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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)

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 year ended 31 December 2022 (the “**Current Year**”), the Group is expected to record profit after taxation of approximately HK\$20 million for the Current Year as compared to loss after taxation of HK\$70 million for the year ended 31 December 2021 (the “**Prior Year**”).

The change in estimated result for the Current Year as compared to the Prior Year was mainly attributable to the following reasons:

- (i) gains (before taxation) arising from the disposals of land lease right in Vietnam and a property-holding subsidiary in Hong Kong of approximately HK\$54 million and HK\$15 million respectively (the “**Disposal Gains**”);
- (ii) decrease in operating profit from High-end Fashion Retailing Business by approximately HK\$128 million to operating loss of HK\$115 million (2021: profit of HK\$13 million) which was mainly attributable to decrease in revenue by approximately HK\$326 million or 27% to HK\$882 million (2021: HK\$1,208 million). The decrease in revenue was mainly due to the temporary store closures in major cities of Mainland China during the Current Year resulting from the highly infectious Omicron variants of COVID-19 and the corresponding restrictions imposed by the Chinese government; and
- (iii) increase in operating profit from Manufacturing Business by approximately HK\$154 million to operating profit of HK\$90 million (2021: loss of HK\$64 million), before taking into account the Disposal Gains mentioned above, which was mainly attributable to increase in revenue by approximately HK\$630 million or 22% to HK\$3,558 million (2021: HK\$2,928 million) resulting from the increased orders received from customers in the Current Year, as well as the fulfilment of orders brought forward from the temporary production suspension at the Vietnam factories in the second half of the Prior Year.

Throughout the Current Year, 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.

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\$484 million to HK\$2,897 million (2021: HK\$2,413 million), representing an increase of 20%. The increase was mainly due to the increased orders received from customers, as well as the fulfilment of orders brought forward from the temporary production suspension at the Vietnam factories in the second half of the Prior Year, in particular, demand from the European market recorded a modest growth in the Current Year.

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 approximately HK\$54 million and HK\$15 million being recorded in the Current Year respectively.

As a result, including the Disposal Gains, operating profit of approximately HK\$119 million was recorded for the Current Year. Excluding the Disposal Gains, operating profit would be approximately HK\$50 million (2021: loss of HK\$60 million) which was mainly attributable to the increase in operating profit resulting from the additional gross profit brought in as driven by the increased revenue.

Nevertheless, the order trends from customers have decelerated since the last quarter of the Current Year, 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.

High-end Functional Outerwear Manufacturing Business

Revenue from High-end Functional Outerwear Manufacturing Business increased by approximately HK\$146 million to HK\$661 million (2021: HK\$515 million), representing an increase of 28%. It was mainly attributable to the increased orders received from customers in the first half of the Current Year, as well as the fulfilment of orders brought forward from the temporary production suspension at the Vietnam factories in the second half of the Prior Year. As a result, operating profit of approximately HK\$40 million was recorded for the Current Year (2021: loss of HK\$4 million).

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

Revenue from High-end Fashion Retailing Business decreased by approximately HK\$326 million to HK\$882 million (2021: HK\$1,208 million), representing a decrease of 27%. The highly infectious Omicron variant 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 Current Year. 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 approximately HK\$115 million was recorded for the Current Year (2021: profit of HK\$13 million).

The recent relaxation of COVID-19 related control measures should support a recovery in consumer spending, especially in the Mainland China market, but it is expected that the process will be bumpy and the recovery path will be clouded with uncertainties.

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 annual results announcement of the Company for the year ended 31 December 2022, which is expected to be published by the end of March 2023. 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, 17 February 2023

As at the date of this announcement, the directors are Li Kwok Tung Roy, Lai Ching Ping, Lee Kwok Leung, Wong Chi Keung, Kwan Kai Cheong[#], Ma Ka Chun[#] and Chan Kit Fun Fanny[#].

[#] *Independent non-executive directors*