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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 2024

FINANCIAL HIGHLIGHTS

	Unaudited		Change %
	Six months ended 2024	Six months ended 2023	
	HK\$'000	HK\$'000 (Restated)	
Continuing operations			
Revenue	1,756,510	1,488,664	+18.0%
Gross profit	325,854	242,239	+34.5%
Gross profit margin	18.6%	16.3%	+2.3% pt
Operating loss	(62,015)	(139,204)	-55.5%
Loss for the period			
— Continuing operations	(85,710)	(142,588)	
— Discontinued operations	—	(34,562)	
	(85,710)	(177,150)	-51.6%
Basic loss per share (HK cents)	(6.3)	(12.7)	-50.4%

OPERATIONAL HIGHLIGHTS

- Revenue from continuing operations increased by 18.0% mainly attributable to the rebounded orders received from customers of Sportswear Manufacturing Business as they have significantly improved their inventory glut issue. The momentum of customer orders has been re-gained as driven by the increased consumer demand from the European market, in particular arising from the large-scale major sports events.
- Gross profit from continuing operations increased by 34.5%; while gross profit margin increased by 2.3 percentage points to 18.6% due to the improvement in production capacity utilisation rate and operating efficiency of Sportswear Manufacturing Business resulting from the rebounded orders.
- Consequently, operating loss reduced substantially to HK\$62.0 million. Such operating loss was mainly attributable to operating loss of HK\$52.2 million from continuing operations of High-end Fashion Retailing Business due to continued sluggish consumer consumption.
- The Group ceased to operate licensed stores of “Champion” since January 2024. The related operations had been regarded as discontinued operations and no further loss was incurred in 2024.
- Overall, loss for the period was HK\$85.7 million which was significantly enhanced as compared with the corresponding period of 2023.
- The financial and liquidity position remains healthy. As at 30 June 2024, cash and bank balances amounted to HK\$240.1 million (31 December 2023: HK\$209.5 million) and net gearing ratio was 16.9% (31 December 2023: 18.4%).
- 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 2024, together with the comparative amounts for the corresponding period of 2023, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
<u>Continuing operations</u>			
Revenue	2	1,756,510	1,488,664
Cost of sales		<u>(1,430,656)</u>	<u>(1,246,425)</u>
Gross profit		325,854	242,239
Selling and distribution costs		(187,428)	(167,516)
General and administrative expenses		(203,944)	(216,407)
Other income — net	3	<u>3,503</u>	<u>2,480</u>
Operating loss		(62,015)	(139,204)
Finance costs — net	4	(22,227)	(20,878)
Share of profits of associates		<u>558</u>	<u>980</u>
Loss before income tax		(83,684)	(159,102)
Income tax	5	<u>(2,026)</u>	<u>16,514</u>
Loss from continuing operations		(85,710)	(142,588)
<u>Discontinued operations</u>			
Loss from discontinued operations	11	<u>—</u>	<u>(34,562)</u>
Loss for the period		<u>(85,710)</u>	<u>(177,150)</u>
Loss for the period attributable to:			
Equity holders of the Company			
— Continuing operations		(80,484)	(128,652)
— Discontinued operations	11	<u>—</u>	<u>(34,562)</u>
		(80,484)	(163,214)
Non-controlling interests		<u>(5,226)</u>	<u>(13,936)</u>
		<u>(85,710)</u>	<u>(177,150)</u>
Loss per share attributable to:			
(basic and diluted, expressed in HK cents)	6		
Equity holders of the Company			
from continuing operations		(6.3)	(10.0)
Equity holders of the Company		<u>(6.3)</u>	<u>(12.7)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
		(Restated)
Loss for the period	(85,710)	(177,150)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(26,295)	(32,014)
Share of other comprehensive income of associates	1,681	(476)
	<u> </u>	<u> </u>
Total comprehensive income for the period	<u>(110,324)</u>	<u>(209,640)</u>
Total comprehensive income for the period attributable to:		
Equity holders of the Company		
— Continuing operations	(103,380)	(149,399)
— Discontinued operations	—	(44,886)
	<u> </u>	<u> </u>
	(103,380)	(194,285)
Non-controlling interests	(6,944)	(15,355)
	<u> </u>	<u> </u>
	<u>(110,324)</u>	<u>(209,640)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

		Unaudited	Audited
		30 June	31 December
		2024	2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		693,532	755,316
Intangible assets		199,742	201,156
Investments in associates		14,992	15,093
Other receivables and financial assets		56,565	46,445
Deferred tax assets		136,046	135,657
Pledged bank deposit		—	1,190
		<u>1,100,877</u>	<u>1,154,857</u>
Current assets			
Inventories		810,167	752,240
Trade and bills receivable	8	348,244	444,836
Other receivables and financial assets		187,542	266,167
Current tax recoverables		2,984	2,487
Pledged bank deposit		1,163	—
Cash and bank balances		240,053	209,456
		<u>1,590,153</u>	<u>1,675,186</u>
Current liabilities			
Trade payables	9	309,359	306,881
Accruals and other payables		285,432	275,734
Borrowings	10	462,477	472,760
Lease liabilities		93,705	94,610
Current tax liabilities		48,557	48,035
		<u>1,199,530</u>	<u>1,198,020</u>
Non-current liabilities			
Other payables		8,232	6,882
Lease liabilities		143,823	177,580
Deferred tax liabilities		8,988	6,780
		<u>161,043</u>	<u>191,242</u>
Net assets		<u>1,330,457</u>	<u>1,440,781</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2024

	Unaudited 30 June 2024 <i>HK\$'000</i>	Audited 31 December 2023 <i>HK\$'000</i>
Equity attributable to equity holders of the Company		
Share capital	128,440	128,440
Reserves	<u>1,222,751</u>	<u>1,333,246</u>
	1,351,191	1,461,686
Non-controlling interests	<u>(20,734)</u>	<u>(20,905)</u>
Total equity	<u><u>1,330,457</u></u>	<u><u>1,440,781</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 2024 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 amendments to standards and interpretations that became applicable for the current reporting period. None of the amendments to standards and interpretations 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 standards, amendments or interpretations 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 2023. Accordingly, readers should read the interim results in conjunction with the annual financial statements for the year ended 31 December 2023, 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 2024 are Manufacturing and High-end Fashion Retailing.

- The Manufacturing segment represents manufacturing and sales of (i) sportswear and (ii) high-end functional outerwear 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.
- In October 2023, the Group entered into a disposal agreement with a third party to sell, assign and novate the inventories and the licensed stores assets for the fashion brand “*Champion*” to the third party. The Group ceased to operate licensed stores of “*Champion*” since January 2024. The related operations were reclassified from the High-end Fashion Retailing segment and regarded as discontinued operations (Note 11). The comparative segment information for the six months ended 30 June 2023 has been represented to align with current period's disclosure.

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.

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
		(Restated)
Continuing operations		
Sales of goods	1,743,005	1,485,344
Provision of services	13,505	3,320
	<u>1,756,510</u>	<u>1,488,664</u>

2. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2024 are as follows:

	<u>Manufacturing</u>			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	1,215,509	260,502	280,934	1,756,945
Inter-segment revenue	(398)	(37)	—	(435)
Revenue	<u>1,215,111</u>	<u>260,465</u>	<u>280,934</u>	<u>1,756,510</u>
Operating profit/(loss) and segment results	1,409	(11,270)	(52,154)	(62,015)
Finance costs — net				(22,227)
Share of profits of associates	558	—	—	558
Loss before income tax				(83,684)
Income tax				(2,026)
Loss for the period				<u>(85,710)</u>

Other segment items charged/(credited) to the operating profit/(loss) for the six months ended 30 June 2024 are as follows:

Depreciation and amortisation of property, plant and equipment, and leased assets	37,872	6,095	39,293	83,260
Amortisation of intangible assets	—	1,065	349	1,414
Provision/(write-back of provision) for inventories, net	16,529	4,127	(12,764)	7,892
(Write-back)/loss allowance of trade receivables, net	(2,213)	957	1,946	690
Loss on disposal of property, plant and equipment, and lease modifications, net	—	7	—	7
Impairment loss of property, plant and equipment and leased assets, net	—	—	20,130	20,130
	<u>—</u>	<u>—</u>	<u>20,130</u>	<u>20,130</u>

2. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2023 are as follows:

	Manufacturing			Total continuing operations <i>HK\$'000</i>	Discontinued operations <i>(Note 11)</i> <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 segment revenue	955,452	221,290	313,324	1,490,066	178,656	1,668,722
Inter-segment revenue	(1,402)	—	—	(1,402)	—	(1,402)
Revenue	<u>954,050</u>	<u>221,290</u>	<u>313,324</u>	<u>1,488,664</u>	<u>178,656</u>	<u>1,667,320</u>
Operating loss and segment results	(115,893)	(9,264)	(14,047)	(139,204)	(32,846)	(172,050)
Finance costs — net				(20,878)	(1,716)	(22,594)
Share of profits of associates	980	—	—	980	—	980
Loss before income tax				(159,102)	(34,562)	(193,664)
Income tax				16,514	—	16,514
Loss for the period				<u>(142,588)</u>	<u>(34,562)</u>	<u>(177,150)</u>

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	38,456	93,703	21,526	115,229
Amortisation of intangible assets	—	1,065	349	1,414	—	1,414
Provision/(write-back of provision) for inventories, net	24,599	10,105	(6,599)	28,105	(1,881)	26,224
(Gain)/loss on disposal of property, plant and equipment, and lease modifications, net	(135)	118	1,101	1,084	—	1,084
Impairment loss of property, plant and equipment, and leased assets, net	<u>23,446</u>	<u>—</u>	<u>1,015</u>	<u>24,461</u>	<u>12,747</u>	<u>37,208</u>

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					
30 June 2024	<u>1,463,739</u>	<u>498,163</u>	<u>590,098</u>	<u>139,030</u>	<u>2,691,030</u>
31 December 2023	<u>1,500,079</u>	<u>463,545</u>	<u>728,275</u>	<u>138,144</u>	<u>2,830,043</u>
Total liabilities					
30 June 2024	<u>721,997</u>	<u>292,716</u>	<u>288,315</u>	<u>57,545</u>	<u>1,360,573</u>
31 December 2023	<u>805,658</u>	<u>228,204</u>	<u>300,585</u>	<u>54,815</u>	<u>1,389,262</u>

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	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i> (Restated)
Continuing operations		
Europe	688,353	504,530
Mainland China	484,360	338,542
Other Asian countries	222,083	274,189
United States	215,684	230,802
Hong Kong	54,858	65,600
Canada	9,082	17,919
Others	<u>82,090</u>	<u>57,082</u>
	<u>1,756,510</u>	<u>1,488,664</u>

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 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Hong Kong	357,571	358,549
Mainland China	248,495	273,781
Vietnam	207,549	218,426
Cambodia	129,172	135,948
Others	22,044	32,496
	<u>964,831</u>	<u>1,019,200</u>

3. OTHER INCOME — NET

	Six months ended 30 June	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations		
Net exchange gain/(loss)	2,510	(1,013)
Government subsidies	1,095	1,300
Rental income	783	749
Loss on disposal of property, plant and equipment, and lease modifications, net	(7)	(1,084)
Gain on disposal of ancillary materials, net	—	1,852
Others	(878)	676
	<u>3,503</u>	<u>2,480</u>

4. FINANCE COSTS — NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
		(Restated)
Continuing operations		
Finance income		
— Interest income from bank deposits	677	1,458
— Interest income from non-controlling interest of a subsidiary	295	305
	<u>972</u>	<u>1,763</u>
Finance cost		
— Interest on bank borrowings	(15,031)	(16,420)
— Interest on lease liabilities	(8,168)	(6,221)
	<u>(23,199)</u>	<u>(22,641)</u>
	<u>(22,227)</u>	<u>(20,878)</u>

5. INCOME TAX

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Continuing operations		
Current tax	614	141
Deferred tax	1,412	(16,655)
	<u>2,026</u>	<u>(16,514)</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% (2023: 25%) and 16.5% (2023: 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 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 (30 June 2023: 1,284,400,000 shares) in issue during the period.

The diluted loss per share for the six months ended 30 June 2024 and 2023 are the same as the basic loss per share as the potential dilutive ordinary shares arising from the outstanding share options granted by the Company do not have dilutive effect.

7. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

8. TRADE AND BILLS RECEIVABLE

	As at	
	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Trade receivables	359,957	455,640
Bills receivable	2,267	4,022
	<u>362,224</u>	<u>459,662</u>
Less: loss allowance of trade receivables	<u>(13,980)</u>	<u>(14,826)</u>
	<u><u>348,244</u></u>	<u><u>444,836</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 2024 HK\$'000	31 December 2023 HK\$'000
0-90 days	342,609	438,923
91-180 days	6,610	10,771
181-365 days	5,155	4,557
Over 365 days	7,850	5,411
	<u>362,224</u>	<u>459,662</u>

9. TRADE PAYABLES

The ageing of the trade payables based on invoice date is as follows:

	As at	
	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
0–90 days	283,296	295,602
91–180 days	17,032	8,497
181–365 days	6,939	1,389
Over 365 days	2,092	1,393
	<u>309,359</u>	<u>306,881</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 2024, 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:

	As at	
	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Within 1 year	389,477	472,760
After 1 year but within 2 years	5,000	—
After 2 years but within 5 years	15,000	—
After 5 years	53,000	—
	<u>462,477</u>	<u>472,760</u>

11. DISCONTINUED OPERATIONS

In October 2023, the Group entered into a disposal agreement with a third party to sell, assign and novate the inventories and the licensed stores assets for fashion brand “*Champion*” to the third party. The Group ceased to operate licensed stores of “*Champion*” since January 2024. The related operations were reclassified from the High-end Fashion Retailing segment and regarded as discontinued operations. Financial information relating to discontinued operations for the six months ended 30 June 2023 is set out below:

	Six months ended 30 June 2023 <i>HK'000</i>
Revenue	178,656
Cost of sales	<u>(122,683)</u>
Gross profit	55,973
Selling and distribution costs	(82,479)
General and administrative expenses	<u>(6,340)</u>
Operating loss	(32,846)
Finance costs — net (<i>Note</i>)	<u>(1,716)</u>
Loss before income tax	(34,562)
Income tax	<u>—</u>
Loss for the period and attributable to equity holders of the Company	<u><u>(34,562)</u></u>

Note:

Finance costs — net

	Six months ended 30 June 2023 <i>HK\$'000</i>
Interest on bank borrowings	1,151
Interest on lease liabilities	<u>565</u>
	<u><u>1,716</u></u>

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 2024 is summarised below:

OVERALL REVIEW

Revenue of the Group from continuing operations amounted to HK\$1,756.5 million (30 June 2023: HK\$1,488.7 million), representing an increase of 18.0%. The increase was mainly attributable to the rebounded orders received from customers of Sportswear Manufacturing Business as they have significantly improved their inventory glut issue. The momentum of customer orders has been re-gained as driven by the increased consumer demand from the European market, in particular arising from the large-scale major sports events.

Gross profit margin of the Group from continuing operations increased to 18.6% (30 June 2023: 16.3%). The increase in gross profit margin of 2.3 percentage points was attributable to the improvement in production capacity utilisation rate and operating efficiency of Sportswear Manufacturing Business resulting from the rebounded orders. As a result, gross profit of the Group from continuing operations increased by HK\$83.7 million to HK\$325.9 million (30 June 2023: HK\$242.2 million), 34.5% higher than that of the corresponding period of 2023.

Selling and distribution costs increased by HK\$19.9 million to HK\$187.4 million (30 June 2023: HK\$167.5 million), which was mainly due to impairment loss of HK\$20.1 million (30 June 2023: HK\$1.0 million) incurred for certain retail store assets.

General and administrative expenses decreased by HK\$12.5 million to HK\$203.9 million (30 June 2023: HK\$216.4 million), which was mainly attributable to the Group's effort of cost control.

Consequently, though operating result still recorded a loss of HK\$62.0 million, it was substantially reduced as compared to operating loss of HK\$139.2 million for the corresponding period of 2023. Operating loss of HK\$62.0 million was mainly attributable to operating loss of HK\$52.2 million from continuing operations of High-end Fashion Retailing Business due to continued sluggish consumer consumption.

The Group ceased to operate licensed stores of “*Champion*” since January 2024. The related operations had been regarded as discontinued operations and no further loss was incurred in 2024 (30 June 2023: loss after taxation of HK\$34.6 million).

Overall, the Group still recorded loss after taxation of HK\$85.7 million for the six months ended 30 June 2024, but it was significantly enhanced as compared with loss after taxation of HK\$177.2 million for the corresponding period of 2023.

The Board considers to conserve financial resources and does not recommend the payment of interim dividend for the six months ended 30 June 2024 (30 June 2023: 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 in the first half of 2024. The momentum of customer orders has been re-gained in Manufacturing Business as our major customers have significantly improved their inventory glut issue. However, the recovery of economy in the Greater China regions remained sluggish which dampened the consumer sentiment, in particular in the light luxury retail market in which our High-end Fashion Retailing Business operates.

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\$261.0 million to HK\$1,215.1 million (30 June 2023: HK\$954.1 million), representing an increase of 27.4%. The increase was mainly due to the rebounded orders received from customers as they have significantly improved their inventory glut issue. The momentum of customer orders has been re-gained as driven by the increased consumer demand from the European market, in particular arising from the large-scale major sports events. As a result, the business was successfully turnaround from operating loss of HK\$115.9 million for the six months ended 30 June 2023 to operating profit of HK\$1.4 million in the same period of 2024.

High-end Functional Outerwear Manufacturing Business

Revenue from High-end Functional Outerwear Manufacturing Business increased by HK\$39.2 million to HK\$260.5 million (30 June 2023: HK\$221.3 million), representing an increase of 17.7%. It was mainly attributable to the increased orders received from the Mainland China market arising from the enlarged scope of cooperation with a comprehensive sportswear conglomerate in the Mainland China market which was offset by the decreased orders from the European market and United States market with higher profit margin. As a result, operating loss of HK\$11.3 million was recorded for the six months ended 30 June 2024 (30 June 2023: operating loss of HK\$9.3 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***" in Mainland China. It also operated licensed stores for brands "***DAKS***" in Mainland China and "***New Era***" in Hong Kong.

Revenue from High-end Fashion Retailing Business decreased by HK\$32.4 million to HK\$280.9 million (30 June 2023: HK\$313.3 million), representing a decrease of 10.3%. Light luxury retail consumption remained sluggish after a temporary snap-back in the early of 2023. The market sentiment in Mainland China and Hong Kong has been experiencing a downturn, influenced by persistent economic factors and geopolitical challenges. This trend is further compounded by a shift in consumer spending patterns, transitioning from domestic expenditure to a preference for outbound travel. In light of the adverse impact on the retail store performance, impairment loss of HK\$20.1 million (30 June 2023: HK\$1.0 million) was provided for certain retail store assets. As a result, operating loss of HK\$52.2 million was recorded for the six months ended 30 June 2024 (30 June 2023: operating loss of HK\$14.0 million).

As at 30 June 2024, the total number of stores of continuing operations increased to 110 (30 June 2023: 109), of which 83 (30 June 2023: 81) stores were in Mainland China, 17 (30 June 2023: 17) stores were in Hong Kong and Macau, and 10 (30 June 2023: 11) stores in Taiwan and other Asia-Pacific regions.

PROSPECTS

The first half of 2024 presented numerous challenges for the Group, mainly due to ongoing uncertainty and geopolitical tension affecting the global economy. As we venture into the second half of the year, it is anticipated that we will navigate an economic landscape which is intricate and unpredictable. The outlook for our diverse portfolio of businesses is as varied as the contingencies ahead.

Nevertheless, the Group will continue to remain agile and prudent in managing its operations against the backdrop of the dynamic environment.

Manufacturing Business

Sportswear Manufacturing Business

Sportswear Manufacturing Business has successfully turnaround due to rebound orders received from customers. As a result of the recent large-scale major sports events, sportswear products are expected to remain fundamentally attractive as the high awareness for health and fitness together with the elevated sports participation rates in the world will sustain. In addition, the inventory glut issue of the major customers has been significantly improved, it is anticipated that Sportswear Manufacturing Business will become stable with a steady growth rate.

High-end Functional Outerwear Manufacturing Business

High-end Functional Outerwear Manufacturing Business has continued to make good progress in the Mainland China market as it has successfully established a strong strategic partnership with a comprehensive sportswear conglomerate. Leverage with this strategic partnership, it is anticipated that the revenue growth momentum will be carried forward alongside the traditional peak season of the business to the second half of the year.

High-end Fashion Retailing Business

In Mainland China and Hong Kong, consumers remained cautious about spending especially on discretionary items. In addition, the light luxury retail market is bearing the brunt of evolving consumption patterns due to resurgence of outbound travel. The path to recovery is expected to be prolonged and uneven, marked by diminishing momentum and a cautious market outlook. In response, the Group decided to introduce franchise stores apart from the direct operated stores for a fast growing brand in the second half of the year, which marks a pivotal strategic shift for High-end Fashion Retailing Business to operate certain brands with proven market presence. This shift towards a direct operated plus franchise model is projected to bolster business growth and profitability, indicating a promising direction for the business. By leveraging the direct operated plus franchise model, the brand can capitalise on its existing reputation while expanding its footprint and driving revenue growth through a network of partner-operated retail stores. This approach not only diversifies risks but also fosters growth and adaptability to local markets. Despite these strategic moves, it is imperative that we will continue to implement strict cost controls and will also close down the non-profitable stores across the region. As a consequence, it is anticipated that loss attributable to this business will be substantially reduced in the second half of the year.

FINANCIAL POSITION AND LIQUIDITY

In view of the challenges and uncertainties ahead, the Group will continue to proactively monitor the situation and impose strict cost control measures and focus on its cash flow management to ensure that it remains a healthy liquidity position.

Against the backdrop of the challenging environment, the Group's financial and liquidity position remains healthy. As at 30 June 2024, the Group had cash and bank balances of HK\$240.1 million (31 December 2023: HK\$209.5 million) and net borrowings (bank borrowings and loans from non-controlling interests of subsidiaries less cash and bank balances) of HK\$224.8 million (31 December 2023: HK\$265.2 million), together with available undrawn banking facilities of HK\$659.4 million (31 December 2023: HK\$666.2 million). The net change was mainly attributable to the cash generated from operating and investing activities, net with repayment of bank borrowings. The net gearing ratio (being net borrowings divided by total equity) as at 30 June 2024 was 16.9% (31 December 2023: 18.4%).

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, 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 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 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 68.8%, 26.5% and 3.1% of revenue were denominated in USD, RMB and HKD respectively, whereas approximately 78.0%, 18.9% and 1.8% of purchases were denominated in USD, RMB and HKD respectively.

As at 30 June 2024, approximately 38.5%, 29.1% and 27.0% of cash and bank balances were denominated in USD, RMB and HKD respectively, and approximately 66.2%, 29.1% and 4.6% 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 2024, the Group had approximately 17,000 employees (31 December 2023: approximately 16,000 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 2024, bank deposit of HK\$1.2 million (31 December 2023: 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\$77.5 million (31 December 2023: HK\$71.3 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 2024.

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 C3 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 2024.

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 2024.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2024.

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 C1 to the Listing Rules throughout the six months ended 30 June 2024.

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 2024. It has also reviewed the unaudited condensed interim financial information for the six months ended 30 June 2024 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 2024 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 2024 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, 22 August 2024