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 2016

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2016	2015	*Change*
	HK$'000	*HK$'000*	*%*
Revenue	**2,040,072**	1,877,476	+8.7%
Gross profit	**594,957**	578,908	+2.8%
Gross profit margin	**29.2%**	30.8%	–1.6% pt
Operating profit	**141,979**	158,745	–10.6%
Operating profit (excluding impact of land disposal)	**141,979**	131,195	+8.2%
Profit attributable to equity holders	**105,665**	147,268	–28.2%
Profit attributable to equity holders (excluding impact of land disposal)	**105,665**	120,017	–12.0%
Basic EPS *(HK cents)*	**8.2**	11.6	–29.3%
Dividends *(HK cents)*	**4.0**	4.0	—

OPERATIONAL HIGHLIGHTS

Increase in revenue was mainly contributed by the Manufacturing Business due to the increased demand of sportswear in our major markets and the UEFA European Championship 2016.

Decrease in gross profit margin was primarily due to the lower gross profit margin of the Distribution and Retail Business resulting from the weak sentiment of retail markets.

Profit attributable to equity holders (excluding impact of land disposal) decreased from HK$120.0 million to HK$105.7 million.

Interim dividend remained at HK4.0 cents per share in view of stable business performance and healthy cash position of HK$558.6 million (31 December 2015: HK$676.1 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 2016, together with the comparative amounts for the corresponding period of 2015, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Unaudited Six months ended 30 June	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Revenue	3	**2,040,072**	1,877,476
Cost of sales		**(1,445,115)**	(1,298,568)
Gross profit		**594,957**	578,908
Selling and distribution costs		**(227,726)**	(231,166)
General and administrative expenses		**(227,481)**	(225,405)
Other income	4	**2,753**	4,950
Other (losses)/gains — net	5	**(524)**	31,458
Operating profit		**141,979**	158,745
Finance income		**5,419**	6,005
Finance costs		**(1,516)**	(2,359)
Finance income — net		**3,903**	3,646
Share of (losses)/profits of associates		**(1,028)**	2,330
Profit before income tax		**144,854**	164,721
Income tax expense	6	**(36,421)**	(21,640)
Profit for the period		**108,433**	143,081
Attributable to:			
Equity holders of the Company		**105,665**	147,268
Non-controlling interests		**2,768**	(4,187)
		108,433	143,081
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	7		
Basic		**8.2**	11.6
Diluted		**8.2**	11.6

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Unaudited Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Profit for the period	**108,433**	143,081
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(12,580)**	(8,155)
Share of other comprehensive income of associates	**(654)**	(121)
Total comprehensive income for the period	**95,199**	134,805
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**93,879**	140,133
Non-controlling interests	**1,320**	(5,328)
	95,199	134,805

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	**Unaudited 30 June 2016 *HK$'000***	Audited 31 December 2015 *HK$'000*
Non-current assets			
Land use rights		**99,210**	103,975
Property, plant and equipment		**676,612**	717,121
Intangible assets	8	**172,110**	174,360
Investments in associates		**15,633**	17,315
Deferred tax assets		**39,395**	37,609
Deposits, prepayments and other receivables		**115,215**	105,635
		1,118,175	1,156,015
Current assets			
Inventories		**669,711**	678,582
Trade and bills receivable	9	**485,464**	387,798
Current tax recoverables		**3,255**	10,761
Deposits, prepayments and other receivables		**109,738**	101,198
Pledged bank deposits		**8,880**	6,406
Cash and bank balances		**558,588**	676,080
Total current assets		**1,835,636**	1,860,825
Current liabilities			
Trade and bills payable	10	**261,809**	298,730
Accruals and other payables		**210,257**	231,861
Current tax liabilities		**86,466**	60,033
Borrowings		**84,149**	110,680
Total current liabilities		**642,681**	701,304
Non-current liabilities			
Deferred tax liabilities		**8,174**	9,110
Net assets		**2,302,956**	2,306,426

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2016

	Unaudited 30 June 2016	Audited 31 December 2015
	HK$'000	*HK$'000*
Equity		
Equity attributable to equity holders of the Company		
Share capital	**128,440**	128,340
Reserves	**2,148,331**	2,147,669
	2,276,771	2,276,009
Non-controlling interests	**26,185**	30,417
Total equity	**2,302,956**	2,306,426

NOTES:

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

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

(b) Impact of standards issued but not yet adopted by the Group

The following new standards and amendments to standards and interpretations have been issued but not yet effective for the financial year beginning 1 January 2016 and have not been early adopted:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
HKFRS 16	Leases[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[3]

(1) Effective for annual periods beginning on or after 1 January 2018
(2) Effective for annual periods beginning on or after 1 January 2019
(3) Effective date to be determined

Management is assessing the impact of the above new standards and amendments to standards and interpretations, which have been issued but are not yet effective for 2016, on the Group's operations, and is yet to be in the position to conclude the impact.

There are no other new standards and amendments to standards and interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive Directors of the Company. The executive Directors review the Group's internal reporting in order to assess performance and allocate resources and report segment performance based on internal reporting.

The executive Directors review the performance of the Group mainly from a business operation perspective. The Group has two major business segments, namely (i) Manufacturing, and (ii) Distribution and Retail. The Manufacturing segment represents manufacturing and sales of sportswear primarily under OEM arrangements to customers mainly in Europe, the United States, Mainland China and other countries. The Distribution and Retail segment represents the distribution and retail of high-end fashion products and sportswear products in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

The executive Directors assess the performance of the business 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 business segment. Other information provided to the executive Directors is measured in a manner consistent with that in the condensed consolidated interim financial information.

3. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2016 are as follows:

	Manufacturing *HK$'000*	Distribution and Retail *HK$'000*	Total *HK$'000*
Total segment revenue	**1,586,307**	**457,862**	**2,044,169**
Inter-segment revenue	**(4,097)**	**—**	**(4,097)**
Revenue	**1,582,210**	**457,862**	**2,040,072**
Operating profit and segment results	**126,556**	**15,423**	**141,979**
Finance income			**5,419**
Finance costs			**(1,516)**
Share of losses of associates	**(1,028)**	**—**	**(1,028)**
Profit before income tax			**144,854**
Income tax expense			**(36,421)**
Profit for the period			**108,433**

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

	Manufacturing *HK$'000*	Distribution and Retail *HK$'000*	Total *HK$'000*
Amortisation of land use rights	**1,418**	**—**	**1,418**
Depreciation of property, plant and equipment	**67,595**	**13,725**	**81,320**
Amortisation of intangible assets	**1,901**	**349**	**2,250**
Provision for inventories, net	**8,423**	**16,178**	**24,601**
Gain on disposal of property, plant and equipment	**(58)**	**—**	**(58)**

The segment assets and liabilities as at 30 June 2016 are as follows:

	Manufacturing *HK$'000*	Distribution and Retail *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets	**2,334,947**	**560,581**	**42,650**	**2,938,178**
Associates	**15,633**	**—**	**—**	**15,633**
Total assets	**2,350,580**	**560,581**	**42,650**	**2,953,811**
Total liabilities	**396,486**	**159,729**	**94,640**	**650,855**

3. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2015 are as follows:

	Manufacturing *HK$'000*	Distribution and Retail *HK$'000*	Total *HK$'000*
Total segment revenue	1,416,522	463,191	1,879,713
Inter-segment revenue	(2,237)	—	(2,237)
Revenue	1,414,285	463,191	1,877,476
Operating profit and segment results	133,530	25,215	158,745
Finance income			6,005
Finance costs			(2,359)
Share of profits of associates	2,330	—	2,330
Profit before income tax			164,721
Income tax expense			(21,640)
Profit for the period			143,081

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

	Manufacturing *HK$'000*	Distribution and Retail *HK$'000*	Total *HK$'000*
Amortisation of land use rights	1,424	—	1,424
Depreciation of property, plant and equipment	67,283	10,398	77,681
Impairment of property, plant and equipment	5,989	—	5,989
Amortisation of intangible assets	26	22,280	22,306
Provision for inventories, net	6,642	4,254	10,896
Impairment of trade receivables, net	820	—	820
Gain on disposal of property, plant and equipment	(1,102)	—	(1,102)
Gain on disposal of land use rights classified as held for sale	(27,550)	—	(27,550)

The segment assets and liabilities as at 31 December 2015 are as follows:

	Manufacturing *HK$'000*	Distribution and Retail *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets	2,405,316	545,839	48,370	2,999,525
Associates	17,315	—	—	17,315
Total assets	2,422,631	545,839	48,370	3,016,840
Total liabilities	444,653	196,618	69,143	710,414

3. SEGMENT INFORMATION (CONTINUED)

Segment assets exclude current tax recoverables, deferred tax assets and assets for corporate use which are managed on a group basis.

Segment liabilities exclude current tax liabilities and deferred tax liabilities which are managed on a group basis.

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Europe	**739,893**	657,178
Hong Kong	**304,385**	328,308
United States	**307,627**	247,965
Mainland China	**316,521**	237,113
Other Asian countries	**221,284**	219,747
Canada	**40,786**	43,890
Others	**109,576**	143,275
	2,040,072	1,877,476

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

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

	As at	
	30 June	31 December
	2016	2015
	HK$'000	*HK$'000*
Mainland China	**344,073**	314,301
Hong Kong	**316,878**	377,759
Other countries	**417,829**	426,346
	1,078,780	1,118,406

4. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Rental income	**1,603**	4,055
Others	**1,150**	895
	2,753	4,950

5. OTHER (LOSSES)/GAINS — NET

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Gain on disposal of land use rights classified as held for sale	**—**	27,550
Gain on disposal of property, plant and equipment	**58**	1,102
Net exchange (losses)/gains	**(582)**	2,806
	(524)	31,458

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the periods.

Mainland China Corporate Income Tax ("**CIT**") has been provided at the rate of 25% (2015: 25%) on the estimated assessable profits for the periods which are subject to CIT.

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/(credited) to the condensed consolidated interim income statement represent:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Current tax		
— Hong Kong profits tax	**26,150**	13,926
— Mainland China taxes	**11,218**	6,472
— Overseas income tax	**1,802**	5,589
Deferred tax	**(2,749)**	(4,347)
	36,421	21,640

7. EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company and on the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2016	2015
Profit attributable to equity holders of the Company *(HK$'000)*	**105,665**	147,268
Weighted average number of ordinary shares in issue *('000)*	**1,284,351**	1,268,709
Basic earnings per share *(HK cents)*	**8.2**	11.6

(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 daily average market share price of the Company's shares in the relevant periods) based on the monetary value of the subscription rights attached to outstanding share options in the relevant periods. 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	
	2016	2015
Profit attributable to equity holders of the Company *(HK$'000)*	**105,665**	147,268
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,288,848**	1,268,757
Diluted earnings per share *(HK cents)*	**8.2**	11.6

8. INTANGIBLE ASSETS

	As at	
	30 June	31 December
	2016	2015
	HK$'000	*HK$'000*
Goodwill	**124,385**	124,385
Know-how	**34,972**	36,846
Trademarks	**12,104**	12,453
Licence rights	**649**	676
Net book amount	**172,110**	174,360

Impairment test for goodwill:

There was no impairment recognised in respect of the golf and high-end fashion apparel manufacturing business and high-end fashion retail business during the six months ended 30 June 2016 (30 June 2015: Nil).

9. TRADE AND BILLS RECEIVABLE

	As at **30 June 2016** *HK$'000*	As at 31 December 2015 *HK$'000*
Trade receivables		
— from third parties	**465,744**	390,120
— from a related party	**9,526**	—
Bills receivable	**12,507**	—
	487,777	390,120
Less: impairment of trade receivables	**(2,313)**	(2,322)
	485,464	387,798

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

Majority of the trade receivables are with customers having an appropriate credit history. The Group grants its customers credit terms within 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 of trade and bills receivable based on invoice date is as follows:

	As at **30 June 2016** *HK$'000*	As at 31 December 2015 *HK$'000*
0–90 days	**483,145**	384,915
91–180 days	**2,207**	1,227
181–365 days	**56**	58
Over 365 days	**2,369**	3,920
	487,777	390,120

10. TRADE AND BILLS PAYABLE

	As at	
	30 June	31 December
	2016	2015
	HK$'000	*HK$'000*
Trade payables		
— to third parties	**228,729**	269,896
— to related parties	**29,653**	26,432
Bills payable	**3,427**	2,402
	261,809	298,730

The ageing of the trade and bills payable based on invoice date is as follows:

	As at	
	30 June	31 December
	2016	2015
	HK$'000	*HK$'000*
0–90 days	**254,546**	295,867
91–180 days	**4,801**	1,320
181–365 days	**1,487**	209
Over 365 days	**975**	1,334
	261,809	298,730

11. DIVIDENDS

A final dividend of HK$96,330,000 relating to the year ended 31 December 2015 was paid in June 2016.

At the Board meeting held on 25 August 2016, the Company's Board of Directors declared an interim dividend of HK4.0 cents (2015: interim dividend of HK4.0 cents) per share. The interim dividend amounting to HK$51,376,000 (2015: interim dividend amounting to HK$50,816,000) has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

For the six months ended 30 June 2016, the Group recorded revenue of HK$2,040.1 million (30 June 2015: HK$1,877.5 million), representing an increment of 8.7%. The increment was mainly contributed by the Manufacturing Business which benefited from growth in sales orders, and this compensated the revenue decrease of the Distribution and Retail Business.

Gross profit margin of the Group dropped by 1.6% to 29.2% in the current period (30 June 2015: 30.8%). The decline in gross profit margin was primarily due to the lower gross profit margin of the Distribution and Retail Business, a result of the weak sentiment of retail markets. Despite the drop in gross profit margin, overall gross profit of the Group increased by HK$16.1 million to HK$595.0 million in the current period (30 June 2015: HK$578.9 million). The increase was mainly contributed by the Manufacturing Business and partially offset by the drop in the Distribution and Retail Business.

There was no gain on disposal of land use rights in Mainland China for the current period (30 June 2015: HK$27.6 million), which caused the operating profit of the Group decreased by HK$16.7 million to HK$142.0 million (30 June 2015: HK$158.7 million).

Profit attributable to equity holders for the period ended 30 June 2016 also decreased by HK$41.6 million to HK$105.7 million (30 June 2015: HK$147.3 million) due to higher income tax expenses from increased taxable income. Excluding the impact of one-off gain on disposal of land use rights mentioned above, profit attributable to equity holders would have decreased by HK$14.3 million.

Taking into consideration the stable business performance and healthy cash position of the Group, the Board has proposed payment of an interim dividend of HK4.0 cents per share for the six months ended 30 June 2016 (30 June 2015: HK4.0 cents per share).

Business Review

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

Manufacturing Business

The Group's Manufacturing Business operates mainly through OEM arrangements for a number of renowned sports brands. Most of the Group's products are exported and sold to Europe, the United States, Mainland China and other countries. The Group has a long history and a distinctive position in the sportswear garment manufacturing, and has established long-term business relationships with its key customers.

The demand of sportswear in Europe and the United States was boosted both by economic recovery in those regions and the UEFA European Championship 2016. More orders were also received from our international sportswear customers for their sales in Mainland China where the sportswear market has been rapidly expanding in recent years. As a result, the Manufacturing Business recorded an increase in revenue by 12.0% to HK$1,586.3 million in the current period (30 June 2015: HK$1,416.5 million), accounting for 77.6% of the Group's total revenue as compared with 75.4% for the corresponding period in 2015.

Excluding the one-off gain on disposal of land use rights in Mainland China in the corresponding period of 2015, operating profit of the Manufacturing Business would have increased by HK$20.7 million to HK$126.6 million (30 June 2015: HK$105.9 million) for the current period.

In order to meet customers' orders, the Group continued to expand its production facilities and recruit workers in Vietnam and Cambodia during the current period. Although Southeast Asia countries are our best choices of production base at the moment given their relatively lower labour costs and stable labour supply, the pay rates of workers in those countries have been rising rapidly recently, hence are expected to pose pressure on the Group's operating profitability in the future. The management will thus continue to monitor the level of labour cost and take measures to mitigate its impact on the Group's operating profitability.

Distribution and Retail Business

The Group's Distribution and Retail Business comprises (1) the retail of high-end fashion products in Mainland China, Hong Kong, Macau, Taiwan and Singapore, and (2) the retail of sportswear products in Hong Kong and Mainland China

In the first half of 2016, revenue from the Distribution and Retail Business decreased slightly by HK$5.3 million (or 1.1%) to HK$457.9 million (30 June 2015: HK$463.2 million), accounting for 22.4% of the Group's total revenue as compared with 24.6% for the corresponding period in 2015. The decrease in revenue of high-end fashion products outweighed the increase in revenue of sportswear products.

The Distribution and Retail Business generated operating profit of HK$15.4 million for the current period (30 June 2015: HK$25.2 million). Excluding the non-cash amortisation expense of licence rights and trademarks of HK$22.3 million in the corresponding period of 2015, operating profit would have decreased by HK$32.1 million in the current period. Further explanation of the performance in each stream of this segment is set out below.

Retail of High-end Fashion Products

The retail of high-end fashion products is operated under the Shine Gold Group. It has a self-managed retail network of "***D-mop***" stores to sell several self-owned brands including "***Blues Heroes***", "***Loveis***", "***Queen 11***" etc., as well as imported brands, in Hong Kong, Macau, Mainland China and Taiwan. It also has exclusive distribution rights for brands including "***Y-3***" in Mainland China (excluding Beijing), Hong Kong, Taiwan and Singapore, and other international brands in Hong Kong and Mainland China.

As at 30 June 2016, the Shine Gold Group had 88 (31 December 2015: 82) self-managed high-end fashion retail stores, of which 48 stores were in Mainland China, 28 stores were in Hong Kong and Macau, 11 stores were in Taiwan and 1 store was in Singapore.

Revenue of the Shine Gold Group for the six months ended 30 June 2016 decreased by HK$20.9 million to HK$317.6 million (30 June 2015: HK$338.5 million), representing an decrease of 6.2%. The decrease in revenue was mainly the result of the persistently weak consumption sentiment in the retail markets in Hong Kong and Macau. Loss in revenue from same-store sales outweighed the revenue from new stores in Hong Kong and Macau. Revenue generated in Mainland China and other countries increased slightly in the current period as a result of increase in the number of stores.

The Shine Gold Group generated operating profit of HK$25.5 million in the first half of 2016 (30 June 2015: HK$22.1 million). Excluding the non-cash amortisation expense of licence rights and trademarks of HK$22.3 million in the corresponding period of 2015, operating profit would have decreased by HK$18.9 million in the current period. The decrease was mainly attributable to decrease in revenue and lower gross profit resulted from more discounted sales and additional provision for inventories.

Retail of Sportswear Products

The retail of sportswear products is operated under the Win Sports Group. As at 30 June 2016, it had 30 (31 December 2015: 30) self-managed sportswear retail stores in Hong Kong and Mainland China, of which 5 stores were under the name of "***Futbol Trend***", 13 stores were under the name of "***Sports Corner***" or "***Little Corner***" and 12 stores were under the names of several international sports brands. During the current period, the Win Sports Group extended its footprint in Mainland China by opening 2 Futbol Trend flagship stores in Guangzhou and Hangzhou, Mainland China.

Revenue of the Win Sports Group for the six months ended 30 June 2016 increased by HK$15.6 million to HK$140.3 million (30 June 2015: HK$124.7 million), representing an increase of 12.5%. As compared with the corresponding period in 2015, the number of stores increased by 10 to 30 (30 June 2015: 20). However, store productivity deteriorated in the first half of 2016 with tourists to Hong Kong and local citizens spending less. The increase in revenue from new stores was partially offset by loss in revenue from same-store sales in the current period.

Facing weak consumer sentiment with high operating cost in Hong Kong retail market, the Win Sports Group incurred operating loss of HK$10.1 million in the first half of 2016 (30 June 2015: operating profit of HK$3.1 million). Operating loss was mainly attributable to further provision for inventories of HK$5.5 million and decrease of same-store sales while rental level remained high in the current period.

PROSPECTS

Manufacturing Business

As at 30 June 2016, around 70% of the Group's production capacity was located in Vietnam and Cambodia while around 30% was located in Mainland China. The Group continues to shift its production capacity from Mainland China to Southeast Asia. The competitive advantages of Southeast Asia countries are lower costs, stable labour supply as well as attractive tax and customs policies. In the long run, it is expected that more than 80% of the production capacity will be relocated to Southeast Asia countries. However, we are also aware that the pay rate of workers in those Southeast Asia countries has risen rapidly in recent years. We are closely monitoring how it will affect our future operating profitability and will adopt measures to mitigate the impact of these trends. We are also continuing our factory relocation strategy as the overall competitive advantages still outweigh the possible increased labour costs.

In order to streamline our production chain, the Group has decided to set up our own printing factory in Vietnam for providing printing services to our garment production factories in Southeast Asia with an investment of approximately US$10 million. The printing factory project has commenced and operation is expected to begin in late 2017.

The Trans-Pacific Partnership ("TPP") trade agreement among twelve Pacific Rim countries, including Vietnam, has been signed in February 2016. The TPP trade agreement is currently undergoing a ratification period and the trade pact still likely requires years of negotiation among TPP members before coming into effect. Once the TPP trade agreement has been ratified by a majority of the countries, our customers could greatly reduce their tariff costs on garments manufactured in Vietnam and exported to the twelve Pacific Rim countries especially the United States. The Group continues to cooperate with our customers to meet their demands for manufacturing in Vietnam.

Apart from nurturing ties with existing customers to ensure a steady growth of orders, the Group will continue to seek out new customers to serve as additional growth drivers. Moreover, the Group will explore the opportunities for vertical integration to fully tap the market potential.

Distribution and Retail Business

Multi-branding is one of the key strategies of the Group for tapping the full potential in the local and overseas markets. To further enhance the brand portfolio in the young and light luxury fashion market, D-mop Limited ("**D-mop**"), an indirect 70%-owned subsidiary of the Group, has entered into an exclusive distribution agreement for the brand "***Thomas Sabo***" in June 2016. Originally founded in Germany in 1984, Thomas Sabo is one of the leading global brands designing, selling and distributing costume jewelry for women and men. D-mop has been appointed as its exclusive distributor for distribution and sale in Mainland China through retail, wholesale and internet sales channels. In addition, D-mop has also commenced to operate licensed stores under the name of "***New Era***" in Hong Kong selling New Era products. New Era is an international lifestyle brand with a sports heritage dating back more than 90 years. Originating from the United States, the brand is well known for being the official on-field caps for both Major League Baseball and the National Football League. The above moves signify an important milestone for our brand portfolio development, and the Group's merchandising team will continue to source fashion and sportswear products of internationally renowned brands. The Group is striving to cater for the Asian market's demand for quality branded products through a diversity of licensed brands and the Group's own brands across our retail network.

For Mainland China, despite the slowdown of economic growth, the demand for fashion and sportswear products is still strong given the rapid rise of the young affluent middle class. Apart from the enhancement of brand portfolio as mentioned above, the Group continues to develop its e-commerce business in Mainland China as online shopping has already becomes part of the daily life of the new young generation. Moreover, we will also tap into the soccer sportswear market in Mainland China as the Chinese government has implemented a long-term development plan for this sport and related activities at a national level. This year we have already opened 2 Futbol Trend flagship stores at Guangzhou and Hangzhou, Mainland China.

As Hong Kong has faced a protracted slowdown in inbound tourism and economic and political uncertainty, its retail sales plummeted 10.5% in the first half of 2016. Moving into the second half of 2016, the market is expected to remain under pressure but the risk of further deterioration is limited. In July 2016, the number of visitors to Hong Kong climbed for the first time in thirteen months. Despite the slightly improving tourist sentiment in Hong Kong, the market is still challenging and extremely tough in 2016. Shop rentals remain high though the consumer traffic has already dropped, thus the Group is cautiously opening new stores and will promptly close the stores with unsatisfactory performance until the operating environment improves.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and bank facilities and has maintained a healthy financial position during the period. As at 30 June 2016, it had cash and bank balances amounting to HK$558.6 million (31 December 2015: HK$676.1 million). The decrease was mainly attributable to the cash used in capital expenditure, payment of final dividends and repayment of bank loans, net with cash generated from operating activities.

As at 30 June 2016, the Group had bank borrowings amounting to HK$84.1 million (31 December 2015: HK$110.7 million) and unutilised banking facilities amounting to HK$499.5 million (31 December 2015: HK$209.2 million). The gearing ratio, being total borrowings divided by total equity, as at 30 June 2016, was 3.7% (31 December 2015: 4.8%).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2016, the Group had approximately 16,000 employees (31 December 2015: approximately 16,000 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 2016, a bank deposit of HK$8.9 million (31 December 2015: HK$6.4 million) was pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

The Group has no significant contingent liabilities, litigation or arbitration of material importance as at 30 June 2016.

FOREIGN CURRENCY EXPOSURE

The Group's revenue and purchases were primarily denominated in US Dollars, Hong Kong Dollars and RMB. During the period, approximately 62.4%, 20.3% and 15.0% of revenue were denominated in US Dollars, Hong Kong Dollars and RMB respectively, whereas approximately 77.5%, 16.0% and 5.8% of purchases were denominated in US Dollars, Hong Kong Dollars and RMB respectively. As at 30 June 2016, approximately 58.0%, 33.7% and 6.6% of cash and bank balances were denominated in US Dollars, RMB and Hong Kong Dollars respectively.

Hong Kong Dollar serves as the Company's functional currency and the Group's presentation currency. The Group considers its foreign currency exchange exposure arising from US Dollar transactions and US Dollar cash balances to be minimal during the period given that the Hong Kong Dollar was pegged to the US Dollar. RMB has depreciated in 2015 and the depreciation pressure for RMB against US Dollars remains in 2016. For the Group, it foresees benefits arising from the depreciation of RMB as approximately 15% of its revenue was denominated in RMB while approximately 22% of its cost of sales and operating expenses were denominated in RMB during the current period. The Group will closely monitor its foreign currency position and fluctuation of RMB and, when necessary, will consider using derivative instruments to hedge against foreign currency exposure.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors' 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**"). All Directors 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 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 six months ended 30 June 2016.

DIVIDENDS

The Board has declared an interim dividend of HK4.0 cents (2015: interim dividend of HK4.0 cents) per share for the six months ended 30 June 2016 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 2016. The dividends will be paid on or about Tuesday, 11 October 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 September 2016 to Friday, 23 September 2016 (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 2016, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 September 2016.

CORPORATE GOVERNANCE

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

REVIEW OF FINANCIAL INFORMATION

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 2016. It has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 with the management and the auditor of the Company and recommended them to the Board for approval.

The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 2016 will be dispatched to the shareholders and will be available on the aforesaid websites 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. LEE Kwok Leung and Mr. WONG Chi Keung being the executive Directors, and Dr. CHAN Kwong Fai, Mr. MA Ka Chun, Mr. KWAN Kai Cheong and Ms. CHAU Pui Lin being the independent non-executive Directors.

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

Hong Kong, 25 August 2016