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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS	2021	2020	Change
	HK\$'000	HK\$'000	%
Continuing operations			
Revenue	4,136,603	4,021,402	+2.9%
Gross profit	998,991	964,901	+3.5%
Gross profit margin	24.2%	24.0%	+0.2% pt
Operating loss	(50,877)	(47,068)	+8.1%
Loss for the year			
— Continuing operations	(69,634)	(83,785)	
— Discontinued operations	—	(104,728)	
	(69,634)	(188,513)	-63.1%
Basic loss per share (<i>HK cents</i>)	(5.2)	(18.2)	-71.4%
OPERATIONAL HIGHLIGHTS			
— Revenue from continuing operations increased by 2.9% despite that the ongoing widespread of COVID-19 has continued to make the operating environment extremely difficult and unpredictable.			
— Despite operating profit of HK\$49.3 million was generated in the first half of 2021, the Group has been adversely affected by the new wave of COVID-19 variants and inevitably incurred operating loss of HK\$100.2 million in the second half of 2021, resulting in an overall operating loss of HK\$50.9 million (2020: loss of HK\$47.1 million).			
— As part of the cost reduction initiatives, e.dye Business, which had been regarded as discontinued operations, was disposed of in August 2020 and no further loss was incurred in 2021 (2020: loss of HK\$104.7 million). As a result, loss after taxation was HK\$69.6 million (2020: loss of HK\$188.5 million).			
— The Board considers to conserve financial resources and does not recommend the payment of dividend in order to prepare for the volatile operating environment ahead. 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**”) presents the audited consolidated results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2021, together with the comparative amounts for 2020 and the relevant explanatory notes.

CHAIRMAN’S STATEMENT

Business and Financial Highlights

In 2021, the Group has experienced another challenging year. The ongoing impact of COVID-19 pandemic (“**COVID-19**”), especially the new wave of COVID-19 variants, is complex and severe, resulting in significant disruption to the operating environment, particularly in the second half of 2021.

Revenue of the Group from continuing operations amounted to HK\$4,136.6 million (2020: HK\$4,021.4 million), representing an increase of 2.9%, despite that the ongoing widespread of COVID-19 has continued to make the operating environment extremely difficult and unpredictable. Against this backdrop, the Group’s Manufacturing Business and High-end Fashion Retailing Business remained stable.

Manufacturing Business experienced another tough year though the issue changed from customer demand in 2020 to production supply in 2021. Sportswear Manufacturing Business was back on the right track as orders received from customers for the United States market regained a growth as demand was driven by the return of sports events, as well as increasing health awareness of the general public. However, a number of orders could not be fulfilled as the productions of our Vietnam factories had been temporarily suspended resulting from government-administrated lockdowns and raw material supplies were disrupted due to the new wave of COVID-19 variants in the second half of 2021. High-end Functional Outerwear Manufacturing Business was also affected by the temporary factory production suspension and raw material supplies disruption, but these were outweighed by the substantial progress of business development in the Mainland China market. Revenue from Manufacturing Business amounted to HK\$2,928.2 million (2020: HK\$2,781.6 million), representing an increase of 5.3%.

High-end Fashion Retailing Business was adversely affected by the new wave of COVID-19 variants that struck a handful of cities in Mainland China since late July 2021, despite the fact that revenue growth momentum picked up in the first half of 2021. Revenue from High-end Fashion Retailing Business amounted to HK\$1,208.4 million (2020: HK\$1,239.8 million), representing a decrease of 2.5%.

Gross profit margin of the Group from continuing operations remained stable at 24.2% (2020: 24.0%). Gross profit increased by HK\$34.1 million to HK\$999.0 million (2020: HK\$964.9 million), 3.5% higher than that of the preceding year.

As a result, despite that the Group has generated profit after taxation of HK\$27.3 million in the first half of 2021, it has been adversely affected by the new wave of COVID-19 variants and inevitably incurred loss after taxation of HK\$96.9 million in the second half of 2021. Therefore, the Group recorded an overall loss after taxation of HK\$69.6 million for the year ended 31 December 2021 (2020: loss of HK\$188.5 million).

Outlook

The global economic outlook is continuously clouded by the ongoing COVID-19 and mixed with the recent conflict between western countries and Russia. We foresee that the operating environment will be complex and surrounded by uncertainties.

Manufacturing Business experienced a tough suspension period in the second half of 2021 and the production capacities of the Vietnam factories had already been resumed to normal. 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. No significant order cancellation or reduction was noted and the orders would be fulfilled from late 2021 to early 2022. In addition, we have a strong order book on hand and customer demand has been robust. In light of the better vaccine position in the respective countries where our production facilities are situated, the governments will adopt “live with virus” policy and it is unlikely that they will impose further lockdown. New impetus will be brought in and we are cautiously optimistic about the business opportunities.

High-end Fashion Retailing Business will continue to focus on the Mainland China market, although the Chinese government has imposed new measures since mid March 2022 due to the latest wave of COVID-19 variants, it is considered that their measures will be highly effective to stop the spread. We estimate that the impact to the retail stores in Mainland China will be short and temporary.

Notwithstanding the uncertainties facing ahead, we remain confident in the Group’s prospects and optimistic about the business opportunities in the long term. We will closely monitor the developments of the dynamic environment in order to achieve sustainable growth of our diversified businesses.

Dividends

The Board considers to conserve our financial resources and does not recommend the payment of dividend in order to prepare for the volatile operating environment ahead. We will continue to monitor the market situation and review our dividend payout from time to time.

Acknowledgement

Finally, I would like to thank our Directors and the whole team for their dedication, ongoing commitment and perseverance. Once again, we have demonstrated resilience during the extremely difficult time. My gratitude also goes to our clients, shareholders and business partners for their continued confidence, full support and enduring trust.

LI Kwok Tung Roy
Chairman

Hong Kong, 24 March 2022

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<u>Continuing operations</u>			
Revenue	2	4,136,603	4,021,402
Cost of sales		<u>(3,137,612)</u>	<u>(3,056,501)</u>
Gross profit		998,991	964,901
Selling and distribution costs		(615,055)	(613,952)
General and administrative expenses		(439,398)	(431,226)
Other net income	3	<u>4,585</u>	<u>33,209</u>
Operating loss		(50,877)	(47,068)
Finance costs — net	4	(32,074)	(36,119)
Share of profits of associates		<u>312</u>	<u>756</u>
Loss before income tax		(82,639)	(82,431)
Income tax credit/(expense)	5	<u>13,005</u>	<u>(1,354)</u>
Loss from continuing operations		(69,634)	(83,785)
<u>Discontinued operations</u>			
Loss from discontinued operations	10	<u>—</u>	<u>(104,728)</u>
Loss for the year		<u>(69,634)</u>	<u>(188,513)</u>
(Loss)/profit for the year attributable to:			
Equity holders of the Company			
— Continuing operations		(66,416)	(84,669)
— Discontinued operations		<u>—</u>	<u>(149,152)</u>
		(66,416)	(233,821)
Non-controlling interests		<u>(3,218)</u>	<u>45,308</u>
		<u>(69,634)</u>	<u>(188,513)</u>
Loss per share (basic and diluted) attributable to:			
(expressed in HK cents per share)	6		
— Equity holders of the Company from continuing operations		(5.2)	(6.6)
— Equity holders of the Company		<u>(5.2)</u>	<u>(18.2)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	HK\$'000	HK\$'000
Loss for the year	(69,634)	(188,513)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	43,841	57,845
Share of other comprehensive income of associates	98	241
<i>Item that has been reclassified to profit or loss</i>		
Realisation of accumulated exchange differences upon disposal of subsidiaries	—	995
<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	—	(3,950)
Total comprehensive income for the year	(25,695)	(133,382)
Total comprehensive income for the year attributable to:		
Equity holders of the Company		
— Continuing operations	(23,805)	(32,263)
— Discontinued operations	—	(148,486)
	(23,805)	(180,749)
Non-controlling interests	(1,890)	47,367
	(25,695)	(133,382)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,056,014	1,030,022
Intangible assets		221,314	224,142
Investments in associates		15,274	14,864
Other receivables and financial assets		49,296	59,326
Deferred tax assets		115,075	92,875
Pledged bank deposit		—	1,189
		<u>1,456,973</u>	<u>1,422,418</u>
Current assets			
Inventories		1,344,515	1,105,582
Trade and bills receivable	7	547,797	449,942
Other receivables and financial assets		175,773	144,568
Current tax recoverables		3,156	1,432
Pledged bank deposit		1,224	—
Cash and bank balances		415,819	695,088
		<u>2,488,284</u>	<u>2,396,612</u>
Current liabilities			
Trade and bills payable	8	332,282	257,525
Accruals and other payables		319,314	328,753
Borrowings	9	942,216	889,244
Lease liabilities		112,830	141,598
Current tax liabilities		74,366	79,461
		<u>1,781,008</u>	<u>1,696,581</u>
Non-current liabilities			
Other payables		16,433	20,554
Lease liabilities		197,712	125,813
Deferred tax liabilities		7,453	7,736
		<u>221,598</u>	<u>154,103</u>
Net assets		<u>1,942,651</u>	<u>1,968,346</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Equity attributable to equity holders of the Company		
Share capital	128,440	128,440
Reserves	<u>1,830,655</u>	<u>1,844,369</u>
	1,959,095	1,972,809
Non-controlling interests	<u>(16,444)</u>	<u>(4,463)</u>
Total equity	<u><u>1,942,651</u></u>	<u><u>1,968,346</u></u>

NOTES:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results 2021 does not constitute the Group's statutory annual consolidated financial statements for those years but is derived from those financial statements.

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

The consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 consolidated financial statements. 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, amendment or interpretation that is not yet effective for the current reporting period. The Group is in the process of making an assessment of what the impact of those developments is expected to be in the period of initial adoption. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

2. SEGMENT INFORMATION

The chief operating decision-maker has been identified collectively as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources and report segment performance based on internal reporting.

The executive directors review the performance of the Group mainly from a business operation perspective. The major business segments of the Group for the year ended 31 December 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 2020 and regarded as discontinued operations (Note 10).

The executive directors assess the performance of the business segments based on a measure of operating results of each segment, which excludes net finance costs in the result for each operating segment. Other information provided to the executive directors is measured in a manner consistent with that in the consolidated financial statements.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Sales of goods	4,127,888	4,012,248
Provision of services	8,715	9,154
	<u>4,136,603</u>	<u>4,021,402</u>

For the year ended 31 December 2021, revenues of approximately HK\$2,120,556,000 (2020: HK\$2,029,451,000), representing 51.3% (2020: 50.5%) of the Group's total revenue from continuing operations, were derived from a single group of external customers. These revenues were attributable to the Manufacturing segment.

2. SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2021 are as follows:

	Manufacturing			Total <i>HK\$'000</i>
	Sportswear Manufacturing <i>HK\$'000</i>	High-end Functional Outerwear Manufacturing <i>HK\$'000</i>	High-end Fashion Retailing <i>HK\$'000</i>	
Total segment revenue	2,414,285	515,038	1,208,358	4,137,681
Inter-segment revenue	(1,078)	—	—	(1,078)
Revenue	2,413,207	515,038	1,208,358	4,136,603
Operating (loss)/profit and segment results	(60,003)	(4,287)	13,413	(50,877)
Finance costs — net				(32,074)
Share of profits of associates	312	—	—	312
Loss before income tax				(82,639)
Income tax credit				13,005
Loss for the year				(69,634)

Other segment items included in the consolidated income statement for the year ended 31 December 2021 are as follows:

Depreciation and amortisation of property, plant and equipment, and leased assets	102,045	13,069	160,827	275,941
Amortisation of intangible assets	—	2,130	698	2,828
Impairment of/(write-back of impairment), net:				
— property, plant and equipment, and leased assets	—	—	6,332	6,332
— trade receivables	—	(2,109)	—	(2,109)
(Gain)/loss on disposal of property, plant and equipment, and lease modifications, net	(1,201)	174	405	(622)
Provision/(write-back of provision) for inventories, net	39,190	6,053	(33,163)	12,080

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

2. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities are as follows:

	Manufacturing			Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Sportswear Manufacturing <i>HK\$'000</i>	High-end Functional Outerwear Manufacturing <i>HK\$'000</i>	High-end Fashion Retailing <i>HK\$'000</i>		
Total assets					
31 December 2021	2,069,552	488,475	1,268,999	118,231	3,945,257
31 December 2020	2,020,097	383,877	1,320,749	94,307	3,819,030
Total liabilities					
31 December 2021	1,032,808	279,605	608,374	81,819	2,002,606
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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Mainland China	1,790,829	1,705,233
Europe	904,868	963,179
United States	614,612	499,823
Other Asian countries	506,289	531,412
Hong Kong	165,218	194,408
Canada	38,429	35,216
Others	116,358	92,131
	4,136,603	4,021,402

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	476,985	490,745
Hong Kong	401,366	391,274
Vietnam	268,239	240,099
Cambodia	177,150	199,532
Others	18,158	7,893
	1,341,898	1,329,543

3. OTHER NET INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Government subsidies	4,390	6,471
Rental income	1,406	1,405
Gain on disposal of ancillary materials, net	1,056	1,077
Gain on disposal of property, plant and equipment, and lease modifications, net	622	6,740
Net exchange (loss)/gain	(3,944)	10,586
Others	1,055	6,930
	<u>4,585</u>	<u>33,209</u>

4. FINANCE COSTS — NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Finance income		
— Interest income from bank deposits and receivables from a landlord	1,015	1,635
— Interest income from discontinued operations	—	2,625
— Others	208	421
	<u>1,223</u>	<u>4,681</u>
Finance cost		
— Interest on lease liabilities	(16,764)	(14,057)
— Interest on bank borrowings	(16,533)	(26,743)
	<u>(33,297)</u>	<u>(40,800)</u>
	<u>(32,074)</u>	<u>(36,119)</u>

5. INCOME TAX (CREDIT)/EXPENSE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Current tax		
— Mainland China	4,773	19,536
— Hong Kong	2,427	2,292
— Overseas	1,679	916
— (Over)/under-provision in prior years	<u>(46)</u>	<u>524</u>
	8,833	23,268
Deferred tax	<u>(21,838)</u>	<u>(21,914)</u>
	<u><u>(13,005)</u></u>	<u><u>1,354</u></u>

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

6. LOSS PER SHARE

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

	2021	2020
Basic loss per share (<i>HK cents</i>)		
— Continuing operations	(5.2)	(6.6)
— Discontinued operations	<u>—</u>	<u>(11.6)</u>
	<u><u>(5.2)</u></u>	<u><u>(18.2)</u></u>
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to equity holders of the Company		
— Continuing operations	(66,416)	(84,669)
— Discontinued operations	<u>—</u>	<u>(149,152)</u>
	<u><u>(66,416)</u></u>	<u><u>(233,821)</u></u>

The diluted loss per share for the years ended 31 December 2021 and 2020 are 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.

7. TRADE AND BILLS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	547,726	449,067
Bills receivable	<u>3,413</u>	<u>6,241</u>
	551,139	455,308
Less: impairment of trade receivables	<u>(3,342)</u>	<u>(5,366)</u>
Financial assets measured at amortised cost	<u><u>547,797</u></u>	<u><u>449,942</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	535,779	434,860
91–180 days	10,089	9,814
181–365 days	1,036	6,272
Over 365 days	<u>4,235</u>	<u>4,362</u>
	<u><u>551,139</u></u>	<u><u>455,308</u></u>

8. TRADE AND BILLS PAYABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables		
— to third parties	313,674	242,256
— to a related party	15,229	13,322
Bills payable	<u>3,379</u>	<u>1,947</u>
Financial liabilities measured at amortised cost	<u><u>332,282</u></u>	<u><u>257,525</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	309,405	239,513
91–180 days	22,549	12,482
181–365 days	152	1,228
Over 365 days	<u>176</u>	<u>4,302</u>
	<u><u>332,282</u></u>	<u><u>257,525</u></u>

9. BORROWINGS

The interest-bearing bank borrowings are repayable as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year or on demand	<u><u>942,216</u></u>	<u><u>889,244</u></u>

As at 31 December 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 repayment as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	863,049	754,240
After 1 year but within 2 years	63,334	59,995
After 2 years but within 3 years	15,833	59,995
After 3 years but within 4 years	<u>—</u>	<u>15,014</u>
	<u><u>942,216</u></u>	<u><u>889,244</u></u>

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 the discontinued operations for the period from 1 January to 20 August 2020 is set out below.

	1 January – 20 August 2020 <i>HK\$'000</i>
Revenue	26,008
Cost of sales	<u>(27,747)</u>
Gross loss	(1,739)
Selling and distribution costs	(1,964)
General and administrative expenses	(18,361)
Other net expenses (<i>Note</i>)	<u>(72,480)</u>
Operating loss	(94,544)
Finance costs — net	<u>(2,727)</u>
Loss before income tax	(97,271)
Income tax expense	—
Loss on disposal of discontinued operations	<u>(7,457)</u>
Loss for the period	<u><u>(104,728)</u></u>

Note:

	1 January – 20 August 2020 <i>HK\$'000</i>
Other net expenses	
Impairment of assets	(73,833)
Net exchange gain	353
Government subsidies	353
Others	<u>647</u>
	<u><u>(72,480)</u></u>

11. DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 December 2021 (2020: Nil).

12. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of a subsidiary

On 28 January 2022, the Company entered into a sale and purchase agreement with a third party (the “**Purchaser**”) in relation to the disposal of the entire issued share capital of Winning Castle Limited (the “**Target Company**”), a wholly-owned subsidiary of the Company, and the assignment of the entire amount due and owing by the Target Company to the Purchaser, at an aggregate consideration of HK\$39,800,000. The Target Company was principally engaged in property holding in Hong Kong and its principal asset was a property which was used as the Group’s warehouse.

The transaction was completed on 18 March 2022 and it is expected that the Group will recognise a gain (before taxation) of approximately HK\$14,434,000 in the year ending 31 December 2022.

(b) Extension of lease contract

On 15 March 2022, Premier Global (Vietnam) Garment Company Limited (the “**Tenant**”), an indirect wholly-owned subsidiary of the Company, entered into a lease extension addendum (“**Lease Extension Addendum**”) with a third party (the “**Landlord**”) for certain non-core factories in Binh Duong Province, Vietnam (“**Leased Premises**”) for a term of 2 years from 2 April 2022 to 1 April 2024 (both dates inclusive) as the existing lease contract of the Leased Premises will expire on 1 April 2022. The Leased Premises have been used by the Group since 2014 and would continue to be used by the Group as one of its production bases in Vietnam.

The Group will re-measure the carrying amounts of the right-of-use asset and related lease liability in its consolidated statement of financial position in connection with the Lease Extension Addendum to reflect this lease modification. At the effective date of the Lease Extension Addendum (i.e. the date of the Lease Extension Addendum), the Group will recognise the increment of the carrying amount of the lease liability after the modification as an adjustment to the right-of-use asset of approximately HK\$36,400,000.

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 year ended 31 December 2021 is summarised below:

OVERALL REVIEW

Revenue of the Group from continuing operations amounted to HK\$4,136.6 million (2020: HK\$4,021.4 million), representing an increase of 2.9%. The Group's Manufacturing Business and High-end Fashion Retailing Business remained stable under the extremely challenging operating environment.

Gross profit margin of the Group from continuing operations remained stable at 24.2% (2020: 24.0%). Gross profit increased by HK\$34.1 million to HK\$999.0 million (2020: HK\$964.9 million), 3.5% higher than that of the preceding year.

Selling and distribution costs remained stable at HK\$615.1 million (2020: HK\$614.0 million).

General and administrative expenses increased by HK\$8.2 million to HK\$439.4 million (2020: HK\$431.2 million), which was mainly attributable to increase in expenses incurred for disinfection and pandemic prevention measures as well as no further exemption or subsidies relating to COVID-19 from the local governments in the regions where the Group operates.

An operating profit of HK\$49.3 million was reported in the first half of 2021 and an operating loss of HK\$100.2 million was incurred in the second half of 2021, resulting in an overall operating loss of HK\$50.9 million (2020: loss of HK\$47.1 million). The significant change in the second half of 2021 was due to the outbreak of COVID-19 variants in South East Asian countries and Mainland China, Manufacturing Business had been severely affected as the productions of the Group's factories in Vietnam had been temporarily suspended and raw material supplies had been disrupted while High-end Fashion Retailing Business was adversely affected by the decrease in revenue and gross profit as a result of higher retail discounts offered to motivate customer spending.

Net finance costs decreased by HK\$4.0 million to HK\$32.1 million (2020: HK\$36.1 million), which was mainly attributable to the decrease in interest on bank borrowings by HK\$10.2 million as a result of decrease in interest rates.

The Group disposed of e.dye Business, which had been regarded as discontinued operations, in August 2020 and as such no further loss was incurred in 2021 (2020: loss of HK\$104.7 million).

Overall, the Group recorded loss after taxation of HK\$69.6 million for the year ended 31 December 2021 (2020: loss of HK\$188.5 million).

The Board considers to conserve financial resources and does not recommend the payment of dividend for the year ended 31 December 2021 (2020: Nil) in view of the challenges and uncertainties ahead. We will continue to monitor the market situation and review our dividend payout from time to time.

BUSINESS REVIEW

The impact of 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, particularly in the second half of 2021.

Despite that the ongoing widespread 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 HK\$115.2 million or 2.9% to HK\$4,136.6 million (2020: HK\$4,021.4 million) and an increase in gross profit by HK\$34.1 million or 3.5% to HK\$999.0 million (2020: HK\$964.9 million). The Group's Manufacturing Business and High-end Fashion Retailing Business remained stable under the challenging operating environment.

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*".

Following the COVID-19 containment measures imposed by the local authorities and for the benefit of the well-being and safety of the employees, the productions of the factories in Vietnam and Cambodia had been temporarily suspended in 2021. In particular, the factories in Vietnam, which contributed 33.6% of the total revenue and 48.5% of the revenue from Manufacturing Business for the year 2020, had been suspended from mid July to early October 2021. The total operating loss resulting from the temporary production suspensions of the factories in Vietnam and Cambodia was HK\$116.2 million for the year ended 31 December 2021.

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 or reduction. In addition, the better vaccine position in the respective countries where our production facilities are situated will protect themselves from imposing further lockdown.

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\$22.6 million to HK\$2,413.2 million (2020: HK\$2,390.6 million), representing an increase of 0.9%. 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 could not be fulfilled as the productions of the Vietnam factories had been temporarily suspended resulting from government-administrated lockdowns and raw material supplies were disrupted due to the new wave of COVID-19 variants in the second half of 2021. Having said that, no significant order cancellation or reduction was noted and the orders would be fulfilled by the Vietnam factories after resumption from late 2021 to early 2022.

An operating profit of HK\$29.4 million was reported in the first half of 2021 and an operating loss of HK\$89.4 million was incurred in the second half of 2021, resulting in an overall operating loss of HK\$60.0 million for the year ended 31 December 2021 (2020: loss of HK\$59.9 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 HK\$124.0 million to HK\$515.0 million (2020: HK\$391.0 million), representing an increase of 31.7%. It was mainly attributable to the significant growth of orders received from domestic customers since the successful business development in the Mainland China market. However, 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 the new wave of COVID-19 variants in the second half of 2021. Nonetheless, no significant order cancellation or reduction was noted and the orders would be fulfilled by the Vietnam factories after resumption from late 2021 to early 2022.

An operating loss of HK\$17.7 million was incurred in the first half of 2021 and an operating profit of HK\$13.4 million had been achieved in the second half of 2021, resulting in an overall operating loss of HK\$4.3 million for the year ended 31 December 2021 (2020: loss of HK\$8.9 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

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 decreased by HK\$31.4 million to HK\$1,208.4 million (2020: HK\$1,239.8 million), representing a decrease of 2.5%. Although the revenue growth momentum 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 Mainland China since late July 2021. As such, revenue from High-end Fashion Retailing Business decreased from HK\$644.5 million in the first half of 2021 to HK\$563.9 million in the second half of 2021.

An operating profit of HK\$37.6 million was reported in the first half of 2021 and an operating loss of HK\$24.2 million was incurred in the second half of 2021, resulting in an overall operating profit of HK\$13.4 million for the year ended 31 December 2021 (2020: profit of HK\$21.7 million). It was mainly attributable to the decrease of revenue as mentioned above and decrease of gross profit margin resulting from the higher retail discounts offered to motivate customer spending. In addition, in view of the anticipated adverse impact on the market performance as a consequence of the latest wave of COVID-19 variants, an impairment loss of HK\$6.3 million (2020: HK\$47.0 million) was provided for the retail store assets in Hong Kong and Mainland China.

As at 31 December 2021, the total number of stores increased to 264 (2020: 233), of which 228 (2020: 192) stores were in Mainland China, 26 (2020: 31) stores in Hong Kong and Macau, and 10 (2020: 10) stores in Taiwan and Singapore.

PROSPECTS

The operating environment in 2022 will remain volatile and complicated. It is anticipated that COVID-19 will continue intermittently to impact lives and businesses around the world exacerbated by the complex and changing geopolitical landscape in Europe. Against the backdrop of the dynamic environment, we are well-positioned to overcome the obstacles along its way. Looking ahead, we will remain agile and vigilant by promptly adjusting our operational mode and making swift responses to minimise the impact.

Manufacturing Business

Sportswear Manufacturing Business

Increasing vaccination rates around the world allow economic activities to pick up, while many countries are transitioning from strict lockdowns to less disruptive measures leading to increase in consumer consumption and production output.

Furthermore, with the accelerating global awareness for health and wellness, increasing sports participation rates, as well as the return of large-scale major sports events, demand for sportswear products is anticipated to increase in the long run.

We will continue to explore new initiatives to further enhance operational excellence in order to embrace the complexities of the challenges ahead. We will resume the development plan for our new factories in Vinh Long, Vietnam to cater for the medium to long-term needs of our customers.

High-end Functional Outerwear Manufacturing Business

High-end Functional Outerwear Manufacturing Business made substantial progress in the Mainland China market, it has successfully established strategic partnership with national wide renowned brands in Mainland China. In terms of market potential and consumer demand, Mainland China will continue to be an important market and it is anticipated that the revenue growth momentum in the Mainland China market will continue and outpace other markets.

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 mid March 2022 due to the latest wave of COVID-19 variants, it is considered that their measures will be highly effective to stop the spread. We estimate that the impact to the retail stores in Mainland China will be temporary and we are cautiously optimistic on the development of our business in this market.

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

FINANCIAL POSITION AND LIQUIDITY

The 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 a healthy liquidity position. As at 31 December 2021, the Group had cash and bank balances of HK\$415.8 million (2020: HK\$695.1 million) and net borrowings (bank borrowings and loans from non-controlling interest of subsidiaries less cash and bank balances) of HK\$530.7 million (2020: HK\$201.6 million), together with available undrawn banking facilities of HK\$457.2 million (2020: HK\$693.1 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 27.3% (2020: 10.2%).

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

FOREIGN CURRENCY EXPOSURE

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

The Group's revenue and purchases were primarily denominated in USD, Renminbi (“RMB”) and HKD. During the year, approximately 53.2%, 41.8% and 3.3% of revenue were denominated in USD, RMB and HKD respectively, whereas approximately 80.1%, 16.0% and 3.3% of purchases were denominated in USD, RMB and HKD respectively.

As at 31 December 2021, approximately 61.1%, 27.5% and 7.5% of cash and bank balances were denominated in USD, RMB and HKD respectively, and approximately 52.6%, 39.6% and 7.8% of bank borrowings were denominated in HKD, USD and RMB respectively.

To minimise the impact of foreign currency rate volatility, we monitor foreign currency risk closely on an ongoing basis to ensure that the net exposure is at an acceptable level. If necessary, after consideration of the Group's future operation and investment needs in different currencies, we may use proper financial instruments to reduce the currency risk exposure.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 19,000 employees (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 31 December 2021, bank deposit of HK\$1.2 million (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\$55.1 million (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 31 December 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 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"). Having made enquiry to all Directors, they all have confirmed that they have complied with the required standards as set out in the Model Code during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 2 June 2022 to Thursday, 9 June 2022 (both dates inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 1 June 2022.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions in the Corporate Governance Code and Corporate Governance Report, prior to their amendments effective on 1 January 2022, as set out in Appendix 14 to the Listing Rules during the year.

PUBLICATION OF RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.winhanverky.com>). The annual report for the year ended 31 December 2021 will be dispatched to the Shareholders and will be available on the aforesaid websites in due course.

AUDIT COMMITTEE REVIEW

The Audit Committee has discussed with the management of the Company the internal control and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 December 2021. It has also reviewed the consolidated financial statements for the year ended 31 December 2021 with the management and the auditor of the Company and recommended them to the Board for approval.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 9 June 2022. The notice of the annual general meeting, which constitutes part of the circular to the Shareholders, will be published on the aforesaid websites and despatched to the Shareholders together with the Company's annual report 2021 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 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, 24 March 2022