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

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 3989)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

HIGHLIGHTS

- Revenue amounted to HK$735.7 million, an increase of 100.3%
- Gross profit increased by 78.1% to HK$235.9 million at a margin of 32.1%
- Net profit attributable to shareholders of the Company increased by 35.3% to HK$61.8 million
- Basic earnings per share was HK21.8 cents per share
- Declared interim dividend of HK3.0 cents per share

INTERIM 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. The interim results have been reviewed by the Company's auditors in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Company's audit committee has also reviewed the interim results.

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		**(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		**324,202**	230,983
Investment properties		**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	9	**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		**–**	6,689
Amount due from a related company	10	**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		**23,520**	41,530
		1,430,939	1,247,517
Current liabilities			
Trade payables	11	**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		**618,039**	426,009
Bank overdrafts		**19,103**	607
		941,768	705,936
Liabilities associated with assets classified as held for sale		**18,055**	13,080
		959,823	719,016

	Notes	**30 June 2008** **HK$'000** **(unaudited)**	31 December 2007 HK$'000 (audited)
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		**184,423**	257,128
Convertible redeemable preference shares		**71,869**	68,071
Conversion option derivative liability		**26,475**	22,022
Deferred tax liabilities		**7,913**	3,411
		292,251	352,651
		665,124	582,560
Capital and reserves			
Share capital	*12*	**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

Notes:

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.

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 *HK$'000*	**Distribution and retailing of apparel and footwear** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'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 on 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. 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	31 December 2007
	HK$'000	*HK$'000*
	(unaudited)	
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

10. Amount due from a related company

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(unaudited)	
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	31 December 2007
	HK$'000	*HK$'000*
	(unaudited)	
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

11. Trade payables

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

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

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(unaudited)	
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

12. Share capital

	Number of ordinary shares		**Amount**	
	30 June 2008	31 December 2007	**30 June 2008**	31 December 2007
			HK$'000	*HK$'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.

13. 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. The corresponding assets and liabilities were accounted for as asset held for sale as at 30 June 2008. The transaction was completed in July 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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.

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

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.

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.

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 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.

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 HK3.0cents 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 4:00p.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 (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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

As at the date of this announcement, the Board of the Company comprises six executive directors, namely, Mr. Ngok Yan Yu, Mr. Lam Hon Keung, Keith, Ms. Tang Chui Yi, Janny, Mr. Wong Ming Yeung, Ms. Tang Wai Ha and Mr. Marcello Appella; two non-executive directors, namely, Mr. Antonio Piva and Mr. Je Kin Ming; three independent non-executive directors, namely, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis.