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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)

POSITIVE PROFIT ALERT AND BUSINESS UPDATE

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 2021, the Group is expected to record profit after taxation of approximately HK\$15 million for the six months ended 30 June 2021 as compared to loss after taxation of HK\$211 million in the corresponding period in 2020.

The turnaround from loss after taxation to estimated profit after taxation for the six months ended 30 June 2021 was mainly attributable to the following reasons:

- (i) increase in revenue from continuing operations by approximately HK\$144 million or 7% to HK\$2,087 million (30 June 2020: HK\$1,943 million) as a result of the recovery from the impact of COVID-19 pandemic (“**COVID-19**”). The orders received from customers of Sportswear Manufacturing Business regained a growth and, in addition, revenue of High-end Fashion Retailing Business generated from stores in the Mainland China market rebounded;
- (ii) increase in gross profit from continuing operations by approximately HK\$108 million or 25% to HK\$546 million (30 June 2020: HK\$438 million) and increase in gross profit margin by approximately 3 percentage points to 26% (30 June 2020: 23%), mainly attributable to the improved operating efficiencies of Sportswear Manufacturing Business and the increased revenue from High-end Fashion Retailing Business; and
- (iii) the absence of loss arising from the discontinued operations — e.dye Business for the six months ended 30 June 2021 (30 June 2020: loss of HK\$95 million) as the Group has divested and discontinued e.dye Business during the year 2020.

Manufacturing Business

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

Sportswear Manufacturing Business

Revenue from Sportswear Manufacturing Business increased by approximately HK\$53 million to HK\$1,290 million (30 June 2020: HK\$1,237 million), representing an increase of 4%. The increase was mainly due to the increased orders received from customers, in particular, demand in the United States market recovered from a significant decline during the second quarter of 2020. The demand of sportswear products was driven by the return of sports events after lockdown, as well as increasing health awareness of the general public. It was partially offset by the reduced production for shipment to the Europe market arising from the temporary closure of our Cambodian factory due to COVID-19.

An operating profit of approximately HK\$26 million was recorded for the six months ended 30 June 2021 (30 June 2020: loss of HK\$44 million). The significant change was driven by the improved operating efficiencies which was resulting from our cautious deployment of resources by adjusting factory operation mode and size of workforce.

High-end Functional Outerwear Manufacturing Business

Revenue from High-end Functional Outerwear Manufacturing Business decreased by approximately HK\$11 million to HK\$152 million (30 June 2020: HK\$163 million), representing a decrease of 7%. It was mainly attributable to the reduced orders from an outdoor brand as the demand for fall/winter products has only restored since the second quarter of 2021.

In order to prepare for the potential orders in the coming peak season, which is normally in the second half of 2021, additional product development costs and production enhancement expenses were incurred to capture the expected growth. As a result, an operating loss of approximately HK\$18 million was recorded for the six months ended 30 June 2021 (30 June 2020: loss of HK\$10 million).

High-end Fashion Retailing Business

Revenue from High-end Fashion Retailing Business increased by approximately HK\$102 million to HK\$645 million (30 June 2020: HK\$543 million), representing an increase of 19%. The increase was mainly attributable to the recovery from the low base in the first half of 2020 due to temporary closure of stores in the Mainland China market during the widespread outbreak of COVID-19. In other markets, the negative impact arising from COVID-19 on our stores in Hong Kong, Macau and Singapore continued in 2021 and had been extended to Taiwan during the outbreak in the first half of 2021.

An operating profit of approximately HK\$36 million was recorded for the six months ended 30 June 2021 (30 June 2020: loss of HK\$41 million). It was mainly attributable to the gross profit brought in by the increased revenue from the Mainland China market and also due to the decrease in impairment loss for the retail store assets in Hong Kong. Despite revenue from the Mainland China market had picked up, gross profit margin of High-end Fashion Retailing Business was still under high pressure due to increased promotional activities and higher retail discounts offered to motivate customer spending.

The Board wishes to advise that the ongoing COVID-19 in various areas where the Group has operations is still prevalent and it will inevitably interfere the momentum of revenue growth and disrupt operating efficiencies in the second half of 2021.

Financial Position and Liquidity

In view of the challenges and uncertainties ahead arising from COVID-19, 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 stable. As at 30 June 2021, the Group had cash and bank balances of approximately HK\$682 million (31 December 2020: HK\$695 million) and net borrowings (bank borrowings and loans from non-controlling interests of subsidiaries less cash and bank balances) of approximately HK\$230 million (31 December 2020: HK\$202 million), together with available undrawn banking facilities of approximately HK\$549 million (31 December 2020: HK\$693 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 2021, which is expected to be published by the end of August 2021. 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, 11 August 2021

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[#], Kwan Kai Cheong[#], Ma Ka Chun[#] and Chan Ka Kui[#].

[#] *Independent non-executive directors*