Hembly International Holdings Limited
恒寶利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3989)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The board of directors (the"Board") of Hembly International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006. The interim results have been reviewed by the Company's auditors in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim results have also been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006

		Six months ended 30 June	
		2006	2005
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**262,756**	165,198
Cost of sales		**(168,147)**	(107,605)
Gross profit		**94,609**	57,593
Other income		**1,558**	1,140
Distribution costs		**(10,136)**	(3,446)
Administrative expenses		**(35,127)**	(24,938)
Finance costs	*4*	**(9,960)**	(4,828)
Profit before tax	*5*	**40,944**	25,521
Income tax expense	*6*	**(4,442)**	(2,490)
Profit for the period		**36,502**	23,031
Attributable to:			
Equity holders of the Company		**34,997**	22,982
Minority interests		**1,505**	49
		36,502	23,031
Dividend	*7*	**7,571**	–
Earnings per share – Basic (cents)	*8*	**19.44**	19.22

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	NOTES	30 June 2006 HK$'000 (unaudited)	31 December 2005 HK$'000
Non-current assets			
Property, plant and equipment		**130,597**	121,712
Prepaid lease payments		**28,639**	28,944
Loan to a jointly controlled entity		**1,574**	1,574
Available-for-sale investments		**4,811**	4,799
		165,621	157,029
Current assets			
Inventories		**135,224**	69,187
Trade receivables	*9*	**169,295**	93,449
Deposits, prepayments and other receivables		**32,725**	47,301
Prepaid lease payments		**611**	611
Amount due from a minority shareholder	*10*	**16,972**	10,584
Amount due from a jointly controlled entity		**2,070**	–
Amounts due from related companies		**–**	21,845
Tax recoverable		**–**	809
Pledged bank deposits		**41,043**	32,568
Bank balances and cash		**105,136**	52,049
		503,076	328,403
Current liabilities			
Trade payables	*11*	**69,289**	43,161
Other payables and accruals		**26,477**	34,042
Amounts due to shareholders of jointly controlled entities		**2,609**	1,457
Amounts due to jointly controlled entities		**1,989**	3,510
Obligations under finance leases – due within one year		**586**	586
Bank overdrafts		**11,499**	9,288
Bank borrowings – due within one year		**302,542**	191,059
Taxation payable		**6,300**	2,776
		421,291	285,879
Net current assets		**81,785**	42,524
Total assets less current liabilities		**247,406**	199,553

	NOTES	30 June 2006 HK$'000 (unaudited)	31 December 2005 HK$'000
Non-current liabilities			
Obligations under finance leases – due after one year		**1,478**	1,769
Bank borrowings – due after one year		**57,882**	46,244
Loan from shareholder of a jointly controlled entity		**2,250**	2,250
Deferred taxation		**336**	336
		61,946	50,599
		185,460	148,954
Capital and reserves			
Share capital	*12*	**4,000**	7
Reserves		**179,299**	148,291
Equity attributable to equity holders of the Company		**183,299**	148,298
Minority interests		**2,161**	656
		185,460	148,954

NOTES:

1. BASIS OF PREPARATION

The Company was incorporated on 27 May 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company issued shares in exchange for the entire issued share capital of Full Prosper Holdings Limited ("Full Prosper") and thereby became the holding company of the Group on 13 June 2006. Details of the Group Reorganisation are set out in the prospectus dated 30 June 2006 issued by the Company (the "Prospectus"). The condensed consolidated financial statements have been prepared as if the current structure had been in existence during the period.

The shares of the Company have been listed on the Stock Exchange with effect from 13 July, 2006.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value.

The accounting policies adopted in these unaudited condensed consolidated financial statements are consistent with those followed in the underlying financial statements used in the preparation of the Group's accountants' report for the year ended 31 December 2005 as set out in the Prospectus.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The application of the new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustments have been required.

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results of operations and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[4]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 March 2006.
3 Effective for annual periods beginning on or after 1 May 2006.
4 Effective for annual periods beginning on or after 1 June 2006.

3. REVENUE

Revenue represents net amounts received and receivable for goods sold by the Group to outside customers and services provided to outside customers less returns and allowances. An analysis of the Group's revenue for the periods is as follows and no reportable business or geographical segment is noted for both periods:

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sale of apparel and accessories	**236,483**	159,027
Distribution and retailing of apparel and footwear	**26,101**	6,023
Royalty fee income	**172**	148
	262,756	165,198

4. FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings and overdrafts wholly repayable		
– within five years	**9,714**	4,813
– over five years	**148**	–
Obligations under finance leases	**42**	15
Loan from shareholder of a jointly controlled entity	**56**	–
	9,960	4,828

5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**4,195**	1,740
Prepaid lease payment released	**305**	403
Loss on disposal of property, plant and equipment	**145**	–

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 17.5% (six months ended 30 June 2005: 17.5%) of the estimated assessable profit for six months ended 30 June 2006. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	**200**	1,040
Other jurisdictions	**4,175**	1,450
	4,375	2,490
Underprovision in prior years:		
Hong Kong	**1**	–
Other jurisdictions	**66**	–
	67	–
	4,442	2,490

7. DIVIDEND

The Board has determined that an interim dividend of HK3 cents per share (six months ended 30 June 2005: Nil) should be paid to the shareholders whose names appear on the register of members of the Company on 23 October 2006. The interim dividend is estimated to be about HK$7,571,400, which is calculated based on 252,380,000 shares in issue on 13 September 2006.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company and on the basis of 180,000,000 shares of the Company in issue and issuable throughout during the period ended 30 June 2006 (six months ended 30 June 2005: 119,601,326 shares) (see note 12 for details of share capital of the Company).

9. TRADE RECEIVABLES

The Group allows an average credit period of 60 to 90 days to its trade customers. The following is an aged analysis of trade receivable at the balance sheet date:

	30 June	31 December
	2006	2005
	HK$'000	*HK$'000*
	(unaudited)	
0 – 90 days	**164,310**	86,852
91 – 180 days	**47**	4,873
181 – 360 days	**4,938**	1,724
	169,295	93,449

10. AMOUNT DUE FROM A MINORITY SHAREHOLDER

The Group allows a credit period of 90 days for sales made to the minority shareholder. The following is an aged analysis of amount due from a minority shareholder at the balance sheet date:

	30 June 2006 HK$'000 (unaudited)	31 December 2005 HK$'000
0 – 90 days	**15,829**	9,608
91 – 180 days	**799**	976
181 – 360 days	**344**	–
	16,972	10,584

11. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2006 HK$'000 (unaudited)	31 December 2005 HK$'000
0 – 90 days	**62,412**	37,838
91 – 180 days	**4,867**	3,181
181 – 360 days	**1,616**	2,012
Over 360 days	**394**	130
	69,289	43,161

12. SHARE CAPITAL

	Number of ordinary shares		Amount	
	30 June 2006	31 December 2005	30 June 2006 HK$'000	31 December 2005 HK$'000
Ordinary shares of HK$0.1 each:				
Authorised:				
At beginning of period/year	**1,000,000**	1,000,000	**100**	100
Increase on 13 June 2006	**1,999,000,000**	–	**199,900**	–
At end of period/year	**2,000,000,000**	1,000,000	**200,000**	100
Issued and fully paid:				
At beginning of period/year	**1**	1	**–**	–
Issue of shares upon reorganisation	**39,999,999**	–	**4,000**	–
At end of period/year	**40,000,000**	1	**4,000**	–

The following changes in the share capital of the Company took place during the period/year:

(a) Pursuant to the resolutions in writing of the sole shareholder of the Company passed on 13 June 2006, the authorised share capital of the Company was increased from HK$100,000 to HK$200,000,000 by the creation of an additional 1,999,000,000 shares.

(b) As consideration for the acquisition of the entire issued share capital of Full Prosper and its subsidiaries, the Company issued 39,999,999 shares of HK$0.1 each, credited as fully paid under the Group Reorganisation which took place on 13 June 2006. The difference between the deemed consideration and the aggregate par value of the share issued has been debited to special reserve.

The share capital as at 31 December 2005 represented the share capital of Full Prosper, the then holding company of the subsidiaries now comprising the Group before the Group Reorganisation.

Pursuant to the resolutions in writing of the shareholders of the Company on 15 June 2006, conditional on the share premium account of the Company being credited as a result of the offer of shares for the listing of the Company's share (see note1), the directors of the Company were authorised to capitalise HK$14,000,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 140,000,000 shares of the Company for allotment and issue to holders of the shares whose names appear on the register of members of the Company at the close of business on 14 June 2006 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company. Subsequent to the balance sheet date, the Company issued 140,000,000 shares of HK$0.1 each by the capitalisation of share premium of HK$14,000,000.

BUSINESS AND FINANCIAL REVIEW

The Group's mission is to become one of Greater China's leading supply chain services providers and distributors in the apparel and footwear industry. For the six months ended 30 June 2006, the Group has performed astoundingly well, despite unfavourable circumstantial conditions surrounding the textile and garment industry.

During this period, the Group's turnover and profit attributable to the equity holders of the Company surged by about 59.1% to about HK$262.8 million and about 52.3% to about HK$35.0 million respectively, as compared to the corresponding period last year. This outstanding performance is attributable to the Group's unique business model, which ensures strong R&D support, excellent customer services, high quality control/standards and an expandable business scale. Meanwhile, the Group's solid customers' relations and its multinational and experienced management team definitely enhanced its exponential business expansion within a short frame of time.

Supply Chain Services

During the period under review, the Group continued to build on its supply chain core business, which accounted for about 90% of its aggregate turnover. The turnover during this period surged by about 48.7% to about HK$236.5 million, as compared to the corresponding period last year.

The significant growth in this business' turnover is attributable to the Group's consistently widened customer base and their gradually enlarged orders with the Group. The Group's customer base includes renowned international brands, such as *United Colors of Benetton, Sisley, Morgan, Moschino, See By Chloé, R.E.D.Valentino, DKNY Jeans, Diesel, Quiksilver, Lafuma, Lotto, Salewa* and *Sergio Tachinni*. Meanwhile, the Group's successful completion of its production bases and operation complex in Yangzhou and Nanjing, PRC, respectively, has hugely empowered the Group's ability to (i) provide customers with enhanced comprehensive value-added supply chain services; (ii) further supplement outsourced production processes with increased mass production capabilities thereby strengthening the Group's dual operation model, and (iii) service sophisticated orders requiring higher product quality and short delivery time.

As the Group's showcase to its international branded business partners, the Group's new facilities in Yangzhou and Nanjing, PRC, has unquestionably positioned the Group to attract a wider customer base and broaden the Group's collaboration platform with its business/joint venture partners. The Board honestly believes that completion of these facilities has allowed the Group to capitalize optimally on these investments during the period under review.

Distribution and Retailing

Given tremendous rising demand for premium consumer products in the PRC, the Group began to develop its downstream business in mid 2004, which witnessed its distribution and retailing of apparel and footwear products under the *Stonefly* brand. Since then, the Group has, through self-operation and through the appointment of authorized franchisees, covered about 24 points of sale throughout the PRC, via the establishment of a joint venture, set up on a 50:50 basis with Stonefly S.p.A., a renowned international comfort footwear leader.

Backed with *Stonefly* brand's success in the Greater China region, the Group continued to work closely with its existing branded customers to develop its downstream business. In December 2005, the Group began its distribution and retailing of apparel and footwear products under the *Lotto* brand, and established a joint venture, set up on a 50:50 basis with Lotto Sport H.K. Limited, a long term customer of the Group and a renowned international sportswear leader. Since then, the Group has successfully appointed authorized franchisees to cover over 45 points of sale throughout the PRC and Hong Kong.

During the period under review, turnover of the Group's distribution and retailing business, accounting for about 9.9% of the of the Group's aggregate turnover, achieved an outstanding growth of about 333.4% to about HK$26.1 million, as compared to the corresponding period last year.

Licensing

To capitalize on the Group's well-established customers' relationship and generate additional turnover, the Group has, during the period under review, maintained its business expansion to include licensing operations, which product range covers the accessories market, namely eyewear and timepiece products under the brand name of *Morgan*.

Gross margins

During the period under review, the Group's gross margin continued to improve from about 34.9% to about 36.0% as compared with the same period last year. The Group's overall gross margin increase is mainly attributable to the gross margin increase in its distribution and retailing business. Meanwhile, the gross margin on the Group's supply chain services achieved a slight increase for the same period.

The gross margin of the Group's distribution and retailing business has improved from about 32.3% to about 37.6%, as compared to the corresponding period last year. Such gross margin increase is mainly attributable to the Group's transformation to its existing wholesale vis-a-vis retail distribution model from its "pure" wholesale distribution model, as compared with the same period last year and the Group's acute execution of policies to maximise local products' sourcing within the PRC during this period.

Meanwhile, despite unfavourable factors, which include fuel costs' increase, raw materials and labour costs hike and pricing pressures exerted by RMB's appreciation, the Group's supply chain services managed to attain a slight gross margin increase from about 35.0% to about 35.8%, as compared with the same period last year. This witnessed the Group's successful minimisation of adverse circumstantial impact through stringent cost control and improved operational efficiency.

Operating expenses

During the period under review, the Group's distribution costs surged by about 194.1% to about HK$10.1 million, as compared to the corresponding period last year. The substantial increase in the Group's distribution costs is mainly attributable to the Group's vast distribution and retailing business expansion, of which distribution costs is a key cost component. In fact, the Group's distribution costs of its distribution and retailing business increased to about HK$6.8 million for the six months ended 30 June 2006, which represents about 655.6% increase, as compared with the same period last year. These distribution costs mainly comprise (i) advertising costs; (ii) staff salaries and emoluments; (iii) rental and shop expenses/overheads; and (iv) travelling expenses.

The Group's administrative expenses increased by about 40.9% to about HK$35.1 million for the period under review, as compared with the same period last year. The administrative expenses increase is attributable to the Group's higher expenses in staff salaries and emoluments, given more human resources are required to cope with the Group's vast expansion. Meanwhile, additional depreciation in respect of the new facilities completed in Nanjing, PRC, has increased the Group's administrative expenses during the period.

Finance costs

Finance costs increased by about 106.3% to about HK$10.0 million, as compared to the corresponding period last year. This substantial finance costs' increase is mainly attributable to the global interest rates' hike and a higher level of bank borrowings necessary to finance the Group's vast expansion.

PROSPECTS

Given globalization, which has dynamically transformed the competitive landscape of apparel industry, has opened the gateway for international brands to source for the best products and services at the best price to find new markets for penetration and in light that the PRC is the world's biggest factory and largest domestic consumption market and thereby the No. 1 target for international brands to capture resources and market share, the Group has seized the opportunity to take advantage of these immense opportunities, whilst leveraging on its global vision and vast PRC network. This witnessed the Group's consistent focus on the establishment of strategic alliances and joint ventures with key international branded clients to increase collaboration level to capitalise on the immense opportunities and potential in the PRC.

Following successful pre-listing establishment of joint ventures with *Morgan, Lotto* and *Stonefly*, the Group has currently established the following two individual joint ventures, to expand its supply chain services business and its distribution and retailing business respectively.

As at 30 August 2006, the Group entered into an agreement to establish a 50:50 joint venture with Mountain Experience Beteiligungs Gesellschaft M.B.H. ("MEB"), a global sports and mountaineering products provider, to operate a PRC production and technological center for the manufacture of products sold under the trademarks *Salewa, Dynafit* and *Silvretta*, with the vision to develop high-tech garment manufacturing techniques. Based on the agreement, MEB shall also support this new joint venture to obtain the "*GORETEX*" *certification* from W.L. Gore & Associates, which certification application has already commenced. Leveraged on the famous and established brand-names held by MEB, MEB's diverse customer and established network and MEB's minimum guranteed orders of *Salewa* products from this new joint venture, the Group's supply chain services business will be positively enhanced.

As at 1 September 2006, the Group entered into an agreement to establish a joint venture on a 50:50 basis with Benetton Group S.p.A., an international apparel leader, which provides its apparels and leisure-wear under the brand names of *United Colors of Benetton, Undercolors, Sisley, 012, Playlife and Killer Loop*, with a view to, through self-operation, cover over 150 points of sale throughout the PRC within the next 5 years. Under the agreement, the joint venture shall become Benetton Group S.p.A.'s exclusive distributor in the PRC for all items of men and women's apparel and accessories under the brand of *Sisley* and will have the non-exclusive right to use the Sisley trademark to manufacture and outsource *Sisley* products in the PRC. The set up of this new joint venture will not only create synergy between the Group and Benetton Group S.p.A., but will in fact earmark a paradigm shift, upon which the Group's ambition to broaden its scope of services through downstream developments in close collaboration with its key branded customers is categorically land-marked.

Ambitioned to increase operational efficiency, the Group has also, during the period under review, joined Lawson Software (formerly Inertia), a global provider of IT enterprises applications, as one of its customer in the PRC and Hong Kong. The implementation of Lawson Software's M3 fashion enterprise suite, a leading ERP solution tailored specifically to the fashion industry, will allow greater information transparency within the Group's supply chain management system, thereby reducing operation costs, facilitate business flow and optimize management.

Meanwhile, to strengthen the Group's dual operation model in support of its exponential expansion, the Group's annual production capability is anticipated to increase to about 2.2 million pieces, given the impending completion of its new facilities in Phase III of Yangzhou, PRC, in September 2006

Finally, the Group has also entered into various memoranda of intention to set up strategic alliances and joint ventures with several renowned European brands to further enhance its supply chain services as well as its distribution and retailing business.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company issued 250,080,000 shares (inclusive of those shares issued upon the exercise of the over-allotment option) at HK$1.7 per share by way of placing and public offer (as set out in detail in the Prospectus) on 13 July 2006. The net proceeds after relevant expenses deduction amounted to about HK$100.4 million, which the Company intends to apply in accordance with the proposed allocation as stipulated in the Prospectus.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2006, the Group had cash and cash equivalents of about HK$146.2 million (31 December 2005: HK$84.6 million) and total bank borrowings of about HK$371.9 million (31 December 2005: HK$246.6 million), of which 84.4% constituted short-term bank borrowings and 15.6% constituted long-term bank borrowings. Besides, 5.2% of the total bank borrowings was subject to fixed interest rates, whilst 94.8% thereof was subject to floating interest rates. The Group's bank borrowings were primarily denominated in RMB, HK dollars, Euro and US dollars. As at 30 June 2006, 17.1%, 26.8%, 1.0% and 55.1% of the Group's total bank borrowings were denominated in RMB, HK dollars, Euro and US dollars respectively. The substantial increase in the Group's bank borrowings was mainly attributable to the significant increase in short-term trade finance that the Group required to fund its working capital requirement, which is higher during the peak of the seasonal demand cycle from May to August annually. As at 30 June 2006, the nature of the Group's total bank borrowings were as follows:

	30 June 2006 *HK$'000*	31 December 2005 *HK$'000*
Bank overdrafts	**11,499**	9,288
Bills discount loans	**120,849**	67,912
Trust receipt loans	**97,583**	104,794
Packing loans	**81,676**	13,755
Current-portion of term loans	**2,434**	4,598
Total short-term borrowings	**314,041**	200,347
Long-term borrowings	**57,882**	46,244
Total bank borrowings	**371,923**	246,591

With bank borrowings' increase, the Group's net gearing ratio (which is calculated on the basis of total bank borrowings (net of cash and cash equivalent) over the total shareholders' equity of the Company) increased from 1.09 as at 31 December 2005 to 1.23 as at 30 June 2006. The net gearing ratio of 1.23 is considered high. Apart from the seasonal demand cycles' impact on the increase in bank borrowings to fund the Group's working capital requirement, the Board believes that the Group's net gearing ratio will significantly improve to a reasonably adequate level in light of funds raised during the Company's listing on 13 July 2006.

As at 30 June 2006, the Group had current assets of about HK$503.7 million (31 December 2005: HK$328.4 million and current liabilities of about HK$421.3 million (31 December 2005: HK$285.9 million). The current ratio (which is calculated on the basis of current assets over current liabilities) improved slightly from 1.15 as at 31 December 2005 to 1.20 as at 30 June 2006. The current ratio of 1.20 is considered healthy and indicates the Group's sound liquidity.

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK dollars and US dollars. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group has not adopted formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the period under review.

CAPITAL EXPENDITURE

During the period under review, the Group's total capital expenditure amounted to about HK$14.2 million, of which about HK$5.7 million was used in the construction of the new facilities in Phase III of Yangzhou, PRC and about HK$2.4 million and about HK$0.3 million of which were used in leasehold improvement and buildings respectively. As for the balance of about HK$4.3 million and about HK$1.5 million, they were used on furniture, fixture & equipment and on plant and machinery for the Group's production capacity expansion respectively.

CHARGES ON ASSETS

As at 30 June 2006, the Group's bank deposits of about HK$41.0 million, available-for-sale securities of about HK$4.8 million, leasehold land and building with an aggregate net book value of about HK$129.2 million and plant and machinery with an aggregate net book value of about HK$3.5 million were pledged to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2006, the Group had no material contingent liabilities.

EMPLOYMENT INFORMATION

As at 30 June 2006, the Group had about 1,530 employees in total, and they stationed mainly in the PRC, Hong Kong and Europe. The Group's emolument policies, which are reviewed periodically, are linked to the performance of the individual employees and are based on the salary trends prevailing in the aforesaid regions.

In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their respective contributions to the Group.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.0 cents per share for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil) payable on or about Thursday, 2 November 2006, to the shareholders whose names appear on the register of members of the Company on Monday, 23 October 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18 October 2006 to Monday, 23 October 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 26 Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 17 October 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review. The Company did not have any listed securities before the Company's listing.

CORPORATE GOVERNANCE

Since the Company was only listed on the Stock Exchange on 13 July 2006, the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "Corporate Governance Code") was not applicable to the Company for the period under review.

However, none of the directors of the Company is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not, for any part of the period between 13 July 2006, being the date of the Company's listing, and the date of this announcement, in due compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors (the "Code"). The Company has made specific enquiry of all its directors regarding any non-compliance with the Code. All the directors of the Company confirmed that they have fully complied with the required standard set out in the Code since the Company's listing.

AUDIT COMMITTEE

The Company established an audit committee in June 2006 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Board.

The audit committee has three members and comprises three independent non-executive directors of the Company, namely, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis. Mr. Lo Ming Chi, Charles has been appointed as the chairman of the audit committee.

The audit committee and the auditors of the Company, Deloitte Touche Tohmatsu, have reviewed and discussed with the Company's management regarding the Company's unaudited financial statements for the six months ended 30 June 2006.

By Order of the Board
Hembly International Holdings Limited
NGOK Yan Yu
Chairman

Hong Kong, 13 September 2006

As at the date of this announcement, the executive Directors are Mr. NGOK Yan Yu, Mr. LAM Hon Keung, Keith, Ms. TANG Chui Yi, Janny, Mr. WONG Ming Yeung, Mr. PIVA Antonio and Mr. APPELLA Marcello; the non-executive Director is Mr. JE Kin Ming; the independent non-executive Directors are Mr. LO Ming Chi, Charles, Mr. PAO Ping Wing and Mr. KWAN Hung Sang, Francis.

Please also refer to the published version of this announcement in The Standard.