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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

GROUP FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2010	2009	*Change*
	HK$'000	*HK$'000*	*%*
Revenue	**1,587,264**	1,551,366	+ 2.3%
Operating profit	**122,966**	108,304	+ 13.5%
Profit attributable to equity holders of the Company	**102,692**	92,661	+ 10.8%
Basic EPS (HK cents)	**8.1**	7.3	+ 11.0%
Dividends (HK cents)			
– Interim	**2.4**	2.5	
– Special	**1.4**	—	
	3.8	2.5	+ 52.0%

The board of directors (the "Board" or "Directors") of Win Hanverky Holdings Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2010, together with the comparative amounts for the corresponding period of 2009, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Unaudited	
		Six months ended 30 June	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,587,264**	1,551,366
Cost of sales		**(1,178,767)**	(1,094,134)
Gross profit		**408,497**	457,232
Selling and distribution costs		**(117,084)**	(145,224)
General and administrative expenses		**(171,367)**	(205,417)
Other income and gains		**2,920**	1,713
Operating profit		**122,966**	108,304
Finance income		**2,596**	2,572
Finance costs		**(1,870)**	(2,587)
Share of (losses)/profits of associates		**(466)**	2,957
Profit before income tax		**123,226**	111,246
Income tax expense	*4*	**(26,993)**	(30,958)
Profit for the period		**96,233**	80,288
Attributable to:			
Equity holders of the Company		**102,692**	92,661
Non-controlling interests		**(6,459)**	(12,373)
		96,233	80,288
Earnings per share for profit attributable to the equity holders of the Company (expressed in HK cents per share)	*5*		
– basic		**8.1**	7.3
– diluted		**8.1**	7.3
Dividends	*6*	**48,199**	31,710

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Profit for the period	**96,233**	80,288
Other comprehensive income		
Currency translation differences	**6,924**	3,409
Change in estimated consideration receivable from non-controlling interests in relation to disposal of interest in a subsidiary	**—**	(5,895)
Total comprehensive income for the period	**103,157**	77,802
Total comprehensive income attributable to:		
Equity holders of the Company	**108,104**	88,779
Non-controlling interests	**(4,947)**	(10,977)
	103,157	77,802

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2010

	Note	**Unaudited 30 June 2010 HK$'000**	As restated 31 December 2009 HK$'000
Non-current assets			
Leasehold land and land use rights		**39,836**	39,938
Property, plant and equipment		**594,949**	614,412
Intangible assets		**217,170**	221,425
Interests in associates		**26,579**	27,044
Deferred income tax assets		**18,813**	17,431
Available-for-sale financial assets		**500**	500
		897,847	920,750
Current assets			
Inventories		**405,306**	467,693
Trade and bills receivable	*7*	**679,742**	540,368
Deposits, prepayments and other receivables		**68,830**	58,536
Bank deposits with initial terms of over three months		**124,585**	24,572
Cash and cash equivalents		**609,891**	649,493
		1,888,354	1,740,662
Current liabilities			
Trade and bills payable	*8*	**292,725**	269,062
Accruals and other payables		**177,082**	167,807
Current income tax liabilities		**68,359**	66,645
Borrowings		**69,000**	68,160
		607,166	571,674
Net current assets		**1,281,188**	1,168,988
Total assets less current liabilities		**2,179,035**	2,089,738

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2010

	Unaudited 30 June 2010 *HK$'000*	As restated 31 December 2009 *HK$'000*
Non-current liabilities		
Deferred income tax liabilities	**6,204**	2,095
Net assets	**2,172,831**	2,087,643
Equity		
Capital and reserves attributable to equity holders of the Company		
Share capital	**126,840**	126,840
Reserves	**1,822,710**	1,729,632
	1,949,550	1,856,472
Non-controlling interests	**223,281**	231,171
Total equity	**2,172,831**	2,087,643

NOTES:

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new or revised standards, amendments to standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2010 and are relevant to the Group:

- HKAS 1 (Amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The amendment has no impact on the Group's financial statements.

- HKAS 7 (Amendment), 'Statement of cash flows'. Only expenditures that result in a recognised asset are eligible for classification as investing activities. The amendment has no material impact on the Group's financial statements.

- HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, a land interest where title is not expected to pass to the Group by the end of the lease term was classified as an operating lease under "leasehold land and land use rights", and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating leases to finance leases.

The effect of the adoption of this amendment is as below:

	30 June 2010 *HK$'000*	31 December 2009 *HK$'000*
Decrease in leasehold land and land use rights	**9,246**	13,292
Increase in property, plant and equipment	**9,246**	13,292

The amendment has had no impact on the Group's reported income.

- HKAS 27 (Revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model") and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the income statement. The revised standard has no impact on the Group's financial statements as the Group's accounting policy on transactions with non-controlling interests has complied with the revised requirements.

- HKAS 36 (Amendment), 'Impairment of assets'. This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8. The amendment does not have any impact on the Group's consolidated financial statements as the Group's existing accounting policy on goodwill allocation complies with the amended requirements.

- HKAS 38 (Amendment), 'Intangible assets'. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The Group will apply HKAS 38 (Amendment) prospectively to all intangible assets acquired in business combination for which the acquisition date is on or after 1 January 2010.

- HKFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations for which the acquisition date is on or after 1 January 2010.

- HKFRS 8 (Amendment), 'Operating segments'. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The amendment does not have any impact on the Group's consolidated financial statements as amounts of total assets and liabilities for each reportable segment are regularly provided to the chief operating decision maker.

- HK(IFRIC) - Int 9 (Amendment), 'Reassessment of embedded derivatives' (effective for periods beginning on or after 1 July 2009). This amendment aligns the scope of HK(IFRIC) 9 to the scope of HKFRS 3 (Revised): the interpretation does not apply to embedded derivatives in contracts acquired in a business combination, a common control combination or the formation of a joint venture. The Group will apply HK(IFRIC) - Int 9 (Amendment) prospectively to all embedded derivatives in contracts acquired in business combination for which the acquisition date is on or after 1 January 2010.

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 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 condensed consolidated interim financial information.

The segment results for the six months ended 30 June 2010 and the segment assets and liabilities at 30 June 2010 are as follows:

	Manufacturing *HK$'000*	Distribution and retail *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Total segment revenue	1,365,631	225,375	—	1,591,006
Inter-segment revenue	(3,742)	—	—	(3,742)
Revenue	1,361,889	225,375	—	1,587,264
Operating profit (loss) / segment results	160,127	(37,161)	—	122,966
Finance income				2,596
Finance costs				(1,870)
Share of losses of associates	(466)	—	—	(466)
Profit before income tax				123,226
Income tax expense				(26,993)
Profit for the period				96,233

Other segment items included in the condensed consolidated interim 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	435	—	—	435
Depreciation of property, plant and equipment	38,279	12,543	—	50,822
Amortisation of intangible assets	—	4,428	—	4,428
Impairment of inventories, net	16,500	3,032	—	19,532
Impairment of receivables	—	9,991	—	9,991
Reversal of receivable impairment	(1,685)	(6,319)	—	(8,004)
(Gain)/loss on disposal of property, plant and equipment	(5,756)	13	—	(5,743)
Assets	2,095,360	638,983	25,279	2,759,622
Associates	26,579	—	—	26,579
Total assets	2,121,939	638,983	25,279	2,786,201
Total liabilities	396,486	142,321	74,563	613,370

The segment results for the six months ended 30 June 2009 and the segment assets and liabilities at 31 December 2009 are as follows:

	Manufacturing	Distribution and retail	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	1,287,793	285,803	—	1,573,596
Inter-segment revenue	(22,230)	—	—	(22,230)
Revenue	1,265,563	285,803	—	1,551,366
Operating profit (loss) / segment results	155,873	(47,402)	(167)	108,304
Finance income				2,572
Finance costs				(2,587)
Share of profits of associates	2,957	—	—	2,957
Profit before income tax				111,246
Income tax expense				(30,958)
Profit for the period				80,288

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

	Manufacturing	Distribution and retail	Unallocated	Total
Amortisation of leasehold land and land use rights	424	—	—	424
Depreciation of property, plant and equipment	39,125	13,514	—	52,639
Amortisation of intangible assets	—	4,428	—	4,428
Impairment of property, plant and equipment	435	—	—	435
Impairment of intangible assets	—	7,500	—	7,500
Impairment of available-for-sale financial asset	5,370	—	—	5,370
Impairment of inventories, net	816	2,751	—	3,567
Impairment of receivables, net	8,277	125	—	8,402
Loss on disposal of property, plant and equipment	837	207	—	1,044
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

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

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%).

Subsidiaries and associates established and operated in Mainland China are subject to Mainland China Enterprise Income Tax at the rate of 25% (2009: 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 period at the applicable rates of taxation prevailing in the countries in which the Group operates.

The amounts of income tax expense charged to the condensed consolidated interim income statement represent:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Current income tax –		
Hong Kong profits tax	**21,305**	35,747
Mainland China enterprise income tax	**1,836**	(662)
Deferred income tax	**3,852**	(4,127)
	26,993	30,958

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 and on the weighted average number of shares in issue during the period.

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Company *(HK$'000)*	**102,692**	92,661
Weighted average number of shares in issue *('000)*	**1,268,400**	1,268,400
Basic earnings per share *(HK cents)*	**8.1**	7.3

(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 daily average 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	
	2010	2009
Profit attributable to equity holders of the Company *(HK$'000)*	**102,692**	92,661
Weighted average number of shares in issue *('000)*	**1,268,400**	1,268,400
Adjustment for share options *('000)*	**505**	—
Weighted average number of shares for diluted earnings per share *('000)*	**1,268,905**	1,268,400
Diluted earnings per share *(HK cents)*	**8.1**	7.3

6. DIVIDENDS

Dividends relating to the year ended 31 December 2009 of HK$19,026,000 were paid in May 2010 (2009: HK$10,147,000).

At the Board meeting held on 25 August 2010, the Company's Board of Directors declared an interim dividend of HK2.4 cents (2009: HK2.5 cents) and a special dividend of HK1.4 cents (2009: Nil) per share. The interim dividend amounting to HK$30,442,000 (2009: HK$31,710,000) and the special dividend totaling HK$17,757,000 have not been recognised as a liability in this interim financial information.

7. TRADE AND BILLS RECEIVABLE

	As at	
	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
Trade receivables		
– from third parties	**692,647**	539,055
– from related parties	**13,832**	12,745
Bills receivable	**5,702**	21,631
	712,181	573,431
Less: Provision for impairment of trade receivables	**(32,439)**	(33,063)
	679,742	540,368

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

The majority of the trade receivables are with customers having an appropriate credit history and at 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 the trade and bills receivable is as follows:

	As at	
	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
0-30 days	**335,019**	177,116
31-60 days	**170,479**	182,670
61-90 days	**167,611**	166,952
91-120 days	**5,955**	13,467
121-180 days	**4,221**	5,217
181-365 days	**7,800**	9,947
Over 365 days	**21,096**	18,062
	712,181	573,431

As at 30 June 2010, there was one (31 December 2009: one) customer with an outstanding balance which exceeded 10% of the Group's total trade and bills receivable from third parties, and the aggregated balances due from this customer accounted for approximately 77% (31 December 2009: 72%) of the Group's total trade and bills receivable from third parties. Other than this customer, there was no other significant concentration of credit risk with respect to trade and bills receivable.

8. TRADE AND BILLS PAYABLE

	As at	
	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
Trade payables		
– to third parties	**246,347**	233,741
– to related parties	**36,114**	33,147
Bills payable	**10,264**	2,174
	292,725	269,062

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

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
0-30 days	**209,438**	146,687
31-60 days	**32,082**	83,057
61-90 days	**39,543**	32,005
91-120 days	**9,887**	3,934
121-365 days	**817**	1,295
Over 365 days	**958**	2,084
	292,725	269,062

9. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 18 June 2010, the Group entered into a conditional agreement for acquiring 75% of the equity interest in Charmtech Industrial Limited ("Charmtech"), a limited liability company incorporated in Hong Kong, at an estimated cash consideration of HK$18,750,000, which is subject to an upward or a downward adjustment and a maximum cap of HK$37,500,000 based on the consolidated profit after tax of Charmtech and its subsidiary (together, the "Charmtech Group") for the year ending 31 December 2010, and a contingent consideration arrangement which requires the vendor to refund to the Group in accordance with a specified formula if the aggregate consolidated profit after tax of Charmtech Group for the five years ending 30 June 2015 does not reach HK$50,000,000.

Charmtech Group is engaged in the manufacturing and selling of golf and high-end fashion apparel under OEM arrangements. As at the date of approval of this interim financial information, the acquisition has not been completed and the Group is in the process of assessing the fair values of assets, liabilities, contingent liabilities and identified intangible assets, if any, of Charmtech Group and it is impracticable to disclose their respective amounts together with the goodwill so arising at the current stage. The Group expects the acquisition to be completed during the third quarter of 2010 and to finalise the purchase price allocation upon issuance of the audited consolidated financial statements of the Charmtech Group for the year ending 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

For the six months ended 30 June 2010, the Group has recorded a revenue of HK$1,587.3 million, which resumed to grow after the economic crisis since 2008 (HK$1,551.4 million for the corresponding period in 2009).

Gross profit amounted to HK$408.5 million, representing a decrease of 10.7% period-on-period. Gross profit margin also reduced from 29.5% for the corresponding period in 2009 to 25.7%. The decrease in gross profit was mainly resulted from the loss of active wear business in the US market, which generated higher gross margin and was terminated since the second quarter of 2009, and increase in labour costs for production under the Manufacturing Business. Despite such loss of gross profit and margin during the period, management has put much effort to improve the production and operating efficiency and to tighten its operating and administrative expenses, resulting in an increase of operating profit from HK$108.3 million to HK$123.0 million during the period.

The effective tax rate applicable to the Group was reduced to 21.9% and the profit attributable to the shareholders of the Company increased from HK$92.7 million to HK$102.7 million, representing an increase of 10.8%.

In consideration of the better net cash position and the continued positive cash flow operation, the Board declared payment of a special dividend of HK1.4 cents per Share, in addition to an interim dividend of HK2.4 cents per Share for the six months ended 30 June 2010. Total dividends reached HK$3.8 cent per Share, an increase of 52% comparing with the corresponding period in 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 arrangement 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, and has established long-term business relationship with its key customers. Therefore, upon the recovery of the global economy, the Group has experienced a steady growth of production orders from its customers during the current period. The growth in production orders also helped to compensate the loss of revenue from its former active wear business which has been terminated during the second quarter of 2009 and therefore, did not make any revenue contribution to the Group during the current period. Although the operating environment was difficult and its competition from other market players were still strong, overall Manufacturing Business recorded a slight growth in sales revenue which increased by 6.0% from HK$1,287.8 million to HK$1,365.6 million, accounting for 85.8% of the Group's total sales revenue as compared to 81.8% for the corresponding period in 2009. If excluding the active wear business in the corresponding period in 2009, the Group would have recorded a 12.8% increase in sales revenue under this segment.

In order to meet the demand of production orders, during the current period, the Group has filled in additional labour and the number of workers has increased steadily for the Group's Manufacturing Business. Further, the pay rates for workers in areas, where the Group's manufacturing plants are located at, have also been adjusted so as to attract new workers and maintain sufficient and stable labour force in those factories. As a result, the labour costs have been increased during the period. Moreover, recent appreciation in RMB and general inflation in Mainland China have also created pressure on direct costs of production and other manufacturing overheads. All the reasons above together with the termination of the former active wear business which generated higher gross margin has further pushed down the segmental gross profit margin from 28.0% to 23.8% under Manufacturing Business.

Under the challenging operating environment, management continued to tighten the operating costs of the business, to carry out various measures to maximise the production and management efficiency and decisively terminated the loss-making active wear business. It was evidenced by the savings in both selling and distribution costs, and the general and administrative expenses which have been reduced by 11.8% and 20.8%, respectively during the period. With the effort by management to control its operating costs, Manufacturing Business enjoyed a slight improvement in its financial results and made operating profit of HK$160.1 million, as compared to HK$155.9 million in the same period in 2009. Management believes that with its remarkable position in sportswear garment manufacturing, the Group is optimistic on the growth potential of both revenue and operating profit.

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 and mono-brand products and distribution of sportswear products through the Win Sports Group. Sales revenue of the segment decreased by 21.1% to HK$225.4 million, representing 14.2% of the Group's total sales revenue as compared to 18.2% for the corresponding period in 2009.

However, the Group has successfully reduced operating loss in this segment, from HK$47.4 million to HK$37.2 million in current period. Further discussion of the 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. As discussed above, during the current period, sales revenue and segmental gross profit from this business decreased to HK$136.2 million and HK$49.7 million, respectively. The T&S Group encountered supply chain problem with the brand owner, which caused delays in order deliveries, and cancellation of orders from those distributors were therefore experienced. Further, the market competition in the sportswear market in Mainland China, especially in first and second tier cities, was still fierce and the inventory levels kept by those distributors and retailers were still intense which gave pressure on sales performance of Umbro Products. However, this overstocking problem was not as serious as last year which gave rooms for improvement in gross profit margin from 30.6% to 36.5% during the period. Further, the T&S Group continued to review and terminate the business relationship with those distributors with poor sales performance in order to further strengthen the distribution network and to face the new challenge under the competitive retail markets. Although the T&S Group still incurred operating loss in current period, the loss has been reduced by 31.8% to HK$9.9 million. The above also encouraged the improvement of the financial positions of the T&S Group, which was evidenced by the reduction in inventory of the T&S Group from HK$70.9 million as at 31 December 2009 to HK$60.6 million as at 30 June 2010.

As at 30 June 2010, the T&S Group had a sales network comprising 130 Umbro product distributors operating approximately 1,200 points-of-sales in the Greater China region (of which approximately 1,100 were in Mainland China). The Win Sports Group is also one of the distributors selling Umbro Products.

Distribution of Diadora Products

The Winor Group manufactures, sells and distributes Diadora Products in Mainland China, Hong Kong and Macau. Currently, Mr. Huang Xiao Ming ("Mr. Huang") was appointed by the Group as a brand ambassador of Diadora Products, and a new casual wear product series, namely "Huang Xiao Ming Series", with the crossover between the brand "***Diadora***" and the name of Mr. Huang, was launched during the current period which received positive comment from the general public. The Winor Group also sponsored several promotion and charitable events in order to build up brand image and brand awareness. The appointment of Mr. Huang and the above marketing and promotion events helped the Winor Group to boost the image and spur sales for Diadora Products. Under the competitive retail market in Mainland China, the Winor Group recorded sales revenue of HK$25.7 million and gross profit margin at 23.8%, and incurred selling and administrative expenses of HK$*22.6* million which are mainly spent on marketing and promotion campaigns, trade shows and exhibitions, as mentioned above, and trademark amortisation.

As at 30 June 2010, the Winor Group had a sales network comprising 24 Diadora product distributors operating approximately 130 points-of-sale in Mainland China. The Win Sports Group is also one of the distributors selling Diadora Products, details of which 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 the same period last year, sales revenue from this business decreased from HK$91.2 million to HK$85.3 million but gross profit and its margin were both improved from HK$24.7 million to HK$27.1 million, and from 27.1% to 31.8%, respectively. Gross profit margin was improved due to the relief from overstocking situation and the Win Sports Group was able to sell sportswear products with higher profit margin during the current period. Further, the Win Sports Group continued to negotiate with landlords for more favorable tenancy terms, or to reallocate those outlets from areas with poor sales performance to those with more promising growth potential. The above measures helped the Win Sports Group to reduce the operating costs in this segment, and selling and administrative expenses have been decreased by 14.1% during the period. Although the Win Sports Group still made operating loss of HK$7.2 million during the period, such loss has been substantially reduced by 64.5% which is mainly attributable to the increase in profit margin, and the control of operating and administrative expenses.

As at 30 June 2010, the Win Sports Group had 79 mono-brand shops in Mainland China, selling Umbro Products and Diadora Products, and 8 self-managed retail shops in Hong Kong, of which 2 were traded under the name of "***Futbol Trend***", 5 were under the name of "***Sport Corners***" and a mono-brand shop for an international sports brand made up the rest.

PROSPECTS

The first half of 2010 was still difficult but challenging so far for the Group although the stock market and property market had been rising during the period. However, as the customer orders and forecast under Manufacturing Business for the second half of the year is still promising and the retail business in Hong Kong is still blooming, the Group is optimistic about the prospect of its business in the second half of the year. Manufacturing Business will continue to provide strong cash flow to the Group, while the loss of Distribution and Retail Business will continue to reduce so that it is time to target for expansion rather than for cost controls.

Manufacturing Business

For the first half of 2010, if excluding the loss of revenue from the former active wear business, Manufacturing Business would have recorded a double digit increase in sales revenue.

For the second half of the year, the Group will continue looking for new customers and may explore acquisition opportunities. During the current period, the Group has entered into an agreement to acquire the controlling interest in the Charmtech Group principally engaging in the manufacturing of golf and high-end fashion apparel in Mainland China for sales in the US, Europe and Asia (including Mainland China). The Group expects that this acquisition will be completed during the third quarter of this year and believes that the Charmtech Group will broaden the product lines and customer base of the Group to golf and life style apparel and will provide additional source of revenue to the Group in coming years.

The pressure of labour cost will be continuously challenging. The Group will continue to carry out various measures to enhance the labour productivity and efficiency. The Group is expanding its production facilities in areas with lower labour costs and stable labour supply such as Wuzhou in Guangxi province, Mainland China and Vietnam. Tight controls in general and administrative expenses are the continuing measures so that the Group can take the advantage of economy of scale when its turnover is expanding.

Based on the production orders on hands and sales forecasts from our major customers, it is expected that sales revenue in the second half of this year will continue to grow year-on-year. Looking ahead, after the expansion of production capacity in Wuzhou in Guangxi province, Mainland China and Vietnam, the Group believes that the expected growth in sales revenue will continue in the year 2011.

Distribution and Retail Business

The booming in stock and property markets gave life, vitality and opportunities to wholesales and retail businesses in Mainland China and Hong Kong during the period, but the competitions in these businesses in Mainland China are still fierce. Inventory levels in the hands of the Group, the distributors and retailers are still intense. Although it is expected the margin will be improved as less discounts will be offered compared to the same period of last year, the Group still keeps a conservative mind when running business in these markets, and expects challenges continue to prevail them.

Distribution of Umbro Products

The Group expects the growth momentum is still very challenging in the second half of the year. Inventory levels in the hands of the Group, the distributors and retailers are still high and the market competition in the sportswear market in Mainland China, especially in the first and second tier cities, is still fierce. The Group also needs to collaborate with the brand owner to mitigate the supply chain problems caused by them. Fortunately, the trend of improving profit margin has been experienced after the relief of overstocking problem. The Group expects a turnaround in 2011 when the overall inventory levels among the Group, the distributors and retailers have been substantially reduced in 2010 and the supply chain and other operating issues from the brand owner of Umbro become stabilised.

Distribution of Diadora Products

The Group will put further effort to encourage other distributors to open shops for the "***Diadora***" brand. The Group insists on providing good quality with Italian stylish sportswear to attract some cornerstone retailers to open retail outlets for "***Diadora***" in different cities. The number of shops is targeted to reach over 200 by the end of this year.

In the first tier cities like Beijing, Shanghai, and Guangzhou, we will open more doors to enhance the brand image and awareness and to attract new retailers by the Group's retail arms, Win Sports Group.

Retail of Multi-brand Products

We currently have 8 multi-brands shops in Hong Kong mainly trading under the names of "***Futbol Trend***" and "***Sports Corner***". "***Futbol Trend***" is now the famous football one-stop chain in Hong Kong and it became profitable at the shop level during the period. The Group is looking for locations for new shops in Hong Kong in order to scale the business.

On the other hand, the Group had 79 mono-brand shops mainly in cities of Shanghai and Beijing and in the provinces of Guangdong and Guangxi, selling mainly the Umbro Products or Diadora Products. The Group experienced the reduction of operating loss made by these shops during the period and the Group targets to turnaround the business in the year of 2011.

At the same time, the Group will look for acquisition potential of other brands so that the Group can leverage its cash position and the retail networks in the major cities of Mainland China in order to expand the overall wholesales and retail business in the Greater China.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and bank facilities. The Group still maintained a sound financial position during the period under review. As at 30 June 2010, it had cash and cash equivalents and bank deposits with initial terms of over three months amounting to HK$734.5 million (31 December 2009: HK$674.1 million). The increase was mainly attributable to the cash generated from operations.

As at 30 June 2010, the Group had bank borrowings amounting to HK$69.0 million (31 December 2009: HK$68.2 million), all were subject to interest payable at floating rates and were denominated in RMB. The Group did not enter into any interest rate swap to hedge against risks associated with interest rates. As at 30 June 2010, the Group still had unutilised banking facilities amounting to HK$382.2 million (31 December 2009: HK$371.5 million). The gearing ratio, being total bank borrowings divided by total equity, as at 30 June 2010, was 3.2% (31 December 2009: 3.3%).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2010, the Group had approximately 16,700 employees (31 December 2009: approximately 14,400 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 30 June 2010, 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 period, approximately 73.9% and 20.8%% of sales were denominated in US Dollars and RMB, respectively, whereas approximately 62.3%, 19.4% and 18.2% of purchases were denominated in US Dollars, RMB and Hong Kong Dollars, respectively. Further, as at 30 June 2010, approximately 66.7%, 30.0% and 3.1% of cash and cash equivalents and bank deposits with initial terms of over three months were denominated in US Dollars, RMB and Hong Kong Dollars, respectively.

The Group considered that the foreign currency exchange exposure arising from the above transactions and cash balances was minimal during the period on the ground that Hong Kong dollars were pegged against US dollars and the recent pressure from appreciation of RMB was minimal and manageable during the period. Accordingly, the Group considered the use of any derivative instruments to hedge against foreign currency exposure arising from the above transactions and cash balances was not critical and determined during the period under review.

CONTINGENT LIABILITIES

The Group has no significant contingent liabilities or litigation or arbitration of material importance as at 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding director's securities transactions 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 throughout the accounting period covered by the interim report.

PURCHASE, SALE OR REDEMPTION OF 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 2010.

DIVIDENDS

The Board declared an interim dividend and a special dividend of HK2.4 cents and 1.4 cents per Share, respectively, for the six months ended 30 June 2010 (2009: interim dividend of HK2.5 cents) payable to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 17 September 2010. The dividends will be paid on or about Friday, 15 October 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 15 September 2010 to Friday, 17 September 2010 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for entitlement to the interim and special dividends for the six months ended 30 June 2010, all transfers of Shares 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 Tuesday, 14 September 2010.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim report for the six months ended 30 June 2010 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 unaudited condensed consolidated interim financial information for the six months ended 30 June 2010. It has also reviewed the unaudited condensed consolidated interim financial information for the six months end 30 June 2010 with the management and the auditors of the Company and recommended them to the Board for approval.

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 Indepednent Non-Executive Directors.

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

Hong Kong, 25 August 2010