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HEMBLY

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Notes	**Six months ended 30 June** **2009** *HK$'000* **(unaudited)**	2008 *HK$'000* (unaudited) (restated)
Continuing operations			
Revenue	*3*	**508,359**	573,718
Cost of sales		**(436,753)**	(406,954)
Gross profit		**71,606**	166,764
Other income		**1,823**	11,998
Loss on disposal of a jointly controlled entity	*18*	**(2,242)**	–
Administrative expenses		**(56,371)**	(58,857)
Impairment loss on property, plant and equipment	*10*	**(78,537)**	–
Distribution and selling expenses		**(14,586)**	(21,487)
Finance costs	*4*	**(16,611)**	(22,622)
(Loss) profit before tax		**(94,918)**	75,796
Income tax expense	*5*	**(2,322)**	(16,164)
(Loss) profit for the period from continuing operations		**(97,240)**	59,632
Discontinued operations			
(Loss) profit for the period from discontinued operations	*6*	**(49,134)**	2,256
(Loss) profit for the period	*7*	**(146,374)**	61,888

	Notes	Six months ended 30 June 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited) (restated)
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations		**(12,075)**	37,354
Fair value gain (loss) on available-for-sale investment		**38**	(103)
Revaluation increase on step acquisition from a jointly controlled entity to a subsidiary recognised directly in equity		**–**	1,118
Released on disposal of a jointly controlled entity	*18*	**(647)**	–
Other comprehensive (expense) income for the period		**(12,684)**	38,369
Total comprehensive (expense) income for the period		**(159,058)**	100,257
(Loss) profit for the period attributable to:			
Owners of the Company		**(143,711)**	61,768
Minority interests		**(2,663)**	120
		(146,374)	61,888
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(156,526)**	99,363
Minority interests		**(2,532)**	894
		(159,058)	100,257
(LOSS) EARNINGS PER SHARE	*9*		
From continuing and discontinued operations			
– Basic		**HK(38.13) cents**	HK21.82 cents
– Diluted		**N/A**	HK21.64 cents
From continuing operations			
– Basic		**HK(25.09) cents**	HK21.03 cents
– Diluted		**N/A**	HK20.97 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

	Notes	**30 June 2009** **HK$'000** **(unaudited)**	31 December 2008 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	*10*	**175,295**	323,432
Investment properties	*10*	**–**	29,885
Intangible asset		**–**	12,177
Prepaid lease payments		**64,413**	66,044
Available-for-sale investments		**567**	575
Financial assets at fair value through profit or loss		**6,178**	5,968
Deferred tax assets		**–**	626
		246,453	438,707
Current assets			
Inventories		**292,840**	291,844
Trade receivables	*11*	**398,347**	402,210
Deposits, prepayments and other receivables		**138,172**	59,999
Prepaid lease payments		**1,477**	1,497
Amount due from a related company	*12*	**38,271**	99,171
Amounts due from jointly controlled entities		**296**	13,335
Available-for-sale investments		**3,453**	3,021
Pledged bank deposits		**22,336**	41,719
Bank deposits with original maturity of more than three months		**68,690**	218,391
Bank balances and cash		**29,864**	48,969
		993,746	1,180,156
Assets classified as held for sale	*13*	**263,558**	25,380
		1,257,304	1,205,536

	Notes	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
Current liabilities			
Trade payables	*14*	**98,491**	148,592
Other payables and accruals		**99,986**	77,609
Amounts due to joint venturers of jointly controlled entities		**9,155**	9,155
Amounts due to jointly controlled entities		**19,922**	20,028
Deposit received for disposal of a subsidiary	*13*	**80,000**	80,000
Taxation payable		**31,049**	32,894
Obligations under finance leases – due within one year		**701**	798
Bank borrowings – due within one year	*15*	**315,812**	345,932
Bank overdrafts	*15*	**17,284**	26,073
		672,400	741,081
Liabilities associated with assets classified as held for sale	*13*	**144,156**	25,113
		816,556	766,194
Net current assets		**440,748**	439,342
Total assets less current liabilities		**687,201**	878,049
Non-current liabilities			
Obligations under finance leases – due after one year		**847**	1,219
Bank borrowings – due after one year	*15*	**215,735**	206,627
Convertible redeemable preference shares	*16*	**–**	79,292
Conversion option derivative liability	*16*	**–**	2,149
Deferred tax liabilities		**3,014**	6,492
		219,596	295,779
		467,605	582,270
Capital and reserves			
Share capital	*17*	**42,594**	28,303
Reserves		**436,419**	562,843
Equity attributable to owners of the Company		**479,013**	591,146
Minority interests		**(11,408)**	(8,876)
		467,605	582,270

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 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 2008. Comparative information has been restated for discontinued operations in accordance with HKFRS 5 *Non-current Asset Held for Sale and Discontinued Operations*.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current and prior accounting periods. No prior period adjustment has been recognised due to adoption of new or revised HKFRSs. However, the Group discontinued the distribution and retailing of apparel and footwear segment in the current period. Accordingly, comparative information for the consolidated statement of comprehensive income has been represented.

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

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

3. Segment Information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the Board of Directors) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of the types of goods and services supplied by the Group's operating divisions (i.e. manufacture and sales of apparel and accessories and distribution and retailing of apparel and footwear). However, based on the internal reports reviewed by chief operating decision maker, certain segment profit and result previously included in the manufacturing and sales of apparel and accessories segment was classified under the distribution and retailing of apparel and footwear segment. Accordingly, prior period segment information has been restated.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	Six months ended 30 June 2009 (unaudited)				
	Continuing operations			Discontinued operations	
	Manufacturing and sales of apparel and accessories	Elimination	Total	Distribution and retailing of apparel and footwear	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	**508,359**	**–**	**508,359**	**55,657**	**564,016**
Inter-segment sales	**3,001**	(3,001)	**–**	**–**	**–**
Total	**511,360**		**508,359**	**55,657**	**564,016**
Segment result	**9,988**		**9,988**	**(38,413)**	**(28,425)**
Unallocated income			**666**	**30**	**696**
Unallocated corporate expense			**(8,182)**	**–**	**(8,182)**
Loss on disposal of a jointly controlled entity			**(2,242)**	**–**	**(2,242)**
Gain on fair value of conversion option derivative liability			**–**	**1,452**	**1,452**
Impairment loss on property, plant and equipment			**(78,537)**	**(5,075)**	**(83,612)**
Impairment loss recognised upon transfer from property, plant and equipment to investment property			**–**	**(824)**	**(824)**
Finance costs			**(16,611)**	**(6,304)**	**(22,915)**
Loss before tax			**(94,918)**	**(49,134)**	**(144,052)**
Income tax expenses			**(2,322)**	**–**	**(2,322)**
Loss for the period			**(97,240)**	**(49,134)**	**(146,374)**

	Six months ended 30 June 2008 (unaudited)				
	Continuing operations			Discontinued operations	
	Manufacturing and sales of apparel and accessories	Elimination	Total	Distribution and retailing of apparel and footwear	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	573,718	–	573,718	162,022	735,740
Inter-segment sales	1,622	(1,622)	–	–	–
Total	575,340		573,718	162,022	735,740
Segment result	99,455		99,455	15,793	115,248
Unallocated income			2,477	260	2,737
Unallocated corporate expense			(3,514)	–	(3,514)
Loss on fair value of conversion option derivative liability			–	(4,453)	(4,453)
Finance costs			(22,622)	(4,397)	(27,019)
Profit before tax			75,796	7,203	82,999
Income tax expenses			(16,164)	(4,947)	(21,111)
Profit for the period			59,632	2,256	61,888

Segment profit represents the profit earned by each segment without allocation of interest income, royalty income, corporate expenses, loss on fair value of conversion option derivative liability, loss on disposal of a jointly controlled entity and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. Finance Costs

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings and overdrafts wholly repayable – within five years	**16,554**	22,552
Obligations under finance leases	**57**	70
	16,611	22,622

5. Income Tax Expense

Hong Kong Profits Tax is recognised at 16.5% for both periods under review.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations:		
Current tax:		
Other jurisdictions	**2,322**	12,843
Deferred tax:		
Current year	**–**	3,321
Income tax expense relating to continuing operations	**2,322**	16,164
Discontinued operations:		
Current tax:		
Other jurisdictions	**–**	3,756
Deferred tax:		
Current year	**–**	1,191
Income tax expense relating to discontinued operations	**–**	4,947
Income tax expense relating to continuing and discontinued operations	**2,322**	21,111

6. Discontinued Operations

On 3 December 2008, the Company entered into a conditional sale agreement with Primewill Investments Limited (the "Agreement") to dispose of its 100% equity interest in Well Metro Group Limited ("Well Metro"), which carried out all of the Group's distribution and retailing of apparel and footwear operations. The management expects the disposal to be completed by 30 September 2009. Upon the completion of the above transactions, the Company will not have any shareholding in Well Metro and Well Metro will cease to be a subsidiary of the Company.

During the period, the Board of Directors decided to dispose of assets and liabilities of retail business under the brand of Sisley ("Sisley"), On 1 June 2009, the Group has located an independent third party as the buyer. The assets and liabilities of Well Metro and Sisley has been classified as held for sale at 30 June 2009 (see note 13).

The result of the distribution and retailing of apparel and footwear were as follows:

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	**55,657**	162,022
Cost of sales	**(29,460)**	(92,894)
Other income	**1,173**	1,518
Gain (loss) on fair value of conversion option derivative liability	**1,452**	(4,453)
Distribution and selling expenses	**(36,010)**	(23,800)
Administrative expenses	**(29,743)**	(30,793)
Impairment loss recognised upon transfer from property, plant and equipment to investment property	**(824)**	–
Impairment on property, plant and equipment	**(5,075)**	–
Finance costs	**(6,304)**	(4,397)
(Loss) profit before tax	**(49,134)**	7,203
Income tax expense	**–**	(4,947)
(Loss) profit for the period	**(49,134)**	2,256

7. (Loss) Profit for the Period

	Continuing operations Six months ended 30 June		Discontinued operations Six months ended 30 June		Consolidated Six months ended 30 June	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Loss (profit) before tax has been arrived at after charging/(crediting):						
Depreciation of property, plant and equipment	**7,424**	5,853	**6,432**	5,402	**13,856**	11,255
Amortisation of intangible assets	**–**	–	**904**	1,595	**904**	1,595
Amortisation of prepaid lease payments	**570**	616	**168**	147	**738**	763
Impairment loss recognised in the respect of trade receivables	**8,750**	2,438	**–**	–	**8,750**	2,438
(Gain) loss on disposal of property, plant and equipment	**(196)**	46	**64**	507	**(132)**	553
Exchange loss (gain)	**2,723**	(6,331)	**1,061**	(848)	**3,784**	(7,179)

8. Dividends

	Six months ended 30 June 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Final dividend of HK$7cents for the year 31 December 2007	**–**	19,812

No dividend were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

9. (Loss) Earnings Per Share

From continuing and discontinued operations

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

	Six months ended 30 June 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Earnings figures are calculated as follows:		
(Loss) profit for the period attributable to owners of the Company	**(143,711)**	61,768
Adjustment to the share of profit of a subsidiary based on potential dilution of its earnings per share in respect of convertible preference shares	**N/A**	(351)
Earnings for the purpose of diluted earnings per share from continuing and discontinued operations	**N/A**	61,417
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**376,917**	283,021
Effect of dilutive potential ordinary shares for share options	**N/A**	793
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	283,814

No diluted loss per share from the continuing and discontinued operation for the current period has been presented as the effect of potential ordinary shares is anti-dilutive.

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings figures are calculated as follows:		
(Loss) profit for the period attributable to owners of the Company	**(143,711)**	61,768
Less: Loss (profit) for the period from discontinued operations	**49,134**	(2,256)
(Loss) earnings for the purpose of basic earnings per share from continuing operations	**(94,577)**	59,512

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

No diluted loss per share from the continuing operations for the current period has been presented as the effect of potential ordinary shares is anti-dilutive.

From discontinued operation

Basic loss per share from discontinued operation is HK$13.04 cents per share (2008: earnings per share of HK$0.79 cents) and no diluted loss per share from the discontinued operation as the effect of potential ordinary shares is anti-dilutive (2008: diluted earnings per share of HK$0.67 cents), based on loss from discontinued operation for the period of HK$49,134,000 (2008: profit of HK$2,256,000) and the denominators detailed above for both basic and diluted earnings per share.

10. Movements in Property, Plant and Equipment and Investment Properties

During the period, the Group acquired approximately HK$1,069,000 (for the six months ended 30 June 2008: HK$8,903,000) leasehold improvements. The Group also acquired approximately HK$10,222,000, HK$599,000 and HK$6,000 (for the six months ended 30 June 2008: HK$679,000, HK$5,437,000 and nil) plant and machinery, furniture, fixtures and equipment and motor vehicles, respectively.

During the period, the Group has changed the use of some properties from administrative purpose to earning rentals. The fair value of such properties was HK$15,070,000 at the date transfer and an impairment loss of HK$824,000 has been recognised. The fair value of the investment properties which are included in assets classified as held for sale in the condensed consolidated statement of financial position at 30 June 2009, approximates to the carrying amounts. Hence no fair value gain or loss has been recognised. The Group's investment properties were fair valued by external valuer by reference to market evidence of transaction prices for similar properties at date of transfer and at 30 June 2009.

During the period, business restructuring of the Group has been implemented. Management has closed down the production plant of some subsidiaries in the PRC. As a result, an impairment loss of HK$78,537,000 has been recognised on property, plant and equipment.

11. Trade Receivables

The Group allows an average credit period of 60 to 90 days to its trade customers. Trade receivables of approximately HK$14,548,000 have been classified as part of a disposal group held for sale.

The following is an analysis of trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts:

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**323,182**	337,606
91 – 180 days	**64,872**	56,551
181 – 360 days	**23,635**	9,307
Over 360 days	**1,206**	1,288
	412,895	404,752
Less: Included in assets classified as held for sale	**(14,548)**	(2,542)
	398,347	402,210

12. Amount Due from a Related Company

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Sergio Tacchini International S.P.A. ("ST")	**38,271**	99,171

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 end of the reporting period:

	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
0 – 90 days	**38,271**	37,523
91 – 180 days	**–**	7,476
181 – 360 days	**–**	54,172
	38,271	99,171

13. Assets Classified as Held for Sale/Liabilities Associated with Assets Classified as Held for Sale

30 June 2009

On 3 December 2008, the Company entered into a conditional sale agreement with Primewill Investments Limited (the "Agreement") to dispose of its 100% equity interest in Well Metro Group Limited ("Well Metro"), which carried out all of the Group's distribution and retailing of apparel and footwear business, for a cash consideration of HK$100,000,000. As at 31 December 2008 and 30 June 2009, the Group has received deposit of HK$80,000,000 regarding the disposal. On 13 May 2009, the disposal was approved by the shareholders of the Company at an Extraordinary General Meeting. Since then, the Group has classified the assets and liabilities of Well Metro as held for sale.

Upon the completion of the above transactions, the Company will not have any shareholding in Well Metro and Well Metro will cease to be a subsidiary of the Company. The management expects the disposal to be completed by 30 September 2009.

The carrying amounts of the major classes of assets and liabilities of the disposal group represented by Well Metro as at 30 June 2009, which have been presented separately in the condensed consolidated statement of financial position as held for sale, are as follows:

	30 June 2009 *HK$'000* (unaudited)
Property, plant and equipment	**42,199**
Investment property	**44,565**
Intangible assets	**11,134**
Deferred tax assets	**622**
Trade receivables	**11,720**
Other receivables	**14,410**
Inventories	**74,869**
Tax recoverable	**1,182**
Amount due from a related company	**50,116**
Bank balances and cash	**4,028**
Assets classified as held for sale	**254,845**
Trade and other payables	**40,766**
Bank borrowing	**1,840**
Obligation under finance lease	**127**
Convertible redeemable preference shares	**85,477**
Conversion option derivative liability	**697**
Tax payable	**2,149**
Deferred tax liabilities	**3,444**
Liabilities associated with assets classified as held for sale	**134,500**
Amount due to group entities eliminated on consolidation	**(25,556)**
Net assets of the disposal group	**94,789**

During the period, the Board of Directors decided to dispose of assets and liabilities of retail business under the brand of Sisley ("Sisley"). On 1 June 2009, the Group has located an independent third party as the buyer, therefore, assets and liabilities of Sisley was classified as assets held for sale and liability associated with assets held for sale as at 30 June 2009.

The carrying amounts of the major classes of assets and liabilities of the disposal group of Sisley as at 30 June 2009, which have been presented separately in the consolidated statement of financial position, are as follows:

	30 June 2009 *HK$'000* (unaudited)
Trade and other receivables	**5,871**
Inventories	**2,842**
Assets classified as held for sale	**8,713**
Trade and other payables	**9,419**
Tax payable	**237**
Liabilities associated with assets classified as held for sale	**9,656**
Total assets classified as held for sale	**263,558**
Total liabilities associated with assets classified as held for sale	**144,156**

On 31 December 2008, the Board of Directors decided to dispose of one of the Group's jointly controlled entity, Benlim Limited ("Benlim"), which principally engaged in the business of sourcing and distribution of apparel and footwear. The Group has entered into a sale agreement with the joint venturer of Benlim. Therefore, the assets and liabilities of Benlim was classified as assets held for sale and liabilities associated with assets held for sale as at 31 December 2008. The disposal was completed on 1 January 2009. During the period, loss on disposal of a jointly controlled entity of approximately HK$2,242,000 was recognised. (see note 18).

14. Trade Payables

Trade payables of approximately HK$14,373,000 have been classified as part of a disposal group held for sale.

The following is an analysis of trade payables by age, presented based on invoice date:

	30 June 2009 *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (audited)
0 – 90 days	**76,621**	104,953
91 – 180 days	**17,392**	27,364
181 – 360 days	**12,323**	11,603
Over 360 days	**6,528**	4,980
	112,864	148,900
Less: Included in liabilities associated with assets classified as held for sale	**(14,373)**	(308)
	98,491	148,592

15. Bank Borrowings

During the period, the Group obtained new trade finance and bank loans of approximately HK$639,435,000 which carries interest rate at market rate ranging from 3% to 10% per annum and is payable within one year from draw down date. The Group repaid approximately HK$655,916,000 during the period. The proceeds were used to finance the operation of the Group.

	30 June 2009 *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (audited)
Bank borrowings	**531,547**	552,559
Bank overdrafts	**17,284**	26,073
	548,831	578,632
Analysed as:		
Secured	**365,394**	381,977
Unsecured	**183,437**	196,655
	548,831	578,632
Carrying amount repayable on bank borrowings:		
Within one year	**315,812**	345,932
More than one year, but not exceeding two years	**215,735**	206,627
	531,547	552,559
Less: Amounts due within one year shown under current liabilities	**(315,812)**	(345,932)
Amounts due after one year shown under non-current liabilities	**215,735**	206,627

16. Convertible Redeemable Preference Shares/Conversion Option Derivative Liability

On 28 December 2007, Well Metro issued 1,500 convertible redeemable preference shares 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 carrying amount of approximately HK$85,477,000 at 30 June 2009 and convertible option derivative of fair value of approximately HK$697,000 at 30 June 2009. At 31 December 2008, the effective interest rate of the liability component is 15.6%. The conversion option derivative is measured at fair value with changes in fair value recognised in consolidated statement of comprehensive income.

At 30 June 2009, the fair value of conversion option derivative decreased from HK$2,149,000 to HK$697,000. The gain on fair value of HK$1,452,000 was recognised in the consolidated statement of comprehensive income. The convertible redeemable preference shares and conversion option derivative liability are included in liabilities associated with assets classified as held for sale.

17. Share Capital

	Number of ordinary shares		Amount	
	30 June 2009	31 December 2008	**30 June 2009**	31 December 2008
			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	**283,030,000**	282,830,000	**28,303**	28,283
Issue of shares under rights issue	**141,520,000**	–	**14,152**	–
Exercise of share options	**1,390,000**	200,000	**139**	20
At end of period/year	**425,940,000**	283,030,000	**42,594**	28,303

During the period, a total of 141,520,000 ordinary shares of the Company were issued under a rights issue at a price of HK$0.3 per share. In addition, a total of 1,390,000 ordinary shares of the Company were issued upon the exercise of 1,390,000 share options at an exercise price of HK$0.3592.

18. Disposal of a Joinltly Controlled Entity

On 31 December 2008, the Company entered into a sale and purchase agreement to dispose the Group's jointly controlled entity, Benlim Limited ("Benlim"), to Benetton Asia Pacific Limited, which principally engaged in the business of sourcing and distribution of apparel and footwear at a consideration of HK$1. The transaction was completed on 1 January 2009.

The Group's share of net assets of Benlim at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF:	
Property, plant and equipment	2,858
Inventories	9,755
Trade and other receivables	9,284
Bank balances and cash	3,483
Trade and other payables	(2,648)
Net amount due to group companies	(19,843)
	2,889
Release of translation reserve	(647)
Loss on disposal of jointly controlled entity	(2,242)
Total consideration, satisfied by cash	–
Net cash inflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(3,483)
	(3,483)

No profit or loss was contributed to the Group by the jointly controlled entity disposed of during the period.

No tax charge or credit arose on loss on the disposal.

19. Share-based Payments

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options *'000*
Outstanding at 1 January 2009	14,850
Granted during the period	20,000
Exercised during the period	(1,390)
Outstanding at 30 June 2009	33,460

In the current period, share options were granted on 19 May 2009. The fair value of the options determined at the date of grant using the Binomial model were approximately HK$ 3,483,000.

The following assumptions were used to calculate the fair values of share options:

	19 May 2009
Grant date share price	HK$0.51
Exercise price	HK$0.51
Expected life	10 years
Expected volatility	85.171%
Dividend yield	0%
Risk-free interest rate	2.271%
Vesting period	Nil

The closing price of the Company's shares immediately before 19 May 2009, the date of grant, was HK$0.51.

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$0.57.

20. Capital and Other Commitments

	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	**746**	8,896

Commitment of Well Metro in respect of opening retail shops in the PRC

During the year ended 31 December 2008, the Group entered into a franchise agreement with an independent third party for the grant of license and manufacture and distribution of the footwear and apparel under the brand name of Stonefly, for a period of ten years up from 1 January 2008 to December 2018. Pursuant to the franchise agreement, the Group has committed to open 30 retail shops and 320 wholesales shop in the PRC within four years. At 30 June 2009, the Group has opened 31 retail shops and 15 wholesales shops and has committed to open an additional 305 wholesale shops within two years.

During the year ended 31 December 2007, the Group entered into a frachise agreement with an independent third party for the grant of franchise and distribution right in relation to footwear and apparel, under the brand name of Moschino, in 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 2009, the Group has opened 18 retail shops and has committed to open another 12 retail shops within three years.

21. 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 **2009** *HK$'000* (unaudited)	2008 *HK$'000* (unaudited)
Long Wise (Holdings) Limited +	Service fee paid	**466**	906
ST #	Sales of apparel	**52,679**	125,674
	Sourcing income received	**3,353**	4,658
M.T.T. Limited *	Management fee income received	**360**	420
M.T.T. Yangzhou Garment Company Limited	Sourcing income received	**–**	446
STF (China) Limited ("STF") @	Interest income received	**–**	124
	Management fee income received	**–**	220
Lotto China Limited * ("Lotto China")	Management income received	**–**	345
Lotto (Nanjing) Garment Company Limited ("Lotto NJ") *	Rental income received	**–**	286
Shanghai Sisley Trading Company Limited ("SST") *	Purchase of apparel	**–**	5,036

+ The company is a minority shareholder of the Company's subsidiary.

* The company is a jointly controlled entity of the Company. Lotto China and Lotto NJ were disposed of in July 2008 and SST, a subsidiary of Benlim, was disposed of on 1 January 2009.

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. On 28 April, 2008, the Group acquired remaining 50% equity interest in STF and STF became a wholly owned subsidiary of the Group.

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

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	**4,536**	5,257
Post-employment benefits	**24**	24
Share-based payment	**247**	1,539
	4,807	6,820

22. Events After the End of Interim Period

1. On 31 July 2009, the Group has completed the private placement of non-listed warrants. The placing agent has fully placed a total of 55,000,000 warrants to not less than six placees at the warrant issue price of HK$0.03 per warrant. The warrant exercise price of HK$0.7 per new share for a period of 18 months commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new share. The net proceeds from the warrant placing of approximately HK$0.7 million will be applied as general working capital of the Group and any additional proceeds from the issue of new shares upon the exercise of subscription rights attaching to the warrants in future up to a maximum amount of approximately HK$38.5 million will be applied as general working capital and as funds for future development of the Group.

2. On 8 September 2009, Rising Boom Enterprise Limited, a subsidiary of the Company has conditionally agreed to acquired from Simple Success Investments Limited, Bright King Investments Limited and Bright Good Limited (collectively referred to as "Vendors") the entire equity interest in Smartview Investments Holdings Ltd at a total consideration of HK$1,156 million (subject to adjustment) involving the issuance of convertible securities and promissory notes by the Company. The principal business of Smartview Investments Holdings Ltd and its subsidiaries is provision of waste-to-energy technology and services in the PRC. The acquisition constitutes a very substantial acquisition which is subject to the independent shareholders' approval at the Extraordinary General Meeting.

3. On 15 September 2009, the Group has completed the placement of new shares. A total of 29,900,000 placing shares had been successfully placed to not less than six placees at the placing price of HK$0.60 per placing share. The gross proceeds from the placing will be up to a maximum amount of approximately HK$17.94 million. The Group plans to use the entire net proceeds from the placing up to a maximum amount of approximately HK$16.91 million for the general working capital of the Group.

BUSINESS AND FINANCIAL REVIEW

Overview

In the first half of 2009, the Group's revenue reached approximately HK$564.0 million (including supply chain services which is classified as "Continuing Operations" and distribution and retailing business which is classified as "Discontinued Operations", representing a decrease of 23.3% over the same period last year. Loss attributable to the Company's equity holders was approximately HK$143.7 million, as compared to profit attributable to the Company's equity holders of HK$61.8 million for the same period last year.

During the period under review, although the Group's supply chain business was affected by the continuous economic downturn, the Group continued to retain the existing clients' portfolio and the Group's supply chain business continued to contribute significantly towards the Group's turnover.

As called upon by the Group's internal corporate restructurings during the first half of 2009, more of the Group's supply chain services shifted from manufacturing to trading mode, coupled with the effect of pricing pressure exerted by RMB appreciation, it resulted in reduced gross profit margin and a reduction in the Group's gross profit for its supply chain business for the first half of 2009. Meanwhile, the continuing downturn in the global economy and financial markets has also negatively impacted on the luxury retail segments within the PRC. For the period under review, the Group attained a gross profit of approximately 17.3%, as compared to approximately 32.1% for the same period last year.

Supply Chain Services

The continuous global financial downturn had adversely affected all industries, with the global luxury and affordable luxury garment segment being one of its prime casualties. The Group's supply chain business is classified in the Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2009 as a "Continuing Operations". The Group's revenue for supply chain services only attained approximately HK$508.4 million for the first half of 2009, as compared to approximately HK$573.7 million for the same period last year. This accounted for approximately 90.1% of the Group's revenue in the first half of 2009.

In light of the economic tsunami, the Group had since late 2008 and the beginning of 2009 carried out a series of actions to implement its internal corporate restructurings, which witnessed the closure of the Group's plant which was based in Nanjing, the PRC. This had resulted in impairments and expenditures to the Group as well as shifting more of the Group's business from manufacturing to trading mode, which carry reduced margins, but reduced overhead and reduced capital requirement, coupled with the effect of pricing pressures exerted by RMB appreciation as compared to the same period last year, our gross profit margin for supply chain services recorded a decrease from approximately 29.1% to approximately 14.1% during the period under review. Moreover, the loss for the period for the supply chain amounted to HK$97.2 million as compared to a profit of HK$59.6 million for the same period last year.

Going forward, the Group will further improve its value added services to boost its supply chain services, as this is definitely in line with global market needs. With our sophisticated technologies and capability to engage in new industrial processes adapted to enriching our 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 surely be maintained.

Distribution and Retailing

The continuing downturn in the global economy and financial markets has hugely impacted on the luxury retail segments within the PRC negatively. The Group's distribution and retailing businesses naturally suffered within this context of malaise.

The Group's distribution and retailing business is classified in the Condensed Consolidated Statement of Comprehensive Income For the Six Months Ended 30 June 2009 as a "Discontinued Operations". During the period under review, revenue for the Group's distribution and retailing businesses totaled approximately HK$55.7 million, recording a decrease of approximately 65.6%, as compared to the same period last year and this accounted for approximately 9.9% of the Group's revenue. Gross margin for the distribution and retailing business is ascertained to be approximately 47.1% for the first half of 2009, as compared to 42.7% for the same period last year. The loss for the period for the distribution and retailing business amounted to HK$49.1 million as compared to a profit of HK$2.2 million for the same period last year.

Significant Disposal and Acquisition

In early December 2008, with the view to exercise stringent financial control amidst difficult times, the Board approved for the Group's conditional disposal of its shares at Well Metro Group Limited (i.e. the Group's business of distribution and retailing of apparel and accessories in the PRC) to Luxba Group Limited (previously named Primewill Investments Limited) for an aggregate cash consideration calculated with reference to the net asset value of Well Metro Group Limited and its subsidiaries. The aforesaid conditional disposal has already received due approval from the Company's independent shareholders. Currently, the aforesaid conditional disposal is ongoing and is expected to complete by 30 September 2009.

In light of the global economic outlook where consumers are on the whole reducing their spending, the Board viewed that the return of the existing business is likely to remain sluggish. As the Group had consequentially been considering and seeking opportunities to diversify its business in light of the recent economic climate, it noted that the waste treatment, renewable energy and services sector is an area worthy of exploration given the wave of global environmental awareness, supportive government policies around the world including the PRC and the various traditional energy-related crises.

Having carried out initial research on Smartview Investment Holdings Limited and its subsidiaries (together the "Target Group"), the Board considered that it will offer growth potential for the Group, as the Target Group is engaged in the principal business of waste-to-energy technology and services and which specializes in technology development, design, system integration, project investment, operation and maintenance of waste treatment, especially waste-to-energy projects in the PRC. As such, in early

September 2009, the Board approved for the Group to conditionally acquire the entire issued share capital of the Target Group at a total consideration of HK$1,155.54 million (subject to adjustment), involving the issuance of convertible securities and promissory notes by the Company. As two of the vendors of the Target Group are connected parties to the Company, with one of such vendor being ultimately owned by Billy, Ngok Yan Yu, the Chairman, executive director and a substantial shareholder of the Company, the aforesaid conditional acquisition also constituted a connected transaction of the Company. The aforesaid conditional acquisition (which details are more particularly announced in the Company's announcement dated 23 September 2009) is conditional on various conditions precedent, which include the approval by the Company's independent shareholders, is currently scheduled to complete before 31 March 2010.

Operating Expenses

During the period under review, the distribution and selling expenses for the supply chain services dwindled by approximately 32.1% to approximately HK$14.6 million, as compared to the corresponding period last year for the supply chain services.

This decrease has mainly resulted from a decrease in freight charges incurred. Meanwhile, the distribution and selling expenses as a percentage of revenue decreased from approximately 3.7% to approximately 2.9% for the supply chain services.

The administrative expenses for the supply chain services decreased slightly by approximately 4.2% to approximately HK$56.4 million, as compared to the corresponding period last year. As a percentage of turnover, the administrative expenses increased from approximately 10.2% to approximately 11.1% as compared to the same period last year for the supply chain services. This decrease was mainly attributable to the net effect of the costs saving as a result of the Group's internal corporate restructuring and the cost incurred for the restructuring.

FINANCE COSTS

Finance costs for the Group decreased by approximately 26.6% to approximately HK$16.6 million, as compared to the same period last year. This substantial decrease is mainly attributable to decreased bank borrowings.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2009, the Group had cash and bank balances of approximately HK$120.9 million, primarily denominated in RMB and HK dollars, (31 December 2008: HK$309.1 million), and total bank borrowings of approximately HK$548.8 millions, (31 December 2008: HK$578.6 million), of which approximately 60.7% constituted short-term bank borrowings and approximately 39.3% constituted long-term bank borrowings. The Group's bank borrowings were primarily denominated in RMB, HK dollars and US dollars. As at 30 June 2009, approximately 40%, 35%, and 25% of the Group's total bank borrowings were denominated in RMB, HK dollars and US dollars, respectively, with approximately 41% of the total bank borrowings subject to fixed interest rates and 59% 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 0.45 as at 31 December 2008 to approximately 0.89 as at 30 June 2009. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from approximately 1.57 as at 31 December 2008 to approximately 1.54 as at 30 June 2009. The high debt gearing as at 30 June 2009 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.

FOREIGN EXCHANGE EXPOSURE

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

CHARGES ON ASSETS

As at 30 June 2009, the Group's bank deposits of approximately HK$22.3 million, available-for-sale securities of approximately HK$2.8 million, financial assets at fair value through profit or loss of approximately HK$6.2 million, property, plant and equipment with an aggregate net book value of approximately HK$157.9 million, investment property at fair value of HK$44.6 million, and land use rights with an aggregate net book value of approximately HK$65.9 million were pledged to secure the general banking facilities and bank borrowings granted to the Group.

CAPITAL COMMITMENT

	30 June 2009 *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (audited)
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	**746**	8,896

Commitment of Well Metro in respect of opening retail shops in the PRC

During the year ended 31 December 2008, the Group entered into a franchise agreement with an independent third party for the grant of license and manufacture and distribution of the footwear and apparel under the brand name of Stonefly, for a period of ten years up from 1 January 2008 to December 2018. Pursuant to the franchise agreement, the Group has committed to open 30 retail shops and 320 wholesales shop in the PRC within four years. At 30 June 2009, the Group has opened 31 retail shops and 15 wholesales shops and has committed to open an additional 305 wholesale shops within two years.

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, under the brand name of Moschino, in 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 2009, the Group has opened 18 retail shops and has committed to open another 12 retail shops within three years.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no material contingent liabilities.

EMPLOYMENT AND EMOLUMENT POLICY

As at 30 June 2009, the Group had about 1,500 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 to the Group.

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 not to declare an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: HK3.0 cents).

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 2009.

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.

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 2009 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 2009 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".

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on both the websites of the Company (www.hembly.com) and of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2009 will be dispatched to shareholders and published on the aforesaid websites in due course.

By order of the Board
Hembly International Holdings Limited
Ngok Yan Yu
Chairman

Hong Kong, 25 September 2009

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