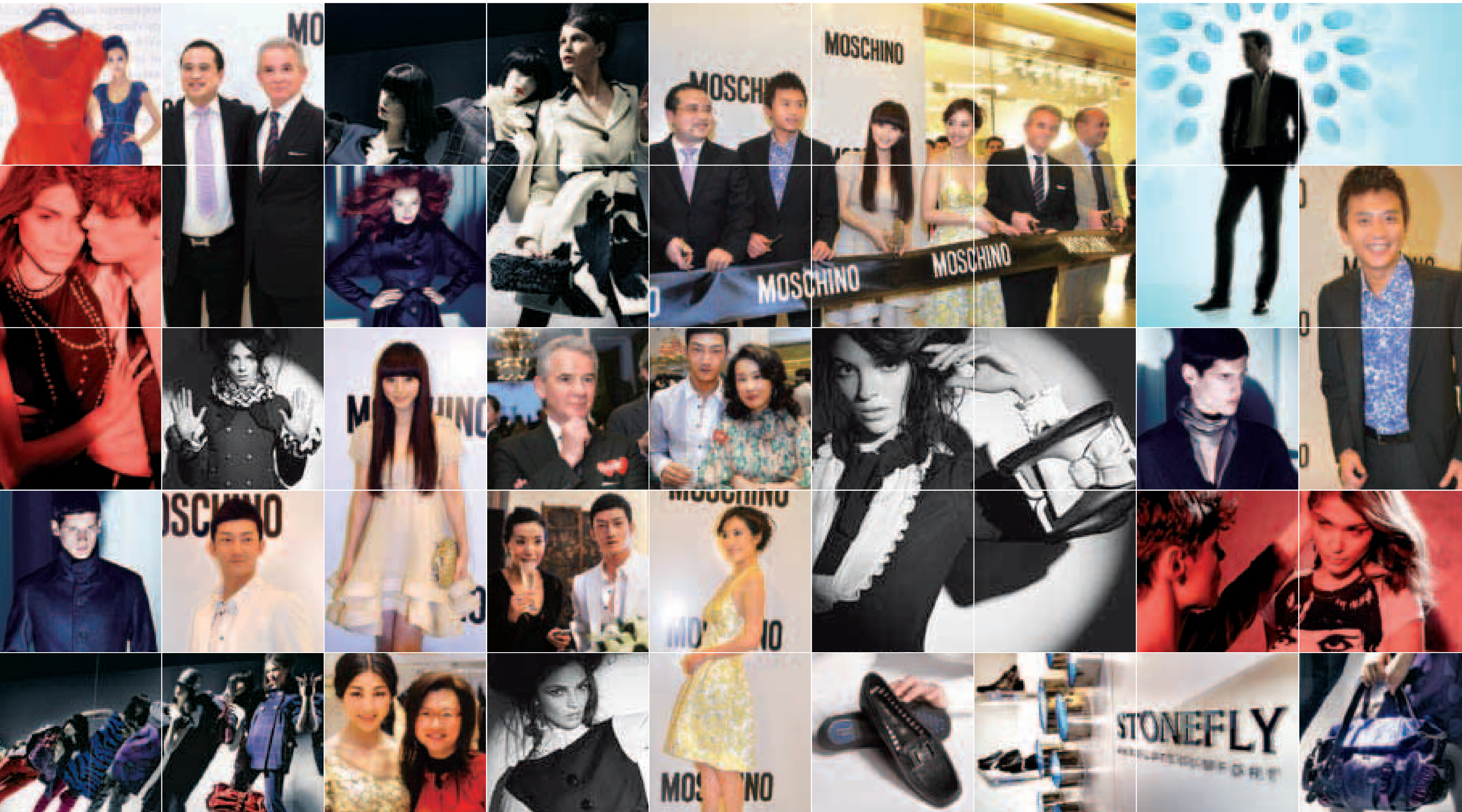
HEMBLY

2008
Interim Report
中 期 報 告

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

(Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 3989





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ngok Yan Yu *(Chairman)*
Mr. Lam Hon Keung, Keith *(Deputy Chairman)*
Ms. Tang Chui Yi, Janny *(Chief executive officer)*
Mr. Wong Ming Yeung
Ms. Tang Wai Ha
Mr. Marcello Appella

Non-executive Directors

Mr. Antonio Piva
Mr. Je Kin Ming

Independent Non-executive Directors

Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis

COMMITTEES

Audit Committee

Mr. Lo Ming Chi, Charles *(Chairman)*
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis

Nomination Committee

Mr. Ngok Yan Yu *(Chairman)*
Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis

Remuneration Committee

Mr. Pao Ping Wing *(Chairman)*
Mr. Kwan Hung Sang, Francis
Mr. Ngok Yan Yu

COMPANY SECRETARY

Ms. Kwan Shin Luen, Susanna

AUTHORIZED REPRESENTATIVES

Mr. Ngok Yan Yu
Ms. Kwan Shin Luen, Susanna

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

36/F., No. 1 Hung To Road
Kwun Tong
Kowloon
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Conyers Dill and Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 705
George Town
Grand Cayman
British West Indies

Branch Registrar in Hong Kong

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CORPORATE WEBSITE

www.hembly.com

STOCK CODE

3989


SISLEY
MOSCHINO
STONEFLY

A RECORD-BREAKING FIRST HALF 2008

"The strong performance in the first half of 2008 demonstrates the success of our vertical intergration and our ability to capture market share via the appeal of our affordable luxury brands. These core values will continue to bring us prosperity in the second half year."

BUSINESS AND FINANCIAL REVIEW

Overview

In the first half of 2008, the Group continued to record a robust growth despite global financial and economic uncertainties. The Group's revenue reached approximately HK$735.7 million, representing a record breaking increase of 100.3% over the same period last year. Profits attributable to the Company's equity holders increased 35.3% to approximately HK$61.8 million, as compared to the corresponding period last year.

During the period under review, the demand for the Group's products reached a record level of strength. Riding on the Group's increased clients' portfolio and organic growth momentum, the Group's supply chain services continued to contribute significantly towards the Group's turnover during the period under review.

Meanwhile, the Group's distribution and retailing businesses reaped satisfactory profits in light of the PRC's fast-growing retail market (especially in the mid- to high-income segments) and the Group's rapid expanding PRC distribution platform.

While the results in turnover are extremely encouraging during the period under review, the Group still shouldered severe production cost pressure, which resulted from PRC's increasingly difficult operating environment for manufacturing companies. The upward moving trends in raw material costs, wage levels, as well as the appreciation of Renminbi all adversely impacted on the Group's profitability. Within this challenging context, the Group made pro-active efforts to successfully enhance its productivity and operation efficiency. Coupled with the Group's improved gross margin for its distribution and retailing businesses, it successfully maintained an overall gross margin of approximately 32.1%.

Supply chain services

"Riding on Europe's outsourcing trend, the Group's exceptional performance in its supply chain services highlighted their immense value-added appeal."

The power of the Group's value added supply chain services is certainly a key driving force behind the outstanding performance. Being a leader to provide PRC supply chain services for global luxury and affordable luxury brands, the Group recorded further successes.

In the first half of 2008, European distributors and brands continued to focus on designing and marketing, whilst shifting production to Asia and in particular China. The Group's established track record in China's sourcing/ supply chain naturally positioned itself to become the major winner of all these correspondingly increased European orders. Meanwhile, the Group's exclusive sourcing rights for all Sergio Tacchini products definitely broadened the Group's supply chain revenue base, thereby added extra steam towards the Group's supply chain momentum. Against the above backdrop, the Group's revenue for supply chain services reached approximately HK$623.3 million, representing an increase of approximately 84.9%, as compared to the same period last year, which accounted for approximately 84.7% of the Group's revenue in the first half of 2008.

In the period under review, the Group's "key client" and "high-end customer" strategies proved shrewd and continued to progress smoothly. These strategies' success drove up our sales of high margin products, which helped to partially offset production costs hike as well as the correspondingly reduced margin resulting from the pure trading basis of Sergio Tacchini products. The above given, our gross margin for supply chain services decreased from approximately 34.6% to approximately 27.5% during the period under review.

"Reinforcement of our value-added services would be the only way to serve prestigous brands better."

As the Group's success is underpinned by its supply chain services, the Group has, during the period under review, moved its raw-material sourcing services upstream, which definitely strengthens our ODM supply chain management, thereby further fine-tuning its vertical integration business model.

On June 30, 2008, the Group entered into a joint-venture ("Nilorn JV") with Nilorn Group ("Nilorn"), a leading European fashion and textile components supplier, which engages in branding and designing of labels, packaging and accessories, principally for customers in the fashion industry.

Labeling and packaging are key presentation tools for brand image positioning of mid- to high-end brands. Previously, to protect the intellectual property rights, customers often design and manufacture their own labels, packaging and accessories in Europe. In light of the shifting of European's high-end apparel production and sourcing to China, the Group and Nilorn identified huge synergies in the setting up of the Nilorn JV, which is now offering holistic, creative and tailor-made design, product development and logistic solutions for labels, packaging and accessories to its existing and potential customers. With Nilorn's strong track record and reputation in Europe, serving prominent customers including GANT, coupled with the Group's extensive sourcing network, the Nilorn JV will provide an excellent business opportunity and platform for the Group to add value to the raw material sourcing needs of its customers, who naturally seek one-stop-shop solutions.

Going forward, the Group will continue to consolidate its valued added service. In particular, the Group would explore opportunities to further upstream its supply chain services and improve its production techniques via strategic alliances and

acquisitions. With the Group's well-honed sophisticated technologies coupled with its capability to engage in new industrial processes adapted to enriching its materials, thereby giving them new looks, performances and touches, the Group's positioning as China's leading supply chain services provider for luxury brands will be unrivalled.

Distribution and retailing

"We are benefiting from China's fast-growing consumer market and the remarkable performance of our unique brand portfolio."

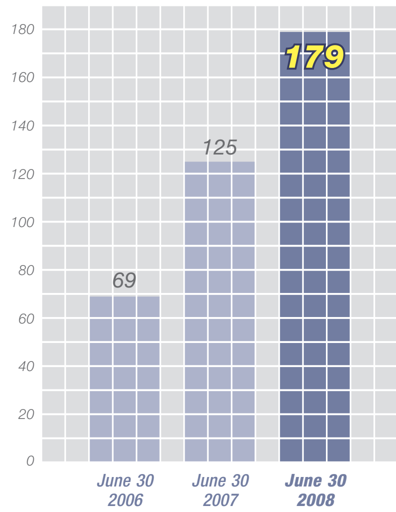
The Group's distribution and retailing businesses continued to operate under a favorable business environment due to the PRC's strong and sustained economic growth and its emerging middle class' increased consumption power. The business achieved sustainable growth in the first half of 2008, thereby contributing to the Group's bottom line. Gross margin also improved from approximately 51.8% to approximately 57.4%, as compared to the corresponding period last year. These achievements are the results of having adopted insightful marketing and sales strategies. Meanwhile, the Group's operating efficiency also improved through our steady and well planned expansion of points-of-sale.

Revenue for the Group's distribution and retailing businesses totaled approximately HK$112.4 million, recording a growth of approximately 271.7%, as compared to the same period last year and this accounted for approximately 15.3% of the Group's revenue.

The enrichment of the Group's brand portfolio has significantly contributed to the rocket high growth of its distribution and retailing sector.

Sisley, a brand with elegant and seductive collections, continued to capture the hearts of Chinese consumers. Gross margin of the *Sisley* JV is approximately 66.5% for the period under review.

Number of Point of Sale



Aiming to set the *Sisley* ever more firmly in the affordable luxury arena to attract higher-end customers, *Sisley* has gradually shifted its shop development strategy to embrace more stand-alone boutiques, with higher gross floor areas. Meanwhile, *Sisley* will consolidate its existing shop-in-shops so as to focus more on well-established department stores ladies' sections, in order to leverage on the Group's potential in ladies' wear market.

While *Sisley* will continue to pursue the above-said shop expansion strategy solidly, its brand will also benefit from the deployment of the Fall/Winter Collection. With themes including "Purity", "Hopeful", "Phobia", depicting contrasting moods with new grey, mineral and romantic forest tones, Sisley's iconic collections appeal would definitely reach its peak.

Moschino, a brand to which the Group was granted a 10 years distribution exclusivity in the PRC in June 2007, had inaugurated its presence in Beijing, Shenzhen, Suzhou in additional to its existing stand-alone boutique in Shanghai during the period under review. The *Moschino*, well-known for its unique style accented with a dash of humour, had been incarnated by celebrities including Fan Bing Bing, Deng Chao and Michelle Ye. With the success of its up-market positioning strategy. Gross margin of *Moschino* amounted to approximately 71.4% during the period under review.

In the second half of 2008, *Moschino* will continue to develop its retail networks steadily. While the *Moschino* will implement effective program to consolidate its presence in well established shopping centres with strong sales record and brand mix, it will also target new shopping centres with competitive locations, i.e. ground floor with double facade to enhance its image. Together with the implementation of a dynamic marketing plan, the Group could further increase market share for *Moschino* in China.

During the period under review, the Group's other existing brands also performed solidly. In line with the change in strategy for *Stonefly* to focus solely on footwear, the performance of the 50:50 *Stonefly* joint venture has improved in its third year. Leveraging on the Group's vertical integration business model, delivering products directly from factory to *Stonefly* shops have effectively reduced procurement costs and continued to improve the *Stonefly* gross margin from approximately 45.7% to approximately 52.1%, as compared to the same period last year.

In light of booming retail market in the luxury and affordable luxury sectors, the Group, in April 2008, successfully acquired the 50% shareholding in the 50:50 *Stonefly* joint venture from *Stonefly*, enabling the Group to enjoy more flexibility to apply its vertical integration strategies for the *Stonefly* and to seize further market share in the comfort shoes and accessories sector. In particular, the *Stonefly* brand will leverage on the Group's strength in supply chain services to localize products so as to specifically cater for the tastes and preferences of the Chinese market, whilst maintaining core elements of Italian design and style preserved.

In line with the Group's strategic plan to focus resources on affordable luxury and luxury sectors, which sectors offer much less market competition and would bring into the Group much higher margins and growth potentials, the Group, sold its 50% shareholding within the *Lotto* joint venture to Lotto. The sale is made with good judgment, as heavy investment would have been required from the Group to outstand the *Lotto* brand in the PRC's sportswear market, which had been more competitive than ever. The sale would allow the Group to better allocate its resources for the development of other existing brands, paving the way for the Group to become the leading affordable luxury brand operator in the PRC market.

Upon the completion of the sale, *Lotto* would remain the Group's major supply chain services customer.

Prospect

"China's increasing demand for international luxury brands coupled with our strong and dynamic brand portfolio will bring the group's distribution and retailing business to another climax."

Going forward, Hembly will continue to attract more luxury and affordable luxury brands into our portfolio. Against the backdrop of our vertical integration model for production which will consolidate our business focus to cover retailing as well as brand management, we are sure that our leading position in the affordable luxury and luxury sector would be unrivalled.

Awards and recognition

In January 2008, the Group was titled as "The Most Innovative Distributor & Retailer" by Forbes China Magazine, one of the world's leading business magazines. This clearly recognised the Group's achievements as the results of adopting a vertical integration model and bringing in international renowned brands to successfully tap into China's burgeoning retail market.

Operating expenses

During the period under review, the Group's distribution costs surged by 250.6% to HK$45.3 million, as compared to the corresponding period last year, which as a percentage of revenue, increased from 3.5% to 6.2%. This increase was attributable to increased custom duties, freight and insurance charges derived from the Group's supply chain services, as well as continued expansion of the Group's distribution and retailing businesses. As compared to supply chain services, distribution and retailing businesses require higher selling expense components in advertising and promotional expenses, salaries of sales staff, rentals and renovation expenses for retail stores.

The Group's administrative expenses increased substantially by approximately 68.2% to approximately HK$93.4 million during the period under review. Such increase in administrative expenses is attributable to increase in staff salaries and headcount to cope with the Group's expansion strategy of its distribution and retailing businesses and the amortization of the convertible redeemable preference shares. As the Group is dedicated to shrewd expenditure management and has expanded continuing efforts to streamline operational efficiency, the Group's administrative expenses decreased from 15.1% to 12.7%, as a percentage of revenue, as compared to the same period last year.

FINANCE COSTS

Finance costs increased by approximately 57.1% to approximately HK$23.2 million, as compared to the same period last year. This substantial increase is mainly attributable to a higher level of bank borrowings necessary to finance the Group's vast expansion.

Liquidity, financial resources and capital structure

The Group's financial position remained sound during the period under review. As at 30 June 2008, the Group had cash and bank balances of approximately HK$314.9 million, primarily denominated in RMB and HK dollars, (31 December 2007: HK$474.1 million), and total bank borrowings of approximately HK$821.6 millions, (31 December 2007: HK$683.7 million), of which approximately 77.6% constituted short-term bank borrowings and approximately 22.4% constituted long-term bank borrowings. The Group's bank borrowings were primarily denominated in RMB, HK dollars and US dollars. As at 30 June 2008, approximately 23.8%, 30.5%, and 45.3% of the Group's total bank borrowings were denominated in RMB, HK dollars and US dollars, respectively, with approximately 25.9% of the total bank borrowings subject to fixed interest rates and 74.1% subject to floating interest rates.

The 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 approximately 0.36 as at 31 December 2007 to approximately 0.77 as at 30 June 2008. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from approximately 1.74 as at 31 December 2007 to approximately 1.49 as at 30 June 2008. The high debt gearing as at 30 June 2008 as compared to 31 December 2007 was mainly due to the impact of the seasonal demand cycle on the increase in working capital, which was well supported by bank trading facilities.

The interest coverage for the period under review, expressed as a quotient of EBITDA over the interest expenses, was approximately 5.3, which is considered a comfortable level.

Foreign exchange exposure

The Group's sales were mostly denominated in US dollars and RMB, whilst its purchase and operating expenses were mostly denominated in RMB, US dollars and HK dollars. Although the Group's exposure to RMB and US dollar fluctuation is balanced by its RMB receipts from its PRC distribution and retail sales and US dollar receipts from its supply chain services, the Group's PRC distribution and retail sales are still small compared to its supply chain related export sales. To minimize possible foreign currency fluctuation related loss and maximize possible RMB appreciation profit, the Group adopts stringent treasury policies, which, during the period, had the strategy of holding the Group's majority monetary assets in RMB and this is proved to be very successful in the first half of 2008 due to the rapid RMB appreciation. During the period, the Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities if necessary.

Charges on assets

As at 30 June 2008, the Group's bank deposits of approximately HK$35.5 million, available-for-sale securities of approximately HK$11.8 million, property, plant and equipment with an aggregate net book value of approximately HK$152.9 million, and land use rights with an aggregate net book value of approximately


sergio tacchini. sport ego.

HK$53.5 million were pledged to secure the general banking facilities and bank borrowings granted to the Group.

Capital commitment

As at 30 June 2008, the Group had capital commitment of HK$1.0 million in respect of acquisition of property, plant and equipment, which were contracted but not provided for in the consolidated financial statements.

Contingent liabilities

As at 30 June 2008, the Group had no material contingent liabilities.

Employment information

As at 30 June 2008, the Group had about 2,594 employees in total, stationed mainly in the PRC, Hong Kong and Europe. The Group's emolument policies, which are reviewed periodically, are linked to the performance of 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 individual contributions.


AA28&AA30
MOSCHINO
MOSCHINO
SISLEY
MOSCHINO
STONEFLY
ABSOLUTECOMFORT
STONEFLY

Report on Review of Interim Financial Information

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
HEMBLY INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 20 to 40, which comprise the condensed consolidated balance sheet of Hembly International Holdings Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19 September 2008

Results

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 2008.

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**735,740**	367,351
Cost of sales		**(499,848)**	(234,937)
Gross profit		**235,892**	132,414
Other income		**13,516**	4,166
Administrative expenses		**(93,448)**	(55,545)
Distribution and selling expenses		**(45,287)**	(12,916)
Loss on fair value of conversion option derivative liability	*16*	**(4,453)**	–
Finance costs	*4*	**(23,221)**	(14,782)
Profit before tax		**82,999**	53,337
Income tax expense	*5*	**(21,111)**	(7,676)
Profit for the period	*6*	**61,888**	45,661
Attributable to:			
Equity holders of the Company		**61,768**	45,647
Minority interests		**120**	14
		61,888	45,661
Dividends	*7*	**19,812**	17,758
Earnings per share	*8*		
– Basic		**HK21.82 cents**	HK18.01 cents
– Diluted		**HK21.69 cents**	HK17.96 cents

Condensed Consolidated Balance Sheet

At 30 June 2008

	Notes	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**324,202**	230,983
Investment properties	9	**32,992**	71,505
Intangible asset		**15,615**	10,186
Goodwill		**36,303**	20,800
Prepaid lease payments		**68,446**	64,911
Loan to a jointly controlled entity		**–**	5,168
Available-for-sale investments		**8,630**	2,870
Deferred tax assets		**71**	287
		486,259	406,710
Current assets			
Inventories		**358,951**	178,559
Trade receivables	10	**408,638**	243,759
Deposits, prepayments and other receivables		**104,271**	109,058
Prepaid lease payments		**1,481**	1,389
Loans to jointly controlled entities		**6,023**	8,273
Amount due from a minority shareholder	11	**–**	6,689
Amount due from a related company	12	**202,738**	174,388
Amounts due from jointly controlled entities		**7,224**	6,609
Available-for-sale investments		**3,166**	3,174
Pledged bank deposits		**35,463**	48,099
Bank deposits with original maturity of more than three months		**192,833**	313,767
Bank balances and cash		**86,631**	112,223
		1,407,419	1,205,987
Assets classified as held for sale	13	**23,520**	41,530
		1,430,939	1,247,517

	Notes	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000 (audited)
Current liabilities			
Trade payables	14	**126,424**	131,260
Other payables and accruals		**90,550**	84,736
Loans from joint venturers of jointly controlled entities		**–**	13,441
Amounts due to joint venturers of jointly controlled entities		**13,173**	17,097
Amount due to a jointly controlled entity		**–**	5,812
Loan from a former joint venturer of a jointly controlled entity		**14,835**	–
Amount due to a former joint venturer of a jointly controlled entity		**16,582**	–
Taxation payable		**42,159**	26,064
Obligations under finance leases - due within one year		**903**	910
Bank borrowings - due within one year	15	**618,039**	426,009
Bank overdrafts		**19,103**	607
		941,768	705,936
Liabilities associated with assets classified as held for sale	13	**18,055**	13,080
		959,823	719,016
Net current assets		**471,116**	528,501
Total assets less current liabilities		**957,375**	935,211
Non-current liabilities			
Obligations under finance leases - due after one year		**1,571**	2,019
Bank borrowings - due after one year	15	**184,423**	257,128
Convertible redeemable preference shares	16	**71,869**	68,071
Conversion option derivative liability	16	**26,475**	22,022
Deferred tax liabilities		**7,913**	3,411
		292,251	352,651
		665,124	582,560
Capital and reserves			
Share capital	17	**28,303**	28,283
Reserves		**628,274**	546,624
Equity attributable to equity holders of the Company		**656,577**	574,907
Minority interests		**8,547**	7,653
		665,124	582,560

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Attributable to equity holders of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Enterprise expansion reserve *HK$'000* *(Note a)*	Statutory reserve *HK$'000* *(Note b)*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Special reserve *HK$'000* *(Note c)*	Investment revaluation reserve *HK$'000*	Step acquisition revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 January 2007 (audited)	25,288	94,496	2,015	7,460	10,958	1,889	30,052	(112)	–	173,144	345,190	21	345,211
Exchange difference arising on translation of foreign operations	–	–	–	–	14,903	–	–	–	–	–	14,903	–	14,903
Gain on fair value change of available-for-sale investments	–	–	–	–	–	–	–	185	–	–	185	–	185
Net income recognised directly in equity	–	–	–	–	14,903	–	–	185	–	–	15,088	–	15,088
Profit for the period	–	–	–	–	–	–	–	–	–	45,647	45,647	14	45,661
Total recognised income for the period	–	–	–	–	14,903	–	–	185	–	45,647	60,735	14	60,749
Recognition of equity settled share based payments	–	–	–	–	–	3,142	–	–	–	–	3,142	–	3,142
Exercise of share options	165	3,570	–	–	–	–	–	–	–	–	3,735	–	3,735
Dividend paid	–	–	–	–	–	–	–	–	–	(17,758)	(17,758)	–	(17,758)
At 30 June 2007 (unaudited)	25,453	98,066	2,015	7,460	25,861	5,031	30,052	73	–	201,033	395,044	35	395,079
At 1 January 2008 (audited)	28,283	210,685	2,015	10,931	38,744	2,505	30,052	508	-	251,184	574,907	7,653	582,560
Exchange difference arising on translation of foreign operations	-	-	-	-	36,580	-	-	-	-	-	36,580	774	37,354
Loss on fair value change of available–for–sale investments	-	-	-	-	-	-	-	(103)	-	-	(103)	-	(103)
Revaluation increase on step acquisition from a jointly controlled entity to a subsidiary recognised directly in equity	-	-	-	-	-	-	-	-	1,118	-	1,118	-	1,118
Net income (expense) recognised directly in equity	-	-	-	-	36,580	-	-	(103)	1,118	-	37,595	774	38,369
Profit for the period	-	-	-	-	-	-	-	-	-	61,768	61,768	120	61,888
Total recognised income (expense) for the period	-	-	-	-	36,580	-	-	(103)	1,118	61,768	99,363	894	100,257
Recognition of equity settled share based payments	-	-	-	-	-	1,539	-	-	-	-	1,539	-	1,539
Exercise of share options	20	560	-	-	-	-	-	-	-	-	580	-	580
Transfer to share premium upon exercise of share options	-	100	-	-	-	(100)	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(19,812)	(19,812)	-	(19,812)
At 30 June 2008 (unaudited)	28,303	211,345	2,015	10,931	75,324	3,944	30,052	405	1,118	293,140	656,577	8,547	665,124

Notes:

(a) According to the respective Articles of Association, the subsidiaries registered in the People's Republic of China ("PRC") shall make appropriation to the enterprise expansion fund out of profit after taxation based on their statutory financial statements, and the amount and allocation basis are decided by its board of directors annually. The enterprise expansion fund can be used to expand the capital of the PRC subsidiaries.

(b) The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of net profit after taxation based on the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after taxation unless the aggregate amount exceeded 50% of registered capital of the relevant PRC subsidiary. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiary.

(c) The special reserve includes:

i) the difference between the aggregate of the nominal value of share capital of the subsidiaries acquired by Full Prosper Holdings Limited ("Full Prosper") pursuant to a group reorganisation in May 2005 and the nominal value of the share capital issued by Full Prosper as consideration for the acquisition during the year ended 31 December 2005 and;

ii) the difference between the aggregate of the nominal value of share capital and share premium of Full Prosper acquired by the Company pursuant to a group reorganisation in June 2006 and the nominal value of the share capital issued by the Company as consideration for the acquisition during the year ended 31 December 2006.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		**(182,157)**	(103,773)
INVESTING ACTIVITIES			
Decrease (increase) in bank deposits with original maturity of more than three months		**120,934**	(45,286)
Decrease in pledged bank deposits		**12,636**	20,536
Acquisition of a subsidiary	*18*	**338**	–
Purchase of available-for-sale investments		**(6,162)**	–
Purchase of property, plant and equipment		**(49,974)**	(14,913)
Other investing cash flows		**(16,574)**	(20,390)
Proceeds on disposal of property, plant and equipment		**–**	176
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**61,198**	(59,877)
FINANCING ACTIVITIES			
New bank borrowings raised		**1,308,334**	1,009,672
Repayment of bank borrowings		**(1,206,007)**	(753,815)
Interest paid		**(23,221)**	(14,782)
Dividend paid		**(19,812)**	(17,758)
Other financing cash flows		**8,208**	4,161
NET CASH FROM FINANCING ACTIVITIES		**67,502**	227,478
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(53,457)**	63,828
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**10,175**	3,605
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**111,616**	30,906
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**68,334**	98,339
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**86,631**	111,373
Bank overdrafts		**(19,103)**	(13,034)
Cash and cash equivalents included in a disposal group held for sale		**806**	–
		68,334	98,339

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

1. Basis of preparation

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 of Hong Kong Limited and with Hong Kong Accounting Standard 34 ("HKAS34"), *Interim Financial Reporting*.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007 except as describle below:

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

In the current interim period, the Group has applied, for the first time, new interpretations ("new Interpretations") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2008.

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new and revised standards or interpretations that have been issued but are not yet effective.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of other standards or interpretations will have no material impact on the results and financial position of the Group.

3. Segment information

	Six months ended 30 June 2008			
	Manufacturing and sales of apparel and accessories	**Distribution and retailing of apparel and footwear**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	**623,300**	**112,440**	**–**	**735,740**
Inter-segment sales	**3,728**	**–**	**(3,728)**	**–**
Total	**627,028**	**112,440**	**(3,728)**	**735,740**

Inter-segment sales are charged at prevailing market rates.

Segment result	**103,209**	**12,039**	**–**	**115,248**
Unallocated income				**2,737**
Unallocated corporate expenses				**(7,312)**
Loss on fair value of conversion option derivative liability				**(4,453)**
Finance costs				**(23,221)**
Profit before tax				**82,999**
Income tax expense				**(21,111)**
Profit for the period				**61,888**

	Six months ended 30 June 2007			
	Manufacturing and sales of apparel and accessories	Distribution and retailing of apparel and footwear	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	337,100	30,251	–	367,351
Inter-segment sales	544	–	(544)	–
Total	337,644	30,251	(544)	367,351

Inter-segment sales are charged at prevailing market rates.

Segment result	72,897	2,307	–	75,204
Unallocated income				2,346
Unallocated corporate expenses				(9,431)
Finance costs				(14,782)
Profit before tax				53,337
Income tax expense				(7,676)
Profit for the period				45,661

4. Finance costs

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings and overdrafts wholly repayable		
– within five years	**22,904**	14,323
– over five years	**–**	152
Obligations under finance leases	**70**	122
Loans from joint venturers of jointly controlled entities	**247**	185
	23,221	14,782

5. Income tax expense

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008 - 2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 June 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30 June 2008.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 17% (2007: 12%) for the six months ended 30 June 2008.

On 16 March 2007, the People's Republic of China (the "PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate to 25% for the Group's subsidiaries from 1 January 2008.

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Other jurisdictions	**16,599**	7,369
Underprovision in prior years:		
Hong Kong	**–**	307
Deferred tax :		
Current year	**4,512**	–
	21,111	7,676

6. Profit for the period

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**11,255**	7,142
Amortisation of intangible assets	**1,595**	88
Amortisation of prepaid lease payments	**763**	623
Amortisation of convertible redeemable preference shares	**3,798**	–
Loss on disposal of property, plant and equipment	**553**	1
Impairment loss recognised in respect of trade receivables	**2,438**	–
Exchange (gain) loss	**(7,179)**	1,903

7. Dividends

On 23 June 2008, a dividend of HK 7 cents per share (2007: HK 7 cents per share) was paid to shareholders as the final dividend for 2007.

The directors have determined that an interim dividend of HK 3 cents per share (2007: HK 3 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 24 October 2008.

8. Earnings per share

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to equity holders of the Company)	**61,768**	45,647
Adjustment to the share of profit of a subsidiary based on potential dilution of its earnings per share in respect of convertible preference shares	**(222)**	–
Earnings for the purpose of diluted earnings per share	**61,546**	45,647
Number of shares	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**283,021**	253,518
Effect of dilutive potential ordinary shares for share options	**793**	574
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**283,814**	254,092

9. Movements in property, plant and equipment and investment properties

During the period, the Group acquired approximately HK$8,903,000 leasehold improvements. The Group also acquired approximately HK$679,000 and HK$5,437,000 plant and machinery and furniture, fixtures and equipment, respectively, for the expansion of its production capacity. In addition, the Group spent approximately HK$34,955,000 on the construction of factory plant in Yangzhou for the expansion of production capacity.

At 30 June 2008, the Group has changed the use of some properties from earning rentals to administrative purpose, amount of HK$43,231,000 has been transferred from investment properties to property, plant and equipment. The Group's investment properties were fair valued by external valuer by reference to market evidence of transaction prices for similar properties at 30 June 2008. There was no material change in fair value of investment properties at period end.

10. Trade receivables

The Group allows an average credit period of 60 to 90 days to its trade customers. Trade receivables of approximately HK$4,511,000 have been classified as part of a disposal group held for sale.

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

	30 June 2008 *HK$'000* **(unaudited)**	31 December 2007 *HK$'000*
0 - 90 days	**387,796**	223,661
91 - 180 days	**12,676**	8,810
181 - 360 days	**6,532**	9,834
Over 360 days	**1,634**	1,454
	408,638	243,759

11. Amount due from a minority shareholder

In December 2007, Well Metro Group Limited ("Well Metro"), one of the non-wholly owned subsidiaries of the Company issued certain ordinary shares to a minority shareholder at HK$6,689,000, which was fully settled as at 30 June 2008.

12. Amount due from a related company

	30 June 2008 *HK$'000* **(unaudited)**	31 December 2007 *HK$'000*
Sergio Tacchini International S.P.A. (formerly known as H4T S.r.l.) (Note)	**202,738**	174,388

Note: Mr. Ngok Yan Yu, a director and major shareholder of the Company, has beneficial interest in this Company.

The above amount represents trade receivable which is unsecured, interest free and the Group allows a credit period of 120 days.

The following is an aged analysis of amount due from a related company at the balance sheet date:

	30 June 2008 *HK$'000* **(unaudited)**	31 December 2007 *HK$'000*
0 - 90 days	**100,389**	83,132
91 - 180 days	**38,355**	85,036
181 - 360 days	**63,994**	6,220
	202,738	174,388

13. Assets classified as held for sale/ liabilities associated with assets classified as held for sale

In June 2008, the Group entered into a sale agreement to dispose of 50% shareholdings in a jointly controlled entity, Lotto China Limited ("Lotto"), to a joint venturer of Lotto, which carried out distribution and retailing of apparel and footwear at a consideration of HK$6,000,000. The transaction was completed in July 2008.

In December 2007, Hembly Italia S.r.l, one of the wholly owned subsidiaries of the Company, acquired 100% interest in Pianeta Terra S.r.l. ("PT"), for an amount of approximately H$28,450,000 (EUR2.5 million). PT was incorporated in 2007 and owns a patent in Europe contributed by the former shareholder. The Group acquired PT with an intention to expand its retail business. However, upon the completion of acquisition the director of the Company decided to dispose of PT. PT is therefore accounted for as held for sale at initial recognition.

In February 2008, PT was disposed of to an independent third party. No gain or loss was resulted from the disposal of PT.

14. Trade payables

Trade payables of approximately HK$3,383,000 have been classified as part of a disposal group held for sale.

The Group classified the assets and liabilities of Lotto and PT as assets held for sale and liabilities associated with assets held for sale upon meeting the criteria set out in HKFRS 5 *Non-current Asset Held for Sale and Discontinued Operations*.

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

	30 June 2008 *HK$'000* **(unaudited)**	31 December 2007 *HK$'000*
0 - 90 days	**93,673**	111,138
91 - 180 days	**20,837**	15,138
181 - 360 days	**11,217**	4,446
Over 360 days	**697**	538
	126,424	131,260

15. Bank borrowings

During the period, the Group obtained new trade finance and bank loans of approximately HK$1,308,334,000 which carries interest rate at market rate of ranged from 4% to 7% per annum and is payable within one year from drawn down date. The proceeds were used to finance the expanding business of the Group.

	30 June 2008 *HK$'000* **(unaudited)**	31 December 2007 *HK$'000*
Bank borrowings	**802,462**	683,137
Bank overdrafts	**19,103**	607
	821,565	683,744
Analysed as:		
Secured	**590,574**	387,134
Unsecured	**230,991**	296,610
	821,565	683,744
Carrying amount repayable on bank borrowings:		
Within one year	**618,039**	426,009
More than one year, but not exceeding two years	**184,423**	172,724
More than two years, but not exceeding three years	**–**	82,748
More than three years, but not exceeding four years	**–**	909
More than four years, but not exceeding five years	**–**	747
	802,462	683,137
Less: Amounts due within one year shown under current liabilities	**(618,039)**	(426,009)
Amounts due after one year shown under non-current liabilities	**184,423**	257,128

16. Convertible redeemable preference shares/conversion option derivative liability

On 28 December 2007, Well Metro has issued 1,500 shares of convertible redeemable preference share with a yield to maturity in an amount equal to 5% of the issue price per annum, compounded annually, to an independent third party at a consideration of approximately HK$90,859,000 ("Consideration"). One convertible redeemable preference share can be converted to one ordinary share of Well Metro at any time after date of issuance, subject to certain adjustments including adjustment on conversion ratio based on actual profit of Well Metro and its subsidiaries, and is redeemable at an amount equal to Consideration plus any accrued yield by the holder after three years from date of issuance.

The convertible redeemable preference shares contain two components, liability component of approximately HK$68,071,000 and convertible option derivative of approximately HK$22,022,000. The relevant transaction cost for the issuance of the convertible redeemable preference shares of approximately HK$766,000 are included in the liability component. At 31 December 2007, the effective interest rate of the liability component is 8.6%. The conversion option derivative is measured at fair value with changes in fair value recognised in consolidated income statement.

At 30 June 2008, the fair value of convertible option derivative increased from HK$22,022,000 to HK$26,475,000. The loss on fair value of HK$4,453,000 was recognised in consolidated income statement immediately.

17. Share capital

	Number of ordinary shares		**Amount**	
	30 June 2008	31 December 2007	**30 June 2008** *HK$'000*	31 December 2007 *HK$'000*
Authorised:				
At beginning of period/year and at end of period/year	**2,000,000,000**	2,000,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of period/year	**282,830,000**	252,880,000	**28,283**	25,288
Issue of shares	**–**	23,800,000	**–**	2,380
Exercise of share options	**200,000**	6,150,000	**20**	615
At end of period/year	**283,030,000**	282,830,000	**28,303**	28,283

During the period, a total of 200,000 ordinary shares of the Company were issued upon the exercise of 200,000 share options at an exercise price of HK$2.90.

18. Acquisition of a subsidiary

On 28 April 2008, the Group acquired additional 50% of the issued share capital of STF (China) Limited ("STF") for a consideration of approximately HK$7,380,000 (EUR600,000). Before the acquisition, the Group recognised its 50% interests in STF as jointly controlled entity using proportionate consolidation. This acquisition of additional 50% of the equity interest has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$15,503,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Provisional Fair value adjustments** *HK$'000*	**Provisional fair value** *HK$'000*
Net assets acquired:			
Intangible asset	–	2,236	2,236
Property, plant and equipment	4,438	–	4,438
Inventories	17,574	–	17,574
Trade receivables	12,478	–	12,478
Deposits, prepayments and other receivables	5,634	–	5,634
Bank balances and cash	676	–	676
Trade payables	(1,436)	–	(1,436)
Other payables and accruals	(4,514)	–	(4,514)
Amounts due to related companies	(43,532)	–	(43,532)
Bank borrowings	(9,800)	–	(9,800)
	(18,482)	2,236	(16,246)
Less: Net liabilities previously held by the Group using proportionate consolidation			9,241
Step acquisition revaluation reserve			(1,118)
Goodwill			15,503
Total consideration satisfied by:			
Amount due to a former joint venturer of a jointly controlled entity			7,380
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			338

STF contributed HK$9,670,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2008, total group revenue for the period would have been HK$740,631,000, and profit for the period would have been HK$61,487,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

19. Capital and other commitments

	30 June 2008 *HK$'000* **(unaudited)**	31 December 2007 *HK$'000*
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	**962**	59,565

During the year ended 31 December 2007, the Group entered into a franchise agreement with an independent third party for the grant of franchise and distribution right in relation to footwear and apparel in the PRC for a period of ten years up to May 2017. Pursuant to the franchise agreement, the Group has committed to open 30 retail shops in the PRC within five years. At 30 June 2008, the Group has opened 5 retail shops and has committed to open the remaining 25 retail shops within five years.

20. Related party transactions

During the period, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transactions	Six months ended 30 June **2008** HK$'000 **(unaudited)**	2007 HK$'000 (unaudited)
Long Wise (Holdings) Limited +	Service fee paid	**906**	888
STF (China) Limited @	Interest income received	**124**	185
	Management fee income received	**220**	345
Lotto China Limited *	Management income received	**345**	345
Lotto (Nanjing) Garment Company Limited *	Rental income received	**286**	–
Shanghai Sisley Trading Company Limited *	Purchase of apparel	**5,036**	–
M.T.T. Yangzhou Garment Company Limited *	Sales of property, plant and equipment	**–**	129
	Sales of apparel	**–**	5,939
	Sourcing income received	**446**	–
Sergio Tacchini International S.P.A. #	Sales of apparel	**125,674**	5,123
	Sourcing income received	**4,658**	–
M.T.T. Limited *	Management fee income received	**420**	79

+ The company is a minority shareholder of the Company's subsidiary.
* The company is a jointly controlled entity of the Company.
# A director of the Company has beneficial interest in this company.
@ The Company is a jointly controlled entity of the Company before 28 April 2008.

Stonefly S.P.A., a shareholder of a former jointly controlled entity, STF, acted as a joint guarantor with a subsidiary of the Company, Hembly Garment Manufacturing Limited, for bank facility of approximately HK$18,000,000 granted to STF at 30 June 2007. The amount utilised by STF was approximately HK$15,297,000 at 30 June 2007.

At 30 June 2008, an additional 50% shareholdings of STF, has been acquired by the Group, as such it becomes a wholly-owned subsidiary of the Group at period end.

At 30 June 2007, a related company in which a director of the Company has beneficial interest has granted bank guarantee to a subsidiary of the Company for bank borrowing of approximately HK$10,360,000.

The remuneration of key management personnel, which represented by directors' remuneration, during the period was as follows:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	**5,257**	4,281
Post-employment benefits	**24**	18
Share-based payment	**1,539**	427
	6,820	4,726

21. Events after the balance sheet date

During the period, the Group entered into an agreement to dispose 50% shareholdings of a jointly controlled entity, Lotto at consideration of HK$6,000,000. Details of assets classified as held for sale and liabilities associated with assets classified as held for sale are disclosed in note 13.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2008, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

(a) Long position in the shares of the Company

Name of director	Capacity	Number of shares held	Approximate percentage of shareholdings
Mr. Ngok Yan Yu	Interest of a controlled corporation *(Note 1)*	101,829,470	35.98%
Ms. Tang Chui Yi, Janny	Interest of a spouse *(Note2)*	101,829,470	35.98%
Mr. Lam Hon Keung, Keith	Beneficial owner	100,000	0.04%
Mr. Wong Ming Yeung	Beneficial owner	10,000	0.004%
Mr. Marcello Appella	Interest of a controlled corporation *(Note 3)*	3,588,030	1.27%
Mr. Je Kin Ming	Interest of a controlled corporation *(Note 4)*	5,980,050	2.11%
Mr. Kwan Hung Sang, Francis	Beneficial owner	180,000	0.06%

Notes:

1. These Shares were held by Charm Hero Investments Limited ("Charm Hero"), which was wholly owned by Mensun Limited ("Mensun"), which was in turn wholly owned by Mr. Ngok Yan Yu, a controlling shareholder and the chairman of the Company. As such, Mr. Ngok Yan Yu was deemed or taken to be interested in the Shares held by Charm Hero for the purposes of the SFO.

2. Ms. Tang Chui Yi, Janny was an executive director of the Company and the spouse of Mr. Ngok Yan Yu. As such, Ms. Tang Chui Yi, Janny was deemed or taken to be interested in the Shares beneficially owned by Mr. Ngok Yan Yu for the purposes of the SFO.

3. These Shares were held by Sycomore Limited ("Sycomore"), which was owned as to 50% by Mr. Marcello Appella, an executive director of the Company, and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella. As such, Mr. Marcello Appella was deemed or taken to be interested in the Shares held by Sycomore for the purposes of the SFO.

4. These Shares were held by Capital Way Management Limited ("Capital Way"), which was wholly owned by Walter International Corporation, which was in turn wholly owned by Mr. Je Kin Ming, a non-executive director of the Company. As such, Mr. Je Kin Ming was deemed or taken to be interested in the Shares held by Capital Way for the purposes of the SFO.

(b) Long positions in the shares of the associated corporations of the Company

Name of director	Name of associated corporation	Capacity	Number of shares held	Approximate percentage of shareholdings
Mr. Ngok Yan Yu	Complete Expert Limited ("Complete Expert")	Trustee	20 *(Note 1)*	20%
	Charm Hero	Interest of a controlled corporation	2 *(Note 2)*	100%
Ms. Tang Chui Yi, Janny	Complete Expert	Interest of a spouse	20 *(Note 3)*	20%
	Charm Hero	Interest of a spouse	2 *(Note 3)*	100%

Notes:

1. Pursuant to a declaration of trust dated 1 September 2004, Mr. Ngok Yan Yu, a controlling shareholder and the chairman of the Company, held 20 shares in Complete Expert, being 20% of its entire issued share capital, in trust for Hembly Garment Manufacturing Limited, an indirect wholly owned subsidiary of the Company.

2. Charm Hero was wholly owned by Mensun, which was wholly owned by Mr. Ngok Yan Yu.

3. Ms. Tang Chui Yi, Janny was an executive director of the Company and the spouse of Mr. Ngok Yan Yu. As such, Ms. Tang Chui Yi, Janny was deemed or taken to be interested in the shares beneficially owned by Mr. Ngok Yan Yu for the purposes of the SFO.

(c) *Share options of the Company*

The Company adopted a share option scheme on 15 June 2006 (the “Share Option Scheme”) and in which the maximum number of options to be granted under the Share Option Scheme was refreshed after the approval from the shareholders has been obtained at the annual general meeting held on 27 May 2008. In other words, the Company has been authorized to grant options under the Share Option Sheme for subscription of up to total 28,303,000 Shares, representing 10% of the issued share capital of the Company as at the date of passing the resolution by shareholders. Particulars of the Share Options Scheme were set out in note 46 to the consolidated financial statements in the Company’s annual report for the year ended 31 December 2007. During the period under review, there were no share options granted or lapsed, while movements of the outstanding share options and the interests of the Directors and the chief executives in the share options of the Company were detailed as follows:

	Number of share options					
	Balance as at 1 January 2008	**Exercised during the period**	**Balance as at 30 June 2008**	**Exercisable period**	**Exercise price**	**Approximate percentage of issued share capital of the Company**
Directors						
Mr. Ngok Yan Yu *(Note 1)*	1,000,000 *(Note 2)*	–	1,000,000	14/9/2006 – 13/9/2009	HK$2.60	
	300,000 *(Note 3)*	–	300,000	09/10/2007 – 08/10/2010	HK$4.91	
	1,300,000	–	1,300,000			0.46%
Ms. Tang Chui Yi, Janny *(Note 1)*	800,000 *(Note 2)*	–	800,000	14/9/2006 – 13/9/2009	HK$2.60	
	400,000 *(Note 3)*	–	400,000	09/10/2007 – 08/10/2010	HK$4.91	
	1,200,000	–	1,200,000			0.42%

	Number of share options					
	Balance as at 1 January 2008	Exercised during the period	Balance as at 30 June 2008	Exercisable period	Exercise price	Approximate percentage of issued share capital of the Company
Directors						
Mr. Lam Hon Keung, Keith	400,000 *(Note 2)*	–	400,000	14/9/2006 – 13/9/2009	HK$2.60	
	200,000 *(Note 3)*	–	200,000	09/10/2007 – 08/10/2010	HK$4.91	
	600,000	–	600,000			0.21%
Mr. Wong Ming Yeung	250,000 *(Note 2)*	–	250,000	14/9/2006 – 13/9/2009	HK$2.60	
	300,000 *(Note 3)*	–	300,000	09/10/2007 – 08/10/2010	HK$4.91	
	550,000	–	550,000			0.19%
Ms. Tang Wai Ha	300,000 *(Note 4)*	–	300,000	7/5/2007 – 6/5/2010	HK$2.9	
	300,000	–	300,000			0.11%
Mr. Marcello Appella	500,000 *(Note 2)*	–	500,000	14/9/2006 – 13/9/2009	HK$2.60	
	250,000 *(Note 3)*	–	250,000	09/10/2007 – 08/10/2010	HK$4.91	
	750,000	–	750,000			0.26%

	Number of share options					
	Balance as at 1 January 2008	Exercised during the period	Balance as at 30 June 2008	Exercisable period	Exercise price	Approximate percentage of issued share capital of the Company
Directors						
Mr. Antonio Piva	500,000 *(Note 2)*	–	500,000	14/9/2006 – 13/9/2009	HK$2.60	
	500,000	–	500,000			0.18%
Mr. Je Kin Ming	500,000 *(Note 2)*	–	500,000	14/9/2006 – 13/9/2009	HK$2.60	
	500,000	–	500,000			0.18%
Employees in aggregate	900,000 *(Note 4)*	(200,000)	700,000	7/5/2007 – 6/5/2010	HK$2.90	
	550,000 *(Note 5)*	–	550,000	9/10/2007 – 8/10/2010	HK$4.91	
	1,450,000	(200,000)	1,250,000			0.44%

Notes:

1. Ms. Tang Chui Yi, Janny is the spouse of Mr. Ngok Yan Yu. As such, Ms. Tang Chui Yi, Janny and Mr. Ngok Yan Yu were deemed or taken to be interested in the share options of each other for the purposes of the SFO. The aggregate family interest in share options is 2,500,000 which represents approximately 0.88% of the issued share capital of the Company as at 30 June 2008.

2. These share options were granted on 14 September 2006. 20% of the granted share options would vest on 14 September 2006 and be exercisable from 14 September 2006 to 13 September 2009. Another 30% of the granted share options would vest on 14 September 2007 and be exercisable from 14 September 2007 to 13 September 2009. The remaining 50% of the granted share options would vest on 14 September 2008 and be exercisable from 14 September 2008 to 13 September 2009.

3. These share options were granted on 9 October 2007. 20% of the granted share options would vest on 9 October 2007 and be exercisable from 9 October 2007 to 8 October 2010. Another 30% of the granted share options would vest on 9 October 2008 and be exercisable from 9 October 2008 to 8 October 2010. The remaining 50% of the granted share options would vest on 9 October 2009 and be exercisable from 9 October 2009 to 8 October 2010.

4. These share options were granted on 7 May 2007 and would vest on 7 May 2007 and be exercisable from 7 May 2007 to 6 May 2010.

5. These share options were granted on 9 October 2007 and would vest on 9 October 2007 and be exercisable from 9 October 2007 to 8 October 2010.

Save as disclosed above, as at 30 June 2008, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2008, the following shareholders (other than the Directors or chief executive of the Company whose interests and short positions in the shares or underlying shares of the Company and its associated corporations as disclosed above) had interests in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholdings
Mensun	Interest of a controlled corporation *(Note 1)*	101,829,470	35.98%
Charm Hero	Beneficial owner *(Note 1)*	101,829,470	35.98%
Ward Ferry Management (BVI) Limited	Investment manager *(Note 2)*	25,508,000	9.01%
Keywise Capital Management (HK) Limited	Investment manager *(Note 3)*	24,848,000	8.78%
Keywise Greater China Opportunities Master Fund	Beneficial owner *(Note 3)*	24,848,000	8.78%
Cheah Cheng Hye	Founder of a discretionary trust *(Note 4)*	19,726,420	6.97%
To Hau Yin	Interest of a spouse *(Note 4)*	19,726,420	6.97%

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholdings
Hang Seng Bank Trustee International Limited	Trustee *(Note 4)*	19,726,420	6.97%
Cheah Company Limited	Interest of a controlled corporation *(Note 4)*	19,726,420	6.97%
Cheah Capital Management Limited	Interest of a controlled corporation *(Note 4)*	19,726,420	6.97%
Value Partners Group Limited	Interest of a controlled corporation *(Note 4)*	19,726,420	6.97%
Value Partners Limited	Investment manager *(Note 4)*	19,726,420	6.97%
New World Development Company Limited	Interest of a controlled corporation *(Note 5)*	15,199,320	5.37%
New World Enterprise Holdings Limited	Interest of a controlled corporation *(Note 5)*	15,199,320	5.37%
New World China Industrial Limited	Interest of a controlled corporation *(Note 5)*	15,199,320	5.37%
New World China Enterprises Investments Limited	Interest of a controlled corporation *(Note 5)*	15,199,320	5.37%
New World Liberty China Ventures Limited	Interest of a controlled corporation *(Note 5)*	15,199,320	5.37%
Liberty New World China Enterprises Investments, LP	Interest of a controlled corporation *(Note 5)*	15,199,320	5.37%
Smart Fame Holdings Limited	Beneficial owner *(Note 5)*	15,199,320	5.37%

Notes:

1. These Shares were held by Charm Hero, which was wholly owned by Mensun. As such, Mensun was deemed or taken to be interested in the Shares held by Charm Hero for the purpose of the SFO.

2. These Shares were held as to 18,508,000 Shares by WF Asian Reconnaissance Fund Limited and as to 7,000,000 Shares by WF Asian Smaller Companies Fund Limited. Both WF Asian Reconnaissance Fund Limited and WF Asian Smaller Companies Fund Limited were managed by Ward Ferry Management (BVI) Limited in the capacity as investment manager. As such, Ward Ferry Management (BVI) Limited was deemed or taken to be beneficially interested in the Shares respectively held by WF Asian Reconnaissance Fund Limited and WF Asian Smaller Companies Fund Limited for the purposes of the SFO.

3. These Shares were held by Keywise Greater China Opportunities Master Fund, as their beneficial owner and were held by Keywise Capital Management (HK) Limited as their investment manager. As such, Keywise Capital Management (HK) Limited was deemed or taken to be beneficially interested in the Shares held by Keywise Greater China Opportunities Master Fund for the purpose of the SFO.

4. These Shares were held by Value Partners Limited, a wholly owned subsidiary of Value Partners Group Limited, which was owned as to approximately 35.65% by Cheah Capital Management Limited, a wholly owned subsidiary of Cheah Company Limited, whose entire issued capital was held by Hang Seng Bank Trustee International Limited (acting as trustee for The C H Cheah Family Trust of which Mr. Cheah Cheng Hye is a discretionary object). As such, Cheah Cheng Hye and To Hau Yin as his spouse were deemed or taken to be interested in the Shares held by Value Partners Limited for the purpose of the SFO.

5. These Shares were held by Smart Fame Holdings Limited, a wholly owned subsidiary of New World Liberty China Ventures Ltd., which was owned as to 50% by New World China Enterprises Investments Limited and as to 50% by Liberty New World China Enterprises Investments, LP, New World China Enterprises Investments Limited was a wholly owned subsidiary of New World China Industrial Limited, which was in turn a wholly owned subsidiary of New World Enterprise Holdings Limited, which was in turn wholly owned by New World Development Company Limited. As such, New World Liberty China Ventures Ltd., New World China Enterprises Investments Limited, New World China Industrial Limited, New World Enterprise Holdings Limited, New World Development Company Limited and Liberty New World China Enterprises Investments, LP were deemed to be beneficially interested in the Shares held by Smart Fame Holdings Limited for the purposes of the SFO.

Save as disclosed above, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 30 June 2008 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, sale or redemption of listed securities of the company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period.

Interim dividend

The Directors has resolved to declare an interim dividend of HK3.0 cents per share for the six months ended 30 June 2008 (six months ended 30 June 2007: HK3.0 cents), payable on or about Thursday, 6 November 2008, to the shareholders whose names appear on the register of members of the Company on Friday, 24 October 2008.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 22 October 2008 to Friday, 24 October 2008, 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 with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 21 October 2008.

Corporate governance practices

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices. The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the period.

Directors' securities transactions

The Company has adopted the Model Code as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquiries of all its directors regarding any non-compliance with the Model Code, and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

Audit committee

The audit committee comprises three independent non-executive directors, 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 has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2008 with the management.

In addition, the Group's external auditors performed an independent review of the interim financial information for the six months ended 30 June 2008 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 HKICPA. The auditors based on their review, concluded that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34 "Interim Financial Reporting".

On behalf of the Board
Mr. Ngok Yan Yu
Chairman

Hong Kong, 19 September 2008

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