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 2010

FINANCIAL HIGHLIGHTS

	2010	2009	*Change*
	HK$'000	*HK$'000*	*%*
Revenue	**3,081,763**	2,888,002	+6.7%
Operating profit	**110,986**	133,208	-16.7%
Operating profit (excluding impairment loss on intangible assets)	**164,986**	148,258	+11.3%
Profit attributable to equity holders	**120,472**	121,539	-0.9%
Profit attributable to equity holders (excluding impairment loss on intangible assets)	**152,872**	136,589	+11.9%
Basic EPS (HK cents)	**9.5**	9.6	-0.9%
Dividends (HK cents)			
— Interim	**2.4**	2.5	
— Special	**1.4**	—	
— Final (proposed)	**1.2**	1.5	
— Special (proposed)	**1.8**	—	
	6.8	4.0	+70.0%

OPERATION HIGHLIGHTS

- Recovering sales growth for Manufacturing Business
- Pressure to mitigate the rising labour costs and currency appreciation in Mainland China
- Reducing operating loss for Distribution and Retail Business (excluding the impact of impairment loss on intangible assets)
- Strong net cash position of HK$737.8 million

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 2010, together with the comparative amounts for 2009 and the relevant explanatory notes, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	3	**3,081,763**	2,888,002
Cost of sales		**(2,335,069)**	(2,096,090)
Gross profit		**746,694**	791,912
Selling and distribution costs		**(224,255)**	(259,739)
General and administrative expenses		**(428,106)**	(397,050)
Other income		**4,403**	1,513
Other gains/(losses) — net	4	**12,250**	(3,428)
Operating profit		**110,986**	133,208
Finance income		**7,838**	6,044
Finance costs		**(3,567)**	(4,583)
Finance income — net		**4,271**	1,461
Share of profits of associates		**2,036**	2,915
Profit before income tax		**117,293**	137,584
Income tax expense	5	**(44,492)**	(30,569)
Profit for the year		**72,801**	107,015
Attributable to:			
Equity holders of the Company		**120,472**	121,539
Non-controlling interests		**(47,671)**	(14,524)
		72,801	107,015
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)	6		
— basic		**9.5**	9.6
— diluted		**9.5**	9.6
Dividends	7	**86,251**	50,736

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**72,801**	107,015
Other comprehensive income		
Share of other comprehensive income of associates	**639**	278
Currency translation differences	**26,622**	1,592
Settlement of/change in estimated consideration receivable from non-controlling interests in relation to disposal of interest in a subsidiary	**10,031**	(8,901)
Total comprehensive income for the year	**110,093**	99,984
Total comprehensive income attributable to:		
Equity holders of the Company	**153,177**	113,015
Non-controlling interests	**(43,084)**	(13,031)
	110,093	99,984

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	**31 December 2010** **HK$'000**	31 December 2009 *HK$'000* *(restated per note 2(a))*	1 January 2009 *HK$'000* *(restated per note 2(a))*
Non-current assets				
Leasehold land and land use rights		**40,066**	39,938	41,879
Property, plant and equipment		**593,998**	614,412	675,642
Intangible assets	*8*	**192,913**	221,425	245,190
Interests in associates		**32,107**	27,044	23,851
Deferred income tax assets		**9,138**	17,431	6,890
Available-for-sale financial assets		**500**	500	6,370
Other receivables		**—**	—	8,417
		868,722	920,750	1,008,239
Current assets				
Inventories		**509,787**	467,693	547,674
Trade and bills receivable	*9*	**568,660**	540,368	769,350
Deposits, prepayments and other receivables		**88,470**	58,536	88,633
Pledged bank deposits		**1,184**	—	—
Bank deposits with initial terms of over three months		**18,866**	24,572	—
Cash and cash equivalents		**763,974**	649,493	363,272
		1,950,941	1,740,662	1,768,929
Current liabilities				
Trade and bills payable	*10*	**332,658**	269,062	386,627
Accruals and other payables		**239,690**	167,807	188,449
Current income tax liabilities		**61,942**	66,645	55,861
Borrowings		**45,083**	68,160	102,026
Loan from non-controlling shareholder of subsidiaries		**7,500**	—	—
		686,873	571,674	732,963
Net current assets		**1,264,068**	1,168,988	1,035,966
Total assets less current liabilities		**2,132,790**	2,089,738	2,044,205

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2010

	Note	**31 December 2010** *HK$'000*	31 December 2009 *HK$'000* (restated per note 2(a))	1 January 2009 *HK$'000* (restated per note 2(a))
Non-current liabilities				
Borrowings		—	—	11,300
Deferred income tax liabilities		**5,222**	2,095	3,711
		5,222	2,095	15,011
Net assets		**2,127,568**	2,087,643	2,029,194
Equity				
Capital and reserves attributable to equity holders of the Company				
Share capital		**126,840**	126,840	126,840
Reserves		**974,829**	937,660	945,854
Retained earnings				
— Proposed final and special dividends		**38,052**	19,026	10,147
— Others		**802,703**	772,946	702,151
		1,942,424	1,856,472	1,784,992
Non-controlling interests		**185,144**	231,171	244,202
Total equity		**2,127,568**	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"). These consolidated financial statements 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 revised standards and amendments to standards and interpretation are effective for the Group's accounting period commencing 1 January 2010 and are relevant to the Group:

- HKAS 1 (Amendment), 'Presentation of financial statements'. The amendment clarifies 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 consolidated 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 leases 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 which was 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.

A land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the lease term.

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

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Decrease in leasehold land and land use rights	**(9,123)**	(13,292)	(13,642)
Increase in property, plant and equipment	**9,123**	13,292	13,642
Decrease in amortisation of leasehold land and land use rights	**(247)**	(350)	(350)
Increase in depreciation of property, plant and equipment	**247**	350	350

The amendment has had no impact on the Group's reported results and reserves.

- HKAS 27 (Revised), 'Consolidated and separate financial statements', requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The revised standard has no impact on the Group's consolidated 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'. This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. 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. This amendment has had no impact on the current year as there have been no intangible assets acquired in the business combination of Charmtech Group.

- HKFRS 3 (Revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. Any indemnification asset will be recognised at an amount equivalent to the fair value of the indemnified liability; previously any amount received from the vendor under idemnity would be recognised as an indemnification asset of the acquirer and would have been adjusted against goodwill once received from the vendor. Subsequent measurement of the indemnification asset and contingent liability will have no net impact on future earnings, unless the indemnification asset becomes impaired. 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. Previously there was no choice, and the non-controlling interests would have been recognised at the proportionate share of the net assets of the acquiree. All acquisition-related costs are expensed.

The revised standard was applied to the acquisition of the 75% equity interests in Charmtech Industrial Limited and its wholly-owned subsidiary, Charmtech (Qing Yuan) Garment Manufacturing Limited (together, the "Charmtech Group") on 1 July 2010. Acquisition-related costs of HK$312,000 have been recognised in the consolidated income statement, which previously would have been included in the consideration for the business combination. The Group has chosen to recognise the non-controlling interests at proportionate share of Charmtech Group's net assets rather than at fair value.

- 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'. This amendment aligns the scope of HK(IFRIC) - Int 9 with 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. This amendment has had no impact on the current year as there have been no embedded derivatives in contracts acquired in the business combination of Charmtech Group.

(b) The following new and revised standards, amendments and an interpretation have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Group:

• HKAS 1 (Amendment)	Presentation of financial statements
• HKAS 24 (Revised)	Related party disclosures
• HKAS 34 (Amendment)	Interim financial reporting
• HKFRS 7 (Amendment)	Financial instruments: Disclosures
• HKFRS 9	Financial instruments
• HK(IFRIC) - Int 19	Extinguishing financial liabilities with equity instruments

Certain prior year comparative figures have been reclassified to conform with the current year presentation.

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, golf and high-end fashion apparel 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 2010 are as follows:

	Manufacturing	Distribution and retail	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	**2,639,550**	**447,034**	**—**	**3,086,584**
Inter-segment revenue	**(4,821)**	**—**	**—**	**(4,821)**
Revenue	**2,634,729**	**447,034**	**—**	**3,081,763**
Operating profit (loss)/ segment results	**246,355**	**(135,369)**	**—**	**110,986**
Finance income				**7,838**
Finance costs				**(3,567)**
Share of profits of associates	**2,036**	**—**	**—**	**2,036**
Profit before income tax				**117,293**
Income tax expense				**(44,492)**
Profit for the year				**72,801**

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	**1,001**	**—**	**—**	**1,001**
Depreciation of property, plant and equipment	**78,574**	**23,437**	**—**	**102,011**
Amortisation of intangible assets	**—**	**8,856**	**—**	**8,856**
Impairment of intangible assets	**—**	**54,000**	**—**	**54,000**
(Write-back of)/impairment of inventories, net	**(3,211)**	**(1,203)**	**—**	**(4,414)**
(Write-back of)/impairment of receivables, net	**(2,651)**	**6,336**	**—**	**3,685**

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	891	—	—	891
Depreciation of property, plant and equipment	77,713	27,168	—	104,881
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/(write-back of) inventories, net	963	(524)	—	439
Impairment of receivables, net	9,451	1,832	—	11,283

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 at 31 December 2010 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	**2,249,396**	**528,595**	**9,565**	**2,787,556**
Associates	**32,107**	**—**	**—**	**32,107**
Total assets	**2,281,503**	**528,595**	**9,565**	**2,819,663**
Total liabilities	**508,440**	**116,491**	**67,164**	**692,095**
Capital expenditure	**86,995**	**12,856**	**—**	**99,851**

The segment assets and liabilities 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 Group's revenue from external customers by geographical location is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**163,293**	139,838
Europe	**1,250,165**	1,200,720
Mainland China	**715,004**	847,645
United States of America	**215,852**	116,347
Canada	**67,525**	63,622
Other Asian countries	**442,587**	345,679
Others	**227,337**	174,151
	3,081,763	2,888,002

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

	2010	2009
	HK$'000	*HK$'000*
Analysis of revenue by category		
Sales of goods	**3,074,141**	2,881,185
Provision of subcontracting services	**7,622**	6,817
	3,081,763	2,888,002

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

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**39,276**	53,038
Mainland China	**778,981**	808,202
Other countries	**40,827**	41,579
	859,084	902,819

For the year ended 31 December 2010, revenues of approximately HK$2,260,468,000 (2009: HK$1,951,545,000) were derived from a single group of external customers. These revenues are attributable to the manufacturing business.

4. OTHER GAINS/(LOSSES) - NET

	2010 *HK$'000*	2009 *HK$'000*
Gain on disposal of leasehold land and land use rights	**—**	19
Gain/(loss) on disposal of property, plant and equipment	**5,762**	(3,143)
Net exchange gain/(loss)	**6,488**	(304)
	12,250	(3,428)

5. INCOME TAX EXPENSE

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

	2010 *HK$'000*	2009 *HK$'000*
Current income tax —		
Hong Kong profits tax	**30,807**	39,682
Mainland China enterprise income tax	**2,037**	3,024
Overseas income tax	**—**	12
Deferred income tax	**11,648**	(12,149)
	44,492	30,569

6. 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$120,472,000 (2009: HK$121,539,000) and on the weighted average number of approximately 1,268,400,000 (2009: 1,268,400,000) ordinary shares in issue during the year.

	2010	2009
Profit attributable to equity holders of the Company *(HK$'000)*	**120,472**	121,539
Weighted average number of ordinary shares in issue *('000)*	**1,268,400**	1,268,400
Basic earnings per share *(HK cents)*	**9.5**	9.6

(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.

	2010	**2009**
Profit attributable to equity holders of the Company *(HK$'000)*	**120,472**	121,539
Weighted average number of ordinary shares in issue *('000)*	**1,268,400**	1,268,400
Adjustment for share options *('000)*	**263**	—
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,268,663**	1,268,400
Diluted earnings per share *(HK cents)*	**9.5**	9.6

7. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Interim dividend paid of HK2.4 cents (2009: HK2.5 cents) per ordinary share	**30,442**	31,710
Special dividend paid of HK1.4 cents (2009: nil) per ordinary share	**17,757**	—
Proposed final dividend of HK1.2 cents (2009: HK1.5 cents) per ordinary share	**15,221**	19,026
Proposed special dividend of HK1.8 cents (2009: nil) per ordinary share	**22,831**	—
	86,251	50,736

At a meeting held on 16 March 2011, the Board proposed a final dividend of HK1.2 cents (2009: HK1.5 cents) and a special dividend of HK1.8 cents (2009: nil) 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 2011.

8. INTANGIBLE ASSETS

	Trademarks	Goodwill	Customer relationships	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009				
Cost	221,387	52,977	2,219	276,583
Accumulated amortisation and impairment	(5,166)	(24,008)	(2,219)	(31,393)
Net book amount	216,221	28,969	—	245,190
Year ended 31 December 2009				
Opening net book amount	216,221	28,969	—	245,190
Exchange differences	—	140	—	140
Amortisation	(8,855)	—	—	(8,855)
Impairment	—	(15,050)	—	(15,050)
Closing net book amount	207,366	14,059	—	221,425
At 31 December 2009				
Cost	221,387	53,117	2,219	276,723
Accumulated amortisation and impairment	(14,021)	(39,058)	(2,219)	(55,298)
Net book amount	207,366	14,059	—	221,425
Year ended 31 December 2010				
Opening net book amount	**207,366**	**14,059**	**—**	**221,425**
Exchange differences	**—**	**594**	**—**	**594**
Acquisition of subsidiaries	**—**	**33,750**	**—**	**33,750**
Amortisation	**(8,856)**	**—**	**—**	**(8,856)**
Impairment	**(54,000)**	**—**	**—**	**(54,000)**
Closing net book amount	**144,510**	**48,403**	**—**	**192,913**
At 31 December 2010				
Cost	**221,387**	**87,461**	**2,219**	**311,067**
Accumulated amortisation and impairment	**(76,877)**	**(39,058)**	**(2,219)**	**(118,154)**
Net book amount	**144,510**	**48,403**	**—**	**192,913**

9. TRADE AND BILLS RECEIVABLE

	2010	2009
	HK$'000	*HK$'000*
Trade receivables		
— from third parties	**577,166**	539,055
— from related parties	**4,406**	12,745
Bills receivable	**16,561**	21,631
	598,133	573,431
Less: provision for impairment	**(29,473)**	(33,063)
	568,660	540,368

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 90 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:

	2010	2009
	HK$'000	*HK$'000*
0-30 days	**247,163**	177,116
31-60 days	**206,678**	182,670
61-90 days	**105,054**	166,952
91-120 days	**7,226**	13,467
121-180 days	**3,580**	5,217
181-365 days	**3,100**	9,947
Over 365 days	**25,332**	18,062
	598,133	573,431

10. TRADE AND BILLS PAYABLE

	2010	2009
	HK$'000	*HK$'000*
Trade payables		
— to third parties	**266,248**	233,741
— to related parties	**24,260**	33,147
Bills payable	**42,150**	2,174
	332,658	269,062

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

	2010	2009
	HK$'000	*HK$'000*
0-30 days	**167,222**	146,687
31-60 days	**104,195**	83,057
61-90 days	**37,508**	32,005
91-120 days	**14,156**	3,934
121-180 days	**6,648**	346
181-365 days	**1,832**	949
Over 365 days	**1,097**	2,084
	332,658	269,062

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

For the year ended 31 December 2010, the Group has recorded a revenue of HK$3,081.8 million, which resumed to grow after the economic crisis since 2008 (HK$2,888.0 million for the year 2009).

Gross profit amounted to HK$746.7 million, representing a decrease of 5.7% year-on-year. Gross profit margin also reduced from 27.4% in 2009 to 24.2%. The decrease in gross profit was mainly resulted from the increase in labour costs and other overhead costs for production under the Manufacturing Business. In spite of the inflationary environment, management has put much effort to control its operating and administrative expenses. In addition, a significant amount of impairment loss on intangible asset related to "***Diadora***" trademark of HK$54.0 million (2009: HK$15.1 million related to goodwill) has been charged to the consolidated income statement during the year. As a result, the Group's operating profit decreased from HK$133.2 million to HK$111.0 million during the year. Profit attributable to the shareholders of the Company however maintained at HK$120.5 million as compared with HK$121.5 million of last year. Excluding such impairment loss on intangible assets in both years, operating profit and profit attributable to the shareholders of the Company would have been increased by 11.3% from HK$148.3 million to HK$165.0 million and 11.9% from HK$136.6 million to HK$152.9 million, respectively.

The Board has declared and paid the interim and special dividends of HK2.4 cents and HK1.4 cents, respectively per Share during the year. In consideration of the strong net cash position and the continued cash inflow from operations, the Board proposed the payment of a final dividend and a special dividend of HK1.2 cents and HK1.8 cents, respectively per Share for the year ended 31 December 2010.

BUSINESS REVIEW

The Group is an integrated manufacturer, distributor and retailer for renowned international sports brands. The financial performances of the two business segments, 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 Mainland China. 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, the Group has experienced a steady growth of sales orders from its customers during the year. Although the operating environment was difficult, overall Manufacturing Business recorded a growth in sales revenue which increased by 10.6% from HK$2,387.6 million to HK$2,639.6 million, accounting for 85.5% of the Group's total sales revenue as compared with 81.7% for last year.

In order to meet the demand of production orders, during the year, the Group has filled in additional labour and the number of workers has increased steadily for the Group's Manufacturing Business. The pay rates and the social security standard for workers in Guangdong province, where the Group's manufacturing plants are mainly located at, have also been increased which created pressure on the labour costs during the year, particularly catalyzed by the "consecutive labour suicide events of an OEM giant" which further pushed up the labour costs. In the second half of the year, the labour supply was extremely tensed, and the Group could not reduce the excessive labour during the two slack months with an expectation that the Group would not easily employ these workers again when the peak season came. Maintaining skillful workers and the sufficiency of labour force were challenging during the year. Moreover, recent appreciation in RMB and general inflation in Mainland China have also pushed up direct costs of production and other manufacturing overheads. All the above reasons have reduced the segmental gross profit margin from 25.2% to 22.0% under Manufacturing Business.

Under the challenging and competitive operating environment, management continued to tighten the operating costs of the business, and to carry out various measures to maximise the production and management efficiency. Despite management's continuous effort in cost control, operating profit margin decreased slightly from 10.1% to 9.3% inevitably due to the loss in gross profit margin as mentioned above. Management believes that although the production and operating environment in Mainland China is still challenging and competitive, and the pressure from increasing costs of production will continue due to the appreciation of RMB and general inflation in Mainland China, with its remarkable position in sportswear garment manufacturing, and with its existing forecast sales orders in hands from its major customers, the Group is optimistic on the growth potential of both revenue and operating profit in this segment.

The Group's Manufacturing Business also sought for merger and acquisition during the year. The Group has entered into a sale and purchase agreement in June 2010 for acquiring 75% equity interest in Charmtech at a consideration of HK$33.8 million. Further details of this acquisition have been set out in the Company's announcement dated 18 June 2010.

The Charmtech Group is mainly engaged in the manufacturing of golf and high-end fashion apparel in Mainland China for sales in the US, Europe and Asia. Management believes that the above acquisition will broaden the Group's product base and provide the Group with an additional source of revenue. The Charmtech Group started contributing sales revenue of HK$54.5 million to the Group in the second half of the year.

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 16.7% from HK$536.5 million to HK$447.0 million, representing 14.5% of the Group's total sales revenue as compared to 18.3% in 2009. Operating loss in this segment increased from HK$107.4 million to HK$135.4 million in current year, which included the amount of HK$54.0 million for the impairment loss on "***Diadora***" trademark (2009: HK$15.1 million on goodwill). Excluding such impairment loss on intangible assets in both years, operating loss would have been decreased by 11.8% from HK$92.3 million to HK$81.4 million. 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. During the year, sales revenue and segmental gross profit from this business decreased to HK$256.9 million and HK$81.1 million, respectively. The T&S Group encountered supply chain problem with the brand owner, which caused delays and cancellation of orders from distributors placed to factories as authorised by the brand owner due to their lack of production capacity. Further, the market competition in the sportswear market in Mainland China, especially in first and second tier cities, was still fierce which gave pressure on sales performance of Umbro Products. As a result, the T&S Group recorded a decrease in gross profit margin to 31.6% during the year. The T&S Group continued to review and terminate the business relationship with those distributors with poor sales performance in order to strengthen the distribution network and to face the challenge under the competitive retail markets. In addition to the tight cost controls implemented by management, operating loss has been reduced to HK$28.3 million as compared with HK$37.2 million for the last year. The above measures also encouraged the improvement of the financial positions of the T&S Group, which was evidenced by the reduction in inventory and trade receivables of the T&S Group from HK$70.9 million and HK$47.5 million as at 31 December 2009 to HK$55.3 million and HK$31.9 million as at 31 December 2010, respectively.

As at 31 December 2010, the T&S Group had a sales network comprising approximately 90 Umbro product distributors operating approximately 600 points-of-sales in the Greater China region. The Win Sports Group is also one of the distributors selling Umbro Products.

Distribution of Diadora Products

The Winor Group owns the trademark of "***Diadora***" in Mainland China, Hong Kong and Macau and hence has the respective right to manufacture, sell and distribute Diadora Products. Under the competitive retail market in Mainland China, the Winor Group recorded sales revenue at HK$60.2 million with gross profit margin at 36.4%, which was lower than our expectation. Therefore, in addition to an annual trademark amortisation of HK$8.9 million, a provision of impairment loss on the "***Diadora***" trademark amounting HK$54.0 million has been made.

As at 31 December 2010, the Winor Group had a sales network comprising approximately 40 Diadora product distributors operating approximately 160 points-of-sales in Mainland China. The Win Sports Group is also one of the distributors selling Diadora Products, details of which are presented as below. The Winor Group also self-managed 8 retail shops in Mainland China and in Hong Kong.

Retail of Multi-brand Products

The Win Sports Group mainly operates 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 increased from HK$176.7 million to HK$180.1 million and gross profit and its margin both improved from HK$50.0 million to HK$59.7 million, and from 28.4% to 33.1%, respectively. Gross profit and its margin were improved due to the relief from overstocking situation, so that it was able to sell sportswear products with higher profit margin during the year. A recent boom in retail markets in both Mainland China and Hong Kong in the last quarter of 2010 gave life and vitality to the sales of the Win Sports Group. During the year, the profitability of retail shops in Hong Kong has been substantially improved. In Mainland China, the Group continued to work closely with the brand owner of Umbro to push up its sales and improve its profitability. Further, the Win Sports Group effectively controlled the operating costs in this segment, and selling and administrative expenses have been decreased by 21.0% during the year. Although the Win Sports Group still made operating loss of HK$12.7 million during the year, such loss has been substantially reduced by 74.6% which was mainly attributable to the better-than-expected sales in the second half of the year, improved profit margin, and the control of operating and administrative expenses.

As at 31 December 2010, the Win Sports Group had approximately 80 mono-brand shops in Mainland China, majority of which were selling Umbro Products and the remaining were selling Diadora Products, and 9 self-managed retail shops in Hong Kong, of which 3 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

2010 was challenging so far for the Group although the stock market and property market had been high-rocketing during the year. As the customer orders and forecast under Manufacturing Business for the year 2011 is still promising and the retail markets in both Mainland China and in Hong Kong are still turning better, the Group is optimistic about the prospect of its business in coming years. 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

Management expects that the sales revenue under the Manufacturing Business will continue to grow as sales order indication from customers are optimistic. The general inflation in Mainland China is still the main concern to the manufacturers and the local government has just announced the increase of minimum wage rate of labour in Guangdong province effective in March 2011. It is expected that many small to medium size manufacturers are forced to close down due to the continuous high costs of production and this impact may alternatively secure more production orders to those first tier manufacturers, such as the Group which enjoy economies of scale in their productions. What the Group requires to do is to secure and maintain the sufficiency of labour force, give them competitive wages, attractive insurance protection, good working environment, etc, and provide training with a view to enhance their sense of belonging and productivities. The Group will plan better ahead with its major customers to minimise the labour cost impact during the slack season. On the other hand, the Group is expanding its production facilities in areas with relatively lower labour costs and stable labour supply. Wuzhou in Guangxi province and Vietnam are the Group's targets for the new production capacities. Tight controls in general and administrative expenses are the continuing measures. The Group may also collaborate with its customers to share the inflated production costs.

In the following years, apart from the internal growth, the Group will continue to look for new customers and may further explore acquisition opportunities. As the above-mentioned, the Group entered into an agreement to acquire the controlling interest in the Charmtech Group which is principally engaging in the manufacturing of golf and high-end fashion apparel in Mainland China for sales in the US, Europe and Asia. The acquisition of Charmtech Group is proved to be successful. The Group will actively seek for opportunity to acquire companies with similar scale as of Charmtech Group, and with strong and competent management and good customer bases. By doing so, the Group could provide them sufficient financial support and buffer them out their production costs during their slack seasons so that there is a synergy effect, thus creating a win-win situation.

Distribution and Retail Business

The economic growth and government policy to encourage personal spending have created opportunities to wholesales and retail businesses in Mainland China and Hong Kong during the year, but the competitions in these businesses in Mainland China are still fierce. The Group still keeps a conservative mind when running business in these markets, but expects challenges continue to prevail them.

Distribution of Umbro Products

The market competition in the sportswear distribution market in Mainland China, especially in the first and second tier cities, is still fierce. The Group requires collaboration with the brand owner to mitigate the supply chain problems caused by the brand owner. Fortunately, the trend of decreasing operating loss has been experienced after the relief of overstocking problem. The Group will continue to proactively communicate and work with the brand owner for solutions and restructuring in order to turnaround the business, with the aim to make it become profitable and beneficial again to our shareholders.

Distribution of Diadora Products

Management considers that as the sportswear wholesales and distribution environment becomes very challenging and competitive, the Group should run this business as if it were a retailer, rather than as a wholesaler or distributor. In view of this, the Group sets its strategies to develop "***Diadora***" brand by "Retail Driven" and positions the brand as "Sport Fashion". The Group will establish and directly manage some doors which provide a showcase to those distributors, coaching them how to become successful retailers and emphasizing the importance of figures-management. All of the Group's distributors will be required to follow the Group's policies on shop management and image, and point-of-sales system should be installed in order to capture the sales data and shop performance information on a timely basis. Management believes that all of these measures will assist the brand to succeed even under the tough and competitive environment.

Retail of Multi-brand Products

Regarding the retail of multi-brand products, the Group will continue to look for suitable and promising locations for multi-brand doors under the names of "***Futbol Trend***" and "***Sport Corners***" in Hong Kong to capture a better scale for profitability. For mono-brand retail in Mainland China, in addition to establishing more points of sales for Umbro Products, the Group will open more shops for Diadora Products and other brands with potential and focus on developing second tier cities in Hunan, Jiangxu and Guangxi provinces, on top of current presence in Shanghai, Beijing and Guangdong province in Mainland China. The Group is now looking for acquisition opportunities of other brands and further considering the feasibility of establishing retail channels selling multi-brand products in Mainland China in order to capture the significant and huge spending powers of consumers in these areas.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and bank facilities. The Group maintained an outstanding financial position during the year under review. As at 31 December 2010, it had cash and cash equivalents and bank deposits with initial terms of over three months amounting to HK$782.8 million (31 December 2009: HK$674.1 million). The increase was mainly attributable to the cash generated from operations. After the payment of interim and special dividends of totally HK$48.2 million and the proposed final and special dividends of HK$38.1 million in aggregate, the Group still has strong net cash position. A payment of special dividend would be considered in forthcoming years should the Group continue to maintain strong cash balances and have no better alternative for the utilisation of these financial resources.

As at 31 December 2010, the Group had bank borrowings amounting to HK$45.1 million (31 December 2009: HK$68.2 million). The Group did not enter into any interest rate swap to hedge against risks associated with interest rates. As at 31 December 2010, the Group still had unutilised banking facilities amounting to HK$309.7 million (31 December 2009: HK$371.5 million). The gearing ratio, being total bank borrowings divided by total equity, as at 31 December 2010, was 2.1% (31 December 2009: 3.3%).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2010, the Group had approximately 15,000 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 31 December 2010, bank deposit of HK$1.2 million 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 76.7% and 22.6% of sales were denominated in US Dollars and RMB, respectively, whereas approximately 62.6%, 18.3% and 19.1% of purchases were denominated in US Dollars, RMB and Hong Kong Dollars, respectively. Further, as at 31 December 2010, approximately 52.9%, 45.1% and 1.9% 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 year on the ground that Hong Kong dollars were pegged against US dollars and the recent pressure from appreciation of RMB was manageable during the year. 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 year under review.

CONTINGENT LIABILITIES

The Group has no significant contingent liabilities, litigation or arbitration of material importance as at 31 December 2010.

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 HK1.2 cents and special dividend of HK1.8 cents per share for the year ended 31 December 2010, subject to Shareholders' approval at the forthcoming annual general meeting to be held on Tuesday, 26 April 2011, payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 20 April 2011. The dividends will be paid on or about Thursday, 12 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20 April 2011 to Tuesday, 26 April 2011 (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 2010, 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 Tuesday, 19 April 2011.

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 during the year.

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 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 consolidated financial statements for the year ended 31 December 2010. It has also reviewed the consolidated financial statements for the year ended 31 December 2010 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 Tuesday, 26 April 2011. The notice of the annual general meeting will be published on the aforesaid websites on or about Thursday, 31 March 2011 and will be despatched to the Shareholders together with the Company's annual report 2010 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, 16 March 2011