



**Press Release**

*For Immediate Release*

**HEMBLY ANNOUNCES 2008 ANNUAL RESULTS  
REVENUE SURGED BY 30.8% TO HK\$1,356 MILLION**

**SUPPLY CHAIN BUSINESS TRIUMPHS WITH A ROBUST GROWTH IN CUSTOMER ORDERS**

(Hong Kong, 3 April 2009) – **Hembly International Holdings Limited** (“Hembly” or the “Group”, Stock Code: 03989), a leader in the provision of apparel supply chain services, today announced its 2008 annual results. In spite of the negative impact and uncertainties in the economy brought about by the global financial crisis, Hembly was able to maintain satisfactory operational and financial results for the year ended 31 December 2008. During the year under review, the Group's revenue increased 30.8% to approximately HK\$1,356 million. Net profit attributable to the Group's equity holders amounted to approximately HK\$7.8 million, given provisions for impairment for the aggregate approximate amount of HK\$64.8 million were made, as called upon by the Group's conditional disposal of its share at Well Metro Group Limited and its subsidiaries (collectively “Well Metro Group”). Well Metro Group is the distribution and retailing business arm of the Group. The Group's basic earnings per share was HK2.76 cents.

Given the volatile market conditions, the Board does not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: HK3.0 cents per share). Thus the interim dividend of HK3.0 cents per share paid on 6 November 2008 represented the total dividend of HK3.0 cents per share paid for the year 2008.

Mr. Ngok Yan Yu, Chairman of Hembly, said “The second half of 2008 was a challenging period for the majority of companies, and Hembly was no exception. Yet by adopting a prudent operating strategy, we still managed to achieve a growth in revenue.”

**Supply Chain Services – Securing More Orders and Reinforcing Value-Added Services**

During the year under review, Hembly focused on developing supply chain business, the Group's core business, and successfully expanded its customer network through rolling out more value-added supply chain services. Amidst the



current market downturn, European brands are turning to Asian suppliers who can provide one-stop supply chain services at a competitive price. With an established track record in China's sourcing/supply chain market, Hembly possesses a comparative advantage over its peers in meeting the demands of luxury brands which are becoming increasingly cost-conscious. Hence, the Group enjoyed a robust increase in orders from both existing and new customers in 2008.

At the end of 2008, the Group's revenue for supply chain services reached approximately HK\$1,094.9 million, representing an increase of approximately 19.9%, as compared to previous financial year, which accounted for approximately 80.7% of the Group's revenue. The increase in revenue was mainly due to an upsurge of supply chain services provided by the Group to its branded customers' PRC distribution network and to PRC import and export clients.

Hembly's dual operation model, which combines outsource production management and in-house manufacturing, has allowed the Group to ride the global credit crunch storm. This model has enabled the Group to offer a wide array of products at a much lower cost.

In times of financial turmoil, stringent production cost control and strong sourcing capabilities become the key to success. Hembly's scalability and extensive PRC sourcing networks have increased the Group's operational efficiencies and reduced its sourcing cost. In response to rising material costs, Hembly has actively increased the sourcing of raw materials from China, whilst supplementing these materials via advanced technologies acquired from Europe.

In view of the current market situation, the Chinese government has announced a further increase in export rebate rates in the second half of 2008 to boost the industry. It is expected that Hembly will largely benefit from the new regulations in this year.

#### **Distribution and Retailing Businesses – Realigning Resources to Focus on Principal Business Development**

During the year under review, revenue for the Group's distribution and retailing businesses totaled approximately HK\$261.6 million, recording a growth of approximately 111.7%, as compared to last year and this accounted for approximately 19.3% of the Group's revenue. Gross margin reached approximately 46.1%.



To better allocate resources, Hembly purchased, in the first half of 2008, from Stonefly its 50% shareholding in the 50:50 Stonefly joint venture and sold its 50% shareholding within the Lotto joint venture to Lotto. The gain on disposal of the Lotto joint venture accrued to the Group was approximately HK\$15.1 million. The Group has, as of 1 January 2009, sold its 50% shareholding in the 50:50 Sisely joint venture back to Benetton S.p.A.

During the year under review, the gross margin of the Sisley joint venture, Stonefly and Moschino is approximately 55.3%, 48.8% and 58.6% respectively.

Looming economic slowdown spells threats to luxury and affordable luxury retail markets. In order to exercise stringent control of financial resources at hand and concentrate resources on growing supply chain business, the number one contributor to the Group's financial and operation performance, the Group entered into a conditional sale and purchase agreement with Primewill Investments Limited ("Primewill"), an associate of New World Development Company Limited, pursuant to which the Group conditionally disposed to Primewill its share at Well Metro Group Limited, the investment holding company which holds the subsidiaries engaged in business of distribution and retailing of apparel and accessories in the PRC for an aggregate cash consideration of HK\$100,000,000. Subject to the approval of independent shareholders and all necessary approvals from the relevant government authorities, the aforesaid conditional disposal is expected to complete by the end of May 2009.

The net proceeds from the conditional disposal will enhance the liquidity of the Group and enable the Group to focus on its principal engagement in the provision of supply chain services for apparel and accessories to international brand apparel makers.

"The economic downturn has no doubt created a challenging operating environment. However, we believe this is at the same time the driving force for us to operate in a more prudent principle, to better allocate our resources and to adopt a stringent cost control system. As our supply chain services remain the main pillar behind the Group's success, we will continue to focus our resources and manpower to maximize our competitiveness in this area. Riding on Europe's outsourcing trend, our leading supply chain services will continue to achieve satisfactory results despite severe business environment in the coming year.



Looking ahead, we will closely monitor external changes and take timely and appropriate measures to cope with challenges ahead and strive for better investment returns to our shareholders," Mr. Ngok concluded.

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**About Hembly International Holdings Limited (Stock code: 03989)**

Established in year 2000 and listed on Hong Kong Stock Exchange in 2006, Hembly International Holdings Limited is a leader in the provision of apparel supply chain services. The supply chain services provided by the Group include product design, laboratory testing, production management (i.e. outsourcing and in-house manufacturing), quality assurance, packaging and logistics management for the supply of apparel and accessories.

Hembly's capability of supply chain solutions is highly recognized by multinational renowned clients including *United Colors of Benetton, Sisley, Moschino, See by Chloé, R.E.D. Valentino, DKNY Jeans, Diesel, Quiksilver, Lafuma, Lotto, Salewa and Sergio Tachinni.*

Headquartered in Hong Kong, Hembly has strong European sales and marketing arms in Italy, France, Sweden and Germany and operation arms in China, including Nanjing, Yangzhou, Shenzhen, Shanghai, and Beijing, and Macao.

For more information of Hembly, please visit its website at [www.hembly.com](http://www.hembly.com).

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