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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)

PROFIT WARNING

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

The board of directors (the "**Board**") of the Company wishes to inform the shareholders of the Company and potential investors that based on the information currently available and the unaudited consolidated management accounts of the Group for the six months ended 30 June 2020 (the "**Period**"), the Group is expected to record a net loss of approximately HK$225 million for the Period as compared to a net profit of HK$37 million in the corresponding period in 2019. Loss attributable to equity holders of the Company for the Period is expected to be approximately HK$180 million as compared to profit attributable to equity holders of the Company of HK$28 million in the corresponding period in 2019.

Net loss for the Period was mainly attributable to the following reasons:

(i) decrease in revenue from High-end Fashion Retailing Business by approximately HK$285 million or 34% to HK$542 million (30 June 2019: HK$827 million) which was mainly attributable to the temporary closure of off-line shops, drop in store traffic and dampened consumption sentiment amid the COVID-19 pandemic ("**COVID-19**") starting from the first quarter of 2020. Although revenue for the second quarter of 2020 has partially recovered in the Mainland China market, gross profit margin of High-end Fashion Retailing Business deteriorated due to increased promotional activities to motivate customer spending. As a result, this business segment recorded an operating loss of approximately HK$47 million (30 June 2019: operating profit of HK$124 million);

(ii) as part of the cost reduction initiatives with details set out below, a one-off non-cash impairment arising from divestment of e.dye Business amounted to approximately HK$75 million, resulting in an operating loss for this business segment of approximately HK$93 million (30 June 2019: operating loss of HK$24 million); and

(iii) productions of the factories situated in Mainland China were required to be temporarily suspended due to lockdowns and other social distancing measures imposed following the COVID-19 in early 2020. Certain suppliers' delivery of raw materials for production in Southeast Asian countries has been delayed as affected by logistic impediment. Despite the production activities having resumed in late March 2020, the operating efficiencies of the Group's Sportswear Manufacturing Business and High-end Functional Outerwear Manufacturing Business were hindered during the Period and recorded an aggregate operating loss of approximately HK$57 million (30 June 2019: aggregate operating loss of HK$16 million).

Cost reduction initiatives

The unprecedented pandemic of COVID-19 that is raging worldwide has made the operating environment extremely difficult. Moreover, there are still huge uncertainties around how the COVID-19 may continue to impact the orders and sales for the Group, which will inevitably impact the Group's performance throughout the remainder of 2020. The Group has made all-out efforts to reduce costs to preserve working capital including but not limited to applications for government subsidies, social security exemption and reduction, negotiation with landlords for rental reductions, adjustment on factory operation mode and size of workforce, implementation of staff no pay leaves, as well as a 30% temporary salary reduction for all directors of the Company.

In addition, the Group has held up capital expenditure projects and re-assessed its strategic investments. After a comprehensive review, the Group has decided to divest e.dye Business. It is considered that e.dye Business, being a non-core business operation of the Group, has been underperforming for a number of years, hence triggering the Group's decision in discontinuing this investment in order to stop further losses and for better deployment of the Group's resources. As such, a one-off non-cash impairment in a total amount of approximately HK$75 million has been provided for on the assets of e.dye Business for the Period. Subsequent to 30 June 2020, e.dye Business will be disposed of and its shareholder's loan from the Group will be waived upon disposal. Consequently, the estimated impact to loss attributable to equity holders of the Company for the year ending 31 December 2020 will be approximately HK$133 million.

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 maintains a healthy liquidity position. Against the backdrop of the challenging business environment, the Group's financial and liquidity position remains stable. As of 30 June 2020, the Group has approximately HK$669 million (31 December 2019: HK$487 million) of cash and cash equivalents and HK$428 million (31 December 2019: HK$539 million) of net borrowings (bank borrowings and loans from non-controlling interests of subsidiaries less cash and bank balances), together with available undrawn banking facilities of approximately HK$451 million.

The information contained in this announcement is only a preliminary assessment by the management of the Company based on the consolidated management accounts of the Group which have not yet been audited or reviewed by the auditor and audit committee of the Company. The shareholders of the Company and potential investors are advised to refer to the details in the interim results announcement of the Company for the six months ended 30 June 2020, which is expected to be published by the end of August 2020. There may be changes or adjustments following the review of the consolidated management accounts by the auditor and audit committee of the Company.

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

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

Hong Kong, 12 August 2020

As at the date of this announcement, the Directors are Li Kwok Tung Roy, Lai Ching Ping, Lee Kwok Leung, Wong Chi Keung, Chan Kwong Fai#, Ma Ka Chun#, Kwan Kai Cheong# and Chan Ka Kui#.

Independent non-executive Directors