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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

- Revenue in 2008 increased by 5.0% to HK$3,487.3 million compared with HK$3,322.4 million in 2007.
- Operating profit in 2008 decreased by 81.1% to HK$75.4 million compared with HK$400.1 million in 2007 (if excluding non-cash impairment losses on certain assets of HK$131.7 million and HK$6.9 million in 2008 and 2007, respectively, and non-recurring gain of HK$33.5 million in 2007, operating profit in 2008 would have decreased by 44.5% to HK$207.1 million compared with HK$373.5 million in 2007).
- Profit attributable to equity holders of the Company in 2008 decreased by 88.5% to HK$33.3 million compared with HK$290.3 million in 2007.
- The Board has resolved to recommend the payment of a final dividend of HK0.8 cents per share (interim dividend of HK2.5 cents per share in 2008).

The board of directors (the "Board" or "Directors") of Win Hanverky Holdings Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2008, together with the comparative amounts for 2007 and the relevant explanatory notes, as set out below.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	3	**3,487,342**	3,322,400
Cost of sales	4	**(2,500,945)**	(2,253,386)
Gross profit		**986,397**	1,069,014
Selling and distribution costs	4	**(360,959)**	(374,538)
General and administrative expenses	4	**(551,441)**	(329,105)
Other income and gains	5	**1,450**	34,752
Operating profit		**75,447**	400,123
Finance income	6	**12,350**	24,821
Finance costs	6	**(5,697)**	(6,019)
Finance income - net	6	**6,653**	18,802
Share of (loss)/profit of associates		**(2,884)**	2,647
Share of loss of a jointly controlled entity		**—**	(11,353)
Profit before income tax		**79,216**	410,219
Income tax expense	7	**(52,442)**	(75,525)
Profit for the year		**26,774**	334,694
Attributable to:			
Equity holders of the Company		**33,325**	290,259
Minority interest		**(6,551)**	44,435
		26,774	334,694
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
- basic	8	**2.6**	23.1
- diluted	8	**2.6**	22.8
Dividends	9	**41,857**	86,251

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008	2007
		HK$'000	*HK$'000*
Non-current assets			
Leasehold land and land use rights		**55,521**	53,086
Property, plant and equipment		**662,000**	547,028
Intangible assets		**245,190**	52,324
Interests in associates		**23,851**	25,184
Deferred income tax assets		**6,890**	13,717
Available-for-sale financial assets		**6,370**	—
Other receivables		**8,417**	28,599
		1,008,239	719,938
Current assets			
Inventories		**547,674**	486,155
Trade and bills receivable	10	**769,350**	704,067
Deposits, prepayments and other receivables		**88,633**	125,980
Cash and cash equivalents		**363,272**	580,280
		1,768,929	1,896,482
Current liabilities			
Trade and bills payable	11	**386,627**	376,877
Accruals and other payables		**188,449**	178,133
Current income tax liabilities		**55,861**	79,330
Borrowings		**102,026**	68,242
		732,963	702,582
Net current assets		**1,035,966**	1,193,900
Total assets less current liabilities		**2,044,205**	1,913,838

	Note	2008	2007
		HK$'000	*HK$'000*
Non-current liabilities			
Borrwings		**11,300**	11,509
Deferred income tax liabilities		**3,711**	1,231
		15,011	12,740
Net assets		**2,029,194**	1,901,098
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**126,840**	126,840
Reserves		**1,658,152**	1,686,336
		1,784,992	1,813,176
Minority interest		**244,202**	87,922
Total equity		**2,029,194**	1,901,098

NOTES:

1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

2. PRINCIPAL ACCOUNTING POLICIES

Except as described in Note 3 regarding the combination of two former business segments or otherwise stated, these accounting policies have been consistently applied to all the years presented.

(a) Amendment and interpretation effective in 2008 and relevant to the Group’s operations

- HKAS 39, ‘Financial instruments: Recognition and measurement’, amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, ‘Financial instruments: Disclosures’, introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendments are effective for annual period starting prospectively from 1 July 2008. These amendments do not have any impact on the Group’s financial statements as the Group has not reclassified any financial assets.

- HK(IFRIC) - Int 11, ‘HKFRS 2 - Group and treasury share transactions’, provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent’s shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group’s financial statements.

(b) Interpretations effective in 2008 but not relevant to the Group’s operations

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are currently not relevant to the Group’s operations:

- HK(IFRIC) - Int 12, ‘Service concession arrangements’
- HK(IFRIC) - Int 14, ‘HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction’

(c) The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKAS 1 (Revised) — Presentation of financial statements (effective from annual period starting from 1 January 2009)
- HKAS 23 (Revised) — Borrowing costs (effective from annual period starting from 1 January 2009)
- HKAS 27 (Revised) — Consolidated and separate financial statements (effective from annual period starting from 1 January 2009)
- HKFRS 2 (Revised) — Share-based payment (effective from annual period starting from 1 January 2009)
- HKFRS 3 (Revised) — Business combinations (effective from annual period starting from 1 January 2009)
- HKFRS 8 — Operating segments (effective from annual period starting from 1 January 2009)
- HK(IFRIC) - Int 13 — Customer loyalty programmes (effective from annual period starting from 1 January 2009)
- HK(IFRIC) - Int 16 — Hedges of a net investment in a foreign operation (effective from annual period starting from 1 January 2009)

- The following HKICPA's improvements to HKFRS published in October 2008.

  – HKAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows') (effective for annual period starting from 1 January 2009).

  – HKAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective for annual period starting from 1 January 2009).

  – HKAS 27 (Amendment), 'Consolidated and separate financial statements' (effective for annual period starting from 1 January 2009).

  – HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective for annual period starting from 1 January 2009).

  – HKAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective for annual period starting from 1 January 2009).

- HKAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7) (effective for annual period starting from 1 January 2009).

- HKAS 38 (Amendment), 'Intangible assets' (effective for annual period starting from 1 January 2009).

- HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective for annual period starting from 1 January 2009).

- HKAS 41 (Amendment), 'Agriculture' (effective for annual period starting from 1 January 2009).

- Amendments to HKAS 20 'Accounting for government grants and disclosure of government assistance', HKAS 29, 'Financial reporting in hyperinflationary economies', HKAS 40, 'Investment property' and HKAS 41, 'Agriculture', which are not addressed above.

The Group will apply these new standards, amendments and interpretations to existing standards where applicable. It is not expected to have a significant impact on the Group's financial statements.

There are a number of minor amendments to HKFRS 7, "Financial instrument Disclosures", HKAS 8, "Accounting policies, changes in accounting estimates and errors", HKAS 10, "Events after the balance sheet date", HKAS 18, "Revenue" and HKAS 34, "Interim financial reporting" which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements, and therefore they have not been analysed in detail.

3. SEGMENT INFORMATION

(a) Primary reporting format - business segments

At 31 December 2008, the Group is organised into two main business segments, namely (i) Manufacturing and (ii) Distribution and retail. The Manufacturing segment represents manufacturing of sportwear and active and outer wear, primarily under OEM arrangements to customers in Europe, North America and Mainland China. The Distribution and retail segment represents the distribution and retail of "Umbro" and "Diadora" branded sportswear, footwear, accessories and sport equipment in Mainland China and Hong Kong.

Starting from this year, the Group has combined its "Sportswear manufacturing" segment and "Active and outer wear" segment, and reported the aggregated amounts as "Manufacturing" segment as the two former business segments are subject to similar risks and returns and the new presentation is consistent with its internal management financial reporting. Prior year segment information is restated for comparative purposes.

The segment results for the year ended 31 December 2008 are as follows:

	Manufacturing	Distribution and retail	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	2,834,124	695,613	—	3,529,737
Inter-segment revenue	(42,395)	—	—	(42,395)
Revenue	2,791,729	695,613	—	3,487,342
Operating profit/(loss)/segment results	158,929	(81,125)	(2,357)	75,447
Finance income				12,350
Finance costs				(5,697)
Share of loss of associates	(2,884)	—	—	(2,884)
Profit before income tax				79,216
Income tax expense				(52,442)
Profit for the year				26,774

Other segment items included in the consolidated income statement are as follows:

	Manufacturing	Distribution and retail	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amortisation of leasehold land and land use rights	1,170	—	—	1,170
Depreciation of property, plant and equipment	68,545	23,926	—	92,471
Amortisation of intangible assets	—	7,133	—	7,133
Impairment of property, plant and equipment	17,960	—	—	17,960
Impairment of intangible assets	—	25,479	—	25,479
Impairment of available-for-sale financial assets	26,000	—	—	26,000
Impairment of inventories, net	12,699	9,377	—	22,076
Impairment of receivables, net	20,196	19,960	—	40,156

The segment results for the year ended 31 December 2007 are as follows:

	Manufacturing	Distribution and retail	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(restated)			
Total segment revenue	2,652,881	669,850	—	3,322,731
Inter-segment revenue	(331)	—	—	(331)
Revenue	2,652,550	669,850	—	3,322,400
Operating profit/segment results	269,539	137,914	(7,330)	400,123
Finance income				24,821
Finance costs				(6,019)
Share of profit of associates	2,647	—	—	2,647
Share of loss of a jointly controlled entity	—	(11,353)	—	(11,353)
Profit before income tax				410,219
Income tax expense				(75,525)
Profit for the year				334,694

Other segment items included in the consolidated income statement are as follows:

	Manufacturing *HK$'000* *(restated)*	Distribution and retail *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amortisation of leasehold land and land use rights	832	—	—	832
Depreciation of property, plant and equipment	53,761	10,523	—	64,284
Amortisation of intangible assets	—	11,473	—	11,473
Impairment of inventories, net	796	(257)	—	539
Impairment of receivables, net	1,667	4,719	—	6,386

Inter-segment transactions are conducted at terms mutually agreed among group companies.

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, intangible assets, investments in associates, available-for-sale financial assets, inventories, trade, bills and other receivables, and cash and cash equivalents. Unallocated assets mainly comprise cash and cash equivalents held for corporate uses, tax recoverable and deferred income tax assets.

Segment liabilities comprise mainly operating liabilities. Unallocated liabilities mainly comprise deferred income tax liabilities, current income tax liabilities and corporate borrowings.

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

The segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Manufacturing	Distribution and retail	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**1,854,304**	**847,005**	**52,008**	**2,753,317**
Associates	**23,851**	**—**	**—**	**23,851**
Total assets	**1,878,155**	**847,005**	**52,008**	**2,777,168**
Total liabilities	**445,290**	**243,112**	**59,572**	**747,974**
Capital expenditure	**213,818**	**253,332**	**—**	**467,150**

The segment assets and liabilities as at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Manufacturing	Distribution and retail	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(restated)			
Assets	1,682,176	635,845	273,214	2,591,235
Associates	25,185	—	—	25,185
Total assets	1,707,361	635,845	273,214	2,616,420
Total liabilities	408,782	225,979	80,561	715,322
Capital expenditure	239,096	47,965	—	287,061

(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 Mainland China and Hong Kong.

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Europe	**1,339,276**	1,361,338
Mainland China	**1,047,396**	829,466
United States of America	**454,649**	521,952
Hong Kong	**153,864**	132,572
Canada	**90,210**	109,335
Other Asian countries	**249,745**	230,075
Others	**152,202**	137,662
	3,487,342	3,322,400

Analysis of revenue by category

	2008	2007
	HK$'000	*HK$'000*
Sales of goods	**3,474,254**	3,313,616
Provision of subcontracting services	**13,088**	8,784
	3,487,342	3,322,400

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

	2008	2007
	HK$'000	*HK$'000*
Total assets		
Hong Kong	**795,951**	1,123,153
Mainland China	**1,885,647**	1,369,460
Other countries	**95,570**	123,807
	2,777,168	2,616,420

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

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure		
Hong Kong	**24,266**	18,582
Mainland China	**410,436**	258,759
Other countries	**32,448**	9,720
	467,150	287,061

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

4. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution costs and general and administrative expenses are analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
Raw materials and consumables used	**1,230,627**	1,153,640
Purchase of finished goods	**623,858**	621,257
Processing and subcontracting charges	**166,171**	182,169
Manufacturing overheads and sample expenses	**81,843**	89,691
Changes in inventories of finished goods and work in progress	**(70,424)**	(120,935)
Depreciation of property, plant and equipment	**92,471**	64,284
Loss on disposal of property, plant and equipment	**1,157**	31
Amortisation of leasehold land and land use rights	**1,170**	832
Amortisation of intangible assets	**7,133**	11,473
Impairment of property, plant and equipment	**17,960**	—
Impairment of intangible asset	**25,479**	—
Impairment of available-for-sale financial assets	**26,000**	—
Employment benefit expense	**633,451**	471,307
Freight, delivery and insurance expenses	**121,318**	125,118
Royalty expenses	**64,874**	53,561
Sales commission	**33,250**	49,647
Marketing, advertising and promotion expenses	**44,628**	29,317
Quota charges	**3,470**	27,907
Operating lease rental in respect of office equipment and land and buildings		
- minimum lease payments	**79,780**	42,265
- contingent rent	**10,240**	13,938
Auditors' remuneration	**4,432**	4,592
Impairment of receivables, net		
- trade and bills receivable	**17,591**	6,386
- deposits, prepayments and other receivables	**22,380**	—
- related parties	**185**	—
Share options granted to a consultant	**—**	327
Write-down of inventories, net	**22,076**	539
Exchange (gain)/loss, net	**(12,631)**	8,870
Other expenses	**164,856**	120,813
Total cost of sales, selling and distribution costs and general and administrative expenses	**3,413,345**	2,957,029

5. OTHER INCOME AND GAINS

	2008	2007
	HK$'000	*HK$'000*
Gain on derecognition of licence rights and related licence fees payable (Note)	**—**	33,526
Gain from change in estimated licence fees payable	**650**	655
Others	**800**	571
	1,450	34,752

NOTE:

In February 2007, Team & Sports Limited ("T&S HK"), a subsidiary of the Company, entered into a new agreement to act as an exclusive distributor of the Umbro branded products in Mainland China, Hong Kong, Macau and Taiwan from March 2007 to December 2020. Under this 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 former agreement for licence rights was terminated and the then recognised 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. FINANCE INCOME AND COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest income from		
- Bank deposits	**8,555**	20,367
- Customers for extended credit terms	**346**	2,541
- Other receivables from disposal of interest in a subsidiary	**3,449**	1,913
Finance income	**12,350**	24,821
Interest expense on		
- bank borrowings and overdrafts	**(5,613)**	(2,549)
- licence fees payable	**(84)**	(3,470)
Finance costs	**(5,697)**	(6,019)
Net finance income	**6,653**	18,802

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

Subsidiaries and associates established and operated in Mainland China are subject to Mainland China Enterprise Income Tax at a rate of 25% for the year (2007: 15% to 33%). In accordance with the applicable tax regulations, subsidiaries and associates established in Mainland China as wholly-owned foreign enterprises or sino-foreign joint ventures are entitled to full exemption from Enterprise Income Tax for the first two years and a 50% reduction in Enterprise Income Tax for the next three years, commencing no later than 2008.

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

The amount of taxation charged to the consolidated income statement represent:

	2008	2007
	HK$'000	*HK$'000*
Current income tax –		
Hong Kong profits tax	**29,993**	50,012
Mainland China enterprise income tax	**13,142**	37,682
Deferred income tax	**9,307**	(12,169)
	52,442	75,525

8. EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$33,325,000 (2007: HK$290,259,000) and on the weighted average number of approximately 1,268,400,000 (2007: 1,254,676,000) ordinary shares in issue during the year.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**33,325**	290,259
Weighted average number of ordinary shares in issue ('000)	**1,268,400**	1,254,676
Basic earnings per share (HK cents)	**2.6**	23.1

(b) Diluted

Diluted earnings per share is calculated by 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 market share price of the Company's shares in the relevant periods) 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.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**33,325**	290,259
Weighted average number of ordinary shares in issue ('000)	**1,268,400**	1,254,676
Adjustment for share options ('000)	**—**	19,815
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,268,400**	1,274,491
Diluted earnings per share (HK cents)	**2.6**	22.8

9. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim dividend paid of HK2.5 cents (2007: HK3.3 cents) per ordinary share	**31,710**	41,857
Proposed final dividend of HK0.8 cents (2007: HK3.5 cents) per ordinary share	**10,147**	44,394
	41,857	86,251

At a meeting held on 25 March 2009, the Directors proposed a final dividend of HK0.8 cents (2007: HK3.5 cents) per share. The proposed dividends are not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

10. TRADE AND BILLS RECEIVABLE

	2008	2007
	HK$'000	*HK$'000*
Trade receivables		
- from third parties	**738,135**	687,422
- from related parties	**2,022**	8,556
Bills receivable	**54,211**	23,776
	794,368	719,754
Less: provision for impairment	**(25,018)**	(15,687)
	769,350	704,067

The carrying amounts of trade and bills receivable approximate their fair values.

Majority of trade receivables are with customers having an appropriate credit history. The Group grants its customers credit terms ranging from of 7 to 120 days. Most of the Group's sales are on open account, while sales made to a small number of customers are covered by letter of credit issued by banks or settled by documents against payment issued by banks. The ageing analysis (from date of invoice) of trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0-30 days	**356,545**	339,833
31-60 days	**277,475**	248,517
61-90 days	**72,400**	38,792
91-120 days	**34,977**	43,906
121-180 days	**18,496**	19,616
181- 365 days	**20,158**	12,485
Over 365 days	**14,317**	16,605
	794,368	719,754

11. TRADE AND BILLS PAYABLE

	2008	2007
	HK$'000	*HK$'000*
Trade payables		
- to third parties	**333,154**	342,112
- to related parties	**48,999**	29,613
Bills payable	**4,474**	5,152
	386,627	376,877

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

	2008	2007
	HK$'000	*HK$'000*
0-30 days	**193,756**	205,255
31-60 days	**98,055**	101,575
61-90 days	**53,521**	43,107
91-120 days	**25,390**	17,502
121-365 days	**9,967**	6,331
Over 365 days	**5,938**	3,107
	386,627	376,877

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2008, despite the global financial turmoil, the Group was able to achieve a 5.0% growth in revenue to HK$3,487.3 million from HK$3,322.4 million for the year 2007.

Gross profit of the Group amounted to HK$986.4 million, representing a decrease of 7.7%, with gross profit margin decreased to 28.3% against 32.2% for the year 2007. Operating profit also decreased from HK$400.1 million to HK$75.4 million. Operating profits included non-cash impairment losses on certain assets of HK$131.7 million and HK$6.9 million, respectively in 2008 and 2007 (the "Impairment Losses"), and a non-recurring gain on de-recognition of licence rights of HK$33.5 million in 2007 (details in note 5 to this announcement) (the "Non-recurring Gain"). Excluding the Impairment Losses and the Non-recurring Gain, the operating profit for the year ended 31 December 2008 would have decreased by 44.5% from HK$373.5 million in 2007 to HK$207.1 million in 2008, reflecting primarily the unsatisfactory performance of the manufacture and sale of active wear products to the US market with consumer sentiment severely dampened by the global financial crisis that hit in the second half of 2008.

Net finance income decreased from HK$18.8 million to HK$6.7 million mainly attributable to the continuous reduction of interest rate and decrease in cash and cash equivalents during the year, squeezing interest income from bank deposits of the Group.

The effective tax rate increased significantly to 66.2% as compared to 18.4% in 2007 mainly because deferred tax assets are not recognised in current year for loss making subsidiaries while profit making subsidiaries were still subject to income tax expenses.

The profit attributable to equity holders of the Company was HK$33.3 million and basic earnings per share were HK2.6 cents.

The Board recommends payment of a final dividend of HK0.8 cents per share for the year ended 31 December 2008.

BUSINESS REVIEW

The Group is an integrated manufacturer, distributor and retailer for renowned international sports brands. In response to the rapid changes of the operating and business environment during the year, the Group changed its lines of businesses and consolidated its three previous business lines, namely “Sportswear Manufacturing”, “Sportswear Distribution and Retail” and “Active and Outer Wear”, into two new business lines, namely “Manufacturing” and “Distribution and Retail”. The Directors considered that the new basis of business identification provides a more appropriate presentation of the current business environment and operations. Further segment information regarding the two lines of business is set out in note 3 to this announcement. The financial performances of the two new business lines are summarised as below, and certain comparative amounts have also been restated to conform to the current year presentation.

Manufacturing Business

The Group’s Manufacturing Business operates mainly on OEM basis for international sports brands. Most of the Group’s products are exported and sold to Europe, North America and Asia. During the year, the Group was able to maintain its sales to key customers. Furthermore, during the first half of the year, the Group expanded production capacity and established new factories to make sure it has sufficient capacity to cater for demand from existing customers and new customers. However, the increase in manufacturing business was markedly eroded by the reduction in the manufacture and sales of active wear products because of the downturn of the US market. Significant sales rebates had to be offered to customers to maintain reasonable level of sales in the US market and amid the negative consumer sentiment resulting from the global economic tsunami. As a result, Sportswear Manufacturing Business achieved only a 6.8% in sales revenue to HK$2,834.1 million, accounting for 80.3% of the Group’s total sales revenue as compared to 79.8% (as restated) for the year 2007.

Apart from offering sales rebates for active wear products, the Group also faced adverse operating conditions including rising labour cost and depreciation of the newly acquired plant and machinery after new factories were set up in Mainland China during the year. As a result, the segmental gross profit margin decreased from 28.6% at HK$759.3 million (restated) in 2007 to 25.7% at HK$728.3 million in 2008.

Apart from inflation and appreciation of the Chinese Renminbi ("RMB") in the first half of 2008 which pushed up operating and administrative costs such as staff costs, transportation expenses, and other office and factory overheads, etc, during the first half of the year, the newly established factories in Mainland China commanded set up expenses, additional administrative staff costs, rental expenses and subsequently depreciation of property, plant and equipment, etc. In addition, instead of making profits in previous years, loss was incurred from sale of active wear products in the US market this year. To cope with the adversity, the Group scaled down the active wear business and certain provisions were made for the closure of the Jordan factory (which included provision for lay off cost of labour and impairment of property, plant and equipment) of HK$15.5 million and the Group's equity interest in an unlisted company incorporated in the US of HK$26.0 million during the year. Because of the above factors, operating profit for the year substantially decreased to HK$158.9 million with profit margin at 5.6% (2007 (as restated): HK$269.5 million with its margin at 10.2%).

Distribution and Retail Business

This segment includes the businesses of distribution of Umbro products through T&S HK and its subsidiaries ("T&S Group"), distribution of Diadora products through Winor International Company Limited ("Winor") and its subsidiaries ("Winor Group") and retail of multi-brand products and distribution of merchandise through Win Sports Limited and its subsidiaries ("Win Sports Group").

Segmental sales revenue increased by 3.8% to HK$695.6 million, representing 19.7% of the Group's total sales revenue as compared to 20.2% for 2007; whereas segmental gross profit margin decreased to 37.1% (2007: 46.2%). In addition, the segment did not perform as well as expected during the year because of the unanticipated slack retail sentiment. To rid the excessive stock against poor consumer sentiment as a result of the global financial turmoil, the Group had to offer greater sales discounts to accelerate stock clearance and boost sales volume and amounts. Thus, the gross profit margin of this business was inevitably squeezed.

Segmental operating loss was HK$81.1 million (2007: profit of HK$137.9 million with margin at 20.6%). The first reason for the decrease was the drop in gross profit as explained above. Other factors included the full year impact of incorporating the Win Sports Group in 2008 after it became a subsidiary of the Group in April 2007, last year's operating profit comprising Non-recurring Gain of which no such gain was made in current year, and increased spending in promotion and advertising to enhance consumer awareness and the images of the brands and the Group. Furthermore, the Winor Group, which was established in April 2008, incurred trademark amortisation, brand promotion and marketing and various selling and administrative expenses. Also, the poor market environment commanded provisions for impairments on goodwill, inventory and certain receivables amounting to HK$54.8 million. The above-mentioned factors inevitably dragged down operating profit and the profit margin of the segment for the year. Detailed discussions of the sales performance and profit margins are set out below:

Distribution of Umbro Products

The T&S Group has the exclusive rights to distribute Umbro products in the Greater China region. Sales revenue from this business was stable at HK$566.6 million against HK$573.0 million in 2007. The business reported growth in sales revenue in the first half of the year, but the increase was significantly eroded by the decline in sales in the second half year after the global financial turmoil began. Also, as discussed above, the T&S Group had to offer more competitive sales discounts to attract new customers and maintain reasonable market share. As a result, the gross profit margin of the business shrank from 48.0% to 37.7% during the year.

As at 31 December 2008, the T&S Group had a network comprising over 110 Umbro product distributors operating approximately 1,480 points-of-sale in the Greater China region (of which approximately 1,350 were in Mainland China). The Win Sports Group was also one of the distributors of Umbro products. Details of its sales network are presented below.

Distribution of Diadora Products

During the year, the Group continued to expand its Sportswear Distribution and Retail Business. On 7 April 2008, Windia Holdings Limited, a wholly-owned subsidiary of the Company, and Diadora S.p.A entered into an agreement to form a joint venture, Winor, to manufacture, sell and distribute Diadora products in Mainland China, Hong Kong and Macau.

The above transaction constituted a discloseable transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Its details were set out in the circular to shareholders of the Company dated 28 April 2008.

During the year, the Winor Group was still at the initial setup stage, but several marketing and promotion campaigns and exhibitions had been organised during the second half of the year to promote the new image of "Diadora" so as to capture potential sales revenue in the coming years. Furthermore, the amortisation costs of the Diadora trademarks amounting to HK$5.2 million has been charged to the income statement during the year.

As at 31 December 2008, the Winor Group had a network comprising 22 Diadora product distributors operating approximately 60 points-of-sale in the in Mainland China.

Retail of Multi-brand Products

The Win Sports Group operates mainly sportswear retail business selling products of various sportswear brands in Mainland China and Hong Kong. The Group acquired an additional 25% stake in Win Sports, which became a 75%-owned indirect subsidiary of the Group since March 2007.

For comparison, had the sales revenue of the Win Sports Group been consolidated into the Group starting from 1 January 2007, sales revenue from this business would have increased by 0.6% to HK$202.8 million and the gross profit margin would have reduced from 34.9% to 25.5% for the current year. Facing the same problem as the T&S Group, the Win Sports Group also had to offer major discounts to make sales, especially during the second half of the year when the financial turmoil broke. The price for maintaining a reasonable sales volume was a narrow profit margin. High rental expenses in Mainland China and Hong Kong also presented pressure on the Win Sports Group.

As at 31 December 2008, the Win Sports Group had 11 self-managed retail shops in Hong Kong and 100 mono-brand shops in Mainland China. It was also supported by a network of approximately 30 distributors operating approximately 60 points-of-sale for Umbro in Mainland China.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and bank facilities. Despite the looming global financial downturn, the Group was able to maintain a sound and healthy financial position during the year. As at 31 December 2008, the Group had cash and cash equivalents amounting to HK$363.3 million (2007: HK$580.3 million). The decrease was mainly due to capital expenditure incurred for items of property, plant and equipment and acquisition of Diadora trademarks. The unaudited cash and cash equivalent, however, have been increased to HK$487.4 million as at 28 February 2009.

As at 31 December 2008, the Group had bank borrowings amounting to HK$113.3 million (2007: HK$79.7 million), all subject to interest payable at floating rates and the majority of them were denominated in RMB. The Group did not enter into any interest rate swap to hedge against risks associated with interest rates. As at 31 December 2008, the Group still had unutilised banking facilities amounting to HK$439.9 million (2007: HK$392.4 million). The gearing ratio, being total bank borrowings divided by total equity, as at 31 December 2008 was 5.6% (2007: 4.2%).

CAPITAL STRUCTURE

As at 31 December 2008, the total issued share capital of the Company was HK$126.8 million (2007: HK$126.8 million), comprising 1,268.4 million (2007: 1,268.4 million) ordinary shares of HK$0.1 each. There was no change of capital structure during the year.

EMPLOYEE AND REMUNDERATION POLICIES

As at 31 December 2008, the Group had approximately 17,000 employees (2007: approximately 17,000 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.

PROPSPECTS

The unprecedented global economic and market meltdown that started in September 2008 have shaken the foundation of many large corporations. The Directors believe the growing anxiety about job security among the working population will continue to dampen consumer confidence and in turn cause the retail market to contract further in 2009. The Group will keep a vigilant watch on the changing market landscape and streamline our businesses accordingly. Although challenges are expected for the world economy in 2009, the Directors believe the Group is poised to capture opportunities when the economic environment begins to improve in 2010.

Manufacturing Business

The performance achieved by the segment during the year is proof of its solid fundamentals given the very unfavourable business environment for manufactures. Confident of its ability to meet the needs of key customers and gain new customers, and ready to streamline businesses to boost cost effectiveness, the Group is optimistic about the future of the segment although the outlook of 2009 will be still very challenging.

The Group has strong manufacturing capabilities and a scalable production which are trusted by its key customers, but because of the poor market sentiment, the Directors expect orders from existing major customers to be reduced. However, the Directors are confident of securing new customers and handsome business deals with them.

The Group closed the factory in Jordan, which was in line with its decision to scale down the former Active Wear Business under the segment and minimise negative financial impact on the Group. The Group also closed the oldest factory in Mainland China as well in order to save cost for 2009 and to reduce capacity. The Group will continue to review its operational structure to identify room for streamlining business processes and eliminating redundancies, and ensure the Group benefit from the scale of the organisation at all times. Improving operational efficiency and reducing operating overhead expenses against sales are of paramount importance to sustaining growth of the Group's business, hence they will also be the focuses of the Group in the coming year.

Distribution and Retail Business

The Directors expect a continuously challenging market for the segment in 2009 with both the wholesale and retail markets in Mainland China and Hong Kong likely to remain in the slump. To rejuvenate our distribution and retail business, the Group will:

(1) consolidate its retail network by closing loss incurring outlets and opening new shops where there is strong business potential;

(2) target to open 200 shops for the Diadora wholesale business by the end of 2009;

(3) step up sales promotion for Umbro products to clear stock and drive sales;

(4) consolidate the Umbro products distributor base and focus on key accounts to streamline the business; and

(5) tighten collaboration with Umbro to develop new generation products of outstanding design and quality.

Last but not least, the Group will exercise prudence and impose stringent cost control to brace its solid financial position. Without making significant capital expenditure commitment for 2009, the Directors expect cash balance to keep building up, which will give the Group greater flexibility to ramp up operations once the market begins to improve.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities or any litigation or arbitration of material importance as at 31 December 2008.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2008, the Group had no assets pledged to secure banking facilities.

FOREIGN CURRENCY EXPOSURE

The Group's sales and major materials purchase are mostly denominated in US Dollars, while certain purchases or expenses, e.g. staff cost and costs of raw materials sourced in China, are settled in other currencies, such as Hong Kong Dollars and RMB. During the year, the Group did not use any derivative instruments to hedge against foreign currency exposure as the Directors considered such exposure to be insignificant.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding securities transactions by directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers 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 year.

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 year.

DIVIDENDS

The Board recommended a payment of final dividend of HK0.8 cents per share for the year ended 31 December 2008, subject to Shareholders' aproval at the forthcoming annual general meeting to be held on Monday, 18 May 2009, payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 13 May 2009. The final dividend will be paid on or about Friday, 5 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 13 May 2009 to Monday, 18 May 2009 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the final dividend for the year ended 31 December 2008, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch 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 Tuesday, 12 May 2009.

CORPORATE GOVERNANCE

The Company is committed to upholding a high standard of corporate governance by continual review and enhancement of its corporate governance practices.

Durnig the year, the Company had complied with all the code provisions and most of the recommended practices set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

PUBLICATION OF RESULTS AND ANNUAL 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 annual report for the year ended 31 December 2008 will be dispatched to the Shareholders and will be available on the aforesaid websites 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 consolidated financial statements for the year ended 31 December 2008. It has also reviewed the consolidated financial statements for the year ended 31 December 2008 with the management and the auditors of the Company and recommended them to the Board for approval.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on Monday, 18 May 2009. The notice of the annual general meeting will be published on the aforesaid websites on or about 9 April 2009 and will be despatched to the Shareholders together with the Company's annual report 2008 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. CHEUNG Chi, Mr. LEE Kwok Leung and Mr. WONG Wai Tak Victor 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, 25 March 2009