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 2009

HIGHLIGHTS

- Revenue in 2009 decreased by 17.2% to HK$2,888.0 million compared with HK$3,487.3 million in 2008.
- Operating profit in 2009 increased by 76.6% to HK$133.2 million compared with HK$75.4 million in 2008.
- Profit attributable to equity holders of the Company in 2009 increased by 264.7% to HK$121.5 million compared with HK$33.3 million in 2008.
- Net cash generated from operations in 2009 was HK$456.1 million, an increase of 238.8% compared with HK$134.6 million in 2008.
- Basic earnings per share amounted to HK9.6 cents.
- The Board has resolved to recommend the payment of a final dividend of HK1.5 cents per share (interim dividend of HK2.5 cents per share in 2009).

The board of directors (the "Board" or "Directors") of Win Hanverky Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2009, together with the comparative amounts for 2008 and the relevant explanatory notes, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	*3*	**2,888,002**	3,487,342
Cost of sales		**(2,096,090)**	(2,500,945)
Gross profit		**791,912**	986,397
Selling and distribution costs		**(259,739)**	(360,959)
General and administrative expenses		**(400,478)**	(551,441)
Other income and gains		**1,513**	1,450
Operating profit		**133,208**	75,447
Finance income		**6,044**	12,350
Finance costs		**(4,583)**	(5,697)
Finance income – net		**1,461**	6,653
Share of profits/(losses) of associates		**2,915**	(2,884)
Profit before income tax		**137,584**	79,216
Income tax expense	*4*	**(30,569)**	(52,442)
Profit for the year		**107,015**	26,774
Attributable to:			
Equity holders of the Company		**121,539**	33,325
Minority interest		**(14,524)**	(6,551)
		107,015	26,774
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)	*5*		
– basic		**9.6**	2.6
– diluted		**9.6**	2.6
Dividends	*6*	**50,736**	41,857

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 *HK$'000*	2008 *HK$'000*
Profit for the year	**107,015**	26,774
Other comprehensive income		
Share of other comprehensive income of associates	**278**	1,551
Currency translation differences	**1,592**	35,010
Change in estimated consideration receivable from minority interests in relation to disposal of interest in a subsidiary	**(8,901)**	(17,492)
Total comprehensive income for the year	**99,984**	45,843
Total comprehensive income attributable to:		
Equity holders of the Company	**113,015**	45,563
Minority interest	**(13,031)**	280
	99,984	45,843

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Non-current assets			
Leasehold land and land use rights		**53,230**	55,521
Property, plant and equipment		**601,120**	662,000
Intangible assets		**221,425**	245,190
Interests in associates		**27,044**	23,851
Deferred income tax assets		**17,431**	6,890
Available-for-sale financial assets		**500**	6,370
Other receivables		**–**	8,417
		920,750	1,008,239
Current assets			
Inventories		**467,693**	547,674
Trade and bills receivable	*7*	**540,368**	769,350
Deposits, prepayments and other receivables		**58,536**	88,633
Bank deposits with initial terms of over three months		**24,572**	–
Cash and cash equivalents		**649,493**	363,272
		1,740,662	1,768,929
Current liabilities			
Trade and bills payable	*8*	**269,062**	386,627
Accruals and other payables		**167,807**	188,449
Current income tax liabilities		**66,645**	55,861
Borrowings		**68,160**	102,026
		571,674	732,963
Net current assets		**1,168,988**	1,035,966
Total assets less current liabilities		**2,089,738**	2,044,205

	Note	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Borrowings		**–**	11,300
Deferred income tax liabilities		**2,095**	3,711
		2,095	15,011
Net assets		**2,087,643**	2,029,194
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**126,840**	126,840
Reserves		**1,729,632**	1,658,152
		1,856,472	1,784,992
Minority interest		**231,171**	244,202
Total equity		**2,087,643**	2,029,194

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) The following new or revised standards and amendments to standards are effective for the Group's accounting period commencing 1 January 2009 and are relevant to the Group:

- HKAS 1 (Revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKAS 23 (Revised), 'Borrowing costs'. The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This amendment has no material impact on the Group's financial statements as the Group's accounting policy on borrowing costs has complied with the revised requirements.

- HKFRS 2 (Amendment), 'Share-based payment'. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment to HKFRS 2 has no impact on the Group's consolidated financial statements.

- HKFRS 7 (Amendment), 'Financial instruments – disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has applied HKFRS 8 from 1 January 2009 with no impact on the number of reportable segments and the manner in which the segments are reported.

  Goodwill is allocated by management to groups of cash-generating units at a segment level.

- The first improvements to HKFRSs issued in October 2008 by HKICPA have no impact on the Group's consolidated financial statements.

(b) The following new or revised standards, amendments to standards and interpretations have been issued, but are not effective for the Group's financial year beginning 1 January 2009 and have not been early adopted:

• HKAS 1 (Amendment)	Presentation of financial statements
• HKAS 7 (Amendment)	Statement of cash flows
• HKAS 17 (Amendment)	Leases
• HKAS 27 (Revised)	Consolidated and separate financial statements
• HKAS 36 (Amendment)	Impairment of assets
• HKAS 38 (Amendment)	Intangible assets
• HKAS 39 (Amendment)	Financial instruments: recognition and measurement
• HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
• HKFRS 3 (Revised)	Business combinations
• HKFRS 5 (Amendment)	Measurement of non-current assets (or disposal groups) classified as held for sale
• HKFRS 8 (Amendment)	Operating segments
• HKFRS 9	Financial instruments
• HK(IFRIC)-Int 9 (Amendment)	Reassessment of embedded derivatives
• HK(IFRIC)-Int 17	Distribution of non-cash assets to owners

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Committee comprising the executive directors of the Company's Board of Directors. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Committee reviews the performance of the Group mainly from a business operation perspective. The Group is organised into two main business segments, namely (i) Manufacturing, and (ii) Distribution and Retail. The Manufacturing segment represents manufacturing of sportswear and active and outer wear, primarily under OEM arrangements to customers mainly 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.

The Executive Committee assesses the performance of the operating segments based on a measure of operating results of each segment, which excludes the effects of non-recurring earnings and expenditures and finance income and finance costs in the result for each operating segment. Other information provided to the Executive Committee is measured in a manner consistent with that in the consolidated financial statements.

The segment results for the year ended 31 December 2009 are as follows:

	Manufacturing *HK$'000*	Distribution and retail *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Total segment revenue	**2,387,575**	**536,501**	**–**	**2,924,076**
Inter-segment revenue	**(36,074)**	**–**	**–**	**(36,074)**
Revenue	**2,351,501**	**536,501**	**–**	**2,888,002**
Operating profit (loss)/ segment results	**240,932**	**(107,402)**	**(322)**	**133,208**
Finance income				**6,044**
Finance costs				**(4,583)**
Share of profits of associates	**2,915**	**–**	**–**	**2,915**
Profit before income tax				**137,584**
Income tax expense				**(30,569)**
Profit for the year				**107,015**

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

	Manufacturing *HK$'000*	Distribution and retail *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amortisation of leasehold land and land use rights	**1,241**	**–**	**–**	**1,241**
Depreciation of property, plant and equipment	**77,363**	**27,168**	**–**	**104,531**
Amortisation of intangible assets	**–**	**8,855**	**–**	**8,855**
Impairment of intangible assets	**–**	**15,050**	**–**	**15,050**
Impairment of available-for-sale financial assets	**5,870**	**–**	**–**	**5,870**
Impairment of inventories, net	**963**	**(524)**	**–**	**439**
Impairment of receivables, net	**9,451**	**1,832**	**–**	**11,283**

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 losses 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

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

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, cash and cash equivalents and bank deposits with initial terms of over three months. 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 and current income tax liabilities.

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 2009 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	**1,888,121**	**726,665**	**19,582**	**2,634,368**
Associates	**27,044**	**–**	**–**	**27,044**
Total assets	**1,915,165**	**726,665**	**19,582**	**2,661,412**
Total liabilities	**350,392**	**154,637**	**68,740**	**573,769**
Capital expenditure	**33,033**	**14,764**	**–**	**47,797**

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 Group's revenue from external customers by geographical location is as follows:

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**139,838**	153,864
Europe	**1,200,720**	1,339,276
Mainland China	**847,645**	1,047,396
United States of America	**116,347**	454,649
Canada	**63,622**	90,210
Other Asian countries	**345,679**	249,745
Others	**174,151**	152,202
	2,888,002	3,487,342

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

	2009	2008
	HK$'000	*HK$'000*
Analysis of revenue by category		
Sales of goods	**2,881,185**	3,474,254
Provision of subcontracting services	**6,817**	13,088
	2,888,002	3,487,342

The total of non-current assets other than financial instruments and deferred income tax assets by geographical location is as follows:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**53,038**	64,221
Mainland China	**808,202**	888,175
Other countries	**41,579**	42,583
	902,819	994,979

For the year ended 31 December 2009, revenues of approximately HK$1,882,705,000 (2008: HK$1,968,494,000) were derived from a single group of external customers. These revenues are attributable to the manufacturing business.

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year.

Subsidiaries and associates established and operated in Mainland China are subject to Mainland China Enterprise Income Tax at rate of 25% for the year (2008: 25%). 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 profits for the year 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 represent:

	2009	2008
	HK$'000	*HK$'000*
Current income tax –		
Hong Kong profits tax	**39,682**	29,993
Mainland China enterprise income tax	**3,024**	13,142
Overseas income tax	**12**	–
Deferred income tax	**(12,149)**	9,307
	30,569	52,442

5. 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$121,539,000 (2008: HK$33,325,000) and on the weighted average number of approximately 1,268,400,000 (2008: 1,268,400,000) ordinary shares in issue during the year.

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**121,539**	33,325
Weighted average number of ordinary shares in issue ('000)	**1,268,400**	1,268,400
Basic earnings per share (HK cents)	**9.6**	2.6

(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 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.

The diluted earnings per share for the years ended 31 December 2008 and 2009 are the same as the basic earnings per share as the potential ordinary shares arising from the share options granted by the Company outstanding during the years ended 31 December 2008 and 2009 were anti-dilutive.

6. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim dividend paid of HK2.5 cents (2008: HK2.5 cents) per ordinary share	**31,710**	31,710
Proposed final dividend of HK1.5 cents (2008: HK0.8 cents) per ordinary share	**19,026**	10,147
	50,736	41,857

At a meeting held on 17 March 2010, the Board proposed a final dividend of HK1.5 cents (2008: HK0.8 cents) per share. The proposed dividends have not been 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 2010.

7. TRADE AND BILLS RECEIVABLE

	2009	2008
	HK$'000	*HK$'000*
Trade receivables		
– from third parties	**539,055**	738,135
– from related parties	**12,745**	2,022
Bills receivable	**21,631**	54,211
	573,431	794,368
Less: provision for impairment	**(33,063)**	(25,018)
	540,368	769,350

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 30 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 letters of credit issued by banks or settled by documents against payment issued by banks. The ageing analysis of trade and bills receivable is as follows:

	2009	2008
	HK$'000	*HK$'000*
0-30 days	**177,116**	356,545
31-60 days	**182,670**	277,475
61-90 days	**166,952**	72,400
91-120 days	**13,467**	34,977
121-180 days	**5,217**	18,496
181-365 days	**9,947**	20,158
Over 365 days	**18,062**	14,317
	573,431	794,368

8. TRADE AND BILLS PAYABLE

	2009	2008
	HK$'000	*HK$'000*
Trade payables		
– to third parties	**233,741**	333,154
– to related parties	**33,147**	48,999
Bills payable	**2,174**	4,474
	269,062	386,627

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

	2009	2008
	HK$'000	*HK$'000*
0-30 days	**146,687**	193,756
31-60 days	**83,057**	98,055
61-90 days	**32,005**	53,521
91-120 days	**3,934**	25,390
121-365 days	**1,295**	9,967
Over 365 days	**2,084**	5,938
	269,062	386,627

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The weak global economic market sentiment continued to impact the Group's business and financial performance during the year. In Manufacturing Business, the Group decisively terminated the major loss making business towards the US market, shut down ineffective factories but maintained good business relationship with our key customers and enhanced the cost effectiveness in the selling and administrative functions.

For Distribution and Retail Business, in spite of the slow-downing growth of shop expansion and high level of offering discounts in the PRC sportswear market, the Group consolidated its distribution network by tightening the credit policy and aggressively clearing its stock. All these efforts helped improving the cashflow position of the Group.

As a result, the Group recorded a 17.2% decrease in overall revenue to HK$2,888.0 million from HK$3,487.3 million in 2008.

Gross profit amounted to HK$791.9 million, representing a decrease of 19.7% year-on-year. Gross profit margin also decreased from 28.3% in 2008 to 27.4% in 2009. Operating profit however surged up from HK$75.4 million to HK$133.2 million. Operating profit for last year included significant amount of provision for impairment losses on certain assets resulting from the global financial turmoil in 2008 and such provision has been greatly reduced upon the recovery of global economy in current year.

Net finance income decreased from HK$6.7 million to HK$1.5 million mainly attributable to the low interest rate which substantially reduced interest income from bank deposits, although cash and cash equivalents and bank deposits of the Group significantly increased from HK$363.3 million to HK$674.1 million during the year, mainly attributable to the cash generated from operations, and the pro-active cash conversion effort of inventory and receivables during the year.

The effective tax rate applicable to the Group was reduced to 22.2% and the profit attributable to the shareholders of the Company increased from HK$33.3 million to HK$121.5 million.

The Board proposed the payment of a final dividend of HK1.5 cents per Share for the year ended 31 December 2009.

BUSINESS REVIEW

The Group is an integrated manufacturer, distributor and retailer for renowned international sports brands. The financial performances of the two business lines, namely "Manufacturing" and "Distribution and Retail" are summarised as below.

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 and Asia. The Group has a long history and a remarkable position in sportswear garment manufacturing. During the year, the Group kept maintaining good business relationship with its key customers and looking for new and potential customers. The aftermath of financial tsunami however continued to impact the operations of this segment during the year which eroded the positive effort and endeavour by the management. The Group inevitably experienced slight decreases in demand and orders for garment products from its customers despite the fact that the global economy was showing temporary rebound under the financial rescues by different countries. The management considered the operating environment during the year was difficult for Manufacturing Business, which was further evidenced by the termination of active wear business with a major customer owning *NYL* in the US market during the second quarter of the year. The Manufacturing Business therefore eventually recorded a 15.8% decrease in sales revenue to HK$2,387.6 million (including inter-companies sales of HK$36.1 million), accounting for 81.7% of the Group's total sales revenue as compared to 80.3% for last year.

During the year, the management endeavoured to control and manage the impact from the weak export markets. The Group carried out vigorous measures to tighten the production and operating costs of the business. It shut down three old and ineffective factories and restructured internal resources to increase overall production efficiency and maximise utilisation of the remaining factories in Mainland China. Although these three factories were closed, the Group was able to maintain a hardware production capacity of 6 million pieces of garment per month and its utilisation rate was approximately 60% as at 31 December 2009. By filling in labour to increase its utilisation, the management expects the existing production capacity of the Group to sufficiently satisfy the future demands when the market rebounds, thus it is expected to keep capital expenditure at a minimum level in the coming couple of years. The Group will also enjoy economy of scale and the cost per garment will be reduced if production output is going to increase.

The aforementioned restructuring exercises helped the Group to maintain the segmental gross profit margin at 25.2% in current year (2008: 25.7%), although the Group earned segmental gross profit of HK$602.2 million, which was less than the last year of HK$728.3 million. Further, the above measures pushed down the selling and administrative expenses by approximately 55.0% and 25.0% respectively. The Group conservatively made additional provision for impairment losses on certain assets and receivables of HK$16.3 million even though experiencing market recovery. With the efforts of the Group as mentioned to restructure internal operations and control operating costs, and with the decrease in provision for impairment losses on assets, a rebound in operating profit from HK$158.9 million in 2008 to HK$240.9 million for current year was noted. The management is conservatively optimistic on the growth potential of both revenue and operating profit when the market begins reviving and sales orders from its customers resume growing.

Distribution and Retail Business

This segment includes the businesses of distribution of Umbro Products through the T&S Group, distribution of Diadora Products through the Winor Group and retail of multi-brand products and distribution of merchandise through the Win Sports Group. Sales revenue of the segment decreased by 22.9% to HK$536.5 million, representing 18.3% of the Group's total sales revenue as compared to 19.7% in 2008.

Year 2009 was the most difficult and challenging year for this business segment. The over-estimated demands and so the over-stocking situation, particularly for international sports brands after the 2008 Beijing Olympic Games, together with the unanticipated global economic downturn, led to a over supply situation and left the Group with no other alternative but offering deep sales discounts to clear stock and boost sales volume and amounts during the year. Consequently, both the sales revenue and gross profit margin of the business significantly suffered. Segmental gross profit declined from HK$258.1 million with margin at 37.1% to HK$191.3 million with margin at 35.7%.

Segmental operating loss was HK$107.4 million (2008: HK$81.1 million). The substantial drop in both sales revenue and gross profit of the segment was the main cause for the operating loss. Despite the effort of the management to control operating and administrative expenses for functions and activities, heeding the poor market environment, the Group had to make provisions in the amount of HK$16.3 million for impairment on goodwill, inventory and certain receivables for this business. All these factors together explained the reasons for the operating loss made by this segment. Further discussion of the sales performance in each stream of this segment is set out below:

Distribution of Umbro Products

The T&S Group possesses an exclusive right to distribute Umbro Products in the Greater China region till 2020. This was the first loss-making year for this business since acquisition. During the year, sales revenue from this business decreased to HK$361.9 million (including inter-companies sales of HK$52.8 million) against HK$566.6 million (including inter-companies sales of HK$77.7 million) in 2008. As discussed above, the T&S Group had to offer sales discounts to attract customers and reduce the impact of overstocking problem, resulting the shrink of gross profit margin of this business from 37.7% to 31.8% during the year. Further, the T&S Group continued to review and terminate the co-operations with some distributors with poor sales performance in order to strengthen the distribution network and to face the new challenge when the retail market rebounds. The T&S Group inevitably faced the first year of disappointment, making operating loss of HK$37.2 million during the year. However, the above efforts improved the financial positions of T&S Group. The inventory and account receivables of T&S Group have been substantially reduced from HK$122.2 million and HK$136.7 million as at 31 December 2008 to HK$70.9 million and HK$47.5 million as at 31 December 2009, respectively.

As at 31 December 2009, the T&S Group had a sales network comprising 155 Umbro product distributors operating approximately 1,300 points-of-sales in the Greater China region (of which approximately 1,200 were in Mainland China). The Win Sports Group is also one of the distributors selling Umbro Products. Details of its sales network are presented as below.

Distribution of Diadora Products

Established in April 2008, the Winor Group manufactures, sells and distributes Diadora Products in Mainland China, Hong Kong and Macau. During the year, it recorded sales revenue of HK$58.6 million (including inter-companies sales of HK$7.9 million), with gross profit margin at 38.2% and incurred selling and administrative expenses of HK$45.7 million mainly on several marketing and promotion campaigns, trade shows and exhibitions and trademark amortisation. In August 2009, the Winor Group appointed a new spokesperson, Mr. Huang Xiao Ming, to help boost the image and spur sales for Diadora Products. Although the wholesales and retail markets of sportswear products in Mainland China are still ridden with challenges, at the relentless effort of the management in marketing and promotion, the Group continues to be confident about the growth potential in the Mainland China market. More details of the development of this stream of business are set out under "Prospects" below.

As at 31 December 2009, the Winor Group had a sales network comprising 27 Diadora product distributors operating approximately 120 points-of-sale in Mainland China. The Win Sports Group is also one of the distributors selling Diadora Products. Details of its sales network are presented as below.

Retail of Multi-brand Products

The Win Sports Group operates mainly sportswear retail business selling Umbro Products and Diadora Products in Mainland China and sportswear products of various brands in Hong Kong. Compared with last year, sales revenue from this business decreased from HK$202.8 million to HK$176.7 million and its gross profit margin, if excluding provision for impairment on inventory, reduced from 28.7% to 26.9%. Sharing the same problem as the T&S Group, the Win Sports Group also had to offer discounts to boost sales which led to a decrease in sales and profit margin. High rental expenses in Mainland China and Hong Kong also created pressure on this business. Although the retail market was still difficult for the current year and is expected to remain challenging in the first half of 2010, the Group is optimistic on the retail market in Mainland China and Hong Kong, especially during the time when the global economy is substantially recovered and the consumption power of the general public resumes growing again. The management considered that during the year, it was the appropriate time for restructuring and Win Sports Group has closed those outlets with unsatisfactory performance and reallocated resources to those sites and locations with promising sales and flows potentials. Further details of which and its strategy are set out under "Prospects" below.

As at 31 December 2009, the Win Sports Group had 89 mono-brand shops in Mainland China, 80 of which were selling Umbro Products and the remaining 9 were selling Diadora Products, and 9 self-managed retail shops in Hong Kong, of which 3 were traded under the name of "*Futbol Trend*", 4 were under the name of "*Sport Corners*" and mono-brand shops for other international sports brands made up the rest.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and bank facilities. Amid the global financial turmoil, the Group still maintained a sound and healthy financial position during the year. As at 31 December 2009, it had cash and cash equivalents and bank deposits amounting to HK$674.1 million (31 December 2008: HK$363.3 million). The increase was mainly attributable to the cash generated from operations, and the pro-active cash conversion effort of inventory and outstanding receivables during the year.

As at 31 December 2009, the Group had bank borrowings amounting to HK$68.2 million (31 December 2008: HK$113.3 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 2009, the Group still had unutilised banking facilities amounting to HK$371.5 million (31 December 2008: HK$439.9 million). The gearing ratio, being total bank borrowings divided by total equity, as at 31 December 2009, was 3.3% (31 December 2008: 5.6%).

PROSPECTS

2009 has been challenging so far for the Group with the ripples of the financial crisis still impacting the business environment. Although the stock market and property market had shown signs of recovery during the year after the financial rescues by different countries, the retail market in Hong Kong and in the first tier cities in Mainland China is still fiercely competitive with price war and high operating costs. However, as there are signs that the economic downturn is stabilising and the FIFA World Cup South Africa will be held in 2010, the Group is cautiously optimistic about the prospect of its business next year.

Manufacturing Business

Consistent effort of the Group in maintaining good business relationship with key sports brand customers has proven its value amid the economic slowdown. Under the harsh market situation during the year, the Group was capable of maintaining business and only experienced slight decrease in orders from its major customers, and the Group is advised by the major customer that the forecast orders in 2010 could be maintained. The Group has also endeavoured to look for orders from new local brand customers in order to further strengthen the customer base.

During the year, the Group completed integration of its operations and closed three old and ineffective factories and consolidated its internal structure in which the Group is able to effectively control and optimise production, operating, selling and administrative costs. Cost control has been a continuous focus of the Group regardless of the business environment it is in.

During the past two years, the Group has invested in hardware to boost its output capacity to 6 million pieces of garment per month which it considers to be sufficient to satisfy production orders and sales demands in the coming couple of years. Currently the Group is able to produce approximately 4 million pieces of garment products per month. By filling in labour, with sufficient training provided, the Group will be able to increase its utilisation rate and to cater the demand from local brand owners and other potential customers. Further, the Group will be able to keep capital expenditures at a minimum level in the foreseeable future and expect the cost per garment to reduce when output increases.

Furthermore, the Group had terminated the major business of active wear in the US market in the second quarter of the year. This move has eliminated the possibility of incurring substantial loss again for the business.

Looking ahead, anticipating some short-noticed business opportunities in relation to the 2010 World Cup and with orders received from new customers, the Group believes the top line of this segment will be improved and the utilisation of factories of the Group will be enhanced.

Distribution and Retail Business

The recent recovery on economy and the booming in stock and property markets gave life, vitality and opportunities to wholesales and retail businesses in Mainland China and Hong Kong, especially during the fourth quarter of 2009. Despite such rebound, the Group still keeps a conservatively optimistic mind about the growth potential in these markets, and expects challenges to prevail them.

For retail business, the Group will continue to consolidate the shops by closing those with loss-making or poor performance and reallocating to area with strong business potentials. The clearance of stock will also be continued and the Group will strive to return it to normal level starting in the second half of the year. Particular focus will be made to promote our retail brand of "*Futbol Trend*", of which a brand new mega shop has been opened in Tsim Sha Tsui, Hong Kong during December 2009.

Furthermore, the Group will continue to market the "*Diadora*" brand and develop differentiated products. In August 2009, the Group appointed a new spokesperson, Mr. Huang Xiao Ming, to help boost the image and spur sales for Diadora Products in Mainland China, Hong Kong and Macau.

As for Umbro, it will launch a brand new shop image and introduce new product designs to the market under the full support of the brand owner.

Although Distribution and Retail Business had yet delivered satisfactory results during the year and the environment will remain tough in 2010, the Group optimistically believes this segment as well as the Group itself is ready to grasp opportunities and regain vigor when the market starts on the real recovery track.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2009, the Group had approximately 14,400 employees (2008: approximately 17,000 employees). The Group remunerates employees based on their performance, working experience and prevailing market conditions. Other employee benefits include retirement benefits, insurance, medical coverage and a share option scheme.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2009, no asset was pledged to secure banking facilities for the Group.

FOREIGN CURRENCY EXPOSURE

The Group's sales and purchases were mostly denominated in US Dollars and RMB. During the year, approximately 65.8% and 29.3% of sales were denominated in US Dollars and RMB, respectively, whereas approximately 61.5%, 19.8% and 18.4% of purchases were denominated in US Dollars, RMB and Hong Kong Dollars, respectively. Further, as at 31 December 2009, approximately 60.3% and 35.9% of bank deposits and cash and cash equivalents were denominated in US Dollars and RMB, respectively.

The Group considered that the foreign currency exchange exposure arising from the above transactions and cash balances was minimal on the ground that Hong Kong dollars were pegged against US dollars and the Hong Kong dollars were relatively stable against RMB during the year. Accordingly, the Group did not use any derivative instruments to hedge against foreign currency exposure arising from the above transactions and cash balances during the years.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities or litigation or arbitration of material importance as at 31 December 2009.

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 (the "Model Code") in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made enquiry to all Directors, they all have confirmed that they have complied with the required standards as set out in the Model Code 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 HK1.5 cents per share for the year ended 31 December 2009, subject to Shareholders' approval at the forthcoming annual general meeting to be held on Monday, 26 April 2010, payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 22 April 2010. The final dividend will be paid on or about Monday, 10 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 22 April 2010 to Monday, 26 April 2010 (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 2009, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, 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 Wednesday, 21 April 2010.

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.

During the year, the Company had complied with all the code provisions of the CG Code as set out in 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 2009 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 2009. It has also reviewed the consolidated financial statements for the year ended 31 December 2009 with the management and the auditor 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, 26 April 2010. The notice of the annual general meeting will be published on the aforesaid websites on or about Wednesday, 31 March 2010 and will be despatched to the Shareholders together with the Company's annual report 2009 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 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 Independent Non-Executive Directors.

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

Hong Kong, 17 March 2010