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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)**

### **REDUCTION IN LOSS AND BUSINESS UPDATE**

This announcement is made by Win Hanverky Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company and potential investors that based on the information currently available and the unaudited consolidated management accounts of the Group for the year ended 31 December 2021 (the “**Current Year**”), the Group is expected to record loss after taxation of approximately HK\$70 million for the Current Year as compared to loss after taxation of HK\$189 million in 2020 (the “**Prior Year**”). Such reduction in loss was mainly attributable to the absence of loss arising from discontinued operations — e.dye Business in the Current Year (2020: loss of HK\$105 million) as the Group had divested and discontinued e.dye Business during the Prior Year.

### **BUSINESS UPDATE**

The impact of COVID-19 pandemic (“**COVID-19**”) is complex, 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, in particular, in the second half of 2021.

Despite the ongoing pandemic of COVID-19 has continued to make the operating environment extremely difficult and unpredictable, the Group recorded a mild increase in revenue from continuing operations by approximately HK\$116 million

or 3% to HK\$4,137 million (2020: HK\$4,021 million) and an increase in gross profit by approximately HK\$20 million or 2% to HK\$985 million (2020: HK\$965 million). The Group's Manufacturing Business and High-end Fashion Retailing Business remain stable under the challenging operating environment.

Following the COVID-19 containment measures imposed by the local authorities and for the benefit of the well-being and safety of the Group's employees, the productions of the Group's factories in Vietnam and Cambodia had been temporarily suspended during the Current Year. In particular, the factories in Vietnam, which contributed 33.6% of the Group's total revenue and 48.5% of the revenue from the Group's Manufacturing Business for the Prior Year, had been suspended from mid July to early October 2021 as disclosed in the announcements of the Company during the corresponding periods. The total operating loss resulting from the temporary production suspensions of the Group's factories in Vietnam and Cambodia was approximately HK\$116 million for the Current Year.

After a tough suspension period, the production capacities of the Vietnam factories had already been resumed to normal in November 2021. Our long-standing well-established relationships with existing internationally renowned customers have secured us in a well position on facing the complex environment and the customers have honoured the orders already placed without significant cancellation nor reduction. In addition, the better vaccine position in the respective countries where our production facilities are situated will protect themselves from imposing further lockdown.

### **Manufacturing Business**

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

#### ***Sportswear Manufacturing Business***

Revenue from Sportswear Manufacturing Business increased by approximately HK\$23 million to HK\$2,413 million (2020: HK\$2,390 million), representing an increase of 1%. The increase was mainly due to the increased orders received from customers, in particular, demand from the United States market recovered from a significant decline in 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. However, a number of orders from customers could not be fulfilled as the productions of the Vietnam factories had been temporarily suspended and raw material supplies were disrupted due to COVID-19 in the second half of 2021. Having said that, no significant order cancellation nor reduction was noted and the orders would be fulfilled by the Vietnam factories from late 2021 to early 2022.

An operating profit of HK\$29 million was reported in the first half of 2021 and an operating loss of approximately HK\$88 million was incurred in the second half of 2021, resulting in an overall operating loss of approximately HK\$59 million for the Current Year (2020: loss of HK\$60 million). The significant change in the second half of 2021 was due to the outbreak of COVID-19 variants in South East Asian countries while the productions of the factories in Vietnam had been temporarily suspended as well as the raw material supplies were severely affected which dampened the recovery path in the second half of 2021.

### ***High-end Functional Outerwear Manufacturing Business***

Revenue from High-end Functional Outerwear Manufacturing Business increased by approximately HK\$124 million to HK\$515 million (2020: HK\$391 million), representing an increase of 32%. It was mainly attributable to the significant growth of orders received from domestic customers since the successful business development in the Mainland China market whereas a number of orders from European customers could not be fulfilled as the productions of Vietnam factories had been temporarily suspended and raw material supplies were disrupted due to COVID-19 in the second half of 2021. Nonetheless, no significant order cancellation nor reduction was noted and the orders would be fulfilled by the Vietnam factories from late 2021 to early 2022.

An operating loss of HK\$18 million was incurred in the first half of 2021 and an operating profit of approximately HK\$13 million had been achieved in the second half of 2021, resulting in an overall operating loss of approximately HK\$5 million for the Current Year (2020: loss of HK\$9 million). It was mainly attributable to the gross profit brought in by the increased revenue from the Mainland China market and partially offset by the temporarily suspension of productions of the factories in Vietnam.

### **High-end Fashion Retailing Business**

Revenue from High-end Fashion Retailing Business decreased by approximately HK\$31 million to HK\$1,209 million (2020: HK\$1,240 million), representing a decrease of 3%. Although the revenue growth momentum had been picked up in the first half of 2021, it was adversely affected by the new wave of COVID-19 variants that struck a handful of cities in the Mainland China since late July 2021. As such, revenue from High-end Fashion Retailing Business decreased from HK\$645 million in the first half of 2021 to HK\$564 million in the second half of 2021.

An operating profit of HK\$38 million was reported in the first half of 2021 and an operating loss of approximately HK\$19 million was incurred in the second half of 2021, resulting in an overall operating profit of approximately HK\$19 million for the Current Year (2020: profit of HK\$22 million). It was mainly attributable to the decrease of revenue as mentioned above and decrease of gross profit margin of High-end Fashion Retailing Business resulting from the higher retail discounts offered to motivate customer spending.

## FINANCIAL POSITION AND LIQUIDITY

The unprecedented pandemic of COVID-19 that is raging worldwide has made the operating environment extremely difficult. In view of the challenges and uncertainties ahead arising from another 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 in a healthy liquidity position. As at 31 December 2021, the Group had cash and bank balances of approximately HK\$416 million (2020: HK\$695 million) and net borrowings (bank borrowings and loans from non-controlling interests of subsidiaries less cash and bank balances) of approximately HK\$531 million (2020: HK\$202 million), together with available undrawn banking facilities of approximately HK\$457 million (2020: HK\$693 million). The net change was mainly attributable to net loss incurred in the second half of 2021 and raw material purchases for production resumption in order to fulfil the orders honoured by the customers under Manufacturing Business. The net gearing ratio (being net borrowings divided by total equity) as at 31 December 2021 was approximately 27% (2020: 10%).

The information contained in this announcement is only a preliminary assessment by the management of the Company based on the consolidated management accounts of the Group which have not yet been audited or reviewed by the auditor and audit committee of the Company. The shareholders of the Company and potential investors are advised to refer to the details in the annual results announcement of the Company for the year ended 31 December 2021, which is expected to be published by the end of March 2022. There may be changes or adjustments following the review of the consolidated management accounts by the auditor and audit committee of the Company.

**The shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board  
**Win Hanverky Holdings Limited**  
**Li Kwok Tung Roy**  
*Chairman*

Hong Kong, 18 February 2022

*As at the date of this announcement, the Board comprises Mr. Li Kwok Tung Roy, Mr. Lai Ching Ping, Mr. Lee Kwok Leung, Mr. Wong Chi Keung being the executive directors, and Mr. Kwan Kai Cheong, Mr. Ma Ka Chun and Mr. Chan Ka Kui being the independent non-executive directors.*