HEMBLY

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: 03989

2009 Interim Report 中期報告

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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
Mr. Marcello Appella
Mr. Chan Tak Yan *(appointed on 15 July 2009)*

Non-executive Directors

Mr. Antonio Piva
(resignation effective on 10 July 2009)

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

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 705
George Town
Grand Cayman
Cayman Islands

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

03989

Management Discussion & Analysis

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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.

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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

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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* (unaudited)
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.

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 11 to 40, which comprise the condensed consolidated statement of financial position of Hembly International Holdings Limited (the "Company") and its subsidiaries as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows 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 34 "Interim Financial Reporting" ("HKAS 34") 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

25 September 2009

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 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
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

	Note	Six months ended 30 June 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited) (restated)
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

Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2009

	Attributable to equity owners 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$'000* *(Note c)*	**Asset revaluation reserve** *HK$'000*	**Step acquisition revaluation reserve** *HK$'000*	**Accumulated profits** *HK$'000*	**Attributable to owner of the Company** *HK$'000*	**Minority interests** *HK$'000*	**Total** *HK$'000*
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
Profit for the period	–	–	–	–	–	–	–	–	–	61,768	61,768	120	61,888
Exchange differences arising on translation of foreign operations	–	–	–	–	36,580	–	–	–	–	–	36,580	774	37,354
Loss on fair value change of available-for-sales investment	–	–	–	–	–	–	–	(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
Total comprehensive (expense) income for the period	–	–	–	–	36,580	–	–	(103)	1,118	61,768	99,363	894	100,257
Exercise of share options	20	660	–	–	–	(100)	–	–	–	–	580	–	580
Recognition of equity settled share based payments	–	–	–	–	–	1,539	–	–	–	–	1,539	–	1,539
Dividend paid *(note 8)*	–	–	–	–	–	–	–	–	–	(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
At 1 January 2009 (audited)	**28,303**	**211,345**	**2,015**	**17,414**	**71,214**	**5,194**	**30,052**	**295**	**1,118**	**224,196**	**591,146**	**(8,876)**	**582,270**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(143,711)**	**(143,711)**	**(2,663)**	**(146,374)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(12,206)**	**–**	**–**	**–**	**–**	**–**	**(12,206)**	**131**	**(12,075)**
Gain on fair value change of available-for-sales investment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**38**	**–**	**–**	**38**	**–**	**38**
Released on disposal of a jointly controlled entity	**–**	**–**	**–**	**–**	**(647)**	**–**	**–**	**–**	**–**	**–**	**(647)**	**–**	**(647)**
Total Comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**(12,853)**	**–**	**–**	**38**	**–**	**(143,711)**	**(156,526)**	**(2,532)**	**(159,058)**
Exercise of share options	**139**	**544**	**–**	**–**	**–**	**(185)**	**–**	**–**	**–**	**–**	**498**	**–**	**498**
Issuance of shares under right issue	**14,152**	**25,508**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**39,660**	**–**	**39,660**
Recognition of equity-settled share based payments	**–**	**–**	**–**	**–**	**–**	**4,235**	**–**	**–**	**–**	**–**	**4,235**	**–**	**4,235**
At 30 June 2009 (unaudited)	**42,594**	**237,397**	**2,015**	**17,414**	**58,361**	**9,244**	**30,052**	**333**	**1,118**	**80,485**	**479,013**	**(11,408)**	**467,605**

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 reserve out of profit of statutory financial statements, and the amount and allocation basis are decided by its board of directors annually. The enterprise expansion reserve 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 tax 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 arose during the year ended 31 December 2006 represents the difference between the aggregate of the nominal value of share capital and share premium of Full Prosper Holdings Limited 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.

Condensed Consolidated Statement of Cash Flows

For the Six Months ended 30 June 2009

	Notes	Six months ended 30 June **2009** HK$'000 (unaudited)	2008 HK$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		**(156,452)**	(182,157)
NET CASH FROM INVESTING ACTIVITIES			
Decrease in bank deposits with original maturity of more than three months		**146,852**	120,934
Decrease in pledged bank deposits		**19,383**	12,636
Acquisition of a subsidiary		**–**	338
Purchase of available-for-sale investments		**–**	(6,162)
Purchase of property, plant and equipment		**(11,896)**	(49,974)
Disposal of a jointly controlled entity	*18*	**(3,483)**	–
Other investing cash flows		**264**	(16,574)
		151,120	61,198
NET CASH FROM FINANCING ACTIVITIES			
New bank borrowings raised		**639,435**	1,308,334
Repayment of bank borrowings		**(655,916)**	(1,206,007)
Interest paid		**(22,915)**	(23,221)
Dividend paid		**–**	(19,812)
Issuance of shares under rights issue		**39,660**	
Other financing cash flows		**157**	8,208
		421	67,502
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(4,911)**	(53,457)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(4,860)**	10,175
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**26,379**	111,616
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**16,608**	68,334
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**29,864**	86,631
Bank overdrafts		**(17,284)**	(19,103)
Cash and cash equivalents included in a disposal group held for sale		**4,028**	806
		16,608	68,334

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

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 *HK$'000* **(unaudited)**	2008 *HK$'000* (unaudited)	**2009** *HK$'000* **(unaudited)**	2008 *HK$'000* (unaudited)	**2009** *HK$'000* **(unaudited)**	2008 *HK$'000* (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$7 cents 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	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
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 *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (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 *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (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**

	30 June 2009 *HK$'000* (unaudited)
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	31 December 2008
	HK$'000	*HK$'000*
	(unaudited)	(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** *HK$'000*	31 December 2008 *HK$'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 Jointly 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

As at 30 June 2009, the Group had capital expenditure contracted but not provided in respect of property, plant and equipment of HK$746,000 (31 December 2008: HK$8,896,000).

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.

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	2008
		HK$'000	*HK$'000*
		(unaudited)	(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.

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 2009, 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:

(i) 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)*	152,744,205	35.86%
Ms. Tang Chui Yi, Janny	Interest of a spouse *(Note 2)*	152,744,205	35.86%
Mr. Lam Hon Keung, Keith	Beneficial owner	100,000	0.02%
Mr. Wong Ming Yeung	Beneficial owner	10,000	0.002%
Mr. Marcello Appella	Interest of a controlled corporation *(Note 3)*	3,588,030	0.84%
Mr. Kwan Hung Sang, Francis	Beneficial owner	270,000	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 is 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.

(ii) 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 *(Note 1)*	20	20%
	Charm Hero	Interest of a controlled corporation	100 *(Note 2)*	100%
Ms. Tang Chui Yi, Janny	Complete Expert	Interest of a spouse	20 *(Note 3)*	20%
	Charm Hero	Interest of a spouse	100 *(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 is 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.

(iii) Share options of the Company

The Company adopted a share option scheme on 15 June 2006 (the "Share Option Scheme") and particulars of the Share Options Scheme were set out in note 49 to the consolidated financial statements in the Company's annual report for the year ended 31 December 2008 ("2008 Annual Report"). During the period under review, the interests of Directors in the share options and the movements of the outstanding share options of the Company were detailed as follows:

	Number of share options									
	Balance as at 1 January 2009	Adjusted during the period *(Note 1)*	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30 June 2009	Exercisable period	Exercise price Before Adjustment	Exercise price After Adjustment	Approximate percentage of issued share capital of the Company
Directors										
Mr. Ngok Yan Yu *(Note 2)*	1,000,000 *(Note 3)*	7,658	–	–	–	1,007,658	14/9/2006 – 13/9/2009	HK$2.60	HK$2.5802	
	300,000 *(Note 4)*	2,298	–	–	–	302,298	09/10/2007 – 08/10/2010	HK$4.91	HK$4.8727	
	500,000 *(Note 7)*	3,829	–	–	–	503,829	18/8/2008 – 17/8/2018	HK$1.57	HK$1.5581	
	1,800,000	13,785	–	–	–	1,813,785				0.43%
Ms. Tang Chui Yi, Janny *(Note 2)*	800,000 *(Note 3)*	6,126	–	–	–	806,126	14/9/2006 – 13/9/2009	HK$2.60	HK$2.5802	
	400,000 *(Note 4)*	3,063	–	–	–	403,063	09/10/2007 – 08/10/2010	HK$4.91	HK$4.8727	
	500,000 *(Note 7)*	3,829	–	–	–	503,829	18/8/2008 – 17/8/2018	HK$1.57	HK$1.5581	
	1,700,000	13,018	–	–	–	1,713,018				0.40%

	Number of share options							Exercise price		
	Balance as at 1 January 2009	Adjusted during the period *(Note 1)*	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30 June 2009	Exercisable period	Before Adjustment	After Adjustment	Approximate percentage of issued share capital of the Company
Mr. Lam Hon Keung, Keith	400,000 *(Note 3)*	3,063	–	–	–	403,063	14/9/2006 – 13/9/2009	HK$2.60	HK$2.5802	
	200,000 *(Note 4)*	1,532	–	–	–	201,532	09/10/2007 – 08/10/2010	HK$4.91	HK$4.8727	
	100,000 *(Note 7)*	766	–	–	–	100,766	18/8/2008 – 17/8/2018	HK$1.57	HK$1.5581	
	700,000	5,361	–	–	–	705,361				0.17%
Mr. Wong Ming Yeung	250,000 *(Note 3)*	1,915	–	–	–	251,915	14/9/2006 – 13/9/2009	HK$2.60	HK$2.5802	
	300,000 *(Note 4)*	2,298	–	–	–	302,298	09/10/2007 – 08/10/2010	HK$4.91	HK$4.8727	
	100,000 *(Note 7)*	766	–	–	–	100,766	18/8/2008 – 17/8/2018	HK$1.57	HK$1.5581	
	650,000	4,979	–	–	–	654,979				0.15%
Mr. Marcello Appella	500,000 *(Note 3)*	3,829	–	–	–	503,829	14/9/2006 – 13/9/2009	HK$2.60	HK$2.5802	
	250,000 *(Note 4)*	1,915	–	–	–	251,915	09/10/2007 – 08/10/2010	HK$4.91	HK$4.8727	
	200,000 *(Note 7)*	1,532	–	–	–	201,532	18/8/2008 – 17/8/2018	HK$1.57	HK$1.5581	
	950,000	7,276	–	–	–	957,276				0.22%

	Number of share options									
	Balance as at 1 January 2009	Adjusted during the period *(Note 1)*	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30 June 2009	Exercisable period	Exercise price Before Adjustment	Exercise price After Adjustment	Approximate percentage of issued share capital of the Company
Mr. Antonio Piva	500,000 *(Note 3)*	3,829	–	–	–	503,829	14/9/2006 – 13/9/2009	HK$2.60	HK$2.5802	
	100,000 *(Note 7)*	766	–	–	–	100,766	18/8/2008 – 17/8/2018	HK$1.57	HK$1.5581	
	600,000	4,595	–	–	–	604,595				0.14%
Ms. Tang Wai Ha *(Note 11)*	300,000 *(Note 5)*	2,299	–	–	(302,299)	–	7/5/2007 – 6/5/2010	HK$2.9	HK$2.878	
	200,000 *(Note 7)*	1,531	–	–	(201,531)	–	18/8/2008 – 17/8/2018	HK$1.57	HK$1.5581	
	500,000	3,830	–	–	(503,830)	–				0.12%
Mr. Je Kin Ming *(Note 12)*	500,000 *(Note 3)*	3,829	–	–	–	503,829	14/9/2006 – 13/9/2009	HK$2.60	HK$2.5802	
	100,000 *(Note 7)*	766	–	–	–	100,766	18/8/2008 – 17/8/2018	HK$1.57	HK$1.5581	
	600,000	4,595	–	–	–	604,595				0.14%

	Number of share options									
	Balance as at 1 January 2009	Adjusted during the period *(Note 1)*	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30 June 2009	Exercisable period	Exercise price Before Adjustment	Exercise price After Adjustment	Approximate percentage of issued share capital of the Company
Employees In aggregate	700,000 *(Note 5)*	5,360	–	–	–	705,360	7/5/2007 – 6/5/2010	HK$2.90	HK$2.878	
	550,000 *(Note 6)*	4,214	–	–	(100,766)	453,448	9/10/2007 – 8/10/2010	HK$4.91	HK$4.8727	
	6,100,000 *(Note 8)*	46,718	–	(1,386,000)	–	4,760,718	11/11/2008 – 10/11/2018	HK$0.362	HK$0.3592	
	–	–	20,000,000 *(Note 9)*	–	–	20,000,000	19/5/2009 – 18/5/2019	HK$0.51		
	7,350,000	56,292	20,000,000	(1,386,000)	(100,766)	25,919,526				6.09%

Notes:

1. Upon completion of open offer on 3 March 2009 on the basis of one offer share for every two shares, the exercise price of the options granted and the number of shares to be issued upon full exercise of the options granted were adjusted.

2. 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 3,526,803 which represents approximately 0.83% of the issued share capital of the Company as at 30 June 2009.

3. 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.

4. 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.

5. 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.

6. 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.

7. These share options were granted on 18 August 2008. 20% of the granted share options would vest on 18 August 2008 and be exercisable from 18 August 2008 to 17 August 2018. Another 30% of the granted share options would vest on 18 August 2009 and be exercisable from 18 August 2009 to 17 August 2018. The remaining 50% of the granted share options would vest on 18 August 2010 and be exercisable from 18 August 2010 to 17 August 2018.

8. These share options were granted on 11 November 2008. 30% of the granted share options would vest on 11 November 2008 and be exercisable from 11 November 2008 to 10 November 2018. Another 30% of the granted share options would vest on 11 November 2009 and be exercisable from 11 November 2009 to 10 November 2018. The remaining 40% of the granted share options would vest on 11 November 2010 and be exercisable from 11 November 2010 to 10 November 2018.

9. These share options were granted on 19 May 2009 and would vest on 19 May 2009 and be exercisable from 19 May 2009 to 18 May 2019.

10. No share options have been cancelled during the six months ended 30 June 2009.

11. Ms. Tang Wai Ha's resignation as executive director had taken effect on 18 February 2009.

12. Mr. Je Kin Ming's retirement as non-executive director was with effect from 16 June 2009.

Save as disclosed above, as at 30 June 2009, 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 2009, 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 or short positions 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:

Long position in the shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholdings
Mensun	Interest of a controlled corporation *(Note 1)*	152,744,205	35.86%
Charm Hero	Beneficial owner *(Note 1)*	152,744,205	35.86%

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.

Save as aforesaid and as disclosed in the “Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” section of this interim report, 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 2009 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Rules Governing the Listing of Securities on the Stock Exchange, the changes in information of directors of the Company subsequently to the date of the 2008 Annual Report or the date of his/her appointment as director of the Company subsequent to the date of the 2008 Annual Report are set out as follows:

Name of Director	Details of Changes
Mr. Ngok Yan Yu	Monthly salary adjusted from HKD100,000 to HKD85,000 with effect from 1 August 2009.
Mr. Lam Hong Keung, Keith	Monthly salary adjusted from HKD30,000 to HKD26,400 with effect from 1 August 2009.
Ms. Tang Chui Yi, Janny	Monthly salary adjusted from HKD150,000 to HKD127,500 with effect from 1 August 2009.
Mr. Wong Ming Yeung	Monthly salary adjusted from HKD60,000 to HKD52,800 with effect from 1 August 2009.
Mr. Marcello Appello	Monthly salary adjusted from EUR 84,000 to EUR73,920 with effect from 1 August 2009.
Mr. Lo Ming Chi, Charles	Monthly remuneration adjusted from HKD20,000 to HKD18,000 with effect from 1 August 2009. Appointed as executive director of Sun Innovation Holdings Limited on 21 July 2009, which is a listed company on the Stock Exchange.
Mr. Pao Ping Wing	Monthly remuneration adjusted from HKD20,000 to HKD18,000 with effect from 1 August 2009.
Mr. Kwan Hung Sang, Francis	Monthly remuneration adjusted from HKD20,000 to HKD18,000 with effect from 1 August 2009.

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 Board 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".

On behalf of the Board
Mr. Ngok Yan Yu
Chairman

Hong Kong, 25 September 2009