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 2011

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2011	2010	*Change*
	HK$'000	*HK$'000*	*%*
Revenue	**1,601,514**	1,470,509	+8.9%
Profit attributable to equity holders	**190,695**	102,692	+85.7%
Profit attributable to equity holders (excluding impairment loss on intangible assets and discontinued operations)	**66,499**	110,292	-39.7%
Dividends (HK cents)			
– Interim	**5.0**	2.4	
– Special	**—**	1.4	
	5.0	3.8	+31.6%

OPERATIONAL HIGHLIGHTS

- Strong net cash position of HK$949.4 million (31 December 2010: HK$737.8 million)

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 2011, together with the comparative amounts for the corresponding period of 2010, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Unaudited Six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	3	**1,601,514**	1,470,509
Cost of sales		**(1,240,082)**	(1,102,403)
Gross profit		**361,432**	368,106
Selling and distribution costs		**(91,010)**	(84,383)
General and administrative expenses		**(283,980)**	(159,225)
Other income		**1,206**	2,920
Other gains – net		**1,059**	6,528
Operating (loss)/profit		**(11,293)**	133,946
Finance income		**4,594**	2,342
Finance costs		**(418)**	(290)
Finance income – net		**4,176**	2,052
Share of losses of associates		**(3,582)**	(466)
(Loss)/profit before income tax		**(10,699)**	135,532
Income tax expense	4	**(19,621)**	(27,010)
(Loss)/profit from continuing operations		**(30,320)**	108,522
Discontinued operations			
Profit/(loss) from discontinued operations	5	**155,578**	(12,289)
Profit for the period		**125,258**	96,233
Attributable to:			
Equity holders of the Company		**190,695**	102,692
Non-controlling interests		**(65,437)**	(6,459)
		125,258	96,233
Earnings/(loss) per share from continuing operations and discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)	6		
Basic			
– from continuing operations		**0.8**	8.7
– from discontinued operations		**14.2**	(0.6)
Diluted			
– from continuing operations		**0.8**	8.7
– from discontinued operations		**14.2**	(0.6)
Dividends	7	**63,420**	48,199

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period	**125,258**	96,233
Other comprehensive income		
Currency translation differences	**8,224**	6,924
Total comprehensive income for the period	**133,482**	103,157
Total comprehensive income attributable to:		
Equity holders of the Company	**197,347**	108,104
Non-controlling interests	**(63,865)**	(4,947)
	133,482	103,157
Total comprehensive income attributable to equity holders of the Company arises from:		
Continuing operations	**17,353**	114,723
Discontinued operations	**179,994**	(6,619)
	197,347	108,104

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2011

	Note	**Unaudited 30 June 2011** *HK$'000*	Audited 31 December 2010 *HK$'000*
Non-current assets			
Leasehold land and land use rights		**40,053**	40,066
Property, plant and equipment		**576,898**	593,998
Intangible assets	8	**81,537**	192,913
Interests in associates		**29,044**	32,107
Deferred income tax assets		**7,478**	9,138
Available-for-sale financial assets		**—**	500
		735,010	868,722
Current assets			
Inventories		**563,978**	509,787
Trade and bills receivable	9	**516,505**	568,660
Deposits, prepayments and other receivables		**84,106**	88,470
Pledged bank deposits		**1,204**	1,184
Bank deposits with initial terms of over three months		**119,667**	18,866
Cash and cash equivalents		**810,354**	763,974
		2,095,814	1,950,941
Assets of disposal group classified as held for sale	5	**82,434**	—
Total current assets		**2,178,248**	1,950,941
Current liabilities			
Trade and bills payable	10	**382,740**	332,658
Accruals and other payables		**210,771**	239,690
Current income tax liabilities		**72,172**	61,942
Borrowings		**9,030**	45,083
Loan from non-controlling shareholder of subsidiaries		**7,500**	7,500
		682,213	686,873
Liabilities of disposal group classified as held for sale	5	**42,646**	—
Total current liabilities		**724,859**	686,873
Net current assets		**1,453,389**	1,264,068
Total assets less current liabilities		**2,188,399**	2,132,790

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2011

	Unaudited 30 June 2011 *HK$'000*	Audited 31 December 2010 *HK$'000*
Non-current liabilities		
Deferred income tax liabilities	**5,001**	5,222
Net assets	**2,183,398**	2,127,568
Equity		
Capital and reserves attributable to equity holders of the Company		
Share capital	**126,840**	126,840
Reserves	**965,867**	974,829
Retained earnings		
– Proposed final and special dividends	**—**	38,052
– Proposed interim dividends	**63,420**	—
– Others	**929,978**	802,703
	2,086,105	1,942,424
Non-controlling interests	**97,293**	185,144
Total equity	**2,183,398**	2,127,568

NOTES:

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

Certain prior period comparative figures in the condensed consolidated interim income statement have been reclassified to conform with the current period presentation:

- Certain employment benefit expenses of HK$6,210,000 have been reclassified from cost of sales to general and administrative expenses

- Gain on disposal of property, plant and equipment of HK$5,742,000 and exchange gain of HK$2,080,000 have been reclassified from other income to other gains – net

The prior period balance sheet was not affected by this change in presentation.

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 2010, 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 revised standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 24 (Revised) 'Related party disclosures' is effective for annual periods beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. The revised standard has no material impact on the Group's consolidated financial statements.

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy results only in additional disclosures.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified collectively 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 discontinued operations segment represents the Umbro distribution business which will be terminated on 30 June 2012 (Note 5).

The Executive Committee assesses the performance of the operating segments based on a measure of operating results of each segment, which excludes 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 2011 and the segment assets and liabilities at 30 June 2011 are as follows:

	Manufacturing	**Distribution and retail**	**Total continuing operations**	**Total discontinued operations (Umbro distribution business)**	**Unallocated**	**Total Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	1,479,545	122,231	1,601,776	71,498	—	1,673,274
Inter-segment revenue	(262)	—	(262)	—	—	(262)
Revenue	1,479,283	122,231	1,601,514	71,498	—	1,673,012
Operating profit (loss)/ segment results	108,594	(119,887)	(11,293)	155,661		144,368
Finance income						4,778
Finance costs						(1,295)
Share of losses of associates	(3,582)					(3,582)
Profit before income tax						144,269
Income tax expense						(19,011)
Profit for the period						125,258

3. SEGMENT INFORMATION (CONTINUED)

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

	Manufacturing *HK$'000*	Distribution and retail *HK$'000*	Total continuing operations *HK$'000*	Total discontinued operations (Umbro distribution business) *HK$'000*	Unallocated *HK$'000*	Total Group *HK$'000*
Amortisation of leasehold land and land use rights	477	—	477	—	—	477
Depreciation of property, plant and equipment	39,205	4,973	44,178	3,090	—	47,268
Amortisation of intangible assets	—	3,223	3,223	—	—	3,223
Impairment of property, plant and equipment	—	—	—	10,701	—	10,701
Impairment of intangible assets	—	93,500	93,500	14,851	—	108,351
Impairment of available-for-sale financial assets	500	—	500	—	—	500
Impairment of inventories, net	341	265	606	5,183	—	5,789
Impairment of receivables, net	(872)	1,030	158	5,758	—	5,916
Loss on disposal of property, plant and equipment	28	4	32	770	—	802
Gain on termination of distribution rights	—	—	—	(214,500)	—	(214,500)
Assets	2,541,670	252,085	2,793,755	82,434	8,025	2,884,214
Associates	29,044	—	29,044	—	—	29,044
Total assets	2,570,714	252,085	2,822,799	82,434	8,025	2,913,258
Total liabilities	568,045	41,996	610,041	41,074	78,745	729,860

3. **SEGMENT INFORMATION (CONTINUED)**

The segment results for the six months ended 30 June 2010 and the segment assets and liabilities at 31 December 2010 are as follows:

	Manufacturing	Distribution and retail	Total continuing operations	Total discontinued operations (Umbro distribution business)	Unallocated	Total Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	1,365,631	108,620	1,474,251	116,755	—	1,591,006
Inter-segment revenue	(3,742)	—	(3,742)	—	—	(3,742)
Revenue	1,361,889	108,620	1,470,509	116,755	—	1,587,264
Operating profit (loss)/ segment results	160,127	(26,181)	133,946	(10,980)		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	Distribution and retail	Total continuing operations	Total discontinued operations (Umbro distribution business)	Unallocated	Total Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amortisation of leasehold land and land use rights	435	—	435	—	—	435
Depreciation of property, plant and equipment	38,279	3,221	41,500	9,322	—	50,822
Amortisation of intangible assets	—	4,428	4,428	—	—	4,428
Impairment of inventories, net	16,500	3,032	19,532	—	—	19,532
Impairment of receivables, net	(1,685)	3,226	1,541	446	—	1,987
(Gain)/loss on disposal of property, plant and equipment	(5,756)	7	(5,749)	6	—	(5,743)
Assets	2,249,396	528,595	2,777,991	—	9,565	2,787,556
Associates	32,107	—	32,107	—	—	32,107
Total assets	2,281,503	528,595	2,810,098	—	9,565	2,819,663
Total liabilities	508,440	116,491	624,931	—	67,164	692,095

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% (2010: 16.5%).

Subsidiaries and associates established and operated in Mainland China are subject to Mainland China Enterprise Income Tax at the rate of 25% (2010: 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 profits earned in 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	
	2011	2010
	HK$'000	*HK$'000*
Current income tax –		
Hong Kong profits tax	**12,724**	21,305
Mainland China enterprise income tax	**3,463**	857
Overseas taxation	**1,357**	—
Deferred income tax	**2,077**	4,848
	19,621	27,010

5. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

On 21 April 2011, the Group entered into an agreement with Umbro International Limited ("**UIL**") for the early termination of the distributor agreement dated 8 February 2007 which granted Team & Sports Limited ("**T&S**"), a subsidiary of the Group, exclusive distribution rights of the Umbro branded products in Mainland China, Hong Kong, Macau and Taiwan from March 2007 to December 2020. The consideration to the surrender of such distribution rights was US$27,500,000 (equivalent to HK$214,500,000) and this transaction was completed on 2 June 2011. In this connection, the Group recognised a gain on the termination of Umbro distribution rights of HK$214,500,000 during the period.

In addition, the Group entered into a Transition Services Agreement with UIL and its related entities on 21 April 2011, under which T&S and its subsidiaries ("**T&S Group**") will provide services to UIL and its related entities for the period from 2 June 2011 to 30 June 2012 to assist them in avoiding disruption in the transition and operation of the distribution business after the termination of distribution rights by T&S. The service fees for the above services are US$5,000,000 (equivalent to HK$39,000,000). In this connection, UIL granted T&S new non-exclusive distribution rights for the distribution of Umbro branded products from 2 June 2011 to 30 June 2012 to enable T&S Group to provide the above transition services. Transition service fee income recognised in the results of the discontinued operations during the six months ended 30 June 2011 amounted to HK$2,975,000.

5. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS (CONTINUED)

Pursuant to the agreements with UIL, the distribution business of Umbro Products will be wholly ceased on 30 June 2012. Therefore its results are presented as a discontinued operation and its assets and liabilities are classified as a disposal group in this condensed consolidated interim financial information.

The major classes of assets and liabilities of T&S Group, the disposal group, are as follows:

	As at 30 June 2011 *HK$'000*
Assets classified as held for sale:	
– property, plant and equipment	300
– inventory	25,685
– trade receivable	26,489
– deposits, prepayments and other receivables	1,601
– cash and cash equivalents	28,359
Total assets of the disposal group	82,434
Liabilities directly associated with assets classified as held for sale:	
– trade payable	13,797
– accruals and other payables	27,277
– current income tax liabilities	1,572
Total liabilities of the disposal group	42,646
Total net assets of the disposal group	39,788

5. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS (CONTINUED)

Financial information relating to T&S Group for the period is set out below. The income statement and cash flow statement distinguish discontinued operations from continuing operations. Comparative figures have been restated.

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Revenue	**71,498**	116,755
Costs of sales	**(53,656)**	(70,154)
Gross profit	**17,842**	46,601
Selling and distribution costs	**(27,588)**	(32,701)
General and administrative expenses	**(53,604)**	(26,174)
Other income	**3,029**	—
Other gains – net (Note)	**215,982**	1,294
Operating profit/(loss)	**155,661**	(10,980)
Finance income	**184**	254
Finance costs	**(877)**	(1,580)
Finance costs – net	**(693)**	(1,326)
Profit/(loss) before income tax	**154,968**	(12,306)
Income tax credit	**610**	17
Profit/(loss) from discontinued operations	**155,578**	(12,289)
Profit/(loss) from discontinued operations attributable to:		
– Equity holders of the Company	**180,295**	(7,584)
– Non-controlling interests	**(24,717)**	(4,705)
	155,578	(12,289)

Note:

The gain on termination of Umbro distribution rights amounting to HK$214,500,000 was included in other gains – net.

6. EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of basic earnings/(loss) 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	
	2011	2010
Profit from continuing operations attributable to equity holders of the Company *(HK$'000)*	**10,400**	110,276
Profit/(loss) from discontinued operations attributable to equity holders of the Company *(HK$'000)*	**180,295**	(7,584)
Weighted average number of shares in issue *('000)*	**1,268,400**	1,268,400
Basic earnings/(loss) per share *(HK cents)*		
– from continuing operations	**0.8**	8.7
– from discontinued operations	**14.2**	(0.6)

(b) Diluted

Diluted earnings/(loss) 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	
	2011	2010
Profit from continuing operations attributable to equity holders of the Company *(HK$'000)*	**10,400**	110,276
Profit/(loss) from discontinued operations attributable to equity holders of the Company *(HK$'000)*	**180,295**	(7,584)
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)*	**1,268,400**	1,268,905
Diluted earnings/(loss) per share *(HK cents)*		
– from continuing operations	**0.8**	8.7
– from discontinued operations	**14.2**	(0.6)

7. DIVIDENDS

Final dividend of HK$15,221,000 (2009: HK$19,026,000) and special dividend of HK$22,831,000 (2009: Nil) relating to the year ended 31 December 2010 were paid in June 2011.

At the Board meeting held on 24 August 2011, the Company's Board of Directors declared an interim dividend of HK5.0 cents (2010: interim dividend of HK2.4 cents and special dividend of HK1.4 cents) per share. The interim dividend amounting to HK$63,420,000 (2010: interim dividend of HK$30,442,000 and special dividend of HK$17,757,000) have not been recognised as a liability in this interim financial information.

8. INTANGIBLE ASSETS

	As at	
	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
Trademarks	**47,787**	144,510
Goodwill	**33,750**	48,403
Net book value	**81,537**	192,913

Impairment test for trademarks:

Trademarks represent the rights to use the '***Diadora***' trademarks for the manufacture and sale of products bearing the '***Diadora***' trademarks in Mainland China, Hong Kong and Macau. The carrying value of this asset is reviewed for impairment whenever events or changes in circumstances indicate that it may not be recoverable. The recoverable amount of the trademarks is determined by reference to a valuation performed using the relief from royalty valuation method over their estimated useful lives. Under this method, the value of the trademarks represents the present value of the hypothetical royalty income from licensing out the trademarks.

During the six months ended 30 June 2011, an impairment loss of HK$93,500,000 (30 June 2010: Nil) was recognised in general and administrative expenses based on the impairment assessment performed.

Impairment test for goodwill:

During the six months ended 30 June 2011, an impairment loss of HK$14,851,000 (30 June 2010: Nil) was recognised on the goodwill allocated to the Umbro distribution business in Mainland China following the termination of the Umbro distribution rights (Note 5), which was included in the results of the discontinued operations.

9. TRADE AND BILLS RECEIVABLE

	As at	
	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
Trade receivables		
– from third parties	**463,646**	577,130
– from related parties	**14**	4,442
Bills receivable	**54,141**	16,561
	517,801	598,133
Less: Provision for impairment of trade receivables	**(1,296)**	(29,473)
	516,505	568,660

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 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. Trade and bills receivable are aged as follows:

	As at	
	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
0-30 days	**362,512**	247,163
31-60 days	**129,420**	206,678
61-90 days	**19,987**	105,054
91-120 days	**2,692**	7,226
121-180 days	**1,250**	3,580
181-365 days	**1,176**	3,100
Over 365 days	**764**	25,332
	517,801	598,133

As at 30 June 2011, there was one (31 December 2010: 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 73% (31 December 2010: 77%) 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.

10. TRADE AND BILLS PAYABLE

	As at	
	30 June	31 December
	2011	2010
	HK$'000	*HK$'000*
Trade payables		
– to third parties	**238,787**	264,092
– to related parties	**73,554**	26,416
Bills payable	**70,399**	42,150
	382,740	332,658

Trade and bills payable are aged as follows:

	As at	
	30 June	31 December
	2011	2010
	HK$'000	*HK$'000*
0-30 days	**236,588**	167,222
31-60 days	**37,141**	104,195
61-90 days	**92,755**	37,508
91-120 days	**14,290**	14,156
121-180 days	**758**	6,648
181-365 days	**623**	1,832
Over 365 days	**585**	1,097
	382,740	332,658

11. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 16 August 2011, the Group entered into an agreement with Shine Gold Limited ("**Shine Gold**") and its beneficial owners, pursuant to which the Group agreed to subscribe for convertible bonds in an aggregate principal amount of HK$70,000,000 to be issued by Shine Gold in two tranches. The convertible bonds will bear interest from its date of issue at a rate of 5% per annum on the principal amount, and may be converted in full into 60% - 70% of the issued share capital of Shine Gold in five years, subject to certain profit requirements. Upon the first tranche completion, the Group shall be entitled to nominate three persons to the board of Shine Gold as directors.

Shine Gold and its subsidiaries are principally engaged in the retailing of fashion wears and accessories in Hong Kong and Mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

For the six months ended 30 June 2011, the Group has recorded a revenue of HK$1,601.5 million (HK$1,470.5 million for the corresponding period in 2010) from continuing operations, representing an increment of 8.9%.

Gross profit from continuing operations amounted to HK$361.4 million, representing a decrease of 1.8% period-on-period. Gross profit margin from continuing operations also reduced from 25.0% for the corresponding period in 2010 to 22.6%. The decrease in gross profit margin was generated by Manufacturing Business of the Group due to the increase in labour cost mainly caused by the uplift of labour wages, the appreciation of Renminbi and labour volatility in China. Profit attributable to the shareholders of the Company improved to HK$190.7 million as compared with HK$102.7 million of last corresponding period. In addition, a significant amount of impairment loss on intangible assets related to "***Diadora***" trademark of HK$93.5 million has been charged to the consolidated income statement during the current period. Excluding such impairment loss on intangible assets and the discontinued operations of the distribution of Umbro Products (as described in the section headed "DISCONTINUED OPERATIONS" below), operating profit for the period and profit attributable to the shareholders of the Company would have been decreased by 38.6% from HK$133.9 million for the corresponding period in 2010 to HK$82.2 million and 39.7% from HK$110.3 million for the corresponding period in 2010 to HK$66.5 million, respectively.

In consideration of the strong net cash position and the continued cash inflow from operations, as well as the compensation gain, the Board proposed the payment of an interim dividend HK5.0 cents per Share for the six months ended 30 June 2011.

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 current period. Although the operating environment was difficult, overall Manufacturing Business recorded a growth in sales revenue which increased by 8.3% from HK$1,365.6 million to HK$1,479.5 million, accounting for 92.4% of the Group’s total sales revenue as compared with 92.6% for the corresponding period in 2010.

The pay rates and the social security standard for workers in the PRC, where the Group’s manufacturing plants are mainly located at, have also been increased which created pressure on the labour costs during the current period. In addition, maintaining skillful workers and the sufficiency of labour force were challenging during the current period, therefore more labour are needed which further pushed up the labour costs. 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 24.3% to 21.3% under Manufacturing Business.

Despite management’s continuous effort in cost control, operating profit margin decreased from 11.7% to 7.3% for corresponding period. However, it has been improved when compared with second half of 2010 (6.8%) as the inflation of labour costs was mainly accelerated in the second half of 2010 and became more stable in the current period. Under the challenging and competitive operating environment, management continued to tighten the operating costs of the business, to carry out various measures to maximise the production efficiency and to actively negotiate with our customers the possibility of cost sharing. 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 sales order indication from its major customers, the Group is cautiously optimistic on the growth of both revenue and operating profit in this segment.

Distribution and Retail Business

This segment includes the businesses of 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 increased by 12.5% to HK$122.2 million, representing 7.6% of the Group's total sales revenue as compared to 7.4% for the corresponding period in 2010. Gross profit margin also improved from 33.9% to 37.8% due to strong retail markets in both Mainland China and Hong Kong in the first half of 2011, pushing up profitability at shop levels. This segment incurred an operating loss of HK$119.9 million in the current period (HK$26.2 million in the last corresponding period), which included the amount of impairment loss on "***Diadora***" trademark of HK$93.5 million. Excluding such impairment loss on intangible assets, operating loss will be reduced to HK$26.4 million (HK$26.2 million in last corresponding period). Further discussion of the performance in each stream of this segment is set out below:

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$26.9 million with gross profit margin at 33.9%, which was lower than our expectation. Therefore, in addition to an annual trademark amortisation of HK$3.2 million, a provision of impairment loss on the "***Diadora***" trademark amounting HK$93.5 million has been made.

As at 30 June 2011, the Winor Group had a sales network comprising approximately 40 Diadora product distributors operating approximately 180 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 22 retail shops in Mainland China and 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 the same period last year, sales revenue from this business increased from HK$85.3 million to HK$98.9 million and gross profit and its margin both improved from HK$27.0 million to HK$38.4 million, and from 31.8% to 38.9%, respectively. A recent recovery in retail markets in both Mainland China and Hong Kong in the first half of 2011 gave life and vitality to the sales of the Win Sports Group. During the current period, 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. Although the Win Sports Group still made operating loss of HK$5.0 million during the current period, such loss has been substantially reduced by 30.9% which was mainly attributable to the sales increase, improved profit margin, and the control of operating and administrative expenses.

As at 30 June 2011, the Win Sports Group had approximately 90 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 mainly under the name of "***Futbol Trend***" and "***Sports Corner***".

DISCONTINUED OPERATIONS

Distribution of Umbro Products

On 21 April 2011, the Group entered into an agreement with Umbro International Limited ("**UIL**") for the early termination of the distributor agreement dated 8 February 2007 which granted Team & Sports Limited ("**T&S**"), a subsidiary of the Group, exclusive distribution rights of the Umbro branded products in Mainland China, Hong Kong, Macau and Taiwan from March 2007 to December 2020. The consideration to the surrender of such distribution rights was US$27,500,000 (equivalent to HK$214,500,000) and this transaction was completed on 2 June 2011. In this connection, the Group recognised a gain on termination of HK$214,500,000 during the period.

Concurrent with the termination of the Umbro distributor agreement, the Group agreed to acquire the remaining 40% equity interests in T&S from UIL at a consideration of US$4.0 million. The acquisition was completed on 2 June 2011. As a result, the difference between the consideration and the carrying value of the 40% equity interests in T&S as of the completion date, amounting to HK$15.6 million was charged to reserves.

On the same day, the Group entered into a Transition Services Agreement with UIL and its related entities, under which T&S and its subsidiaries ("**T&S Group**") will provide services to UIL and its related entities for the period from 2 June 2011 to 30 June 2012 to assist them in avoiding disruption in the transition and operation of the distribution business after the termination of distribution rights by T&S. The service fees for the above services are US$5,000,000 (equivalent to HK$39,000,000) and further cost will be incurred for this services.

As a result of the above transactions, T&S Group has the rights to distribute Umbro branded products up to 30 June 2012 only. Therefore its results are presented as a discontinued operation and its assets and liabilities are classified as a disposal group.

During the current period, sales revenue and gross profit from this business decreased to HK$71.5 million and HK$17.8 million, respectively.

As at 30 June 2011, the T&S Group had a sales network comprising approximately 53 Umbro product distributors operating approximately 500 points-of-sales in the Greater China region. The Win Sports Group is also one of the distributors selling Umbro Products.

PROSPECTS

The first half of 2011 was still difficult but challenging so far for the Group because of the European sovereign debt crisis. However, as the customer order indication under Manufacturing Business for the second half of the year is still stable and the retail business in Hong Kong is still rising, the Group is cautiously optimistic about the prospect of its business in the second half of the year.

Manufacturing Business

Management expects that the sales revenue under the Manufacturing Business will continue to grow as sales order indication from customers are stable. The general inflation in Mainland China is still the main concern to the manufacturers. 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. What the Group requires to do is to secure and maintain the sufficiency of labour force, offer 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 fully utilizing 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, the Group will continue to look for new customers especially for domestic sales in the PRC. The Group will also actively seek for opportunity to acquire companies with strong and competent management and customer bases supplementary to ours. 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 period, 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, with a view of the increasing competitiveness and over-stock situation of the sportswear market in the PRC, the Group has disposed of its Umbro distribution rights back to the brand owner with a good compensation received.

At the same time, it is a right moment to expand horizontally to fashion business and to leverage over existing retail management team. On 16 August 2011, the Group entered into a subscription agreement with the Shine Gold Group, which is principally engaged in retailing of fashion wears and accessories. It has a self-managed retail network for self-owned brands "***D-mop***" and "***Blues Heroes***" etc in Hong Kong and the PRC and for brands under exclusive distribution rights, including "***Y-3***" in Hong Kong and the PRC and "***moussy***" and "***SLY***" in Hong Kong.

Upon completion of the subscription, the Group will run a series of self-owned retail brands including "***D-mop***", "***J-01***", "***Futbol Trend***" and "***Sports Corner***" and self owned product brands including "***Diadora***" in the PRC and Hong Kong, "***Blues Heroes***" and "***Loveis***". The Group will also run retail mono-brand shops for "***Y-3***", "***moussy***", "***SLY***", "***adidas***", "***Reebok***", "***Umbro***" and "***Nike***".

DISCONTINUED OPERATIONS

Distribution of Umbro Products

As mentioned above in Business Review section, the T&S Group will continue to provide services to UIL and its related parties until 30 June 2012. Therefore, in the current period, this operation will be treated as discontinued and the Group still requires collaboration with the brand owner to have a seamless transition.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cash flow and bank facilities. The Group maintained an outstanding financial position during the period under review. As at 30 June 2011, it had cash and cash equivalents and bank deposits with initial terms of over three months amounting to HK$958.4 million (31 December 2010: HK$782.8 million). The increase was mainly attributable to the cash generated from operations and from the compensation of early termination of Umbro distribution agreement. After the payment of final and special dividends of totaling HK$38.1 million and the proposed interim dividend of HK$63.4 million in aggregate, the Group still has strong net cash position.

As at 30 June 2011, the Group had bank borrowings amounting to HK$9.0 million (31 December 2010: HK$45.1 million). As at 30 June 2011, the Group still had unutilised banking facilities amounting to HK$339.0 million (31 December 2010: HK$309.7 million). The gearing ratio, being total bank borrowings divided by total equity, as at 30 June 2011, was 0.4% (31 December 2010: 2.1%).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2011, the Group had approximately 16,200 employees (31 December 2010: approximately 15,000 employees). The Group remunerates employees based on their performance, working experience and prevailing market conditions. Other employee benefits include retirement benefits, insurance, medical coverage and a share option scheme.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2011, 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 period, approximately 83.5% and 15.6% of sales were denominated in US Dollars and RMB, respectively, whereas approximately 68.4%, 18.7% and 12.7% of purchases were denominated in US Dollars, RMB and Hong Kong Dollars, respectively. Further, as at 30 June 2011, 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 period on the ground that Hong Kong dollars were pegged against US dollars and the recent pressure from appreciation of RMB was 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.

CONTINGENT LIABILITIES

The Group has no significant contingent liabilities, litigation or arbitration of material importance as at 30 June 2011.

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 2011.

DIVIDENDS

The Board declared an interim dividend of HK5.0 cents (2010: interim dividend of HK2.4 cents and special dividend of HK1.4 cents) per Share for the six months ended 30 June 2011 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, 23 September 2011. The dividends will be paid on or about Friday, 14 October 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 September 2011 to Friday, 23 September 2011 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2011, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 September 2011.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions in the Code on Corporate Governance Practices 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 2011 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 2011. It has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 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 Independent Non-Executive Directors.

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

Hong Kong, 24 August 2011