

WHA



2020
INTERIM REPORT

Win Hanverky Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3322)



Win Hanverky Holdings Limited and its subsidiaries are an integrated manufacturer, distributor and retailer for international sports, fashion and outdoor brands. We have two broad lines of business, namely Manufacturing Business and High-end Fashion Retailing Business, with geographical markets spanning over Europe, the United States, Mainland China and Hong Kong.

The Shares of the Company have been listed on the Main Board of the Stock Exchange since 6 September 2006.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LI Kwok Tung Roy (*Chairman*)
Mr. LAI Ching Ping (*Deputy Chairman*)
Mr. LEE Kwok Leung (*Chief Executive Officer*)
Mr. WONG Chi Keung (*Chief Financial Officer*)

Independent Non-Executive Directors

Dr. CHAN Kwong Fai
Mr. KWAN Kai Cheong
Mr. MA Ka Chun
Mr. CHAN Ka Kui

COMPANY SECRETARY

Ms. LAM Choi Ha

AUTHORISED REPRESENTATIVES

Mr. LI Kwok Tung Roy
Mr. WONG Chi Keung

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*

LEGAL ADVISOR

Deacons

BOARD COMMITTEES

Audit Committee

Mr. KWAN Kai Cheong (*Chairman*)
Dr. CHAN Kwong Fai
Mr. MA Ka Chun
Mr. CHAN Ka Kui

Remuneration Committee

Dr. CHAN Kwong Fai (*Chairman*)
Mr. LI Kwok Tung Roy
Mr. KWAN Kai Cheong

Nomination Committee

Mr. MA Ka Chun (*Chairman*)
Mr. LI Kwok Tung Roy
Dr. CHAN Kwong Fai
Mr. CHAN Ka Kui

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong Spinners Industrial Building
481-483 Castle Peak Road
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited

INVESTOR RELATIONS CONTACT

Strategic Financial Relations Limited

SHARE INFORMATION

Listing: The Main Board of
The Stock Exchange of Hong Kong
Limited
Board lot: 2,000 Shares
Stock code: 3322

COMPANY WEBSITE

www.winhanverky.com

Financial Highlights

The Board of Directors of Win Hanverky Holdings Limited presented the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2020, together with the comparative amounts for the corresponding period of 2019. The interim results and condensed interim financial information have not been audited but have been reviewed by the Company's audit committee ("Audit Committee") and the independent auditor.

KEY FINANCIAL INFORMATION AND RATIOS (UNAUDITED)

		Six months ended 30 June	
		2020	2019
Revenue	<i>HK\$'000</i>	1,962,700	2,265,292
Gross profit	<i>HK\$'000</i>	435,856	691,577
Gross profit margin	<i>%</i>	22.2	30.5
Operating (loss)/profit	<i>HK\$'000</i>	(187,705)	84,253
(Loss)/profit attributable to equity holders	<i>HK\$'000</i>	(166,281)	27,642
Basic (loss)/earnings per Share	<i>HK cents</i>	(12.9)	2.2
Interim dividend per Share	<i>HK cents</i>	N/A	1.0

		As at	
		30 June 2020	31 December 2019
Net gearing ratio*	<i>%</i>	22.7	25.5
Current ratio	<i>times</i>	1.4	1.4
Trade receivable turnover period	<i>days</i>	54	43
Inventory turnover period	<i>days</i>	140	104

* Net gearing ratio represents total borrowings (including bank borrowings and loans from non-controlling interests of subsidiaries) less cash and bank balances, divided by total equity.

The Group is an integrated manufacturer, distributor and retailer for internationally renowned sports, fashion and outdoor brands. The financial performance of the Group for the six months ended 30 June 2020 is summarised below:

OVERALL REVIEW

Revenue of the Group amounted to HK\$1,962.7 million for the six months ended 30 June 2020 (30 June 2019: HK\$2,265.3 million), representing a decrease of 13.4%. The decrease was mainly attributable to drop in sales generated from High-end Fashion Retailing Business due to temporary closure of offline stores, drop in store traffic and dampened consumption sentiment amid the COVID-19 pandemic (“**COVID-19**”).

Gross profit margin of the Group decreased to 22.2% in the current period (30 June 2019: 30.5%). The decrease in gross profit margin of 8.3 percentage points was mainly attributable to deterioration in gross profit of High-end Fashion Retailing Business due to higher retail discounts offered to motivate customer spending. As a result, gross profit of the Group decreased by HK\$255.7 million to HK\$435.9 million in the current period (30 June 2019: HK\$691.6 million), 37.0% lower than that of the corresponding period of 2019.

Selling and distribution costs decreased by HK\$42.8 million to HK\$317.0 million (30 June 2019: HK\$359.8 million), which was mainly attributable to the decrease in rental and operating expenses of High-end Fashion Retailing Business.

General and administrative expenses decreased by HK\$19.2 million to HK\$242.3 million (30 June 2019: HK\$261.5 million), which was mainly attributable to the results of the Group’s cost reduction initiatives.

During the period, a one-off non-cash impairment arising from divestment of e.dye Business amounting to HK\$73.8 million was recorded as part of the Group’s cost reduction initiatives. e.dye Business was subsequently disposed of on 20 August 2020 and there was no material disposal of subsidiary during the first six months of 2020. In the corresponding period of 2019, an amount of HK\$23.4 million (before taxation) was recorded mainly arising from the disposal gain of a subsidiary in Mainland China.

Operating result recorded an operating loss of HK\$187.7 million (30 June 2019: operating profit of HK\$84.3 million). It was an overall result of decrease in revenue and gross profit due to COVID-19, mitigating by the reduction in operating costs and effect of one-off item mentioned above.

Net finance costs of the Group increased by HK\$3.3 million to HK\$22.9 million in the current period (30 June 2019: HK\$19.6 million). The increase was mainly attributable to the increase in interest on bank borrowings by HK\$3.7 million.

Overall, the Group recorded net loss of HK\$210.9 million (30 June 2019: net profit of HK\$37.5 million), which resulted in the Group recording loss attributable to equity holders of the Company in an amount of HK\$166.3 million (30 June 2019: profit of HK\$27.6 million).

Management Discussion and Analysis (Continued)

After considering the highly uncertain market situation ahead, the Board considers to conserve our financial resources and does not recommend any payment of interim dividend for the six months ended 30 June 2020 (30 June 2019: HK1.0 cent per Share).

BUSINESS REVIEW

The financial performances of the business segments are summarised below:

Manufacturing Business

The Manufacturing Business of the Group comprises “*Sportswear Manufacturing Business*” and “*High-end Functional Outerwear Manufacturing Business*”.

Productions of the factories situated in Mainland China were required to be temporarily suspended due to lockdowns and other social distancing measures imposed following the COVID-19 in early 2020. The delivery of raw materials for production from certain suppliers in Southeast Asian countries has been delayed as affected by logistic impediment. Despite the production activities having resumed in late March 2020, the operating efficiencies of the Group’s Sportswear Manufacturing Business and High-end Functional Outerwear Manufacturing Business were hindered in the first half of 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\$36.2 million to HK\$1,237.0 million (30 June 2019: HK\$1,273.2 million), representing a mild drop of 2.8%. The decrease was mainly due to the reduction of orders received from a major customer since May 2020 attributable to the global outbreak of COVID-19, in particular demand in the United States market was dropped significantly. It was mitigated by full period effect arising from revenue brought in by certain customers who were newly introduced to the Group in the second quarter of 2019.

An operating loss of HK\$44.7 million was recorded for the six months ended 30 June 2020 (30 June 2019: operating profit of HK\$24.7 million). The significant change was mainly due to the decrease in operating efficiencies as mentioned above and also due to the absence of a one-off disposal gain while the gain mainly arising from disposal of a subsidiary in Mainland China in an amount of HK\$23.4 million (before taxation) was recorded in the first half of 2019.

High-end Functional Outerwear Manufacturing Business

Revenue from High-end Functional Outerwear Manufacturing Business increased by HK\$11.9 million to HK\$163.3 million (30 June 2019: HK\$151.4 million), representing an increase of 7.9%, and its operating loss decreased to HK\$10.0 million for the six months ended 30 June 2020 (30 June 2019: operating loss of HK\$39.9 million). Sport Field Group, being a major revenue driver of High-end Functional Outerwear Manufacturing Business, has successfully developed its business with domestic customers in Mainland China which contributed to the growth in revenue. 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 has fashion retail networks through "***D-mop***" stores to sell self-owned brands, as well as imported brands and "***J-01***" stores in Hong Kong and Mainland China. In addition, it has 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 operates licensed stores in Mainland China for the brands "***Champion***" and "***DAKS***" and in Hong Kong for the brands "***New Era***" and "***Marcelo Burlon***".

Revenue from High-end Fashion Retailing Business decreased by HK\$284.4 million to HK\$542.5 million (30 June 2019: HK\$826.9 million), representing a decrease of 34.4% which was mainly attributable to the temporary closure of offline stores, drop in store traffic and dampened consumption sentiment amid the COVID-19 starting from the first quarter of 2020. At the beginning of February 2020, 170 offline stores were temporarily closed in Mainland China. Revenue for the second quarter of 2020 has partially recovered in the Mainland China market after re-opening of the offline stores, gross profit margin of High-end Fashion Retailing Business deteriorated due to higher retail discounts offered to motivate customer spending in order to avoid inventory pile up and clear the aged items. In light of the potential adverse impact on the performance of the Hong Kong retail market as a result of COVID-19, impairment loss of HK\$35.9 million was provided mainly for the retail store assets in Hong Kong. Although 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, an operating loss of HK\$40.7 million was recorded in the first half of 2020 (30 June 2019: operating profit of HK\$123.6 million).

As at 30 June 2020, the total number of offline stores increased to 222 (30 June 2019: 209), of which 178 stores were in Mainland China, 34 stores were in Hong Kong and Macau, and 10 stores in Taiwan and Singapore.

e.dye Business

Revenue from e.dye Business increased by HK\$6.1 million to HK\$19.9 million (30 June 2019: HK\$13.8 million). The increase was far behind our expectation. In particular, the outlook and pipeline orders of e.dye Business have been deteriorating since the global outbreak of COVID-19 in late March 2020. The crisis has changed the mindset of our major existing and potential customers. Given the uncertainties of global economy, they tend 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 became pessimistic.

As part of the cost reduction initiatives, the Group has re-assessed its strategic investments and decided to divest e.dye Business after a comprehensive review. It is considered that e.dye Business, being a non-core business operation of the Group, has been underperforming for a number of years and the outlook is gloomy, hence triggering the Group's decision in discontinuing this investment in order to stop further losses and for better deployment of the Group's resources. There is a high urgency that the Group needs to stop the cash burn of e.dye Business immediately given we need to reserve cash resources for our other core businesses which will still face strong headwind in the near future.

We endeavored to search for investors to acquire the Group's equity interest of e.dye Business but all in vain. The investors have become more conservative and they are reluctant to invest in this innovative technology after the global outbreak of COVID-19. Without further funding from the Group, e.dye Business will go into bankrupt and the Group will be obliged to bear huge amount of compensation of staff, liquidation expenses as well as prolonged legal claims. It means the Group needs to spend further funding and time resources for the bankruptcy process with no return. Meanwhile, we have also discussed with one of other shareholders of e.dye Business, Mr. Yang Chou-Fu, and he was willing to take the risk to continue to fund and operate the business given that the Group gives up our equity interest to him. This is the only feasible option for us to stop our loss and cash burn immediately though it means a total impairment of our investment.

As such a one-off non-cash impairment in a total amount of HK\$73.8 million has been provided for on the assets of e.dye Business, resulting an operating loss of HK\$92.3 million in the first half of 2020 (30 June 2019: operating loss of HK\$24.1 million). Subsequent to 30 June 2020, e.dye Business has been disposed of and its shareholder's loan from the Group was waived upon disposal. Consequently, the total impact of impairment and disposal loss to loss attributable to equity holders of the Company, which includes the impairment loss incurred for the six months 30 June 2020 amounting to HK\$73.8 million, for the full year ending 31 December 2020 is estimated to be approximately HK\$133.8 million.

PROSPECTS

The unprecedented pandemic of COVID-19 that is raging worldwide has made the operating environment extremely difficult. Moreover, there are still huge uncertainties around how the COVID-19 may continue to impact the orders and sales for the Group, which will inevitably impact the Group's performance throughout the remainder of 2020. 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.

Manufacturing Business

Sportswear Manufacturing Business

Sportswear Manufacturing Business has been impacted by the global economic uncertainties and exacerbated by the outbreak of COVID-19 around the world. Nevertheless, we have secured our sales volume by our long-term well-established relationships with existing customers who have honored the orders already placed. As such, there was only a low single digit percentage drop of sales in the first half of 2020.

Since the global outbreak of COVID-19, many shopping malls and retail stores are closed, with areas in lockdown and implementation of social distance as part of the precautionary measurements. These conditions may last for several months and will continuously affect our business as a consequence of shrinking market demand for sportswear products. We anticipate that end consumers will be cautious and continue to hold off spending. In the retail market, inventory will be piled up due to low level of product sell-through, hence, sales orders from our customers will be inevitably reduced. Therefore, it is believed that the surge to the business will be hysteresis and the adverse impact will continue under the indeterminate sportswear market in the remainder of 2020. According to the latest forecasted orderings from our major customers, the Group estimates that Sportswear Manufacturing Business will record approximately 20% decrease in its full year revenue for 2020.

Under such uncertain market situation, we are more cautious on deployment of our resources by adjusting factory operation mode and hold up capital expenditure projects. However, we foresee that the cost saving from adjustment of operation mode may not be able to cover the loss of gross profit from the drop of revenue, therefore, the business segment will incur further loss in the second half of 2020. We will continue to suspend the development of our new factory in Vinh Long, Vietnam.

High-end Functional Outerwear Manufacturing Business

High-end Functional Outerwear Manufacturing Business has successfully developed its business with domestic customers in Mainland China through its main business driver, Sport Field Group which was acquired by the Group in 2018. The Mainland China market has recovered faster than other markets from the outbreak of COVID-19, and which we believe is favourable to this business segment. We will continue to improve our production efficiency and enhance cost control in our factory in Mainland China and production facilities in Vietnam in order to reach their optimal operation levels.

High-end Fashion Retailing Business

Mainland China will remain as the major market of our High-end Fashion Retailing Business. Our business in Mainland China was seriously affected by the spread of COVID-19 started from the beginning of 2020 but the situation has been gradually improved since mid-March 2020. Given that COVID-19 is continuously under control in Mainland China, we are cautiously optimistic on the recovery of our business in this market and we will resume our mild expansion plan of offline stores in Mainland China in the second half of 2020. COVID-19 has also accelerated the growth of e-commerce business as consumers are changing their shopping behaviour, which has resulted in more online transactions. The Group's same store sales of the online store of "Y-3" has achieved a remarkable increase by +122% in the second quarter of 2020, mainly contributed by our successful presence at the "618 Mid-year Mega Sale" campaign. As e-commerce is further booming as a result of COVID-19, the Group plans to introduce its first online multi-brand shop at Tmall platform of Alibaba Group in the second half of 2020. In terms of enhancing its brand portfolio, the Group is in the final stage of negotiations with certain international brands for introduction and development of business in Mainland China.

The impact arising from COVID-19 to our offline stores in Hong Kong, Macau and Singapore is severe and we estimate that the negative impact will carry on throughout the remainder of 2020 until reopening of the cities to tourists. As such, we have reduced purchase orders for 2020 winter products and put the establishment of new shops on hold. On the other hand, we will continue to increase promotional activities to stimulate customer spending but inevitably the profit margin would be impacted to a certain extent. In order to diminish the impact, we will continue to negotiate with landlords for rental reductions and revisit the profitability of some retail shops across the region. Subject to the outcome, certain retail shops would be closed down upon the expiry of leases.

The Group is considering a spin-off ("**Proposed Spin-off**") and separate listing of High-end Fashion Retailing Business on the Stock Exchange. It is believed that the Proposed Spin-off, if it proceeds, will better position each of the remaining business of the Group and the spin-off entity for growth in the respective businesses. At the date of this interim report, the Proposed Spin-off is still under consideration by the Stock Exchange.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and banking facilities. 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 maintains a healthy liquidity position. Against the backdrop of the challenging business environment, the Group's financial and liquidity position remains stable. As at 30 June 2020, it has cash and bank balances amounting to HK\$669.8 million (31 December 2019: HK\$486.6 million). The net increase was mainly attributable to the cash generated from operating activities and bank borrowings, net with payments for investing activities.

As at 30 June 2020, the Group had bank borrowings amounting to HK\$1,092.6 million (31 December 2019: HK\$1,021.1 million) which were on floating rates and unutilised banking facilities amounting to HK\$498.1 million (31 December 2019: HK\$493.4 million). The net gearing ratio, being total borrowings (including bank borrowings and loans from non-controlling interests of subsidiaries) less cash and bank balances divided by total equity, as at 30 June 2020, was 22.7% (31 December 2019: 25.5%).

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 58.1%, 35.5% and 4.4% of revenue were denominated in USD, RMB and HKD respectively, whereas approximately 82.6%, 11.4% and 3.7% of purchases were denominated in USD, RMB and HKD respectively.

As at 30 June 2020, approximately 54.5%, 30.2% and 13.2% of cash and bank balances were denominated in USD, RMB and HKD respectively, and approximately 48.8%, 42.8% and 8.3% 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 2020, the Group had approximately 20,000 employees (31 December 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 30 June 2020, bank deposits of HK\$1.1 million (31 December 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 (31 December 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 30 June 2020.



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**TO THE BOARD OF DIRECTORS OF
WIN HANVERKY HOLDINGS LIMITED**

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed interim financial information set out on pages 15 to 43, which comprises the consolidated statement of financial position of Win Hanverky Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2020 and the consolidated income statement, the consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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羅兵咸永道

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 August 2020

Consolidated Statement of Financial Position

As at 30 June 2020

		Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	6	1,093,886	1,330,091
Intangible assets	7	225,556	248,828
Investments in associates		14,270	13,867
Other receivables and financial assets	9	61,693	90,038
Deferred tax assets		79,965	70,935
Pledged bank deposits		1,095	1,114
		1,476,465	1,754,873
Current assets			
Inventories		1,129,282	1,224,202
Trade and bills receivable	8	530,107	637,524
Other receivables and financial assets	9	149,472	215,923
Current tax recoverables		18,335	24,780
Cash and bank balances		669,752	486,623
		2,496,948	2,589,052
Current liabilities			
Trade and bills payable	10	250,341	252,248
Accruals and other payables	11	326,993	414,372
Borrowings	12	951,132	874,876
Lease liabilities		149,750	179,300
Current tax liabilities		79,331	89,709
		1,757,547	1,810,505
Non-current liabilities			
Other payables	11	28,087	38,933
Borrowings	12	141,432	146,250
Lease liabilities		157,321	227,204
Deferred tax liabilities		7,717	7,708
		334,557	420,095
Net assets		1,881,309	2,113,325

Consolidated Statement of Financial Position (Continued)

As at 30 June 2020

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Equity attributable to equity holders of the Company		
Share capital	128,440	128,440
Reserves	1,843,898	2,028,707
	1,972,338	2,157,147
Non-controlling interests	(91,029)	(43,822)
Total equity	1,881,309	2,113,325

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Income Statement

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue	5	1,962,700	2,265,292
Cost of sales		(1,526,844)	(1,573,715)
Gross profit		435,856	691,577
Selling and distribution costs		(316,961)	(359,826)
General and administrative expenses		(242,286)	(261,455)
Other net (expenses)/income	13	(64,314)	13,957
Operating (loss)/profit	5	(187,705)	84,253
Finance costs – net	14	(22,946)	(19,583)
Share of profits/(losses) of associates		423	(196)
(Loss)/profit before income tax		(210,228)	64,474
Income tax expense	15	(622)	(26,977)
(Loss)/profit for the period		(210,850)	37,497
(Loss)/profit for the period attributable to:			
Equity holders of the Company		(166,281)	27,642
Non-controlling interests		(44,569)	9,855
		(210,850)	37,497
(Loss)/earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	16		
Basic		(12.9)	2.2
Diluted		(12.9)	2.2

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit for the period	(210,850)	37,497
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(15,879)	(14,538)
Share of other comprehensive income of associates	(19)	210
<i>Item that will not be reclassified to profit or loss</i>		
Change in the fair value of financial assets at fair value through other comprehensive income	(354)	—
<i>Item that has been reclassified to profit or loss</i>		
Realisation of accumulated exchange differences upon liquidation of a subsidiary	—	(3,613)
Total comprehensive income for the period	(227,102)	19,556
Total comprehensive income for the period attributable to:		
Equity holders of the Company	(181,136)	9,935
Non-controlling interests	(45,966)	9,621
	(227,102)	19,556

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	128,440	2,028,707	2,157,147	(43,822)	2,113,325
Loss for the period	—	(166,281)	(166,281)	(44,569)	(210,850)
Other comprehensive income	—	(14,855)	(14,855)	(1,397)	(16,252)
Total comprehensive income for the period ended 30 June 2020	—	(181,136)	(181,136)	(45,966)	(227,102)
Transactions with owners					
Employee share option scheme	—	87	87	—	87
Change in ownership interests in subsidiaries without change of control	—	(3,760)	(3,760)	(1,241)	(5,001)
Total transactions with owners	—	(3,673)	(3,673)	(1,241)	(4,914)
Balance at 30 June 2020	128,440	1,843,898	1,972,338	(91,029)	1,881,309

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020

	Unaudited				
	Attributable to equity holders of the Company			Non- controlling interests	Total equity
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
Balance at 1 January 2019	128,440	2,025,886	2,154,326	16,787	2,171,113
Profit for the period	—	27,642	27,642	9,855	37,497
Other comprehensive income	—	(17,707)	(17,707)	(234)	(17,941)
Total comprehensive income for the period ended 30 June 2019	—	9,935	9,935	9,621	19,556
Transactions with owners					
Employee share option scheme	—	347	347	—	347
2018 final dividend	—	(12,844)	(12,844)	—	(12,844)
Total transactions with owners	—	(12,497)	(12,497)	—	(12,497)
Balance at 30 June 2019	128,440	2,023,324	2,151,764	26,408	2,178,172

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from/(used in) operations	266,153	(95,250)
Income tax paid	(11,630)	(20,882)
Net cash generated from/(used in) operating activities	254,523	(116,132)
Investing activities		
Interest received	1,340	2,199
Payment for property, plant and equipment	(18,497)	(142,338)
Repayment of receivables from a landlord	2,730	5,460
Proceeds from disposal of property, plant and equipment	18,645	945
Payment for consideration of subsidiaries acquired in prior year	(42,578)	—
Proceeds from disposal of subsidiaries	—	24,538
Net cash used in investing activities	(38,360)	(109,196)
Financing activities		
Proceeds from bank borrowings	718,413	938,166
Repayments of bank borrowings	(645,582)	(583,620)
Principal elements of lease payments	(67,886)	(77,135)
Interest elements of lease payments	(7,960)	(9,844)
Payment for equity interest from non-controlling interest of subsidiaries acquired	(27,000)	—
Dividends paid to the Company's equity holders	—	(12,844)
Net cash (used in)/generated from financing activities	(30,015)	254,723
Net increase in cash and cash equivalents	186,148	29,395
Cash and cash equivalents at beginning of the period	486,623	360,714
Exchange differences on cash and cash equivalents	(3,019)	(274)
Cash and cash equivalents at end of the period	669,752	389,835

The above condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

1 General information

Win Hanverky Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are engaged in the manufacturing and selling of garment products, including sportswear, high-end fashion apparel, and related accessories. Sales are primarily under original equipment manufacturing (“**OEM**”) arrangements to customers mainly in Europe, the United States, Mainland China and other countries, and under retail modes in Mainland China, Hong Kong, Macau, Taiwan and Singapore. Its production bases are primarily located in Mainland China, Vietnam and Cambodia.

The Company is an exempted company with limited liability under the Companies Law, Cap. 22, (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

2 Basis of preparation

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.

The condensed interim financial information contains the consolidated statement of financial position as at 30 June 2020, the consolidated income statement, the consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended 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.

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 or 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 2019. Accordingly, readers should read the condensed interim financial information in conjunction with the annual financial statements for the year ended 31 December 2019, prepared in accordance with Hong Kong Financial Reporting Standards.

This condensed interim financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

3 Estimates

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no significant changes in the risk management policies since year end.

4.2 Fair value estimation

The carrying values less impairment provision of trade and bills receivable, financial assets and liabilities measured at amortised cost and financial assets at fair value through other comprehensive income are a reasonable approximation of their fair values. The carrying values of pledged bank deposits and cash and bank balances also approximate their fair values.

5 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 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 retail 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 is disposed of after the end of the reporting period (Note 20).

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.

5 Segment information (Continued)

The segment results for the six months ended 30 June 2020 are as follows:

	Manufacturing				Total HK\$'000
	Sportswear Manufacturing HK\$'000	High-end Functional Outerwear Manufacturing HK\$'000	High-end Fashion Retailing HK\$'000	e.dye HK\$'000	
Total segment revenue	1,237,498	164,780	542,455	20,009	1,964,742
Inter-segment revenue	(456)	(1,452)	—	(134)	(2,042)
Revenue	1,237,042	163,328	542,455	19,875	1,962,700
Operating loss and segment results	(44,737)	(9,995)	(40,705)	(92,268)	(187,705)
Finance costs – net					(22,946)
Share of profits of associates	423	—	—	—	423
Loss before income tax					(210,228)
Income tax expense					(622)
Loss for the period					(210,850)

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

Depreciation and amortisation of property, plant and equipment, and leased assets	51,953	7,467	100,865	2,871	163,156
Amortisation of intangible assets	—	1,065	349	1,874	3,288
Impairment of:					
– property, plant and equipment, and leased assets	—	—	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)	11,637	(1,678)
Loss/(gain) on disposal of property, plant and equipment, net	2,512	134	(6,801)	—	(4,155)

5 Segment information (Continued)

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

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

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

Depreciation and amortisation of property, plant and equipment, and leased assets	51,137	7,391	98,050	3,892	160,470
Amortisation of intangible assets	—	1,065	349	1,874	3,288
Impairment of trade receivables	—	530	—	—	530
Provision for inventories, net	16,586	672	37,281	1,189	55,728
Loss on disposal of property, plant and equipment, net	810	2,193	18	29	3,050
Gain on disposal and liquidation of subsidiaries, net	(23,420)	—	—	—	(23,420)

5 Segment information (Continued)

The segment assets and liabilities are as follows:

	Manufacturing		High-end Fashion Retailing HK\$'000	e.dye HK\$'000	Unallocated HK\$'000	Total HK\$'000
	Sportswear Manufacturing HK\$'000	High-end Functional Outerwear Manufacturing HK\$'000				
Total assets						
30 June 2020	2,045,753	437,673	1,361,249	30,438	98,300	3,973,413
31 December 2019	2,058,851	451,485	1,630,778	107,096	95,715	4,343,925
Total liabilities						
30 June 2020	1,052,409	232,058	702,202	18,387	87,048	2,092,104
31 December 2019	982,068	246,230	889,586	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:

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Mainland China	761,334	895,744
Europe	532,970	480,059
United States	258,809	388,018
Other Asian countries	233,839	214,075
Hong Kong	98,271	176,531
Canada	15,167	50,780
Others	62,310	60,085
	1,962,700	2,265,292

5 Segment information (Continued)

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

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Mainland China	480,275	601,938
Hong Kong	425,477	546,218
Vietnam	260,000	286,170
Cambodia	210,530	221,286
Others	20,218	28,326
	1,396,500	1,683,938

6 Property, plant and equipment

	HK\$'000
For the six months ended 30 June 2020	
Opening net book amount	1,330,091
Additions	42,861
Disposals	(31,237)
Lease modification	(27,387)
Depreciation and amortisation	(163,156)
Impairment	(48,873)
Currency translation differences	(8,413)
Closing net book amount	1,093,886

As at 30 June 2020, certain land and properties with an aggregate carrying amount of HK\$57,526,000 (31 December 2019: HK\$59,189,000) were pledged for certain banking facilities (Note 12).

7 Intangible assets

	Customer				Total HK\$'000
	Goodwill HK\$'000	Know-how HK\$'000	relationship HK\$'000	Trademarks HK\$'000	
For the six months ended 30 June 2020					
Opening net book amount	200,094	21,858	17,216	9,660	248,828
Amortisation	—	(1,874)	(1,065)	(349)	(3,288)
Impairment	—	(19,984)	—	—	(19,984)
Closing net book amount	200,094	—	16,151	9,311	225,556

8 Trade and bills receivable

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade receivables		
– from third parties	528,272	625,308
– from related parties (Note 18(b))	6,621	6,682
Bills receivable	3,426	7,145
	538,319	639,135
Less: impairment of trade receivables	(8,212)	(1,611)
Financial assets measured at amortised cost	530,107	637,524

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

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
0–90 days	517,284	629,006
91–180 days	9,390	661
181–365 days	3,849	2,428
Over 365 days	7,796	7,040
	538,319	639,135

The carrying values of trade and bills receivable approximate their fair values due to their short term maturities.

As at 30 June 2020 and 31 December 2019, there was one single group of customer with an aggregated outstanding balance which exceeded 10% of the Group's total trade and bills receivable from third parties. The aggregated balances due from this single group of customer accounted for approximately 57% (31 December 2019: 49%) of the Group's total trade and bills receivable from third parties. Other than this single group of customer, there was no other significant concentration of credit risk with respect to trade and bills receivable.

9 Other receivables and financial assets

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Non-current		
Rental, utility and other deposits	45,502	42,927
Rental deposit to a related party (Note 18(c))	433	441
Receivables from a landlord (Note)	—	2,730
	45,935	46,098
Financial assets measured at amortised cost	45,935	46,098
Deposits for plant and equipment	12,162	39,990
Financial assets at fair value through other comprehensive income	3,596	3,950
	61,693	90,038
Current		
Rental, utility and other deposits	48,554	68,519
Other receivables from customers and suppliers	16,141	11,051
Receivables from related parties (Note 18(c))	13,983	37,204
Receivables from a landlord (Note)	5,460	8,190
Government grant receivable	—	18,643
Sundry receivables	7,413	10,165
	91,551	153,772
Financial assets measured at amortised cost	91,551	153,772
Value-added tax recoverable	30,709	34,364
Prepayments for inventories	15,738	15,144
Prepayments for operating expenses	11,474	12,643
	149,472	215,923
	211,165	305,961

Note: Amounts represented receivables from a landlord in Vietnam which are repayable semi-annually, unsecured, interest-bearing at 5% (31 December 2019: 5%) per annum and denominated in United States Dollars.

10 Trade and bills payable

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade payables		
– to third parties	244,011	245,503
– to related parties (<i>Note 18(b)</i>)	5,830	6,340
Bills payable	500	405
Financial liabilities measured at amortised cost	250,341	252,248

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

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
0–90 days	221,227	246,538
91–180 days	26,063	2,783
181–365 days	498	1
Over 365 days	2,553	2,926
	250,341	252,248

11 Accruals and other payables

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Non-current		
Payable for acquisition of remaining interest from non-controlling interest of a subsidiary	1,645	1,645
Financial liabilities measured at amortised costs	1,645	1,645
Deferred income	13,712	23,944
Provision for re-instatement of leased assets	12,730	13,344
	28,087	38,933
Current		
Accruals for employee benefit costs	127,550	151,905
Deposits received	52,451	56,056
Accruals for other operating expenses	42,750	52,380
Payables for purchases of property, plant and equipment	28,990	31,609
Other taxes payable	21,486	8,640
Payables to related parties (Note 18(d))	4,870	4,900
Payables for acquisition of remaining interests from non-controlling interests of subsidiaries	1,167	23,167
Consideration payable for acquisition of subsidiaries	—	42,578
Others	11,791	12,478
Financial liabilities measured at amortised costs	291,055	383,713
Deferred income	20,837	21,694
Contract liabilities	10,958	3,786
Provision for re-instatement of leased assets	4,143	5,179
	326,993	414,372
	355,080	453,305

12 Borrowings

The interest-bearing bank borrowings are repayable as follows:

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within 1 year or on demand	951,132	874,876
After 1 year but within 2 years	51,424	45,000
After 2 years but within 5 years	90,008	101,250
	141,432	146,250
	1,092,564	1,021,126

The Group's borrowings were carried at amortised cost. As at 30 June 2020 and 31 December 2019, the Group's borrowings were secured by certain land and properties of the Group and/or corporate guarantees given by the Company and/or personal guarantees given by certain related parties.

Certain of the Group's bank borrowing facilities are subject to fulfillment of financial covenants as required by the banks. Before the end of the reporting period, the Group has timely informed two relevant banks that one of the undertaking requirements, that is the amount of tangible net worth as set out in the banking facility agreements, may not be fulfilled in the near future and therefore applied waivers from the relevant banks. The banks have principally agreed with the waivers upon the applications before the end of the reporting period and the Group has finally obtained the waivers in written letter format subsequent to 30 June 2020 and before the date of this condensed interim financial information. The bank borrowings under waiver processes amounting to HK\$130.7 million in aggregate as at 30 June 2020 were for trading purpose and short term in nature, that are insignificant to the Group's operation and accounted for 12% of the Group's bank borrowing as at 30 June 2020.

13 Other net (expenses)/income

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Impairment of assets of e.dye Business (Note)	(73,833)	—
Net exchange losses	(1,176)	(740)
Rental income	735	663
Gain/(loss) on disposal of property, plant and equipment, net	4,155	(3,050)
Gain on disposal and liquidation of subsidiaries, net	—	23,420
Others	5,805	(6,336)
	(64,314)	13,957

Note: e.dye Business possesses an innovative textile technology for waterless fabric dyeing. The outlook and pipeline orders of e.dye Business have been deteriorating since the global outbreak of COVID-19 in late March 2020. The crisis has changed the mindset of our major existing and potential customers. Given the uncertainties of global economy, they tend 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 became pessimistic.

As such, impairment losses have been recognised for e.dye Business for the six months ended 30 June 2020. Details are as follow:

	Note	HK\$'000
Property, plant and equipment	(a)	12,984
Intangible assets — know-how	(a)	19,984
Trade and bills receivables	(b)	6,641
Other receivables	(b)	22,587
Inventories	(c)	11,637
		73,833

As at 30 June 2020, the Group's management assessed the impairment losses and provisions for e.dye Business as a separate group of cash generating unit by comparing its value in use and fair value less costs of disposal based on the following estimates:

- (a) As e.dye Business will be divested and there was no identified alternative usage for the property, plant and equipment and intangible assets, the fair value of these assets less costs of disposal was assessed in determining the recoverable amounts.
- (b) The amount of impairment loss of the trade and other receivables is measured as the difference between the carrying amount and the present value of estimated discounted future cash flows.
- (c) The amount of provision for inventories are the estimated selling price with committed sales orders on hand less estimated costs of completion and selling expenses.

14 Finance costs – net

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Finance income		
– Interest income from bank deposits and receivables from a landlord	767	1,237
– Others	278	553
	1,045	1,790
Finance cost		
– Interest on bank borrowings	(16,031)	(12,252)
– Interest on lease liabilities	(7,960)	(9,844)
Less: interest expenses capitalised	–	723
	(23,991)	(21,373)
	(22,946)	(19,583)

15 Income tax expense

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax		
– Mainland China	7,233	38,705
– Hong Kong	2,001	1,936
– Overseas	405	914
– Under provision in prior years	6	523
Deferred tax	(9,023)	(15,101)
	622	26,977

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 profit 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 period at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

16 (Loss)/earnings per share

	Six months ended 30 June	
	2020 '000	2019 '000
Weighted average number of ordinary shares in issue	1,284,400	1,284,400
Adjustment for share option	—	71
Weighted average number of ordinary shares for diluted (loss)/earnings per share	1,284,400	1,284,471

	Six months ended 30 June	
	2020	2019
(Loss)/earnings per share (<i>HK cents</i>)		
Basic	(12.9)	2.2
Diluted	(12.9)	2.2

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 in issue during the period.

The diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes are the only dilutive potential ordinary shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options which have dilutive effect. The diluted loss per share for the six months ended 30 June 2020 is the same as the basic loss per share as the potential ordinary shares arising from the share options granted by the Company outstanding do not have dilutive effect.

17 Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: interim dividend of HK1.0 cent per share, amounting to HK\$12,844,000).

18 Related party transactions

The Group is controlled by Quinta Asia Limited (“**Quinta**”) (the immediate holding company), a company incorporated in the British Virgins Islands, which owns approximately 57.91% of the Company’s shares as at 30 June 2020. The Company’s directors regard Quinta as being the ultimate controlling party.

Apart from those disclosed elsewhere in this condensed interim financial information, the following significant transactions were carried out with related parties:

(a) Transactions with related parties

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Sales of goods		
Entities controlled by non-controlling interests of subsidiaries	266	569
Purchases of goods and services		
Major shareholder of an associate of the Group	10,829	51,414
Entities controlled by non-controlling interests of subsidiaries	111	1,652
	10,940	53,066
Interest income		
Non-controlling interest of a subsidiary	205	201
Entity controlled by non-controlling interest of a subsidiary	72	352
	277	553
Lease expenses		
An associate of the Group	996	218

Goods and services are sold/purchased at prices mutually agreed by both parties.

Interest income from related parties are charged at prevailing market rates.

Lease expenses are recognised based on monthly rental charge mutually agreed by both parties.

18 Related party transactions (Continued)**(b) Period/year-end balances arising from sales/purchases of goods and services**

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Included in trade receivables		
Entities controlled by non-controlling interests of subsidiaries (Note 8)	6,621	6,682
Less: impairment of trade receivables	(6,605)	—
	16	6,682
Included in trade payables (Note 10)		
Major shareholder of an associate of the Group	5,830	6,327
Entities controlled by non-controlling interests of subsidiaries	—	13
	5,830	6,340

All amounts are unsecured, interest-free and payable within normal trade credit terms.

(c) Amounts due from related parties

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Included in other receivables (Note 9)		
Receivables from non-controlling interest of a subsidiary	13,983	13,558
Rental deposit to an associate of the Group	433	441
Receivables from an entity controlled by non-controlling interest of a subsidiary	—	23,646
	14,416	37,645

The receivables from non-controlling interest of a subsidiary are secured by a property held by non-controlling interest of a subsidiary, interest-bearing at floating rates that are market dependent and repayable on demand.

Rental deposit will be refunded at the end of the lease term.

18 Related party transactions (Continued)**(d) Amounts due to related parties**

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Included in accruals and other payables (Note 11)		
Loans from non-controlling interests of subsidiaries	4,870	4,900

All amounts are unsecured, interest-free and repayable on demand.

(e) Key management compensation

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Salaries, bonus and allowances	8,653	9,803
Share-based compensation in respect of share options	87	261
Retirement benefits schemes	36	45
	8,776	10,109

19 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet provided for is as follows:

	As at	
	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Capital injection in subsidiaries	140,921	154,760
Property, plant and equipment	8,744	19,603

(b) Lease commitments

At 30 June 2020, the total future lease payments for leases committed but not yet commenced in relation to leased properties are HK\$7,022,000 (31 December 2019: HK\$19,073,000).

20 Non-adjusting event after the reporting period

The outlook and pipeline orders of e.dye Business have been deteriorating since the global outbreak of COVID-19 in late March 2020. The crisis has changed the mindset of our major existing and potential customers. Given the uncertainties of global economy, they tend 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 became pessimistic.

As part of the cost reduction initiatives, the Group has re-assessed its strategic investments and decided to divest e.dye Business after a comprehensive review. It is considered that e.dye Business, being a non-core business operation of the Group, has been underperforming for a number of years and the outlook is gloomy, hence triggering the Group's decision in discontinuing this investment in order to stop further losses and for better deployment of the Group's resources. There is a high urgency that the Group needs to stop the cash burn of e.dye Business immediately given we need to reserve cash resources for our other core businesses which will still face strong headwind in the near future.

We endeavored to search for investors to acquire the Group's equity interest of e.dye Business but all in vain. The investors have become more conservative and they are reluctant to invest in this innovative technology after the global outbreak of COVID-19. Without further funding from the Group, e.dye Business will go into bankrupt and the Group will be obliged to bear huge amount of compensation of staff, liquidation expenses as well as prolonged legal claims. It means the Group needs to spend further funding and time resources for the bankruptcy process with no return. Meanwhile, we have also discussed with one of other shareholders of e.dye Business, Mr. Yang Chou-Fu ("**Mr. Yang**"), and he was willing to take the risk to continue to fund and operate the business given that the Group gives up our equity interest to him. This is the only feasible option for us to stop our loss and cash burn immediately though it means a total impairment of our investment.

As such, subsequent to the end of the reporting period, the 51% equity interest of e.dye Business which represents all the interest held by the Group was sold to Mr. Yang at HK\$1 and the shareholder's loan from the Group was waived upon disposal on 20 August 2020. The total impact of impairment and disposal loss to loss attributable to equity holders of the Company, which includes the impairment loss incurred for the six months ended 30 June 2020 amounting to HK\$73.8 million, for the full year ending 31 December 2020 is estimated to be approximately HK\$133.8 million. No adjustment has been made in this condensed interim financial information in this regard.

DIRECTORS' DISCLOSURE OF INTERESTS

As at 30 June 2020, the interests and short positions of the Directors and chief executive(s) of the Company (if any) in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in Appendix 10 to the Listing Rules, were as follows:

(a) Long positions in the Shares/underlying shares of the Company

<u>Name of Directors</u>	<u>Capacity</u>	<u>Number of Shares/ underlying shares</u>	<u>Percentage of interest in the Company*</u>
Mr. LI Kwok Tung Roy	Interests in a controlled corporation	743,769,967 ¹	57.91%
Mr. LAI Ching Ping	Beneficial owner	4,186,000	0.33%
Mr. LEE Kwok Leung	Beneficial owner	12,000,000 ²	0.93%
Mr. WONG Chi Keung	Beneficial owner	10,102,000 ³	0.79%

* The calculation of percentages is based on 1,284,400,000 Shares in issue as at 30 June 2020.

Notes:

1. Mr. LI Kwok Tung Roy holds 70% of the issued share capital of Quinta Asia Limited (“Quinta”). Mr. LI Kwok Tung Roy has a controlling interest in Quinta and is therefore deemed to be interested in Quinta’s interest in the Company for the purposes of the SFO.
2. Mr. LEE Kwok Leung is interested as a grantee of options to subscribe for up to 12,000,000 Shares under the Share Option Scheme.
3. Mr. WONG Chi Keung held 102,000 Shares and is interested as a grantee of options to subscribe for up to 10,000,000 Shares under the Share Option Scheme.

(b) Long positions in the shares of associated corporation of the Company (as defined in the SFO)

Name of directors	Associated corporation	Capacity	Number of shares	Percentage of interest in associated corporation
Mr. LI Kwok Tung Roy	Quinta	Beneficial owner	7	70%
Mr. LAI Ching Ping	Quinta	Beneficial owner	3	30%

Save as disclosed above, as at 30 June 2020, none of the Directors, chief executive(s) or any of their respective associates had any interest or short position, whether beneficial or non-beneficial, in the shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, as far as the Directors were aware, the following persons (other than the Directors or chief executive(s) of the Company) had interests or short positions in the Shares or underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO.

Name	Capacity	Number of Shares			Percentage of interest in the Company*
		Long position	Short position	Lending pool	
Quinta	Beneficial owner	743,769,967	—	—	57.91%
Mr. Webb David Michael	Beneficial owner/ interests in a controlled corporation	67,714,000 (Note)	—	—	5.27%

* The calculation of percentages is based on 1,284,400,000 Shares in issue as at 30 June 2020.

Note: Mr. Webb David Michael was the beneficial owner of 25,618,659 Shares and was interested in 42,095,341 Shares through Preferable Situation Assets Limited which is 100% held by him.

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any person (other than the Directors or chief executive(s) of the Company) who had interests or short position in the Shares and underlying shares of the Company which were recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME AND NEW SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders passed on 8 August 2006, the Company has established a share option scheme (“**Share Option Scheme**”) whereby the Board may, at their discretion, invite any directors, employees, consultants, professionals, customers, suppliers, agents, partners or advisers of or contractors to the Group (subject to the eligibility requirements as set out therein). The total number of Shares available for issue under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the Listing Date unless further Shareholders’ approval has been obtained. In addition, the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme and any other schemes adopted by the Group shall not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme or any other schemes adopted by the Group if the grant of such option will result in the limit being exceeded. The total number of Shares issued and to be issued upon the exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 months’ period up to the date of grant to a substantial Shareholder or an independent non-executive director or their associates would not exceed 0.1% of the shares in issue or an aggregate value of HK\$5,000,000 unless further Shareholders’ approval has been obtained; and to each other eligible person would not exceed 1% of the Shares in issue.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that eligible participants have made or may make to the Group. It also provides the eligible participants with an opportunity to acquire proprietary interests in the Company with a view to (a) motivate the eligible participants to optimise the performance and efficiency for the benefit of the Group; and (b) attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

The Share Option Scheme has expired on 5 September 2016. In order to continue to provide the eligible participants, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long-term success of the business of the Group, the Board has sought and obtained approval of the Shareholders for the adoption of a new share option scheme (“**New Share Option Scheme**”) at the annual general meeting of the Company on 16 June 2016. The New Share Option Scheme adopted became effective from 20 June 2016 and will remain in force for a period of 10 years.

Under the New Share Option Scheme, the Board may, at their discretion, grant share options to eligible participants including any directors, employees or partners of the Group. The offer shall remain open for acceptance by the eligible participants for a period of not less than three business days from the date of offer and the Board may, at its discretion, specify the minimum period for which an option must be held before it can be exercised at the time of grant. A non-refundable consideration of HK\$10 shall be paid by each grantee on acceptance of the options. The exercise price is to be determined by the Board, and will not be less than the highest of (i) the closing price of the Company’s shares on the date of grant; (ii) the average closing price of the Company’s shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s share. The total number of Shares which may be issued under the New Share Option Scheme must not exceed 128,440,000 shares, representing 10% of the issued share capital of the Company as at the date of this interim report. Other major terms of the New Share Option Scheme are substantially similar to those under the Share Option Scheme.

Upon the expiry of the Share Option Scheme, no share options can be further granted thereunder, whereas outstanding share options under the Share Option Scheme remain valid.

Other Information (Continued)

Movements of the options under the Share Option Scheme for the six months ended 30 June 2020 are as follows:

Grantee	Date of grant	Exercise price per Share HK\$	Exercise period	Number of options under the Share Option Scheme			
				As at 01/01/2020	Exercised during the period	Lapsed/ cancelled during the period	As at 30/06/2020
Mr. LEE Kwok Leung <i>Executive Director</i>	16/07/2014	0.946	16/07/2015–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2016–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2017–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2018–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2019–15/07/2024	2,400,000	–	–	2,400,000
				12,000,000	–	–	12,000,000
Mr. WONG Chi Keung <i>Executive Director</i>	22/12/2015	1.562	22/12/2016–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2017–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2018–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2019–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2020–21/12/2025	2,000,000	–	–	2,000,000
				10,000,000	–	–	10,000,000
An employee	16/07/2014	0.946	16/07/2016–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2017–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2018–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2019–15/07/2024	1,000,000	–	–	1,000,000
				4,000,000	–	–	4,000,000
An employee	09/01/2014	1.010	09/01/2015–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2016–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2017–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2018–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2019–08/01/2024	1,000,000	–	–	1,000,000
				5,000,000	–	–	5,000,000
Total				31,000,000	–	–	31,000,000

No option has been granted under the New Share Option Scheme by 30 June 2020.

AUDIT COMMITTEE

The Company established the Audit Committee on 18 April 2006 with written terms of reference which were in compliance with the Listing Rules. The primary duties of the Audit Committee include reviewing, overseeing and supervision of the effectiveness of our financial reporting processes, internal control systems and risk management. The Audit Committee is also responsible for developing and reviewing the Company's policies and practices on corporate governance and reviewing the Company's compliance with the Corporate Governance Code as required under the Listing Rules. The Audit Committee shall comprise at least three members with the majority being independent non-executive Directors.

Currently, Mr. KWAN Kai Cheong, Dr. CHAN Kwong Fai, Mr. MA Ka Chun and Mr. CHAN Ka Kui, all being independent non-executive Directors, are members of the Audit Committee with Mr. KWAN Kai Cheong acting as the chairman.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 18 April 2006 with written terms of reference which were in compliance with the Listing Rules. The primary duties of the Remuneration Committee include making recommendations to the Board on the policy and structure of all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee shall comprise a majority of independent non-executive Directors.

The Remuneration Committee has three members comprising Mr. LI Kwok Tung Roy and our independent non-executive Directors, Mr. KWAN Kai Cheong and Dr. CHAN Kwong Fai. The chairman of the Remuneration Committee is Dr. CHAN Kwong Fai.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 18 April 2006 with written terms of reference which were in compliance with the Listing Rules. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the Board succession. It carries out the process of selecting and recommending candidates for directorship with reference to the selection guidelines which include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills. The Nomination Committee also considers referrals and engagement of external recruitment professionals when necessary and makes recommendations to the Board for selection and approval. The Nomination Committee shall comprise a majority of independent non-executive Directors.

The Nomination Committee has four members comprising Mr. LI Kwok Tung Roy and our independent non-executive Directors, Mr. MA Ka Chun, Dr. CHAN Kwong Fai and Mr. CHAN Ka Kui. The chairman of the Nomination Committee is Mr. MA Ka Chun.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 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. 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 2020.

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 2020.

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 2020.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has discussed with the management of the Company the internal control and financial reporting matters related to the preparation of the unaudited condensed interim financial information for the six months ended 30 June 2020. It has also reviewed the unaudited condensed interim financial information for the six months ended 30 June 2020 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 2020 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.

ACKNOWLEDGEMENT

Finally, I would like to express my most sincere gratitude to our Directors, and the whole team for their consistent hard work, commitment and invaluable contributions to the Group. I would like to thank our clients, shareholders and business partners for their enduring support. We are well positioned to deal with challenges, expand on our capabilities and capture the opportunities ahead.

By Order of the Board
Win Hanverky Holdings Limited

LI Kwok Tung Roy
Chairman

Hong Kong, 27 August 2020

Glossary

In this interim report, unless the context states otherwise, the following expression have the following meanings:

“Board”	the board of Directors of the Company
“Company”	Win Hanverky Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 13 December 2005
“Director(s)”	the director(s) of the Company
“Group” or “we” or “our” or “us”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region in Mainland China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mainland China”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“OEM”	acronym for original equipment manufacturing, a business that manufactures or purchases from other manufacturers and possibly modifies goods or equipment for branding and resale by others
“RMB”	Renminbi, the lawful currency of Mainland China
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	Shareholder of the Company
“Sport Field Group”	Sport Field Limited, a non-wholly owned subsidiary of the Company, and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“US”	the United States of America



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