVABLE

	As at	
	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
Trade receivables	**455,323**	449,067
Bills receivable	**797**	6,241
	456,120	455,308
Less: impairment of trade receivables	**(4,191)**	(5,366)
Financial assets measured at amortised cost	**451,929**	449,942

Majority of the 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:

	As at	
	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
0–90 days	**439,883**	434,860
91–180 days	**9,530**	9,814
181–365 days	**3,250**	6,272
Over 365 days	**3,457**	4,362
	456,120	455,308

8. TRADE AND BILLS PAYABLE

	As at 30 June 2021	31 December 2020
	HK$'000	*HK$'000*
Trade payables		
— to third parties	**325,734**	242,256
— to a related party	**9,550**	13,322
Bills payable	**4,059**	1,947
Financial liabilities measured at amortised cost	**339,343**	257,525

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

	As at 30 June 2021	31 December 2020
	HK$'000	*HK$'000*
0–90 days	**336,380**	239,513
91–180 days	**284**	12,482
181–365 days	**244**	1,228
Over 365 days	**2,435**	4,302
	339,343	257,525

9. BORROWINGS

	As at 30 June 2021	31 December 2020
	HK$'000	*HK$'000*
Within 1 year or on demand	**907,352**	889,244

As at 30 June 2021, based on the repayment dates set out in the payment schedules ignoring the effect of any repayment on demand clause, the interest-bearing bank borrowings were due for payment as follows:

	As at 30 June 2021	31 December 2020
	HK$'000	*HK$'000*
Within 1 year	**796,518**	754,240
After 1 year but within 2 years	**63,334**	59,995
After 2 years but within 3 years	**47,500**	59,995
After 3 years but within 4 years	**—**	15,014
	907,352	889,244

10. DISCONTINUED OPERATIONS

On 20 August 2020, the Group entered into a sale and purchase agreement with one of the other shareholders of e.dye Business and disposed of the 51% equity interest of e.dye Business which represented all the interest held by the Group to the shareholder. The transaction was completed in August 2020 and e.dye Business was regarded as discontinued operations. Financial information relating to discontinued operations for the six months ended 30 June 2020 is set out below.

	Six months ended 30 June 2020 *HK$'000*
Revenue	20,009
Cost of sales	(22,420)
Gross loss	(2,411)
Selling and distribution costs	(1,616)
General and administrative expenses	(15,310)
Other net expenses *(Note)*	(72,931)
Operating loss	(92,268)
Finance costs — net	(2,649)
Loss before income tax	(94,917)
Income tax expense	—
Loss for the period	(94,917)
Loss for the period attributable to:	
Equity holders of the Company	(48,398)
Non-controlling interests	(46,519)
	(94,917)

Note:

	Six months ended 30 June 2020 *HK$'000*
Other net expenses	
Impairment of assets	(73,833)
Net exchange gain	275
Government subsidies	214
Others	413
	(72,931)

11. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period up to the date of this preliminary announcement, following the COVID-19 containment measures imposed by the local authority and for the benefit of the well-being and safety of the employees, the Group's factories in Binh Duong Province, Vietnam, has been temporarily closed starting from July 2021.

In terms of revenue, productions arising from the Vietnam factories contributed 32.4% of the Group's total revenue and 48.2% of Manufacturing Business' revenue for the six months ended 30 June 2021. To mitigate the impact of the temporary closure of the Vietnam factories to its customers and the Group, the Group endeavours to re-allocate certain production orders to its factories in Mainland China and Cambodia.

The uncertainties arising from the widespread of COVID-19 variants in South East Asia countries are expected to have negative impact on the operating environment as well as the Group's revenue, cash flow and operating results in the remainder of 2021. Apart from the Group's production facilities, the supply chain of raw materials and the logistics for delivery of finished goods have also been facing challenges due to the outbreak of COVID-19 variants in Vietnam and the surrounding areas.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an integrated manufacturer and retailer for internationally renowned sports, fashion and outdoor brands. The financial performance of the Group for the six months ended 30 June 2021 is summarised below:

OVERALL REVIEW

Revenue of the Group from continuing operations amounted to HK$2,087.4 million (30 June 2020: HK$1,942.8 million), representing an increase of 7.4%. The increase was mainly attributable to the recovery from the impact of COVID-19 pandemic ("**COVID-19**"). The orders received from customers of Sportswear Manufacturing Business regained a growth and, in addition, revenue of High-end Fashion Retailing Business generated from stores in the Mainland China market rebounded.

Gross profit margin of the Group from continuing operations increased to 26.2% (30 June 2020: 22.6%). The increase in gross profit margin of 3.6 percentage points was mainly attributable to the improved operating efficiencies of Sportswear Manufacturing Business. Moreover, gross profit was brought in by the increased revenue generated from High-end Fashion Retailing Business. As a result, gross profit increased by HK$108.9 million to HK$547.1 million (30 June 2020: HK$438.2 million), 24.8% higher than that of the corresponding period of 2020.

Selling and distribution costs decreased by HK$23.4 million to HK$291.9 million (30 June 2020: HK$315.3 million), which was mainly due to no further impairment loss incurred for the retail store assets in Hong Kong (30 June 2020: loss of HK$35.9 million).

General and administrative expenses decreased by HK$18.1 million to HK$209.1 million (30 June 2020: HK$227.2 million), which was mainly attributable to the Group's continued effort of cost reduction initiatives.

Operating result from continuing operations recorded a profit of HK$49.3 million (30 June 2020: loss of HK$95.4 million), a combined result of increase in revenue and gross profit and further reduction of operating costs.

Net finance costs decreased by HK$4.9 million to HK$15.4 million (30 June 2020: HK$20.3 million), which was mainly attributable to the decrease in interest on bank borrowings by HK$8.0 million.

The Group has disposed of e.dye Business in August 2020 and as such no further loss was incurred (30 June 2020: loss of HK$94.9 million).

Overall, the Group recorded profit after taxation of HK$27.3 million for the six months ended 30 June 2021 (30 June 2020: loss of HK$210.9 million).

The Board considers to conserve financial resources and does not recommend the payment of interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil) in view of the challenges and uncertainties ahead arising from the new wave of COVID-19 variants. We will continue to monitor the market situation and review our dividend payout from time to time.

BUSINESS REVIEW

Although the ongoing pandemic of COVID-19 continued to make the operating environment difficult and unpredictable, the Group's overall financial performance has rebounded in the first half of 2021 as compared with the corresponding period of 2020.

The financial performance of the business segments is summarised below:

Manufacturing Business

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

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 increased by HK$53.1 million to HK$1,290.1 million (30 June 2020: HK$1,237.0 million), representing an increase of 4.3%. The increase was mainly due to the increased orders received from customers, in particular, demand in the United States market recovered from a significant decline during the second quarter of 2020. The demand for sportswear products was driven by the return of sports events after lockdown, as well as increasing health awareness of the general public. It was partially offset by the reduced production for shipments to the European market arising from the temporary closure of our Cambodian factory due to COVID-19.

An operating profit of HK$29.4 million was recorded for the six months ended 30 June 2021 (30 June 2020: loss of HK$44.7 million). The significant change was driven by the improved operating efficiencies which was resulting from our cautious deployment of resources by adjusting factory operation mode and size of workforce.

High-end Functional Outerwear Manufacturing Business

Revenue from High-end Functional Outerwear Manufacturing Business decreased by HK$10.6 million to HK$152.7 million (30 June 2020: HK$163.3 million), representing a decrease of 6.5%. It was mainly attributable to the reduced orders from an outdoor brand as the demand for fall/winter products has only been restored since the second quarter of 2021.

In order to prepare for the potential orders in the coming peak season, which is normally in the second half of 2021, additional product development costs and production enhancement expenses were incurred to capture the expected growth. As a result, an operating loss of HK$17.7 million was recorded for the six months ended 30 June 2021 (30 June 2020: loss of HK$10.0 million).

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 and "***Heron Preston***" in Mainland China. It also operated licensed stores for brands "***Champion***" and "***DAKS***" in Mainland China and "***New Era***" in Mainland China, Hong Kong and Macau.

Revenue from High-end Fashion Retailing Business increased by HK$102.1 million to HK$644.6 million (30 June 2020: HK$542.5 million), representing an increase of 18.8%. The increase was mainly attributable to the recovery from the low base in the first half of 2020 due to temporary closure of stores in the Mainland China market during the widespread outbreak of COVID-19. In other markets, the negative impact arising from COVID-19 on our stores in Hong Kong, Macau and Singapore continued in 2021 and had extended to Taiwan during the outbreak in the first half of 2021.

An operating profit of HK$37.6 million was recorded for the six months ended 30 June 2021 (30 June 2020: loss of HK$40.7 million). It was mainly attributable to the gross profit brought in by the increased revenue from the Mainland China market and no further impairment loss for the retail store assets in Hong Kong (30 June 2020: loss of HK$35.9 million). Despite revenue from the Mainland China market had picked up, gross profit margin of High-end Fashion Retailing Business was still under high pressure due to the increased promotional activities and higher retail discounts offered to motivate customer spending.

As at 30 June 2021, the total number of stores increased to 242 (30 June 2020: 222), of which 205 stores were in Mainland China, 27 stores were in Hong Kong and Macau, and 10 stores in Taiwan and Singapore.

PROSPECTS

The impact of COVID-19 is complex and continuously evolving, resulting in significant disruption to the operating environment. The Group's Manufacturing Business and High-end Fashion Retailing Business have been impacted by the new wave of COVID-19 variants since July 2021.

Manufacturing Business

Productions of the factories in Vietnam have been temporarily ceased since mid-July of 2021 due to the containment measures imposed by the local authority following the outbreak of COVID-19 variants. Apart from our production facilities, the supply chain of raw materials and the logistics for delivery of finished goods have also been facing challenges due to the outbreak of COVID-19 variants in Vietnam and the surrounding areas. Although we endeavour to re-allocate certain production orders to our factories in Mainland China and Cambodia, given productions arising from the Vietnam factories contributed 48.2% of the revenue from the Group's Manufacturing Business for the six months ended 30 June 2021, it will inevitably significantly interfere the momentum of our revenue growth and disrupt operating efficiencies in the second half of 2021.

Sportswear Manufacturing Business

Although the recent outbreak of COVID-19 variants in South East Asian countries where the major supply chains are situated could dampen the recovery path in the second half of 2021, due to the recent vaccination achievements for COVID-19 in the United States and Europe, it is anticipated that new impetus will continue to be brought in to the consumer market at the demand side.

With the accelerating global concerns about physical exercise and awareness of healthy lifestyle, as well as the return of major sports events, demand for sportswear products is expected to remain optimistic in the long term.

We will continue to explore new initiatives to further enhance operational excellence in order to untangle the complexities of the challenges ahead. Given the highly uncertain situation in the short term arising from the new wave of COVID-19 variants in Vietnam, we will hold up large capital expenditure projects in the second half of 2021 including temporarily postponing the development of our new factories in Vinh Long, Vietnam again.

High-end Functional Outerwear Manufacturing Business

As certain products shipped to the European market are produced in Vietnam, the production of High-end Functional Outerwear Manufacturing Business has also been impacted by the temporary closure of factories in Vietnam. Mainland China will continue to be one of the important markets of this business segment as the impact arising from COVID-19 has been relatively mild in the first half of 2021. It is believed that the revenue growth momentum in the Mainland China market will sustain while demand from other markets will gradually pick up. Moreover, we will continue to improve our production efficiency and enhance cost control in order to prepare for a challenging recovery path ahead.

High-end Fashion Retailing Business

Mainland China will remain as the major market of our High-end Fashion Retailing Business. Although the Chinese government has imposed new measures since late July 2021 due to the new wave of COVID-19 variants which has temporarily affected the business of retail stores in Mainland China, since COVID-19 is still overall continuously under control in Mainland China, we are optimistic on the development of our business in this market and will continue our targeted store expansion plan in the second half of 2021.

In other markets, the impact arising from COVID-19 on our stores in Hong Kong, Macau, Singapore and Taiwan, especially business from tourists, continued, though there was a mild recovery on spending from local customers. It is anticipated that the negative impact will carry on in the second half of 2021 until the cities have been re-opened to tourists. In light of this, we will 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 cash flow and banking facilities and has maintained a healthy financial position during the period.

In view of the challenges and uncertainties ahead arising from the new wave of COVID-19 variants, 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 environment, the Group's financial and liquidity position remains stable. As at 30 June 2021, the Group had cash and bank balances of HK$681.7 million (31 December 2020: HK$695.1 million) and net borrowings (bank borrowings and loans from non-controlling interests of subsidiaries less cash and bank balances) of HK$230.1 million (31 December 2020: HK$201.6 million), together with available undrawn banking facilities of HK$548.8 million (31 December 2020: HK$693.1 million). The net change was mainly attributable to the cash generated from operating activities and bank borrowings, net with payments for investing activities. The net gearing ratio (being net borrowings divided by total equity) as at 30 June 2021 was 11.5% (31 December 2020: 10.2%).

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 55.1%, 39.6% and 3.6% of revenue were denominated in USD, RMB and HKD respectively, whereas approximately 81.0%, 14.2% and 3.4% of purchases were denominated in USD, RMB and HKD respectively.

As at 30 June 2021, approximately 49.5%, 37.0% and 10.8% of cash and bank balances were denominated in USD, RMB and HKD respectively, and approximately 55.4%, 41.9% 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 30 June 2021, the Group had approximately 19,000 employees (31 December 2020: 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 2021, bank deposit of HK$1.2 million (31 December 2020: HK$1.2 million) was pledged as security deposit at Custom Department for a subsidiary of the Group; and land and properties with an aggregate carrying amount of HK$56.2 million (31 December 2020: HK$57.5 million) were 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 2021.

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 six months ended 30 June 2021.

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 2021.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 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 throughout the six months ended 30 June 2021.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has discussed with the management of the Company the financial reporting matters related to the preparation of the unaudited condensed interim financial information for the six months ended 30 June 2021. It has also reviewed the unaudited condensed interim financial information for the six months ended 30 June 2021 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 2021 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 2021 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. KWAN Kai Cheong, Mr. MA Ka Chun 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, 26 August 2021