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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

HIGHLIGHTS

- Revenue for the six months ended 30 June 2007 amounted to HK$1,391.5 million, an increase of 16.4% as compared with the corresponding period of 2006.
- Profit attributable to equity holders of the Company for the six months ended 30 June 2007 amounted to HK$140.4 million, an increase of 4.6% as compared with the corresponding period of 2006.
- Net profit margin for the period was 11.3%, remained stable as compared to 11.5% for the corresponding period of 2006.

The board of directors (the "Board") of Win Hanverky Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007, together with the comparative amounts for the corresponding period of 2006. The interim results and interim financial information have not been audited but have been reviewed by the Company's audit committee ("Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

		Unaudited	
		Six months ended 30 June	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,391,482**	1,195,126
Cost of sales	*4*	**(914,329)**	(779,367)
Gross profit		**477,153**	415,759
Selling and distribution costs		**(155,586)**	(120,889)
General and administrative expenses		**(157,851)**	(116,310)
Other income and gains	*5*	**35,309**	2,213
Operating profit		**199,025**	180,773
Finance income		**13,643**	1,370
Finance costs		**(3,854)**	(8,827)
Finance income/(costs) - net		**9,789**	(7,457)
Share of profit of associates		**469**	—
Share of (loss)/profit of jointly controlled entities		**(11,353)**	340
Profit before income tax		**197,930**	173,656
Income tax expense	*6*	**(41,340)**	(36,016)
Profit for the period		**156,590**	137,640
Attributable to:			
Equity holders of the Company		**140,405**	134,203
Minority interest		**16,185**	3,437
		156,590	137,640
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK$ per share)	*7*		
- basic		**0.113**	0.149
- diluted		**0.110**	0.148
Dividends	*8*	**41,857**	—

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007

	Note	**Unaudited 30 June 2007 HK$'000**	Audited 31 December 2006 HK$'000
Non-current assets			
Property, plant and equipment		**429,792**	345,907
Leasehold land and land use rights		**52,839**	31,476
Intangible assets	5	**52,651**	150,296
Investments in associates		**22,058**	21,589
Investments in jointly controlled entities		**—**	14,395
Deferred income tax assets		**5,006**	3,058
Other receivables		**14,851**	17,596
		577,197	584,317
Current assets			
Inventories		**487,761**	282,725
Trade and bills receivable	9	**682,039**	478,536
Deposits, prepayments and other receivables		**60,693**	36,160
Cash and cash equivalents		**479,711**	567,387
		1,710,204	1,364,808
Current liabilities			
Trade and bills payable	10	**324,776**	228,393
Accruals and other payables		**157,898**	96,522
Current income tax liabilities		**74,124**	48,559
Borrowings	11	**33,422**	10,749
Licence fees payable	5	**17,441**	58,748
		607,661	442,971
Net current assets		**1,102,543**	921,837
Total assets less current liabilities		**1,679,740**	1,506,154

	Note	Unaudited 30 June 2007 HK$'000	Audited 31 December 2006 HK$'000
Non-current liabilities			
Licence fees payable	5	**—**	131,266
Deferred income tax liabilities		**3,204**	2,741
		3,204	134,007
Net assets		**1,676,536**	1,372,147
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**124,740**	124,500
Reserves		**1,495,974**	1,211,463
		1,620,714	1,335,963
Minority interest		**55,822**	36,184
Total equity		**1,676,536**	1,372,147

NOTES:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") No. 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2006.

(a) The following standards, amendments and interpretations are mandatory for financial year ending 31 December 2007:

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new/revised standards, amendments and interpretations has no significant financial effect on the Group's condensed interim financial information.

(b) The following new standards and interpretations to existing standards which are relevant to the Group, have been issued but are not yet effective and have not been early adopted by the Group:

HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above new standards and interpretations will have no significant impact on the financial statements of the Group and will not result in substantial changes to the Group's accounting policies.

3. SEGMENT INFORMATION

(a) Primary reporting format - business segments

During the six months ended 30 June 2007, the Group is organised on a worldwide basis into three main business segments:

(1) Sportswear manufacturing;

(2) Sportswear distribution; and

(3) Active and outer wear.

Turnover, consisting of primarily sales from sportswear and active and outer wear, amounted to HK$1,391,482,000 for the six months ended 30 June 2007 (2006: HK$1,195,126,000).

The segment results for the six months ended 30 June 2007 are as follows:

	Sportswear manufacturing business *HK$'000*	Sportswear distribution business *HK$'000*	Active and outer wear business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Total segment revenue	**936,182**	**255,420**	**221,342**	**—**	**1,412,944**
Inter-segment revenue	**(21,462)**	**—**	**—**	**—**	**(21,462)**
Revenue	**914,720**	**255,420**	**221,342**	**—**	**1,391,482**
Operating profit/ segment results	**109,960**	**75,996**	**18,868**	**(5,799)**	**199,025**
Finance income					**13,643**
Finance costs					**(3,854)**
Share of profit of associates	**469**				**469**
Share of loss of jointly controlled entities		**(11,353)**			**(11,353)**
Profit before income tax					**197,930**
Income tax expense					**(41,340)**
Profit for the period					**156,590**
Other segment items included in the income statement are as follows:					
Amortisation of leasehold land and land use rights	**322**	**—**	**—**	**—**	**322**
Amortisation of intangible assets	**—**	**9,067**	**—**	**—**	**9,067**
Deprecation of property, plant and equipment	**23,000**	**3,517**	**1,616**	**—**	**28,133**
Impairment of inventories	**796**	**—**	**—**	**—**	**796**
Impairment of receivables	**—**	**352**	**—**	**—**	**352**

The segment results for the six months ended 30 June 2006 are as follows:

	Sportswear manufacturing business	Sportswear distribution business	Active and outer wear business	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	842,532	166,097	209,445	—	1,218,074
Inter-segment revenue	(22,948)	—	—	—	(22,948)
Revenue	819,584	166,097	209,445	—	1,195,126
Operating profit/ segment results	127,407	30,578	26,980	(4,192)	180,773
Finance income					1,370
Finance costs					(8,827)
Share of profit of jointly controlled entities		340			340
Profit before income tax					173,656
Income tax expense					(36,016)
Profit for the period					137,640
Other segment items included in the income statement are as follows:					
Amortisation of leasehold land and land use rights	322	—	—	—	322
Amortisation of intangible assets	—	13,859	—	—	13,859
Deprecation of property, plant and equipment	15,527	240	2,759	—	18,526
Impairment of inventories	—	3,118	—	—	3,118
Impairment of receivables	—	332	—	—	332

Unallocated costs represent corporate expenses. Inter-segment transactions are conducted at terms mutually agreed among group companies.

The segment assets and liabilities as at 30 June 2007 and capital expenditure for the six months then ended are as follows:

	Sportswear manufacturing business	Sportswear distribution business	Active and outer wear business	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**1,226,832**	**473,698**	**251,236**	**313,577**	**2,265,343**
Associates	**22,058**	**—**	**—**	**—**	**22,058**
Total assets	**1,248,890**	**473,698**	**251,236**	**313,577**	**2,287,401**
Liabilities	**306,602**	**140,712**	**52,801**	**110,750**	**610,865**
Capital expenditure	**113,907**	**15,418**	**102**	**—**	**129,427**

The segment assets and liabilities as at 31 December 2006 and capital expenditure for the six months ended 30 June 2006 are as follows:

	Sportswear manufacturing business	Sportswear distribution business	Active and outer wear business	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	825,199	430,232	252,930	404,780	1,913,141
Associates	21,589	—	—	—	21,589
Jointly controlled entities	—	14,395	—	—	14,395
Total assets	846,788	444,627	252,930	404,780	1,949,125
Liabilities	228,811	238,640	47,478	62,049	576,978
Capital expenditure	89,654	2,060	887	—	92,601

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, intangible assets, investments in associates, investments in jointly controlled entities, inventories, trade, bills and other receivables, and cash and cash equivalents. Unallocated assets mainly comprise cash and cash equivalents held for corporate uses and deferred taxation.

Segment liabilities comprise mainly operating liabilities. Unallocated liabilities mainly comprise taxation and borrowings.

Capital expenditure comprises additions to leasehold land and land use rights, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

(b) Secondary reporting format - geographical segments

The Group primarily operates in Hong Kong and Mainland China. Sales are made to overseas customers as well as customers in Hong Kong and Mainland China.

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Europe	**610,736**	597,548
United States of America	**218,338**	207,812
Other American countries	**78,373**	31,368
Hong Kong	**44,852**	29,991
Mainland China	**291,490**	191,404
Other Asian countries	**133,316**	118,167
Others	**14,577**	18,836
	1,391,482	1,195,126

The Group's revenue by geographical locations is determined by the final destination of delivery of the products.

	As at	
	30 June	31 December
	2007	2006
	HK$'000	*HK$'000*
Total assets		
Hong Kong	**1,086,230**	1,080,188
Mainland China	**1,016,552**	749,989
Other Asian countries	**37,283**	27,088
Others	**147,336**	91,860
	2,287,401	1,949,125

Total assets are allocated based on where the assets are located.

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Capital expenditure		
Hong Kong	**4,378**	3,596
Mainland China	**117,600**	68,505
Other Asian countries	**7,449**	19,679
Others	**—**	821
	129,427	92,601

Capital expenditure is allocated based on where the assets are located.

(c) Analysis of revenue by category

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Sales of goods	**1,384,482**	1,193,264
Provision of subcontracting services	**7,000**	1,862
	1,391,482	1,195,126

4. COST OF SALES

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Cost of goods sold	**748,319**	657,294

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Gain on derecognition of licence rights and related licence fees payable	**33,526**	—
Interest income on other receivables from disposal of interest in a subsidiary	**959**	1,828
Others	**824**	385
	35,309	2,213

NOTE:

In February 2007, Team & Sports Limited, a subsidiary of the Company, entered into a new agreement to act as an exclusive distributor of the Umbro branded products in Greater China from March 2007 to December 2020. Consequently, the agreement for the aforementioned licence rights was terminated. Under the new distribution agreement, the Group is required to pay Umbro International Limited, a shareholder of Team & Sports Limited, royalty on all Umbro branded products sold at an agreed rate ranging from 6% to 25% based on the selling price, but is not obligated to any fixed periodic royalty payment. Consequently, the aforementioned licence rights and the related licence fees payable were derecognised. The excess of the carrying amount of the licence fees payable over the carrying value of the licence rights of HK$33,526,000 was recognised as other gains in the consolidated income statement.

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period.

Subsidiaries, associates and jointly controlled entities established and operated in Mainland China are subject to Mainland China Enterprise Income Tax at rates ranging from 15% to 33% for the six months ended 30 June 2007 (2006: 27% to 33%). In accordance with the applicable tax regulations, subsidiaries, associates and jointly controlled entities established in Mainland China as wholly-owned foreign enterprises or sino-foreign joint ventures, fulfiling certain conditons, are entitled to full exemption from Enterprise Income Tax for the first two years and 50% reduction in Enterprise Income Tax for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from previous years.

Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profit for the period at the applicable rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax expense charged to the consolidated income statement represents:

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**25,230**	28,875
Mainland China enterprise income tax	**17,595**	9,398
Overseas tax	**—**	16
Deferred income tax	**(1,485)**	(2,273)
	41,340	36,016

7. EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share for the year is based on the consolidated profit attributable to equity holders of the Company and on the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**140,405**	134,203
Weighted average number of ordinary shares in issue ('000)	**1,245,133**	900,000
Basic earnings per share (HK$)	**0.113**	0.149

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**140,405**	134,203
Weighted average number of ordinary shares in issue ('000)	**1,245,133**	900,000
Adjustment for share options ('000)	**27,976**	7,066
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,273,109**	907,066
Diluted earnings per share (HK$)	**0.110**	0.148

8. DIVIDENDS

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Interim dividend of HK3.3 cents (2006: Nil) per share proposed	**41,857**	—

At the Board meeting held on 12 September 2007, the Directors declared an interim dividend of HK3.3 cents (2006: Nil) per share. The interim dividend has not been reflected as a dividend payable in this interim financial information, but as a separate component of total equity at 30 June 2007.

9. TRADE AND BILLS RECEIVABLE

The majority of the Group's sales have credit terms ranging from 30 to 120 days. The ageing analysis of the trade and bills receivable is as follows:

	As at	
	30 June	31 December
	2007	2006
	HK$'000	*HK$'000*
0-30 days	**340,679**	248,965
31-60 days	**185,516**	119,295
61-90 days	**85,467**	35,015
91-120 days	**39,739**	38,277
121-365 days	**25,224**	36,600
Over 365 days	**14,959**	10,281
	691,584	488,433
Less: Provision for impairment of trade receivables	**(9,545)**	(9,897)
	682,039	478,536

10. TRADE AND BILLS PAYABLE

The ageing analysis of the trade and bills payable is as follows:

	As at	
	30 June	31 December
	2007	2006
	HK$'000	*HK$'000*
0-30 days	**158,627**	112,702
31-60 days	**64,786**	76,613
61-90 days	**62,647**	30,413
91-120 days	**21,691**	4,585
121-365 days	**15,670**	3,549
Over 365 days	**1,355**	531
	324,776	228,393

11. BORROWINGS

	As at	
	30 June	31 December
	2007	2006
	HK$'000	*HK$'000*
Short-term bank loans	**30,500**	10,000
Trust receipts import bank loans	**2,922**	749
	33,422	10,749

Interest expense on borrowings for the six months ended 30 June 2007 is HK$626,000 (2006: HK$959,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2007, the Group's sales rose by 16.4% to HK$1,391.4 million against HK$1,195.1 million for the corresponding period in 2006. The rise in sales was mainly attributable to satisfactory performance of Sportswear Manufacturing Business, Sportswear Distribution Business and the inclusion of Win Sports Limited ("Win Sports") under Sportswear Retail Business. The Group's gross profit amounted to HK$477.2 million, representing an increase of 14.8%; while gross profit margin remained stable at 34.3%, comparing to 34.8% for the corresponding period in 2006.

Operating profit increased by HK$18.3 million, or 10.1%, to HK$199.0 million, against the same period in 2006. The increase was primarily due to an increase in operating profit of HK$45.4 million from Sportswear Distribution and Retail Business, which was however partly offset by the decrease in operating profit of HK$8.1 million and HK$17.4 million from Active and Outer Wear Business and Sportswear Manufacturing Business respectively. The increase of operating profit also took into account the cost of pre-IPO Share Options granted to several executive Directors and a consultant of HK$5.8 million which is not allocated to any business segments.

During the review period, finance income increased significantly to HK$13.6 million against HK$1.4 million in the last corresponding period. This was mainly due to the increase in interest income from a higher average level of bank deposits. Finance costs decreased from HK$8.8 million to HK$3.9 million mainly because of the decrease in interest on licence fees payable by HK$4.1 million after derecognition of licence fees payable in March 2007. Income tax increased to HK$41.3 million against HK$36.0 million for the corresponding period in 2006, while effective tax rates remained stable at 21.0%. Minority interest increased to HK$16.2 million against HK$3.4 million for the corresponding period in 2006 mainly due to the significant increase of net profit after tax in Sportswear Distribution Business together with the further dilution of interest from the disposal of an additional 15% equity interest in Team & Sports Limited ("T&S") to Umbro International Limited ("Umbro Group"), the other shareholder of T&S, in March 2007.

The Group's profit attributable to equity holders increased by 4.6% to HK$140.4 million and its net profit margin was 11.3%.

BUSINESS REVIEW

The Group is an integrated manufacturer and distributor for renowned international sports brands and active and outer wear. It runs three continuously growing broad lines of business that serve diverse geographical markets. The sales performances of different business lines are summarised below:

Sportswear Manufacturing Business

The Group's Sportswear Manufacturing Business mainly manufactures sportswear products on OEM basis for international sports brands, including but not limited to adidas, Reebok, Umbro, Diadora, Puma and Jako. Most of the goods it produced are exported to Europe. During the six months ended 30 June 2007, sales from the Sportswear Manufacturing Business increased by 11.1% to HK$936.1 million when compared with the same period last year. The Group's expanded production capacity and increased orders from key customers, who had been consolidating their supplier base but continued to order from the Group because of its high quality and standards of its sportswear products, were the main reasons behind the sales growth. The segment's contribution to the Group's total sales decreased from 69.2% to 66.3%.

During the period under review, the business environment remained tough with the value of the Renminbi on constant climb, translating into rising labour and overhead costs. There was also pressure to control prices from customers, as a result, the inflated cost cannot be passed to customers easily. The Group tried to mitigate these effects by enhancing productivity and utilisation of its major factories and shutting down the under performing factory in the Philippines. These efforts had helped to keep the Group's gross profit margin at 27.6%, or HK$258.4 million, compared to 23.4% for the second half of 2006, although it had dropped from 30.8% at HK$259.1 million for the corresponding period in 2006.

The segmental operating expense increased by 9.4%, or HK$12.8 million, which was lower than the 11.1% growth in revenue. The higher expenses were mainly due to increase in social security costs for labour by HK$3.1 million, professional fees by HK$2.1 million and depreciation of the factory office of Vietnam and the soccer centre in He Yuen by HK$2.9 million.

Segmental operating profit margin therefore decreased to 11.7%, at HK$110.0 million, from 15.1% at HK$127.4 million for the corresponding period in 2006.

Sportswear Distribution Business

The Group has exclusive rights to distribute sportswear, footwear, accessories and sports equipment under the UMBRO brand in the PRC and Hong Kong. Sales of the segment increased by 53.8% to HK$255.4 million for the first half of 2007, attributable mainly to the increased demand for Umbro products in the PRC and the contribution from Win Sports Limited, which is engaged in the retail business in the PRC and Hong Kong, after it became a subsidiary of the Group in March 2007. This segment has then been expanded to include Sportswear Retail Business for multi brands sportswear products as well. It accounted for 18.1% of the Group's total sales as compared to 13.6% for the corresponding period last year. At the end of the period, approximately 1,210 points of sale were in operation, of which approximately 1,040 were in the PRC.

In January 2007, the Group opened its first soccer concept mega store "Futbol Trend" in Mongkok, Hong Kong. The new store carries products of world famous soccer brands, such as adidas, Nike and Umbro, and other football clubs in the FA Premier League. The move is a big stride forward for the Group's sportswear retail business.

In March 2007, the Group entered into a new agreement (the "Distributor Agreement") giving it exclusive distributorship of UMBRO products in the PRC, Hong Kong, Macau and Taiwan from March 2007 to December 2020. Under the Distributor Agreement, the Group is only required to pay royalty on all Umbro Products sold at an agreed royalty rate, but is not obliged to pay a minimum level of royalty. Licence rights and licence fees payable previously recognised as assets and liabilities were then derecognised in March 2007, resulting in a gain of HK$33.5 million. As the Distributor Agreement was signed in March 2007, the impact of amortisation resulting from license rights and interest expense on licence fees payable for the period from January 2007 to March 2007, amounting to HK$8.6 million and HK$3.1 million respectively, were charged to the income statement. Royalty expense as an item in selling and distribution costs came into effect starting from April 2007, amounting to HK$12.7 million. For comparative purpose, assuming the Distributor Agreement was entered into at the beginning of 2006 and 2007, there would only be royalty expense without amortisation on licence rights, interest expense on licence fees payable and other gain on derecognition, the gross profit margin for Umbro's distribution business would then have increased from 45.2% to 49.6% and operating profit margin from 11.9% to 13.6%.

The Group, at the same time of entering the Distributor Agreement, completed the disposal of an additional 15% equity interest in its subsidiary T&S to Umbro Group for a cash consideration of US$16,500,000 (equivalent to HK$128,700,000). Consequently, the Group's equity interest in T&S and its subsidiaries decreased from 75% to 60%.

In the same month, the Group also completed subscription of an additional 25% stake (the "Subscription") in a previously jointly-controlled entity Win Sports, increasing its equity interest in Win Sports to 75%. The Subscription has given the Group operational control over its Sportswear Retail Business and a strengthened strategic platform to expand its retail and wholesale business in Hong Kong and the PRC. Before the Subscription, Win Sports was equity accounted for and the Group shared its loss of HK$11.3 million in the first quarter of 2007, resulting from clearance of old inventories, provision of doubtful debts and consolidation of the operation networks and organisational structure in Hong Kong and the PRC. After the Subscription, the sales contribution from Win Sports in the second quarter consolidated to the Group's result amounted to HK$46.9 million, with gross profit margin at 43.1% and operating loss of HK$2.2 million.

Overall, segmental gross profit margin increased from 36.9%, at HK$61.2 million, to 46.3% at HK$118.1 million and operating profit margin increased from 18.4%, at HK$30.6 million, to 29.8% at HK$76.0 million (or 16.6% at HK$42.5 million excluding the other gain).

Breakdown of sales of our Sportswear Distribution Business by product categories

	Six months ended 30 June			
	2007		2006	
	HK$'000	***%***	*HK$'000*	*%*
Distribution of UMRBO brand				
Apparel	**130,189**	**50.7**	116,104	69.9
Footwear	**75,316**	**27.6**	41.302	24.9
Accessories	**11,171**	**4.1**	8,139	4.9
Sports equipment	**933**	**0.3**	552	0.3
Sub-total	**225,609**	**82.7**	166,097	100.0
Retail of multi brands				
Apparel	**30,283**	**11.1**	—	—
Footwear	**12,487**	**4.6**	—	—
Accessories	**2,518**	**0.9**	—	—
Sports equipment	**1,588**	**0.7**	—	—
Sub-total	**46,876**	**17.3**	—	—
	272,485	**100.0**	166,097	100.0
Intra-segment sales	**(17,065)**		—	
Total	**255,420**		166,097	

NOTE:

The results of Win Sports were consolidated to the Group when it became our subsidiary in April 2007 and therefore reflected in the total sales of Sportswear Distribution Business.

We have an extensive distribution network for Umbro Products in the Greater China region. As at 30 June 2007, we had a total of over 120 Umbro Product distributors operating a network of approximately 1,040 retail outlets across the PRC (of which 150 outlets are owned by Win Sports). Additionally, we also sell Umbro Products at over 170 retail outlets and concession counters in Hong Kong, Macau and Taiwan. This network of retail outlets includes stand-alone UMBRO exclusive stores and sports specialty stores or concession counters that sell products of the UMBRO brand and other brands. The following map shows the locations of these retail outlets as at 30 June 2007:

Number of retail outlets and concession counter by geographical distribution

	As at 30 June 2007	As at 31 December 2006
The PRC		
Eastern region	**426**	316
Northern region	**278**	263
Southern region	**146**	146
Western region	**192**	163
	1,042	888
Hong Kong	**147**	140
Macau	**3**	3
Taiwan	**14**	10
Concession counters operated under concession arrangement		
Hong Kong *(Note 1)*	**7**	5
Total	**1,213**	1,046

NOTES:

1. The concession counters are operated in department stores or sports specialty stores under concession arrangements.
2. The Group owns 150 self-managed Umbro shops through Win Sports in Shanghai and Guangdong province.

Active and Outer Wear Business

The Group is the dominant manufacturer and wholesaler of active wear for the NYL brand (a brand owned by "Martin Stuart Limited") to about 30 department stores and retail store chains, comprising a total of approximately 5,000 stores, across the US. The Group is also engaged in sourcing outer wear and other apparels for Sears Canada.

For the period under review, sales of the segment increased by 5.7% to HK$221.3 million. Its contribution to the Group's total sales decreased from 17.2% in the same period last year to 15.7 %, with gross profit margin maintained at 45.5%.

Segmental operating profit margin decreased to 8.5%, at HK$18.9 million, from 12.9% at HK$27.0 million for the corresponding period in 2006. The decrease was due to the increase in freight and insurance charges commanded by general transportation fare inflation and more delivery by air instead of sea as orders are placed on tight schedule by customers and the increase in quota cost for export from the PRC to US resulting from customers who stocked up in 2006 due to the warm winter and delayed orders to the first quarter of 2007. To meet the tight delivery schedules, the Group had to shift part of the production to factories in the PRC from the plant in Jordon and that also led to increase in quota cost.

FINANCIAL POSITION AND LIQUIDITY

As at 30 June 2007, the total assets of the Group were HK$2,287.4 million, representing an increase of approximately 17.4% as compared with 31 December 2006. The Group maintained a strong and healthy financial position.

During the review period, the Group's net cash used in operating activities amounted to HK$101.9 million, compared to net cash used of HK$47.7 million for the corresponding period in 2006. The change was mainly due to the increase in inventories and trade receivables. Net cash (cash and cash equivalents less bank borrowings) of the Group as at 30 June 2007 amounted to HK$446.3 million, an increase of HK$543.3 million compared with that as at 30 June 2006. Such increase was mainly the result of the net proceeds of HK$738.4 million received from the initial public offerings in September 2006 and the exercise of over-allotment option in the same month less other cash outflow (comprising mainly net cash used in investing activities and distribution of dividends by subsidiaries to the other shareholders prior to the reorganisation).

As at 30 June 2007, the Group's average trade receivables turnover was 76.3 days (31 December 2006: 62.3 days). Average trade payables turnover was 53.2 days (31 December 2006: 53.5 days). Average inventory turnover was 77.3 days (31 December 2006: 53.9 days).

As at 30 June 2007, the Group's net current assets amounted to HK$1,102.5 million (31 December 2006: HK$921.8 million). The current ratio was 2.8 times as at 30 June 2007, down from 3.1 times as at 31 December 2006.

As at 30 June 2007, the capital structure of the Company constituted exclusively of 1,247,400,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was HK$33.4 million (31 December 2006: HK$10.7 million), all being short-term loans. All the borrowings were subject to interest payable at fixed rates. The Group did not enter into any interest rate swap to hedge against risks associated with interest rates. The Group's gearing ratio was low at 1.5% (31 December 2006: 0.6%).

The Group's sales and major material purchases are mostly denominated in US Dollars, while certain purchases or expenses, e.g. staff cost and the PRC domestic raw material cost, are settled in other currencies, such as HK$ and RMB. During the review period, the Group did not use any derivative instruments to hedge against foreign currency exposure as the Directors considered such exposure to be insignificant.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2007, the Group had approximately 16,800 employees (31 December 2006: approximately 13,000 employees). The Group remunerates employees based on their performance, working experience and prevailing market conditions. Other employee benefits include mandatory provident fund, insurance, medical coverage and a share option scheme.

PROSPECTS

To sustain growth momentum for it businesses, the Group will (1) work closely with customers of international sports brands to further expand its Sportswear Manufacturing Business; and (2) capture the growth prospects of Sportswear Distribution Business for Umbro in the PRC by continuing to expand the distribution network in the PRC and enhancing product designs and expand the retail business in the PRC mainly by selling Umbro Products through its 150 mono brand shops in the PRC and setting up of new multi brand football concept shops in the PRC.

Sportswear Manufacturing Business

The Group will enhance the productivity and utilisation of its factories, particularly the one in Vietnam, so as to partly mitigate pressure from labour cost and production overhead, price pressure from customers and the impact of RMB appreciation.

Traditionally, the second half of the year is the slack season of this segment. However, having secured more orders for the second half of the year from existing customers, particularly for sale in the PRC, and new customers who export to Europe, the Group expects the business to gain vigor in the second half of 2007. This will mean more sales to the segment and also higher utilisation of the Group's production capacity, in turn higher productivity and stabilised margin of the entire year.

Sportswear Distribution Business

Umbro Group increased its stake in T&S, a subsidiary of the Company, from 25% to 40% in March 2007. It also extended the term of the Group's exclusive distributorship of Umbro Products in the Greater China region to 2020. These moves have enhanced the relationship between the Group and Umbro Group and are evidence of commitment of both parties to accelerate the distribution business of Umbro in the PRC.

With consumption power of the people in the PRC constantly rising, and the 2008 Beijing Olympics approaching, public interest in and awareness of sports and fitness is expected to increase. To capitalise on these trends, the Group will:

- increase the number of retail stores and concession counters for Umbro Products in the PRC from approximately 1,040 as at 30 June 2007 to 1,200 outlets by the end of 2007;
- continue to invest a certain proportion to sales resources into advertising, marketing and sponsorship to enhance brand awareness and loyalty;
- dedicate resources to new product design and development together with Umbro Group;
- enhance pricing of Umbro Products; and
- set up factory to manufacture products for UMBRO to ensure better product quality and time-to-market.

The Group completed subscription of an additional 25% stake in a previously jointly-controlled entity Win Sports in March 2007, thereby increasing its equity interest in Win Sports to 75%. The Group will put more effort into developing its retail business by effectively running the mono brand shops of UMBRO and setting up football concept shops in major cities of the PRC based on the proven model in Langham Place in Hong Kong.

Active and Outer Wear Business

After years of development, we have been able to achieve relatively stable sales for NYL products in the US market.

The Group will also actively look for new customers to fill up capacity not used in the traditionally slack season in the first half of the year so as to boost overall profitability.

CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 30 June 2007.

CAPITAL COMMITMENTS

The Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$9.5 million as at 30 June 2007.

PLEDGE OF ASSETS

The Group did not have any assets pledged as at 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Following a specific enquiry, each of the Directors confirmed that he has complied with the required standards of dealings as set out in the code of conduct for transactions in the Company's securities during the period.

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 2007.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.3 cents per share of the Company for the six months ended 30 June 2007 (2006: nil) payable to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 10 October 2007. The interim dividend will be paid on or about Monday, 22 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 8 October 2007 to Wednesday, 10 October 2007 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2007, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 5 October 2007.

CORPORATE GOVERNANCE

The Board adopted its own code of corporate governance, which covered all the code provisions and most of the recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules.

The Company had complied with all the code provisions of the CG Code as set out in the Listing Rules during the six months ended 30 June 2007.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This result announcement is published on the Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://www.winhanverky.com). The interim report for the six months ended 30 June 2007 will be dispatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

AUDIT COMMITTEE REVIEW

The Audit Committee has discussed with the management of the Company the internal control and financial reporting matters related to the preparation of the unaudited consolidated financial information for the six months ended 30 June 2007.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping, Mr. CHEUNG Chi, Mr. CHOW Chi Wai and Mr. LEE Kwok Leung being the Executive Directors, and Dr. Chan Kwong Fai, Mr. WUN Kwang Vincent, Mr. MA Ka Chun and Mr. KWAN Kai Cheong being the Indepednent Non-Executive Directors.

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

Hong Kong, 12 September 2007