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**Win Hanverky Holdings Limited**  
**永嘉集團控股有限公司**  
*(incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 3322)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

**FINANCIAL HIGHLIGHTS**

	Unaudited		Change %
	Six months ended 30 June		
	2023 HK\$'000	2022 HK\$'000	
Revenue	1,667,320	2,261,973	-26.3%
Gross profit	298,212	526,653	-43.4%
Gross profit margin	17.9%	23.3%	-5.4% pt
Operating (loss)/profit	<b>(172,050)</b>	31,253	N/A
(Loss)/profit for the period	<b>(177,150)</b>	21,288	N/A
Basic (loss)/earnings per share <i>(HK cents)</i>	<b>(12.7)</b>	1.6	N/A

**OPERATIONAL HIGHLIGHTS**

- Revenue decreased by 26.3% mainly attributable to the decreased orders received from customers of Manufacturing Business since the last quarter of 2022, amid inventory pileup particularly in the sportswear market as a result of lower consumer demand in all markets.
- Loss for the period was HK\$177.2 million (30 June 2022: profit of HK\$21.3 million). It was a combined result of decline in production capacity utilisation rate and operating efficiency under Manufacturing Business as a consequence of decrease in orders received from customers and the deep discounts offered to stimulate customer spending under High-end Fashion Retailing Business as the recovery of customer demand was not as strong as expected despite the cessation of all COVID-19 related control measures in the Mainland China market.
- The Board considers to conserve financial resources and does not recommend the payment of interim dividend in view of the challenges 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**”) presented the unaudited interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2023, together with the comparative amounts for the corresponding period of 2022, as follows:

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	2	<b>1,667,320</b>	2,261,973
Cost of sales		<u><b>(1,369,108)</b></u>	<u>(1,735,320)</u>
<b>Gross profit</b>		<b>298,212</b>	526,653
Selling and distribution costs		<b>(249,995)</b>	(293,188)
General and administrative expenses		<b>(222,747)</b>	(222,236)
Other net income	3	<u><b>2,480</b></u>	<u>20,024</u>
<b>Operating (loss)/profit</b>		<b>(172,050)</b>	31,253
Finance costs — net	4	<b>(22,594)</b>	(17,990)
Share of profits of associates		<u><b>980</b></u>	<u>913</u>
<b>(Loss)/profit before income tax</b>		<b>(193,664)</b>	14,176
Income tax credit	5	<u><b>16,514</b></u>	<u>7,112</u>
<b>(Loss)/profit for the period</b>		<u><b>(177,150)</b></u>	<u>21,288</u>
<b>(Loss)/profit for the period attributable to:</b>			
Equity holders of the Company		<b>(163,214)</b>	20,522
Non-controlling interests		<u><b>(13,936)</b></u>	<u>766</u>
		<u><b>(177,150)</b></u>	<u>21,288</u>
<b>(Loss)/earnings per share attributable to equity holders of the Company</b>			
(basic and diluted, expressed in HK cents)	6	<u><b>(12.7)</b></u>	<u>1.6</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Loss)/profit for the period</b>	<b>(177,150)</b>	21,288
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>(32,014)</b>	(53,915)
Share of other comprehensive income of associates	<b>(476)</b>	(338)
	<u>                    </u>	<u>                    </u>
<b>Total comprehensive income for the period</b>	<b><u>(209,640)</u></b>	<b><u>(32,965)</u></b>
<b>Total comprehensive income for the period attributable to:</b>		
Equity holders of the Company	<b>(194,285)</b>	(31,845)
Non-controlling interests	<b>(15,355)</b>	(1,120)
	<u>                    </u>	<u>                    </u>
	<b><u>(209,640)</u></b>	<b><u>(32,965)</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2023*

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		717,443	862,886
Intangible assets		217,072	218,486
Investments in associates		16,532	16,028
Other receivables and financial assets		30,583	38,038
Deferred tax assets		151,668	136,187
Pledged bank deposit		1,170	1,211
		<u>1,134,468</u>	<u>1,272,836</u>
<b>Current assets</b>			
Inventories		871,857	1,137,376
Trade and bills receivable	8	348,386	449,481
Other receivables and financial assets		177,329	233,803
Current tax recoverables		1,738	1,199
Cash and bank balances		361,391	370,489
		<u>1,760,701</u>	<u>2,192,348</u>
Assets classified as held for sale	11	16,372	—
		<u>1,777,073</u>	<u>2,192,348</u>
<b>Current liabilities</b>			
Trade and bills payable	9	165,663	158,397
Accruals and other payables		269,088	304,673
Borrowings	10	548,351	789,236
Lease liabilities		89,207	116,892
Current tax liabilities		63,147	69,676
		<u>1,135,456</u>	<u>1,438,874</u>
Liabilities directly associated with assets classified as held for sale	11	612	—
		<u>1,136,068</u>	<u>1,438,874</u>
<b>Non-current liabilities</b>			
Other payables		5,722	8,704
Lease liabilities		119,176	150,287
Deferred tax liabilities		6,850	7,554
		<u>131,748</u>	<u>166,545</u>
<b>Net assets</b>		<u><u>1,643,725</u></u>	<u><u>1,859,765</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
*AS AT 30 JUNE 2023*

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	128,440	128,440
Reserves	<u>1,543,412</u>	<u>1,737,697</u>
	<b>1,671,852</b>	1,866,137
<b>Non-controlling interests</b>	<u>(28,127)</u>	<u>(6,372)</u>
<b>Total equity</b>	<u><u>1,643,725</u></u>	<u><u>1,859,765</u></u>

*NOTES:*

**1. BASIS OF PREPARATION**

The condensed interim financial information included in this preliminary announcement of interim results for the six months ended 30 June 2023 does not constitute the Group's interim report but is derived from that interim report.

The condensed interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed interim financial information contains interim financial statements and selected explanatory notes. The condensed interim financial information does not include all of the notes of the type normally included in the annual financial report.

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 accounting period.

Save as described above, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022. Accordingly, readers should read the interim results in conjunction with the annual financial statements for the year ended 31 December 2022, prepared in accordance with Hong Kong Financial Reporting Standards.

**2. SEGMENT INFORMATION**

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

The executive directors review the performance of the Group mainly from a business operation perspective. The major business segments of the Group for the six months ended 30 June 2023 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 other Asia-Pacific regions.

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

## 2. SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of goods	1,664,000	2,258,486
Provision of services	3,320	3,487
	<b>1,667,320</b>	<b>2,261,973</b>

The segment results for the six months ended 30 June 2023 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	955,452	221,290	491,980	1,668,722
Inter-segment revenue	(1,402)	—	—	(1,402)
<b>Revenue</b>	<b>954,050</b>	<b>221,290</b>	<b>491,980</b>	<b>1,667,320</b>
<b>Operating loss and segment results</b>	<b>(115,893)</b>	<b>(9,264)</b>	<b>(46,893)</b>	<b>(172,050)</b>
Finance costs — net				(22,594)
Share of profits of associates	980	—	—	980
<b>Loss before income tax</b>				<b>(193,664)</b>
Income tax credit				16,514
<b>Loss for the period</b>				<b>(177,150)</b>

Other segment items charged/(credited) to the operating loss for the six months ended 30 June 2023 are as follows:

Depreciation and amortisation of property, plant and equipment, and leased assets	45,456	9,791	59,982	115,229
Amortisation of intangible assets	—	1,065	349	1,414
Provision/(write-back of provision) for inventories, net	24,599	10,105	(8,480)	26,224
(Gain)/loss on disposal of property, plant and equipment, and lease modifications, net	(135)	118	1,101	1,084
Impairment loss of property, plant and equipment, and leased assets, net	23,446	—	13,762	37,208

## 2. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 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	1,508,177	279,991	475,170	2,263,338
Inter-segment revenue	(1,365)	—	—	(1,365)
<b>Revenue</b>	1,506,812	279,991	475,170	2,261,973
<b>Operating profit/(loss) and segment results</b>	63,430	4,332	(36,509)	31,253
Finance costs — net				(17,990)
Share of profits of associates	913	—	—	913
<b>Profit before income tax</b>				14,176
Income tax credit				7,112
<b>Profit for the period</b>				21,288

Other segment items charged/(credited) to the operating profit for the six months ended 30 June 2022 are as follows:

Depreciation and amortisation of property, plant and equipment, and leased assets	53,309	6,535	78,395	138,239
Amortisation of intangible assets	—	1,065	349	1,414
Provision/(write-back of provision) for inventories, net	16,571	962	(16,252)	1,281
Loss on disposal of property, plant and equipment, and lease modifications, net	—	4	1,930	1,934
Gain on disposal of a subsidiary, net	(14,560)	—	—	(14,560)

## 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>		
<b>Total assets</b>					
30 June 2023	1,508,097	460,253	789,785	153,406	2,911,541
31 December 2022	1,825,756	472,540	1,029,502	137,386	3,465,184
<b>Total liabilities</b>					
30 June 2023	691,346	225,083	281,390	69,997	1,267,816
31 December 2022	841,672	204,894	481,623	77,230	1,605,419

Segment assets/liabilities exclude current tax recoverables/liabilities and deferred tax assets/liabilities which are managed on a group basis.

The Group's revenue by geographical location is determined by the final destination of delivery of the products. The Group's revenue from external customers by geographical location is as follows:

	Six months ended 30 June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Mainland China	517,198	674,121
Europe	504,530	772,218
Other Asian countries	274,189	328,214
United States	230,802	294,653
Hong Kong	65,600	55,591
Canada	17,919	38,034
Others	57,082	99,142
	<b>1,667,320</b>	<b>2,261,973</b>

## 2. SEGMENT INFORMATION (CONTINUED)

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

	As at	
	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Hong Kong	360,374	366,038
Mainland China	262,416	372,135
Vietnam	194,726	226,920
Cambodia	144,158	154,574
Others	21,126	16,982
	<u>982,800</u>	<u>1,136,649</u>

## 3. OTHER NET INCOME

	Six months ended 30 June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gain on disposal of ancillary materials, net	1,852	752
Government subsidies	1,300	5,338
Rental income	749	734
Net exchange (loss)/gain	(1,013)	88
Loss on disposal of property, plant and equipment, and lease modifications, net	(1,084)	(1,934)
Gain on disposal of a subsidiary, net ( <i>Note</i> )	—	14,560
Others	676	486
	<u>2,480</u>	<u>20,024</u>

*Note:* The Group completed a disposal of a subsidiary in March 2022, resulting in a gain on disposal 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

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Finance income		
— Interest income from bank deposits	1,458	379
— Interest income from non-controlling interest of a subsidiary	305	110
	<u>1,763</u>	<u>489</u>
Finance cost		
— Interest on bank borrowings	(17,571)	(9,894)
— Interest on lease liabilities	(6,786)	(8,585)
	<u>(24,357)</u>	<u>(18,479)</u>
	<u>(22,594)</u>	<u>(17,990)</u>

#### 5. INCOME TAX CREDIT

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

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Current tax	141	14,391
Deferred tax	(16,655)	(21,503)
	<u>(16,514)</u>	<u>(7,112)</u>

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. Mainland China corporate income tax and Hong Kong profits tax have been provided at the rates of 25% (2022: 25%) and 16.5% (2022: 16.5%) on the estimated assessable profits respectively. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

#### 6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the consolidated (loss)/profit attributable to equity holders of the Company and on the weighted average number of ordinary shares of 1,284,400,000 shares (30 June 2022: 1,284,400,000 shares) in issue during the period.

The diluted (loss)/earnings per share for the six months ended 30 June 2023 and 2022 are the same as the basic (loss)/earnings per share as the potential ordinary shares arising from the share options granted by the Company outstanding do not have dilutive effect.

## 7. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

## 8. TRADE AND BILLS RECEIVABLE

	As at	
	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Trade receivables	343,244	446,528
Bills receivable	<u>8,259</u>	<u>6,130</u>
	351,503	452,658
Less: loss allowance of trade receivables	<u>(3,117)</u>	<u>(3,177)</u>
Financial assets measured at amortised cost	<u><u>348,386</u></u>	<u><u>449,481</u></u>

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

	As at	
	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
0–90 days	333,507	434,073
91–180 days	8,646	9,695
181–365 days	3,606	4,578
Over 365 days	<u>5,744</u>	<u>4,312</u>
	<u><u>351,503</u></u>	<u><u>452,658</u></u>

## 9. TRADE AND BILLS PAYABLE

	As at	
	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Trade payables	165,663	156,625
Bills payable	—	1,772
Financial liabilities measured at amortised cost	<u>165,663</u>	<u>158,397</u>

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

	As at	
	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
0–90 days	159,771	154,139
91–180 days	3,123	1,993
181–365 days	1,743	1,102
Over 365 days	1,026	1,163
	<u>165,663</u>	<u>158,397</u>

## 10. BORROWINGS

The Group's borrowings are carried at amortised costs and the interest-bearing bank borrowings are repayable within one year or on demand.

As at 30 June 2023, based on the repayment dates set out in the payment schedules ignoring the effect of any repayment on demand clause, the interest-bearing bank borrowings were due for payment as follows:

	As at	
	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Within 1 year	548,351	773,403
After 1 year but within 2 years	—	15,833
	<u>548,351</u>	<u>789,236</u>

## 11. ASSETS HELD FOR SALE

On 9 June 2023, the Group entered into an equity transfer agreement with a third party to transfer its entire equity interest (i.e. 100% of the shares) of a subsidiary in Mainland China at a consideration of RMB33,000,000 (equivalent to approximately HK\$36,432,000). As at 30 June 2023, a deposit of HK\$10,702,000 had been received and was included in “accruals and other payables” of the consolidated statement of financial position. Respective assets amounting to HK\$16,372,000 and liabilities amounting to HK\$612,000 were classified as “assets held for sale” and “liabilities directly associated with assets held for sales” respectively as at 30 June 2023. The disposal is expected to complete in the second half of 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an integrated manufacturer and retailer for internationally renowned sports, fashion and outdoor brands. The financial performance of the Group for the six months ended 30 June 2023 is summarised below:

### OVERALL REVIEW

Revenue of the Group amounted to HK\$1,667.3 million (30 June 2022: HK\$2,262.0 million), representing a decrease of 26.3%. The decrease was mainly attributable to the decreased orders received from customers of Manufacturing Business since the last quarter of 2022, amid inventory pileup particularly in the sportswear market as a result of lower consumer demand in all the markets.

Gross profit margin of the Group decreased to 17.9% (30 June 2022: 23.3%). The decrease in gross profit margin of 5.4 percentage points was a combined result of decline in production capacity utilisation rate and operating efficiency under Manufacturing Business as a consequence of decrease in orders received from customers and the deep discounts offered to stimulate customer spending under High-end Fashion Retailing Business as the recovery of customer demand was not as strong as expected despite the cessation of all COVID-19 related control measures in the Mainland China market. As a result, gross profit of the Group decreased by HK\$228.5 million to HK\$298.2 million (30 June 2022: HK\$526.7 million), 43.4% lower than that of the corresponding period of 2022.

Selling and distribution costs decreased by HK\$43.2 million to HK\$250.0 million (30 June 2022: HK\$293.2 million), which mainly attributable to the decrease in freight charges of Manufacturing Business and the decrease in rental and operating costs of High-end Fashion Retailing Business as a result of decrease in business scale for both business segments.

Consequently, operating result recorded a loss of HK\$172.1 million (30 June 2022: profit of HK\$31.3 million).

Net finance costs increased by HK\$4.6 million to HK\$22.6 million (30 June 2022: HK\$18.0 million), which was mainly attributable to the increase in interest on bank borrowings by HK\$7.7 million as a result of increase in interest rates.

Overall, the Group recorded loss after taxation of HK\$177.2 million (30 June 2022: profit of HK\$21.3 million).

The Board considers to conserve financial resources and does not recommend the payment of interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil) in view of the challenges ahead. We will continue to monitor the market situation and review our dividend payout from time to time.

## **BUSINESS REVIEW**

The operating environment remained complex and challenging in the first half of 2023. The recovery path of global economy was surrounded by the residual adverse effect of COVID-19 and continued geopolitical tension, associated with the elevated interest rate and inflation rate as well as currency instability. The foundation for sustained recovery was still in doubt and the consumer sentiment remained pressured. As a consequence, the inventory glut issue particularly in the sportswear market continues to exist which would unavoidably interfere our business performance.

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 decreased by HK\$552.7 million to HK\$954.1 million (30 June 2022: HK\$1,506.8 million), representing a decrease of 36.7%. The decrease was mainly due to the decreased orders received from customers since the last quarter of 2022, amid inventory pileup as a result of lower consumer demand in all the markets. As a consequence, the production capacity utilisation rate and operating efficiency declined. In light of the potential adverse impact arising from the low utilisation of production facilities, impairment loss of HK\$23.4 million was provided for certain production facilities.

Operating loss of HK\$115.9 million was recorded for the six months ended 30 June 2023 (30 June 2022: profit of HK\$63.4 million). The significant change was mainly due to the decrease in revenue, decline in production capacity utilisation rate and operating efficiency as well as the related impairment loss as mentioned above. In addition, the first half of 2023 was absent of a one-off gain of HK\$14.6 million recorded in the first half of 2022 arising from the disposal of a subsidiary holding a warehouse in Hong Kong.

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

Revenue from High-end Functional Outerwear Manufacturing Business decreased by HK\$58.7 million to HK\$221.3 million (30 June 2022: HK\$280.0 million), representing a decrease of 21.0%. It was mainly attributable to the decreased orders received from the European and Mainland China markets which was partially offset by the increased orders from the United States market. As a result, operating loss of HK\$9.3 million was recorded for the six months ended 30 June 2023 (30 June 2022: profit of HK\$4.4 million) before the business entering into traditional peak season in the second half of the year.

### **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 other Asia-Pacific regions, and "***Barbour***" and "***Heron Preston***" in Mainland China. It also operated licensed stores for brands "***Champion***" and "***DAKS***" in Mainland China and "***New Era***" in Hong Kong.

Revenue from High-end Fashion Retailing Business increased by HK\$16.8 million to HK\$492.0 million (30 June 2022: HK\$475.2 million), representing a mild increase of 3.5%. Although revenue slightly recovered from the low base in the first half of 2022 due to the temporary lockdowns in some major cities of Mainland China where the Group was operating during that period, the recovery of customer demand was not as strong as expected despite the cessation of all COVID-19 related control measures in the Mainland China market in the first half of 2023. As such, deep discounts were offered to stimulate customer spending and to clear aged inventory, while gross profit contribution was hindered whereas clearance of aged inventory could enhance the Group's cash and financial position. In addition, market competition continued to be fierce as competitors were urged to significantly reduce the elevated inventory level, in particular, certain brands which the Group was not the exclusive distributors incurred huge loss owing to head-to-head competition from other distributors. In light of the potential adverse impact on the performance of the Mainland China business arising from the highly pressurised market competition, impairment loss of HK\$13.8 million was provided mainly for the retail store assets in Mainland China particularly in those cities where the Group was operating as the non-exclusive distributors of certain brands. As such, operating loss of HK\$46.9 million was recorded for the six months ended 30 June 2023 (30 June 2022: HK\$36.5 million).

As at 30 June 2023, the total number of stores decreased to 208 (30 June 2022: 248), of which 180 (30 June 2022: 216) stores were in Mainland China, 17 (30 June 2022: 22) stores were in Hong Kong and Macau, and 11 (30 June 2022: 10) stores in Taiwan and other Asia-Pacific regions.

## **PROSPECTS**

In the first half of 2023, the Group has experienced a range of economic and industrial specific challenges, the global economy is expected to remain uncertain and we need to contend with the high global interest rate, high inflation rate as well as currency instability in the second half of 2023. Against the backdrop of the dynamic environment, we will conservatively monitor the market conditions, adjust our strategies and operational mode timely to minimise the impact to our business.

### **Manufacturing Business**

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

Sportswear Manufacturing Business has been severely impacted by the order reduction from customers since the last quarter of 2022. Our customers have been progressively resolving the inventory glut issue during the period but we believe that it will still take time for them to recover to a normal inventory level given the continued economic challenges. Having said that, it is anticipated that the high awareness for health and fitness as well as elevated sports participation rates in the globe will sustain, sportswear products are expected to remain fundamentally attractive in long term. As such, we will continue to develop new internationally renowned brands in order to capture the long-term business opportunity.

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

High-end Functional Outerwear Manufacturing Business made a decent progress in the last two years particularly through a strategic partnership with a comprehensive sportswear conglomerate in the Mainland China market. With this strategic partnership, we will continue to enlarge the scope of cooperation with this conglomerate especially their internationally renowned brands. Following the market adjustments in the first half of 2023, it is expected that orders from customers in the second half of the year will be better than the first half as it is the traditional peak season of the business.

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

Mainland China will continue as the major market of our High-end Fashion Retailing Business. Following the long-awaited cessation of all COVID-19 related control measures, the shop footfall in the Mainland China market snapped back temporarily in the first quarter of 2023 but it is anticipated that the customer demand is still frail after the pent-up demand faded. In other markets, the re-opening of border of Mainland China will continue to benefit our stores in Hong Kong and Macau.

Nevertheless, the pace of economy recovery is still uncertain and the profitability of High-end Fashion Retailing Business will be highly pressurised under tough economic environment which will be further exacerbated by the heightened promotional activity and the fierce market competition. We will remain cautious and continuously assess our brand portfolio and store network, and will proactively make any adjustment if necessary in order to respond to the dynamic market environment.

## FINANCIAL POSITION AND LIQUIDITY

As at 30 June 2023, the Group had cash and bank balances of HK\$361.4 million (31 December 2022: HK\$370.5 million) and net borrowings (bank borrowings and loans from non-controlling interests of subsidiaries less cash and bank balances) of HK\$191.9 million (31 December 2022: HK\$423.7 million), together with available undrawn banking facilities of HK\$690.7 million (31 December 2022: HK\$432.2 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 30 June 2023 was 11.7% (31 December 2022: 22.8%).

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, 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 interim 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 period given that HKD was pegged against USD.

The Group’s revenue and purchases were primarily denominated in USD, Renminbi (“RMB”) and HKD. During the period, approximately 63.8%, 30.2% and 3.7% of revenue were denominated in USD, RMB and HKD respectively, whereas approximately 83.5%, 13.0% and 2.1% of purchases were denominated in USD, RMB and HKD respectively.

As at 30 June 2023, approximately 45.9%, 40.1% and 7.1% of cash and bank balances were denominated in USD, RMB and HKD respectively, and approximately 52.0%, 38.1% and 9.9% of bank borrowings were denominated in HKD, USD and RMB respectively.

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

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2023, the Group had approximately 16,000 employees (31 December 2022: approximately 19,000 employees). The Group remunerates employees based on their performance, working experience and prevailing market conditions. Other employee benefits include retirement benefits, insurance, medical coverage and share option schemes.

## **CHARGES ON THE GROUP'S ASSETS**

As at 30 June 2023, bank deposit of HK\$1.2 million (31 December 2022: HK\$1.2 million) was pledged as security deposit at Customs Department for a subsidiary of the Group; and land and properties with an aggregate carrying amount of HK\$72.6 million (31 December 2022: HK\$74.5 million) were pledged to banks for certain banking facilities of the Group.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities, litigation or arbitration of material importance as at 30 June 2023.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). All Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2023.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

## **DIVIDENDS**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023.

## **CORPORATE GOVERNANCE**

The Company has applied the principles and complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2023.

## **REVIEW OF FINANCIAL INFORMATION**

The Audit Committee has discussed with the management of the Company the financial reporting matters related to the preparation of the unaudited condensed interim financial information for the six months ended 30 June 2023. It has also reviewed the unaudited condensed interim financial information for the six months ended 30 June 2023 with the management and the auditor of the Company and recommended them to the Board for approval.

The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed interim financial information for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.winhanverky.com>). The interim report for the six months ended 30 June 2023 will be dispatched to the shareholders and will be available on the aforesaid websites in due course.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping, Mr. LEE Kwok Leung and Mr. WONG Chi Keung being the executive directors, and 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, 24 August 2023