



“ To become
one of the
leading brand
management
specialist in
Greater China ”

A photograph of a building's exterior wall with a grid pattern of light-colored tiles. The word "Mentby" is written in a large, stylized, green font across the tiles. A red horizontal line is drawn below the letters "y" and "b". The sky is visible in the upper right corner.

“ Solid multi-brand management platform supported by scalable business model contributed to remarkable growth in financial year 2006 ”

CHAIRMAN'S STATEMENT

I am pleased to present the first annual report of Hembly International Holdings Limited (the "Company") and its subsidiaries (the "Group") since its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") last July. It was a year of record-breaking revenue for our supply chain services business. Results for our distribution and retailing business have also greatly improved. It achieved a turnaround from a loss in 2005 to a slight gain in 2006. Leveraging on both our supply chain services business and our distribution and retailing business, we have established a solid platform for multi-brand management and are poised to capture sustained high growth emerging from the PRC market in the future.

RESULTS

The Group's revenue for the year grew 43.0% to HK\$611.7 million, and profit attributable to the equity holders of the Company climbed HK\$19.9 million to





HK\$78.1 million from the previous year. Earnings per share increased 12.9% from last year to HK36.5 cents.

The board of directors of the Company (the "Board") recommends a final dividend of HK7.0 cents per share, payable on 21 May 2007 to the shareholders whose names appear on the register of members of the Company on 9 May 2007. The proposed dividend, together with the interim dividend of HK3.0 cents per share paid on 2 November 2006, gives a total dividend of HK10.0 cents per share for the year.

BUSINESS REVIEW

SUPPLY CHAIN SERVICES

In 2006, our supply chain services business benefited tremendously from the immense growth fueled primarily by the global shift of European brands increasing outsourcing garment production to the PRC amid a context of PRC economic growth.

As part of our strategy to capture this emerging growth, we have focused on improving the range of comprehensive value added supply chain

services to our customers. We plan to invest more resources in product design and development and in technology, as well as continue our efforts in recruitment of top management talent, to support the growth of our expanding customer base and fast changing customer expectations.

We have also worked hard to consolidate our customer base to focus on more high-end customers with high margin and significant growth potential. In particular, we are concentrating on the high fashion and luxury brand groups and high tech functional garments.

By the end of 2006, the completed new phase of our Yangzhou production base will strengthen the Group's dual operation model in production management and high-tech garment manufacturing techniques, and better equip us to win orders from active sportswear clients.

DISTRIBUTION AND RETAILING

As a multi-brand management specialist for internationally renowned brands in the PRC, the Group continues to foster growth from its existing joint ventures with Lotto and Stonefly, with plans to further boost its presence in the affordable luxury and sportswear market segments by partnering with renowned brands to enter the fast growing PRC retail market.



In 2006, the Group completed a new joint venture deal with international apparel group, Benetton Group S.p.A. ("Benetton Group"), which allows us to include the brand *Sisley* in our multi-brand offering.

We will continue to maintain our growth of sales with steady shop expansion plans and cost-effective marketing campaigns to heighten the brand awareness of our existing brands. Meanwhile, to enhance our brand portfolio, we will also foster alliances to bring international renowned brands into PRC's retailing market.

PROSPECT

Going forward, our solid brand management platform will continue to be the key driver of our robust growth and leading position. As part of this process, we will seek greater integration between our two business segments, and better synergies fostered in product design and development, to achieve maximum benefit and efficiency for our customers.

I verily believe that under the strong leadership of our management team, and the support of our existing and potential clients and strategic partners, we are well positioned to capture the growth opportunities to become a leading brand management specialist in the PRC.

SOCIAL COMMITMENT

The Group is committed to the betterment of society and takes seriously its responsibilities to the betterment of the world and its people. We have formed alliances with our business partners and employees at various charity events. Most important event, so far, has been the Community Chest's "Walk for Millions 2007" wherein we have contributed significantly.

ACKNOWLEDGEMENT

I would like to thank our Board members and our shareholders for their dedicated support and abiding confidence. I also salute our management, staff and business partners for their relentless efforts, outstanding performance and stamina, coupled with their professional attitudes and attributes. Despite fierce industry competition and changing market forces, I am certain our performance will continue to exceed expectations.

Mr. Ngok Yan Yu
Chairman

Hong Kong, 29 March 2007





“Our comprehensive services and unique business model successfully shape our supply chain management exclusive for international renowned brands”

