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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 2022

FINANCIAL HIGHLIGHTS

	2022	2021	Change
	HK\$'000	HK\$'000	%
Revenue	4,449,790	4,136,603	+7.6%
Gross profit	989,076	998,991	-1.0%
Gross profit margin	22.2%	24.2%	-2.0% pt
Operating profit/(loss)			
— Before Disposal Gain	(14,605)	(50,877)	-71.3%
— Disposal Gain	69,323	—	N/A
	54,718	(50,877)	N/A
Profit/(loss) for the year	23,631	(69,634)	N/A
Basic earnings/(loss) per share (<i>HK cents</i>)	0.8	(5.2)	N/A

OPERATIONAL HIGHLIGHTS

- Revenue increased by 7.6% mainly attributable to the increased orders received from customers of Manufacturing Business as well as the fulfillment of orders brought forward from the temporary production suspension at the Vietnam factories in the second half of 2021, which was partially offset by the decrease in revenue from High-end Fashion Retailing Business due to the temporary store closures in major cities of Mainland China amid the highly infectious Omicron variants of COVID-19 and the corresponding restrictions imposed by the Chinese government.
- Consequently, Manufacturing Business generated operating profit of HK\$95.2 million (2021: loss of HK\$64.3 million), while High-end Fashion Retailing Business incurred operating loss of HK\$109.8 million (2021: profit of HK\$13.4 million). Before the Disposal Gain, overall operating loss was HK\$14.6 million (2021: HK\$50.9 million).
- The disposals of land lease right in Vietnam and a property-holding subsidiary in Hong Kong have been completed during the year, resulting in a total gain (before taxation) (“**Disposal Gain**”) of HK\$69.3 million being recorded. As a result, profit after taxation was HK\$23.6 million (2021: loss of HK\$69.6 million).
- The Board considers to conserve financial resources and does not recommend the payment of dividend in view of the challenges and uncertainties 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 2022, together with the comparative amounts for 2021 and the relevant explanatory notes.

CHAIRMAN’S STATEMENT

Business and Financial Highlights

2022 was characterised by challenging macroeconomic conditions following the outbreak of war between Russia and Ukraine, interest rate hike, inflationary pressure, surging energy and commodity prices, and intermittent impact of COVID-19 pandemic (“**COVID-19**”) in Mainland China. Against this complex and unpredictable operating environment, the Group has demonstrated resilience of its diversified business structure.

Revenue of the Group amounted to HK\$4,449.8 million (2021: HK\$4,136.6 million), representing an increase of 7.6%.

Manufacturing Business experienced another arduous year in 2022 while the pendulum swung back from the issue of production halt in 2021 to the issue of volatility of customer demand in 2022. Sportswear Manufacturing Business and High-end Functional Outerwear Manufacturing Business regained a growth in the first three quarters of 2022 as orders received from customers increased mainly due to their expectations of market pick-up from Europe, as well as fulfilling orders brought forward from previous year due to the temporary production suspension in Vietnam. However, the actual market demand was lower than expectation so that the inventories of customers were piled up. The order trends of new season products from customers unequivocally decelerated in the last quarter of 2022, particularly for Sportswear Manufacturing Business. Revenue from Manufacturing Business amounted to HK\$3,558.0 million (2021: HK\$2,928.2 million), representing an increase of 21.5%.

High-end Fashion Retailing Business was adversely affected by the highly infectious Omicron variants of COVID-19 and the corresponding strict precautionary measures which depressed consumer spending, particularly in the Mainland China market. Revenue from High-end Fashion Retailing Business amounted to HK\$891.8 million (2021: HK\$1,208.4 million), representing a decrease of 26.2%.

Gross profit margin of the Group decreased to 22.2% (2021: 24.2%) which was mainly a result of the change in proportion of business mix. The decrease in proportion of revenue contributed by High-end Fashion Retailing Business with higher gross profit margin than Manufacturing Business reduced the Group’s overall gross profit margin.

During 2022, the Group disposed of unused or under-utilised assets of Manufacturing Business and recorded a total gain (before taxation) of HK\$69.3 million to enhance the financial position of the Group.

Overall, the Group generated profit after taxation of HK\$23.6 million for the year ended 31 December 2022 (2021: loss of HK\$69.6 million).

Outlook

The global economy remains challenging with continuing sporadic disruptions caused by the lingering effects of COVID-19, geopolitical tension, rising interest rate and inflation.

Manufacturing Business recorded an expected recovery but the order trends from customers have decelerated since the last quarter of 2022, amid inventory pileup across the sportswear market as end demand softens. It is anticipated that our customers would require a few quarters to resolve the inventory glut issue while incoming orders are likely to slow in the months ahead.

High-end Fashion Retailing Business will continue to focus on the Mainland China market. The recent relaxation of COVID-19 related control measures should support a sign of recuperation, especially in the Mainland China market. Nevertheless, the recovery path is likely to be a volatile one under the tough retail environment and fierce competition as well as most of the market participants are urged to significantly reduce the elevated inventory levels.

Despite the challenges facing ahead, we believe that our agility and diversified businesses will help us mitigate risks and drive sustainable development. We will maintain a prudent financial profile by implementing disciplined cash flow and working capital management, in order to persist stable performance in our 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 payment from time to time.

Acknowledgement

Finally, I would like to extend a sincere thank to our Directors and all staff members for their professional support and remarkable efforts during the extremely challenging environment. My gratitude also goes to our clients, shareholders and business partners for their full support and enduring trust.

LI Kwok Tung Roy
Chairman

Hong Kong, 23 March 2023

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	2	4,449,790	4,136,603
Cost of sales		<u>(3,460,714)</u>	<u>(3,137,612)</u>
Gross profit		989,076	998,991
Selling and distribution costs		(559,226)	(615,055)
General and administrative expenses		(459,155)	(439,398)
Other net income	3	<u>84,023</u>	<u>4,585</u>
Operating profit/(loss)		54,718	(50,877)
Finance costs — net	4	(42,352)	(32,074)
Share of profits of associates		<u>1,255</u>	<u>312</u>
Profit/(loss) before income tax		13,621	(82,639)
Income tax credit	5	<u>10,010</u>	<u>13,005</u>
Profit/(loss) for the year		<u>23,631</u>	<u>(69,634)</u>
Profit/(loss) for the year attributable to:			
Equity holders of the Company		10,070	(66,416)
Non-controlling interests		<u>13,561</u>	<u>(3,218)</u>
		<u>23,631</u>	<u>(69,634)</u>
Earnings/(loss) per share attributable to equity holders of the Company (basic and diluted, expressed in HK cents)	6	<u>0.8</u>	<u>(5.2)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	HK\$'000	HK\$'000
Profit/(loss) for the year	23,631	(69,634)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(106,770)	43,841
Share of other comprehensive income of associates	(501)	98
Total comprehensive income for the year	<u>(83,640)</u>	<u>(25,695)</u>
Total comprehensive income for the year attributable to:		
Equity holders of the Company	(92,958)	(23,805)
Non-controlling interests	9,318	(1,890)
	<u>(83,640)</u>	<u>(25,695)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		862,886	1,056,014
Intangible assets		218,486	221,314
Investments in associates		16,028	15,274
Other receivables and financial assets		38,038	49,296
Deferred tax assets		136,187	115,075
Pledged bank deposit		1,211	—
		<u>1,272,836</u>	<u>1,456,973</u>
Current assets			
Inventories		1,137,376	1,344,515
Trade and bills receivable	7	449,481	547,797
Other receivables and financial assets		233,803	175,773
Current tax recoverables		1,199	3,156
Pledged bank deposit		—	1,224
Cash and bank balances		370,489	415,819
		<u>2,192,348</u>	<u>2,488,284</u>
Current liabilities			
Trade and bills payable	8	158,397	332,282
Accruals and other payables		304,673	319,314
Borrowings	9	789,236	942,216
Lease liabilities		116,892	112,830
Current tax liabilities		69,676	74,366
		<u>1,438,874</u>	<u>1,781,008</u>
Non-current liabilities			
Other payables		8,704	16,433
Lease liabilities		150,287	197,712
Deferred tax liabilities		7,554	7,453
		<u>166,545</u>	<u>221,598</u>
Net assets		<u>1,859,765</u>	<u>1,942,651</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity attributable to equity holders of the Company		
Share capital	128,440	128,440
Reserves	<u>1,737,697</u>	<u>1,830,655</u>
	1,866,137	1,959,095
Non-controlling interests	<u>(6,372)</u>	<u>(16,444)</u>
Total equity	<u><u>1,859,765</u></u>	<u><u>1,942,651</u></u>

NOTES:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results 2022 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 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 2021 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 2022 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 original equipment manufacturing (“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 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of goods	4,439,600	4,127,888
Provision of services	10,190	8,715
	<u>4,449,790</u>	<u>4,136,603</u>

For the year ended 31 December 2022, revenue of approximately HK\$2,473,096,000 (2021: HK\$2,120,556,000), representing 55.6% (2021: 51.3%) of the Group's total revenue, was derived from a single group of external customers and was attributable to the Manufacturing segment.

2. SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2022 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	2,898,759	661,322	891,842	4,451,923
Inter-segment revenue	(2,076)	(57)	—	(2,133)
Revenue	2,896,683	661,265	891,842	4,449,790
Operating profit/(loss) and segment results	123,674	40,838	(109,794)	54,718
Finance costs — net				(42,352)
Share of profits of associates	1,255	—	—	1,255
Profit before income tax				13,621
Income tax credit				10,010
Profit for the year				23,631

Other segment items included in the consolidated income statement for the year ended 31 December 2022 are as follows:

Depreciation and amortisation of property, plant and equipment, and leased assets	104,884	12,147	148,684	265,715
Amortisation of intangible assets	—	2,130	698	2,828
Gain on disposal of a subsidiary, net	(14,560)	—	—	(14,560)
(Gain)/loss on disposal of property, plant and equipment, and lease modifications, net				
— a land lease right	(54,763)	—	—	(54,763)
— other property, plant and equipment, and lease modifications	153	187	3,810	4,150
Provision/(write-back of provision) for inventories, net	32,014	5,393	(9,849)	27,558

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 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 property, plant and equipment, and leased assets, net	—	—	6,332	6,332
Write-back of loss allowance of trade receivables, net	—	(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
	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 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 2022	1,825,756	472,540	1,029,502	137,386	3,465,184
31 December 2021	2,069,552	488,475	1,268,999	118,231	3,945,257
Total liabilities					
31 December 2022	841,672	204,894	481,623	77,230	1,605,419
31 December 2021	1,032,808	279,605	608,374	81,819	2,002,606

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	1,373,848	1,790,829
Europe	1,343,460	904,868
Other Asian countries	708,349	506,289
United States	628,318	614,612
Hong Kong	123,291	165,218
Canada	81,376	38,429
Others	191,148	116,358
	4,449,790	4,136,603

2. SEGMENT INFORMATION (CONTINUED)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	372,135	476,985
Hong Kong	366,038	401,366
Vietnam	226,920	268,239
Cambodia	154,574	177,150
Others	16,982	18,158
	<u>1,136,649</u>	<u>1,341,898</u>

3. OTHER NET INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain/(loss) on disposal of property, plant and equipment, and lease modifications, net		
— a land lease right (<i>Note (a)</i>)	54,763	—
— other property, plant and equipment, and lease modifications	(4,150)	622
Gain on disposal of a subsidiary, net (<i>Note (b)</i>)	14,560	—
Government subsidies	9,206	4,390
Net exchange gain/(loss)	3,644	(3,944)
Gain on disposal of ancillary materials, net	2,764	1,056
Rental income	1,706	1,406
Others	1,530	1,055
	<u>84,023</u>	<u>4,585</u>

Notes:

- (a) The Group completed a disposal of a land lease right in December 2022, resulting in a gain on disposal (before taxation) amounting to HK\$54,763,000. The land lease right, together with another smaller parcel of land, was acquired in November 2018 for the Group's expansion plan in Vietnam. However, due to the ongoing uncertain operating environment since acquisition, the Group decided to put on hold the expansion plan of the production facilities in Vietnam until the operating environment becomes more stable, and continue to rely on its existing production facilities for its manufacturing business.
- (b) The Group completed a disposal of a subsidiary in March 2022, resulting in a gain on disposal (before taxation) amounting to HK\$14,560,000. The subsidiary was principally engaged in property holding in Hong Kong and its principal asset was a property which was under-utilised as the Group's warehouse.

4. FINANCE COSTS — NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income		
— Interest income from bank deposits and receivables from a landlord	1,341	1,015
— Interest income from non-controlling interest of a subsidiary	368	208
	<u>1,709</u>	<u>1,223</u>
Finance cost		
— Interest on bank borrowings	(27,618)	(16,533)
— Interest on lease liabilities	(16,443)	(16,764)
	<u>(44,061)</u>	<u>(33,297)</u>
	<u>(42,352)</u>	<u>(32,074)</u>

5. INCOME TAX CREDIT

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
— Mainland China	1,241	4,773
— Hong Kong	1,954	2,427
— Overseas	11,875	1,679
— Over-provision in prior years	(2,712)	(46)
	<u>12,358</u>	<u>8,833</u>
Deferred tax	(22,368)	(21,838)
	<u>(10,010)</u>	<u>(13,005)</u>

Mainland China corporate income tax and Hong Kong profits tax have been provided at the rates of 25% (2021: 25%) and 16.5% (2021: 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. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the consolidated profit/(loss) attributable to equity holders of the Company and on the weighted average number of ordinary shares of 1,284,400,000 shares (2021: 1,284,400,000 shares) in issue during the year.

	2022	2021
Basic and diluted earnings/(loss) per share (<i>HK cents</i>)	<u>0.8</u>	<u>(5.2)</u>

The diluted earnings/(loss) per share for the years ended 31 December 2022 and 2021 are the same as the basic earnings/(loss) per share as the potential ordinary shares arising from the share options granted by the Company outstanding do not have dilutive effect.

7. TRADE AND BILLS RECEIVABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	446,528	547,726
Bills receivable	<u>6,130</u>	<u>3,413</u>
	452,658	551,139
Less: loss allowance of trade receivables	<u>(3,177)</u>	<u>(3,342)</u>
Financial assets measured at amortised cost	<u>449,481</u>	<u>547,797</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–90 days	434,073	535,779
91–180 days	9,695	10,089
181–365 days	4,578	1,036
Over 365 days	<u>4,312</u>	<u>4,235</u>
	<u>452,658</u>	<u>551,139</u>

8. TRADE AND BILLS PAYABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables		
— to third parties	154,981	313,674
— to a related party	1,644	15,229
Bills payable	<u>1,772</u>	<u>3,379</u>
Financial liabilities measured at amortised cost	<u><u>158,397</u></u>	<u><u>332,282</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–90 days	154,139	309,405
91–180 days	1,993	22,549
181–365 days	1,102	152
Over 365 days	<u>1,163</u>	<u>176</u>
	<u><u>158,397</u></u>	<u><u>332,282</u></u>

9. BORROWINGS

The interest-bearing bank borrowings are repayable as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year or on demand	<u><u>789,236</u></u>	<u><u>942,216</u></u>

As at 31 December 2022, 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	773,403	863,049
After 1 year but within 2 years	15,833	63,334
After 2 years but within 3 years	<u>—</u>	<u>15,833</u>
	<u><u>789,236</u></u>	<u><u>942,216</u></u>

10. DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 December 2022 (2021: Nil).

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 2022 is summarised below:

OVERALL REVIEW

Revenue of the Group amounted to HK\$4,449.8 million (2021: HK\$4,136.6 million), representing an increase of 7.6%. The increase was mainly attributable to the increased orders received from customers of Manufacturing Business as well as the fulfillment of orders brought forward from the temporary production suspension at the Vietnam factories in the second half of 2021. It was partially offset by the decrease in revenue from High-end Fashion Retailing Business due to the temporary store closures in major cities of Mainland China amid the highly infectious Omicron variants of COVID-19 and the corresponding restrictions imposed by the Chinese government.

Gross profit margin of the Group decreased to 22.2% (2021: 24.2%). The decrease in gross profit margin of 2.0 percentage points was mainly attributable to the change in proportion of business mix. The decrease in proportion of revenue contributed by High-end Fashion Retailing Business which has a higher gross profit margin than Manufacturing Business reduced the Group's overall gross profit margin.

Gross profit of the Group decreased by HK\$9.9 million to HK\$989.1 million (2021: HK\$999.0 million), 1.0% lower than that of 2021. The decrease in gross profit was mainly attributable to the decreased revenue from High-end Fashion Retailing Business due to the temporary store closures in major cities of Mainland China, which outweighed the additional gross profit brought in by the increased revenue from Manufacturing Business.

Selling and distribution costs decreased by HK\$55.9 million to HK\$559.2 million (2021: HK\$615.1 million), which was mainly attributable to the decrease in variable rental and operating costs of High-end Fashion Retailing Business as revenue decreased.

General and administrative expenses recorded a mild increase of HK\$19.8 million to HK\$459.2 million (2021: HK\$439.4 million).

Other net income mainly comprised gains (before taxation) arising from the disposals of land lease right in Vietnam and a property-holding subsidiary in Hong Kong of HK\$54.8 million and HK\$14.5 million respectively (the “**Disposal Gains**”).

Consequently, operating result recorded a profit of HK\$54.7 million (2021: loss of HK\$50.9 million).

Net finance costs increased by HK\$10.3 million to HK\$42.4 million (2021: HK\$32.1 million), which was mainly attributable to the increase in interest on bank borrowings by HK\$11.1 million resulting from increase in interest rates.

As a result, the Group recorded profit after taxation of HK\$23.6 million for the year ended 31 December 2022 (2021: loss of HK\$69.6 million).

The Board considers to conserve financial resources and does not recommend the payment of dividend for the year ended 31 December 2022 (2021: 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

Throughout the year 2022, the operating environment remained complex and surrounded by uncertainties. The global economy had been clouded by the lingering effects of COVID-19 and the fallout resulted from the war between Russia and Ukraine, mixed with the elevating interest rate and inflation rate, as well as the surging energy and commodity prices. In particular, the resurgence of COVID-19 cases combined with strict precautionary measures depressed consumer spending in Mainland China.

The financial performance of the business segments is summarised below:

Manufacturing Business

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

Sportswear Manufacturing Business

The Group’s Sportswear Manufacturing Business operates mainly through its OEM arrangements for a number of internationally renowned brands. Most of the Group’s products are exported and sold to Europe, the United States and Mainland China. The Group has a long history and a distinctive position in sportswear garment manufacturing and has established long-term business relationships with its key customers.

Revenue from Sportswear Manufacturing Business increased by HK\$483.5 million to HK\$2,896.7 million (2021: HK\$2,413.2 million), representing an increase of 20.0%. The increase was mainly due to the increased orders received from customers, as well as the fulfillment of orders brought forward from the temporary production suspension at the Vietnam factories in the second half of 2021, in particular, the orders from customers in the European market recorded a modest growth in 2022.

The Group completed the disposals of land lease right in Vietnam and a property-holding subsidiary in Hong Kong, resulting in gains (before taxation) of HK\$54.8 million and HK\$14.5 million being recorded in 2022 respectively.

As a result, including the Disposal Gains, operating profit of HK\$123.7 million was recorded for the year ended 31 December 2022. Excluding the Disposal Gains, operating profit would be HK\$54.4 million (2021: loss of HK\$60.0 million) which was mainly attributable to the increase in operating profits resulting from the additional gross profit brought in as driven by the increased revenue.

High-end Functional Outerwear Manufacturing Business

Revenue from High-end Functional Outerwear Manufacturing Business increased by HK\$146.3 million to HK\$661.3 million (2021: HK\$515.0 million), representing an increase of 28.4%. It was mainly attributable to the increased orders received from customers in the first half of 2022, as well as the fulfilment of orders brought forward from the temporary production suspension at the Vietnam factories in the second half of 2021. As a result, operating profit of HK\$40.8 million was recorded for the year ended 31 December 2022 (2021: loss of HK\$4.3 million).

High-end Fashion Retailing Business

The Group's High-end Fashion Retailing Business had fashion retail networks through "***D-mop***", "***J-01***" and "***Spoonyard***" 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***" and "***Barbour***" in Mainland China. It also operated licensed stores for brands "***Champion***" and "***DAKS***" in Mainland China and "***New Era***" in Mainland China and Hong Kong.

Revenue from High-end Fashion Retailing Business decreased by HK\$316.6 million to HK\$891.8 million (2021: HK\$1,208.4 million), representing a decrease of 26.2%. The highly infectious Omicron variants of COVID-19 and the corresponding restrictions imposed by the Chinese government struck a handful of cities in Mainland China, business activities were seriously curtailed, resulting in temporary store closures in major cities of Mainland China during the year ended 31 December 2022. Apart from the impact arising from the temporary store closures, under the tough retail market environment and fierce competition, it has become more obvious that revenue of High-end Fashion Retailing Business has been highly cannibalised by other aggressive distributors for certain brands which the Group was not exclusive distributors. As a result, operating loss of HK\$109.8 million was recorded for the year ended 31 December 2022 (2021: profit of HK\$13.4 million).

As at 31 December 2022, the total number of stores decreased to 222 (2021: 264), of which 193 (2021: 228) stores were in Mainland China, 19 (2021: 26) stores were in Hong Kong and Macau, and 10 (2021: 10) stores in Taiwan and Singapore.

PROSPECTS

The macroeconomic challenges and geopolitical landscape will continue dampening consumer sentiment. It is anticipated that the risks of global economic downturn, rising geopolitical tensions and the resulting adverse effects on consumer spending will continue to exist. Notwithstanding the uncertainties facing ahead, we will continue to remain agile and vigilant by promptly adjusting our operational mode and making swift responses to minimise the impact to our business.

Manufacturing Business

Sportswear Manufacturing Business

Sportswear Manufacturing Business has been seriously impacted by COVID-19 and global economic uncertainties in the last few years. Having said that, given the high awareness for health and fitness as well as increasing sports participation rates, sportswear products are expected to remain fundamentally attractive in long term.

Nevertheless, the order trends from customers have decelerated since the last quarter of the year 2022, amid inventory pileup across the sportswear market as a result of lower consumer demand in major Western markets, as well as a traffic drop-off in the Mainland China market. It is believed that our customers would require a few quarters to resolve the inventory glut issue and that would unavoidably affect our Sportswear Manufacturing Business in short term. We will uphold all new factory expansion plan till we see the recovery of orders from our customers.

High-end Functional Outerwear Manufacturing Business

High-end Functional Outerwear Manufacturing Business made a decent progress in the Mainland China market which was driven by the successfully strategic partnership establishments with nationwide renowned brands. Following the significant growth in last two consecutive years, it is anticipated that High-end Functional Outerwear Manufacturing Business will become steady and stable.

High-end Fashion Retailing Business

Mainland China will remain as the major market of our High-end Fashion Retailing Business, the recent relaxation of COVID-19 related control measures should support a recovery in consumer spending. In other markets, the re-opening of border of Mainland China will benefit our stores in Hong Kong and Macau. It is expected that the shop footfall will continue to increase but the process will be bumpy and the recovery path will be clouded with uncertainties.

In order to further stimulate customer spending, against the backdrop of tough market environment and fierce competition as well as most of the market participants are urged to significantly reduce the elevated inventory levels, we will increase promotional activities and offer more shopping incentives at our stores to boost the local consumption. Given the economies are back to normal across our operating regions, we will restart our store opening plan but will be conducted in a prudent way as the pace of economy recovery is still highly uncertain.

FINANCIAL POSITION AND LIQUIDITY

The lingering effects of COVID-19, the unprecedented geopolitical tensions between Russia and Ukraine, and the changing monetary and fiscal responses to these events have made the operating environment extremely difficult. In view of the challenges and uncertainties ahead, the Group will continue to proactively monitor the situation and impose strict cost control measures and focus on its cashflow management to ensure that it remains a healthy liquidity position.

As at 31 December 2022, the Group had cash and bank balances of HK\$370.5 million (2021: HK\$415.8 million) and net borrowings (bank borrowings and loans from non-controlling interests of subsidiaries less cash and bank balances) of HK\$423.7 million (2021: HK\$530.7 million), together with available undrawn banking facilities of HK\$432.2 million (2021: HK\$457.2 million). The net change was mainly attributable to the cash generated from operating activities, net with repayment of bank borrowings. The net gearing ratio (being net borrowings divided by total equity) as at 31 December 2022 was 22.8% (2021: 27.3%).

During the year ended 31 December 2022, the Group disposed of a land lease right of an undeveloped land in Vietnam and a property-holding subsidiary which held an under-utilised warehouse in Hong Kong to enhance the cash and financial position of the Group. Given the highly uncertain global economic environment, the Group will continue to assess the usage of its assets and their market values. If opportunities come along, the Group may consider realising their values for further enhancement of the Group's cash and financial position and safeguard against the strong headwinds.

The Group expects that there will be steady cash inflow from operations and additional cash inflow from the realisation of assets, 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 results 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 67.8%, 28.3% and 2.4% of revenue were denominated in USD, RMB and HKD respectively, whereas approximately 84.4%, 11.4% and 3.0% of purchases were denominated in USD, RMB and HKD respectively.

As at 31 December 2022, approximately 54.0%, 24.8%, 12.8% and 5.3% of cash and bank balances were denominated in USD, RMB, Vietnamese Dong and HKD respectively, and approximately 50.3%, 42.6% and 7.1% of bank borrowings were denominated in USD, HKD 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 2022, the Group had approximately 19,000 employees (2021: 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 2022, bank deposit of HK\$1.2 million (2021: 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\$74.5 million (2021: HK\$55.1 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 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In March 2022, the Group has completed disposal of a subsidiary of the Group. Please refer to Note 3 to this results announcement.

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

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 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 9 June 2023 to Thursday, 15 June 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 8 June 2023.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions in the Corporate Governance Code 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 2022 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 2022. It has also reviewed the consolidated financial statements for the year ended 31 December 2022 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 2022 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, 15 June 2023. 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 2022 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 Ms. CHAN Kit Fun Fanny being the independent non-executive directors.

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

Hong Kong, 23 March 2023