THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Embry Holdings Limited ("**Company**"), you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Embry Form

EMBRY HOLDINGS LIMITED
安莉芳控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1388)

MAJOR TRANSACTION – PURCHASE OF PROPERTY

This circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

9 November 2009

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In this circular, the following expressions shall, unless the context requires otherwise, have the following meanings:

"Agreement"	the agreement for sale and purchase of the Property dated 15 October 2009 and entered into between the Vendor and the Purchaser pursuant to which the Purchaser agreed to acquire from the Vendor the Property
"Ancillary Agreements"	the sale and purchase agreement in respect of each of the 105 units constituting the Property to be entered into between the Vendor and the Purchaser
"associate(s)"	having the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Embry Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	having the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration payable by the Purchaser to the Vendor for the purchase of the Property
"Director(s)"	the directors of the Company
"Embry Shanghai Trading"	安莉芳(上海)貿易有限公司 (unofficial translation being Embry (Shanghai) Trading Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	a party who is (i) not a connected person of the Company and (ii) independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
"Latest Practicable Date"	4 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Property"	a block of building known as Tower B of 北美廣場 (unofficial translation being North America Plaza) located at No. 508, Kunming Road, Yangpu District, Shanghai City, the PRC, which is a building for office and commercial use with 14 floors with an estimated construction area of approximately 11,430 sq. m.
"Purchaser"	Embry Shanghai Trading
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	上海湯米房地產開發有限公司 (unofficial translation being Shanghai Tommy Real Estate Development Co., Ltd.), a company incorporated in the PRC
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq. m."	square metre(s)
"%"	per cent.

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK$ at the rate of RMB1.00 to HK$1.14. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

EMBRY HOLDINGS LIMITED
安莉芳控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1388)

Executive Directors:
Mr. Cheng Man Tai *(Chairman)*
Ms. Cheng Pik Ho Liza *(Chief Executive Officer)*
Madam Ngok Ming Chu
Mr. Hung Hin Kit

Independent non-executive Directors:
Mr. Lau Siu Ki (alias, Kevin Lau)
Mr. Lee Kwan Hung
Prof. Lee T. S. (alias, Lee Tien-sheng)

Registered Office:
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
7th Floor
Wyler Centre II
200 Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

9 November 2009

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION – PURCHASE OF PROPERTY

INTRODUCTION

On 19 October 2009, the Board announced that on 15 October 2009 (after trading hours), Embry Shanghai Trading, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor to acquire the Property at a consideration of approximately RMB380,638,000 (equivalent to approximately HK$433,927,000).

The purchase of the Property constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to approval by the Shareholders. So far as the Directors are aware after making reasonable enquiries, none of the Vendor and its associates was a Shareholder as at 19 October 2009 (being the date of the announcement in relation to the purchase of the Property) and would have been required to abstain from voting if the Company were to convene a general meeting for the approval of the purchase of the Property. Written shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. On 19 October 2009, written approval for the purchase of the Property was given by Harmonious

World Limited, a Shareholder holding 286,279,660 Shares, representing approximately 71.27% of the issued share capital of the Company as at the date of such approval. Accordingly, no extraordinary general meeting of the Company will be convened for the purposes of approving the purchase of the Property as a major transaction.

The purpose of this circular is to give you further information regarding the purchase of the Property, financial and other information of the Group, unaudited pro forma financial information of the Group, and valuation of the Property.

PURCHASE OF THE PROPERTY

On 15 October 2009, Embry Shanghai Trading, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor to acquire the Property at a consideration of approximately RMB380,638,000 (equivalent to approximately HK$433,927,000). The principal terms of the Agreement are set out below.

THE AGREEMENT

Date: 15 October 2009

Parties:

Purchaser: Embry Shanghai Trading, an indirect wholly-owned subsidiary of the Company

Vendor: 上海湯米房地產開發有限公司 (unofficial translation being Shanghai Tommy Real Estate Development Co., Ltd.), a company incorporated in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the principal activity of the Vendor is property development and management and (ii) each of the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

A block of building known as Tower B of 北美廣場 (unofficial translation being North America Plaza) located at No. 508, Kunming Road, Yangpu District, Shanghai City, the PRC, which is a building for office and commercial use with 14 floors with an estimated construction area of approximately 11,430 sq. m., and is currently under construction. Construction of the Property is substantially completed with roof and glass wall fully installed, and the Directors expect that construction of the Property will be completed in around March 2010. The final construction area will be determined with reference to the survey report issued by the relevant PRC government authority, which is expected to be issued in around June 2010 after completion of the construction of the Property. In the event that the final construction area is less than the estimated construction area by 3% or above, Embry Shanghai Trading shall have the right to terminate the Agreement. Upon the exercise of the right to terminate the Agreement, the part of the purchase price paid by the Purchaser to the Vendor shall be refunded to the Purchaser with interest at the then deposit interest rate as announced by the People's Bank of China, which the Directors consider to be fair and reasonable, and an indemnity equivalent to 10% of the Consideration shall be paid by the Vendor to the Purchaser.

Pursuant to the Agreement, the Purchaser shall have the right of pre-emption to acquire from the Vendor 30 car parking spaces after the Vendor shall have obtained the property ownership certificate in respect of the car parking spaces at a unit price of RMB168,000 (equivalent to approximately HK$192,000) for each car parking space.

Consideration

The Consideration for the purchase of the Property is approximately RMB380,638,000 (equivalent to approximately HK$433,927,000), which is to be paid by the Purchaser in the following manner:

(1) 10% of the Consideration (i.e. RMB38,063,819.6, equivalent to approximately HK$43,393,000) is to be paid within 10 days of the effective date of the Agreement. Pursuant to the Agreement, the Agreement shall become effective upon, among other matters, the entry into of the Ancillary Agreements;

(2) 40% of the Consideration (i.e. RMB152,255,278.4, equivalent to approximately HK$173,571,000) is to be paid within 15 days of completion of the registration of the pre-sale permit, the Agreement and the Ancillary Agreements regarding the Property by the Vendor (as at the Latest Practicable Date, the pre-sale permit has been obtained by the Vendor);

(3) 30% of the Consideration (i.e. RMB114,191,458.8, equivalent to approximately HK$130,178,000) is to be paid within 15 days of the qualified completion of construction and installation of facilities and the delivery of the quality acceptance certificates regarding construction and facilities installation issued by the relevant authority of quality control and management for construction by the Vendor to the Purchaser;

(4) 10% of the Consideration (i.e. RMB38,063,819.6, equivalent to approximately HK$43,393,000) is to be paid within 15 days of completing the procedures for obtaining the property ownership certificate in respect of the Property by the Vendor (as the Property developer) and the delivery of the acceptance certificate of completed construction work by the Vendor to the Purchaser; and

(5) 10% of the Consideration (i.e. RMB38,063,819.6, equivalent to approximately HK$43,392,000) is to be paid within 15 days of completing the procedures for obtaining the property ownership certificate in respect of the Property under the Ancillary Agreements by the Vendor.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, taking into account the recent market conditions of the property market in Shanghai, the PRC, the prevailing market value of other office premises of comparable quality in the area where the Property is located and a valuation of the Property at approximately RMB387,800,000 (equivalent to approximately HK$442,092,000) as at 15 October 2009 made by DTZ Debenham Tie Leung Limited, an independent qualified property valuer. The formal valuation report in respect of the Property prepared by DTZ Debenham Tie Leung Limited is set out in Appendix III to this circular.

It is expected that the Consideration will be financed by a combination of internal resources and bank borrowing. The amount of bank borrowing is to be determined by the Board taking into account factors such as the then existing interest rate and cash flow of the Group.

Condition precedent

Completion of the sale and purchase of the Property is subject to and conditional upon the approval being obtained from the Shareholders to the entering into of and the transactions contemplated under the Agreement in compliance with the Listing Rules, whether by way of an ordinary resolution at a general meeting of the Company to be held or by way of shareholders' written approval as permitted under the Listing Rules.

Completion

Subject to the Shareholders' approval to the purchase of the Property having been obtained, the delivery of the Property to the Purchaser shall take place before 30 September 2010 upon the obtaining of the acceptance report of completed construction work by the Vendor, whereas completion of the purchase of the Property shall take place upon the obtaining by the Purchaser of the property ownership certificate in respect of the Property under the Ancillary Agreements, which is expected to take place before 11 August 2011.

INFORMATION ABOUT THE GROUP

The Group is principally engaged in the design, manufacture and retail distribution of lingerie products (including brassieres, panties and corsets), swimwear and sleepwear in the PRC, Hong Kong and the Macau Special Administrative Region of the PRC.

REASONS FOR AND BENEFITS OF THE PURCHASE OF THE PROPERTY

The Group currently has office premises and production plants in Shenzhen, Shandong and Changzhou, the PRC. Subsequent to the completion of the purchase of the Property, the Group will utilize part of the Property as its office premises in the PRC to accommodate its administrative and management functions, brand management, sales and distribution and product design and development operations. The Property is situated in Shanghai City, one of the world's major financial centres where infrastructure and transportation are highly developed and human resources are abundant. As many of the world's leading corporations have relocated their head offices or regional head offices to the district, the Directors believe that the utilization of the Property as the office premises of the Group would further enhance its corporate image, reputation as well as competitiveness in the PRC and in Asia. As currently estimated, the Group may rent out approximately 50% of the Property and accordingly, the Property is allocated into property, plant and equipment and investment property.

The Board (including the independent non-executive Directors) is of the view that the entering into of the Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the Agreement are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

FINANCIAL EFFECT OF THE TRANSACTION

As extracted from the interim report of the Company for the six months ended 30 June 2009, the unaudited consolidated total assets and total liabilities of the Group were approximately HK$1,089,072,000 and approximately HK$138,367,000, respectively.

As set out in Appendix II to this circular, assuming completion of the purchase of the Property had taken place on 30 June 2009, (i) the unaudited pro forma consolidated total assets of the Group will increase by HK$220,000,000 which reflects the total costs of the Property less the amount of cash to be paid by the Group, (ii) the unaudited pro forma consolidated total liabilities of the Group will increase by approximately HK$220,000,000 which reflects the amount of Consideration to be paid by the Group through bank loans, and (iii) the unaudited pro forma consolidated net assets of the Group will remain unchanged as the increase in property, plant and equipment and investment property will be offset by the decrease in cash balances and increase in liabilities of the Group.

MAJOR TRANSACTION

The purchase of the Property constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is conditional on approval by the Shareholders.

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the purchase of the Property may be obtained by written Shareholders' approval without the need of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the purchase of the Property; and (b) written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at general meetings to approve the purchase of the Property.

So far as the Directors are aware after making reasonable enquiries, none of the Vendor and its associates is a Shareholder as at 19 October 2009 (being the date of the announcement in relation to the purchase of the Property) and would have been required to abstain from voting if the Company were to convene a general meeting for the approval of the purchase of the Property. Therefore, the transaction would be approved by way of written shareholders' approval from a shareholder or a closely allied group of shareholders pursuant to Rule 14.44 of the Listing Rules.

On 19 October 2009, written approval for the purchase of the Property was given by Harmonious World Limited, a Shareholder holding 286,279,660 Shares, representing approximately 71.27% of the issued share capital of the Company as at the date of such approval. Accordingly, no extraordinary general meeting of the Company will be convened for the purposes of approving the purchase of the Property as a major transaction.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board of
Embry Holdings Limited
Cheng Man Tai
Chairman

1. SUMMARY OF FINANCIAL RESULTS

The summary of the consolidated income statement of the Group for each of the three years ended 31 December 2008, 2007 and 2006 and the consolidated assets and liabilities of the Group as at 31 December 2008, 31 December 2007 and 31 December 2006 as set out below is extracted from the published audited financial statements of the Group for the three years ended 31 December 2008, 2007 and 2006.

The auditors' reports from Ernst & Young in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2008, 2007 and 2006 did not contain any qualifications. There were no other exceptional items or extraordinary items of the Group during each of the three years ended 31 December 2008, 2007 and 2006.

CONSOLIDATED INCOME STATEMENT
For the three years ended 31 December 2008, 2007 and 2006

	Year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
REVENUE	973,342	711,668	624,324
Cost of sales	(208,321)	(160,123)	(145,581)
Gross profit	765,021	551,545	478,743
Other income and gains	18,752	69,240	11,006
Selling and distribution expenses	(569,563)	(396,846)	(330,068)
Administrative expenses	(116,385)	(80,439)	(52,711)
Other expenses	(2,720)	(143)	(2,846)
Finance costs	(2)	(118)	(1,545)
PROFIT BEFORE TAX	95,103	143,239	102,579
Tax	(23,120)	(20,723)	(19,974)
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company	71,983	122,516	81,105
Minority interests	–	–	1,500
	71,983	122,516	82,605
DIVIDENDS	32,091	32,000	24,000
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
– Basic (HK cents)	17.95	30.63	26.69
– Diluted (HK cents)	17.83	30.29	26.68

CONSOLIDATED BALANCE SHEET
As at 31 December 2008, 2007 and 2006

	As at 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	205,200	164,294	79,518
Investment property	30,000	31,000	27,700
Prepaid land lease payments	3,863	3,730	5,741
Deferred tax asset	3,361	–	–
Deposits	455	1,988	13,132
Total non-current assets	242,879	201,012	126,091
CURRENT ASSETS			
Inventories	360,342	295,959	227,969
Trade receivables	41,703	31,912	34,967
Prepayments, deposits and other receivables	24,735	33,948	14,046
Due from a related company	–	22,400	–
Financial assets at fair value through profit or loss	23,014	–	–
Cash and cash equivalents	336,500	349,247	431,225
Total current assets	786,294	733,466	708,207
CURRENT LIABILITIES			
Trade and bills payables	33,021	32,842	25,283
Tax payable	11,425	3,604	4,212
Other payables and accruals	64,937	52,652	50,851
Interest-bearing bank loans, secured	–	–	4,242
Total current liabilities	109,383	89,098	84,588
NET CURRENT ASSETS	676,911	644,368	623,619
TOTAL ASSETS LESS CURRENT LIABILITIES	919,790	845,380	749,710
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured	–	–	20,228
Deferred liabilities	4,838	3,388	3,395
Deferred tax liabilities	6,522	2,532	1,850
Total non-current liabilities	11,360	5,920	25,473
Net assets	908,430	839,460	724,237
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	4,011	4,003	4,000
Reserves	880,351	811,457	696,237
Proposed final and special dividends	24,068	24,000	24,000
Total equity	908,430	839,460	724,237

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the audited financial statements and notes to the financial statements of the Group for the year ended 31 December 2008 as extracted from the annual report 2008 of the Company:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	973,342	711,668
Cost of sales		(208,321)	(160,123)
Gross profit		765,021	551,545
Other income and gains	6	18,752	69,240
Selling and distribution expenses		(569,563)	(396,846)
Administrative expenses		(116,385)	(80,439)
Other expenses	7	(2,720)	(143)
Finance costs	8	(2)	(118)
PROFIT BEFORE TAX	9	95,103	143,239
Tax	12	(23,120)	(20,723)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	14	71,983	122,516
DIVIDENDS	15	32,091	32,000
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	16		
– Basic (HK cents)		17.95	30.63
– Diluted (HK cents)		17.83	30.29

CONSOLIDATED BALANCE SHEET
31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	205,200	164,294
Investment property	18	30,000	31,000
Prepaid land lease payments	19	3,863	3,730
Deferred tax asset	30	3,361	–
Deposits	22	455	1,988
Total non-current assets		242,879	201,012
CURRENT ASSETS			
Inventories	20	360,342	295,959
Trade receivables	21	41,703	31,912
Prepayments, deposits and other receivables	22	24,735	33,948
Due from a related company	23	–	22,400
Financial assets at fair value through profit or loss	24	23,014	–
Cash and cash equivalents	26	336,500	349,247
Total current assets		786,294	733,466
CURRENT LIABILITIES			
Trade and bills payables	27	33,021	32,842
Tax payable		11,425	3,604
Other payables and accruals	28	64,937	52,652
Total current liabilities		109,383	89,098
NET CURRENT ASSETS		676,911	644,368
TOTAL ASSETS LESS CURRENT LIABILITIES		919,790	845,380
NON-CURRENT LIABILITIES			
Deferred liabilities	29	4,838	3,388
Deferred tax liabilities	30	6,522	2,532
Total non-current liabilities		11,360	5,920
Net assets		908,430	839,460
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	31	4,011	4,003
Reserves	33(a)	880,351	811,457
Proposed final and special dividends	15	24,068	24,000
Total equity		908,430	839,460

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

		Attributable to equity holders of the Company										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Con-tributed surplus HK$'000 (note 33(a))	Asset revaluation reserve HK$'000	Enterprise expansion and statutory reserve funds HK$'000 (note 33(a))	Exchange fluctuation reserve HK$'000	Goodwill reserve HK$'000 (note 33(a))	Share option reserve HK$'000	Retained profits HK$'000	Proposed final and special dividends HK$'000	Total equity HK$'000
At 1 January 2008		4,003	329,240	122,610	2,539	11,768	26,474	(3,168)	5,369	316,625	24,000	839,460
Exchange realignment		–	–	–	–	–	24,304	–	–	–	–	24,304
Total income and expense recognised in equity		–	–	–	–	–	24,304	–	–	–	–	24,304
Profit for the year		–	–	–	–	–	–	–	–	71,983	–	71,983
Total income and expense for the year		–	–	–	–	–	24,304	–	–	71,983	–	96,287
Issue of shares	*31(b)*	8	2,337	–	–	–	–	–	(868)	–	–	1,477
Equity-settled share option arrangements	*32*	–	–	–	–	–	–	–	3,229	–	–	3,229
Share options lapsed		–	–	–	–	–	–	–	(1,034)	1,034	–	–
Final 2007 dividend declared and paid		–	–	–	–	–	–	–	–	–	(24,000)	(24,000)
Interim 2008 dividend	*15*	–	–	–	–	–	–	–	–	(8,023)	–	(8,023)
Proposed 2008 final and special dividends	*15*	–	–	–	–	–	–	–	–	(24,068)	24,068	–
At 31 December 2008		4,011	331,577*	122,610*	2,539*	11,768*	50,778*	(3,168)*	6,696*	357,551*	24,068	908,430

		Attributable to equity holders of the Company										
						Enterprise expansion and					Proposed	
			Share	Con-	Asset	statutory	Exchange		Share		final and	
		Issued	premium	tributed	revaluation	reserve	fluctuation	Goodwill	option	Retained	special	Total
		capital	account	surplus	reserve	funds	reserve	reserve	reserve	profits	dividends	equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(note 33(a))		*(note 33(a))*		*(note 33(a))*				
At 1 January 2007		4,000	327,270	122,610	2,539	12,657	8,561	(3,168)	584	225,184	24,000	724,237
Exchange realignment		–	–	–	–	–	22,494	–	–	–	–	22,494
Total income and expense recognised in equity		–	–	–	–	–	22,494	–	–	–	–	22,494
Profit for the year		–	–	–	–	–	–	–	–	122,516	–	122,516
Total income and expense for the year		–	–	–	–	–	22,494	–	–	122,516	–	145,010
Disposal of subsidiaries	*34(b)*	–	–	–	–	(920)	(4,581)	–	–	920	–	(4,581)
Issue of shares	*31(a)*	3	1,970	–	–	–	–	–	(1,404)	–	–	569
Equity-settled share option arrangements	*32*	–	–	–	–	–	–	–	6,225	–	–	6,225
Share options lapsed		–	–	–	–	–	–	–	(36)	36	–	–
Final 2006 dividend declared and paid		–	–	–	–	–	–	–	–	–	(24,000)	(24,000)
Interim 2007 dividend	*15*	–	–	–	–	–	–	–	–	(8,000)	–	(8,000)
Proposed final 2007 dividend	*15*	–	–	–	–	–	–	–	–	(24,000)	24,000	–
Transfer from retained profits		–	–	–	–	31	–	–	–	(31)	–	–
At 31 December 2007		4,003	329,240*	122,610*	2,539*	11,768*	26,474*	(3,168)*	5,369*	316,625*	24,000	839,460

* *These reserves accounts comprise the consolidated reserves of HK$880,351,000 (2007: HK$811,457,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		95,103	143,239
Adjustments for:			
Finance costs	8	2	118
Interest income	6	(5,673)	(11,935)
Depreciation	9	23,621	10,342
Amortisation of prepaid land lease payments	9	60	62
Loss on write-off of items of property, plant and equipment	9	65	152
Write-back of impairment allowance of trade receivables	9	(730)	(316)
Write-off of trade receivables	9	968	–
Provision for obsolete inventories, net	9	9,234	9,075
Fair value gains on financial assets at fair value through profit or loss	9	(283)	–
Changes in fair value of an investment property	9	1,000	(3,300)
Gain on disposal of subsidiaries	6	–	(41,998)
Equity-settled share option expenses	32	3,229	6,225
		126,596	111,664
Increase in inventories		(73,617)	(77,065)
Decrease/(increase) in trade receivables		(10,029)	3,371
Increase in prepayments, deposits and other receivables	34(a)	(7,766)	(5,095)
Increase in financial assets at fair value through profit or loss		(22,731)	–
Increase in trade and bills payables		179	7,559
Increase in other payables and accruals	34(a)	31,205	1,928
Increase/(decrease) in deferred liabilities		1,450	(7)
Cash generated from operations		45,287	42,355
Hong Kong profits tax paid		(2,525)	(418)
Overseas tax paid		(12,145)	(20,231)
Net cash inflow from operating activities		30,617	21,706

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		9,244	8,241
Purchases of items of property, plant and equipment	*17, 34(a)*	(59,220)	(101,284)
Proceeds from disposal of subsidiaries, net	*34(b)*	–	31,070
Decrease in an amount due from a related company	*23*	22,400	–
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	*26*	88,636	(100,000)
Net cash inflow/(outflow) from investing activities		61,060	(161,973)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	*31(b)*	1,477	569
Dividends paid		(32,023)	(32,000)
Interest paid		(2)	(118)
Repayment of bank loans		–	(24,470)
Net cash outflow from financing activities		(30,548)	(56,019)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		61,129	(196,286)
Cash and cash equivalents at beginning of year		249,247	431,225
Effect of foreign exchange rate changes, net		14,760	14,308
CASH AND CASH EQUIVALENTS AT END OF YEAR		325,136	249,247
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*26*	217,585	145,281
Non-pledged time deposits with original maturity of less than three months when acquired	*26*	107,551	103,966
		325,136	249,247

BALANCE SHEET
31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	25	708,732	641,301
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	148	2,679
Cash and cash equivalents	26	53,276	102,755
Total current assets		53,424	105,434
CURRENT LIABILITIES			
Other payables and accruals	28	3,180	762
NET CURRENT ASSETS		50,244	104,672
Net assets		758,976	745,973
EQUITY			
Issued capital	31	4,011	4,003
Reserves	33(b)	730,897	717,970
Proposed final and special dividends	15	24,068	24,000
Total equity		758,976	745,973

NOTES TO FINANCIAL STATEMENTS

31 December 2008

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 August 2006 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company is located at 7th Floor, Wyler Centre II, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 25 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

The Company is a subsidiary of Harmonious World Limited ("Harmonious World"), a company incorporated in the British Virgin Islands (the "BVI"), and is considered by the directors as the Company's ultimate holding company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment property and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all amounts are rounded to the nearest thousand (HK$'000) except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of adopting these new and revised HKFRSs are as follows:

a) **Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets**

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

b) **HK(IFRIC)-Int 11 HKFRS 2 – Group and Treasury Share Transactions**

As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

c) **HK(IFRIC)-Int 12 Service Concession Arrangements**

No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

d) **HK(IFRIC)-Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [1]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [1]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners [2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the accounting periods on or after 1 January 2010, other amendments are effective for accounting periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for accounting periods beginning on or after 1 January 2009
2 Effective for accounting periods beginning on or after 1 January 2010

* *Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets, and liabilities and contingent liabilities assumed as at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against the consolidated reserves

Goodwill arising on acquisitions before 1 January 2001 was eliminated against the consolidated goodwill reserve in the year of acquisition. The Group applied the transitional provisions of HKFRS 3 that permitted such goodwill to remain eliminated against the consolidated goodwill reserve and that required such goodwill not to be recognised in the consolidated income statement when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its holding company;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, the investment property and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of the reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	4.5% to 20%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant assets.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment property

Investment property is an interest in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Gains or losses arising from changes in the fair value of an investment property are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for “Revenue recognition” below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade payables, other payables and interest-bearing bank loans are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow moving items. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Borrowing costs

Borrowing costs are expensed as incurred.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) dividend income, where the shareholder's right to receive payment has been established.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Government grants

Government grants, including a subsidy for the expenditure incurred in construction cost of infrastructure project, are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Employee benefits

Share-based payment transactions

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as an additional share dilution in the computation of earnings per share.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between leasehold land element from leasehold land and buildings

The Group has determined that the carrying value of the land element of the leasehold land and buildings held in Hong Kong in relation to the value of the entire lease is insignificant and cannot be reliably allocated. Accordingly, the leasehold land and buildings held in Hong Kong has been treated as a single unit and accounted for under HKAS 16 Property, plant and equipment.

Operating lease commitments – Group as lessor

The Group has entered into a commercial property lease on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of this property which is leased out on an operating lease.

Change of accounting estimates

In the previous years, the residual value of property, plant and equipment (excluding leasehold land and buildings) was set at a standard of 10%. Based on the residual value of the disposal of certain items of the property, plant and equipment, the directors of the Company are of the opinion that the residual value should be set at a range of 0% to 10% so as to more accurately reflect the performance of the Group. Accordingly, with effect from 1 January 2008, the residual value is changed from 10% to a range of 0% to 10%. This constitutes a change in accounting estimates and is applied prospectively. This change in residual value has increased the depreciation charge of approximately HK$5,716,000 for the year.

Estimation uncertainty

Estimation of fair value of an investment property

As described in note 18 to the financial statements, the investment property was revalued at the balance sheet date on an open market value, existing state basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

Valuation of share options

The fair value of options granted under share option schemes is determined using the binomial model. The significant inputs into the model were share price at the grant date, exercise price, risk-free interest rate, dividend yield, expected volatility and suboptimal exercise factor. When the actual results of the inputs differ from the management's estimate, it will have impact on share option expenses and the related share option reserve of the Company.

4. SEGMENT INFORMATION

The Group's primary business segment is the manufacture and sale of ladies' brassieres, panties, swimwear and sleepwear. Since this is the only business segment of the Group, no further analysis thereof is presented.

Segment information is presented below in respect of the Group's geographical segment, which is regarded as the secondary segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

	Mainland China		**Hong Kong**		**Others**		**Total**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	856,113	590,697	90,743	83,558	26,486	37,413	973,342	711,668
Segment assets	783,057	568,528	246,116	365,950	–	–	1,029,173	934,478
Capital expenditure incurred during the year	55,095	100,910	190	374	–	–	55,285	101,284

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

6. OTHER INCOME AND GAINS

	Group 2008	Group 2007
	HK$'000	*HK$'000*
Other income		
Bank interest income	5,392	11,935
Other interest income *(note 13(a)(iv))*	281	–
Gross rental income	2,074	2,167
Subsidy income from the People's Republic of China (the "PRC") government:		
Reinvestment tax refunds #	2,852	1,811
Energy saving technology and product award fund *	561	–
Enterprises development fund *	132	–
Patent subsidies *	56	–
Others	1,398	1,373
	12,746	17,286
Gains		
Gain on disposal of subsidiaries *(note 13(b))*	–	41,998
Fair value gains on financial assets at fair value though profit or loss	283	–
Foreign exchange differences, net	6,723	6,656
Changes in fair value of an investment property *(note 18)*	(1,000)	3,300
	6,006	51,954
	18,752	69,240

According to the Income Tax Law of the PRC, the Group is entitled to refunds of corporate income tax, subject to the approval from the relevant offices of the Tax Bureau in the PRC. In prior years, the Group reinvested the profit distributions received from its subsidiary in a new entity established in the PRC and received approvals from the Tax Bureau in relation to the reinvestment tax refunds. The refunds are determined based on certain percentages of the profit distribution reinvested in prior years.

* *There are no unfulfilled conditions or contingencies relating to this income.*

7. OTHER EXPENSES

	Group 2008	Group 2007
	HK$'000	*HK$'000*
Charitable donation	2,635	–
Loss on write-off of items of property, plant and equipment	65	152
Others	20	(9)
	2,720	143

8. FINANCE COSTS

	Group 2008 HK$'000	Group 2007 HK$'000
Interest on:		
Bank loans and overdrafts repayable within five years	2	5
Bank loans repayable over five years	–	113
Total interest	2	118

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group 2008 HK$'000	Group 2007 HK$'000
Cost of inventories sold	208,321	160,123
Depreciation	23,621	10,342
Amortisation of prepaid land lease payments	60	62
Minimum lease payments under operating leases in respect of:		
Land and buildings	40,940	25,982
Contingent rents of retail outlets in department stores	243,527	171,826
Employee benefits expenses (excluding directors' remuneration – *note 10*):		
Wages and salaries	203,124	146,843
Provision for long service payments	1,521	192
Retirement benefits scheme contributions	25,966	17,100
Equity-settled share option expenses	1,475	3,472
	232,086	167,607
Auditors' remuneration	2,560	2,178
Advertising and counter decoration expenses	82,890	57,706
Provision for obsolete inventories, net	9,234	9,075
Write-back of impairment allowance of trade receivables	(730)	(316)
Write-off of trade receivables	968	–
Research and development expenditure	2,764	1,751
Loss on write-off of items of property, plant and equipment	65	152
Fair value gains on financial assets at fair value through profit or loss	(283)	–
Gross and net rental income	(2,074)	(2,167)
Changes in fair value of an investment property	1,000	(3,300)
Gain on disposal of subsidiaries *(note 13(b))*	–	(41,998)
Foreign exchange differences, net	(6,723)	(6,656)
Bank interest income	(5,392)	(11,935)
Other interest income	(281)	–

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group 2008	Group 2007
	HK$'000	*HK$'000*
Fees	720	720
Other emoluments:		
Salaries, allowances and benefits in kind	8,658	6,944
Bonuses*	4,231	–
Equity-settled share option expenses	1,754	2,753
Retirement benefits scheme contributions	48	48
	15,411	10,465

* *Executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.*

The fair value of these share options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

2008

	Fees	Salaries, allowances and benefits in kind	Bonuses	Equity-settled share option expenses	Retirement benefits scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. Cheng Man Tai	–	2,639	1,377	524	12	4,552
Ms. Cheng Pik Ho Liza	–	2,401	1,039	321	12	3,773
Madam Ngok Ming Chu	–	2,237	1,089	469	12	3,807
Mr. Hung Hin Kit	–	1,381	726	230	12	2,349
	–	8,658	4,231	1,544	48	14,481
Independent non-executive directors:						
Mr. Lau Siu Ki	240	–	–	70	–	310
Mr. Lee Kwan Hung	240	–	–	70	–	310
Prof. Lee T. S.	240	–	–	70	–	310
	720	–	–	210	–	930
	720	8,658	4,231	1,754	48	15,411

2007

	Fees	Salaries, allowances and benefits in kind	Bonuses	Equity-settled share option expenses	Retirement benefits scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. Cheng Man Tai	–	2,096	–	896	12	3,004
Ms. Cheng Pik Ho Liza	–	1,852	–	513	12	2,377
Madam Ngok Ming Chu	–	1,789	–	793	12	2,594
Mr. Hung Hin Kit	–	1,207	–	341	12	1,560
	–	6,944	–	2,543	48	9,535
Independent non-executive directors:						
Mr. Lau Siu Ki	240	–	–	70	–	310
Mr. Lee Kwan Hung	240	–	–	70	–	310
Prof. Lee T. S.	240	–	–	70	–	310
	720	–	–	210	–	930
	720	6,944	–	2,753	48	10,465

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included four (2007: four) directors, details of whose remuneration are set out in note 10 to the financial statements above. Details of the remuneration of the remaining one (2007: one) non-director, highest paid employee for the year are as follows:

	Group 2008	2007
	HK$'000	*HK$'000*
Salaries and allowances	1,629	1,499
Equity-settled share option expenses	18	480
Retirement benefits scheme contributions	12	12
	1,659	1,991

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2008	**2007**
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	1	1
	1	1

The fair value of these share options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

12. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008.

Pursuant to the Corporate Income Tax Law (the "New PRC Tax Law") of the PRC being effective on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises. Under an implementation guidance note of the New PRC Tax Law (the "Implementation Guidance"), enterprises established before the publication of the New PRC Tax Law were entitled to preferential treatments of a reduced corporate income tax rate (the "CIT rate") granted by the relevant tax authorities. The new CIT rate would be gradually increased from the preferential rate to 25% within 5 years after the effective date of the New PRC Tax Law on 1 January 2008. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

In addition, taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	715	500
Current – Mainland China		
Charge for the year	21,812	19,482
Underprovision/(overprovision) in prior years	(36)	59
Deferred *(note 30)*	629	682
Total tax charge for the year	23,120	20,723

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the regions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Profit before tax	95,103	143,239
Tax at the applicable rates to profits in the countries concerned	22,717	37,127
Lower tax rate for specific provinces in Mainland China	(4,565)	(12,905)
Lower tax rate due to tax holiday	(2,049)	–
Effect on opening deferred tax of decrease in rate *(note 30)*	(145)	–
Adjustments in respect of current tax of previous years	(36)	59
Income not subject to tax	(1,570)	(9,508)
Expenses not deductible for tax	3,663	7,776
Effect of withholding tax at 5% and 10% on the distributable profits of the Group's PRC subsidiaries	4,200	–
Utilisation of tax losses not recognised in previous years	(126)	(2,288)
Tax losses not recognised	1,031	462
Tax charge at the Group's effective rate	23,120	20,723

13. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2008 HK$'000	2007 HK$'000
Continuing transactions			
Purchases of furniture for counters and shops from related companies	*(i)*	17,190	16,637
Rental expense for a property paid to a related company	*(ii)*	2,422	–
Rental expenses for a warehouse paid to a director of the Company	*(iii)*	144	144
Discontinued transaction			
Interest income on promissory note received from a related company	*(iv)*	281	–

Notes:

(i) The purchases of furniture for counters and shops from related companies controlled by a son of a director of the Company were made according to the terms similar to those offered by the Group's independent suppliers. The balances owing to related companies as at 31 December 2008 were HK$3,715,000 (2007: Nil) and were unsecured, interest-free and repayable in accordance with normal trading terms. The amounts have been included in the other payables and accruals as at the balance sheet date.

(ii) The rental expenses which were paid to a related company controlled by a director of the Company and two sons of a director of the Company were determined with reference to the then prevailing market conditions.

(iii) The rental expenses were determined with reference to the then prevailing market conditions.

(iv) The promissory note issued by a related company controlled by a director of the Company and two sons of a director of the Company carried interest which was determined after considering the prevailing interest rates offered by commercial banks in Hong Kong for commercial loans. The promissory note was fully settled in March 2008.

The above continuing transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

(b) Disposal of subsidiaries to a related company

On 27 November 2007, the Group disposed of certain subsidiaries to a related company controlled by a director of the Company and two sons of a director of the Company for a total consideration of HK$56,000,000, comprising cash of HK$33,600,000 and the issuance of a promissory note in the amount of HK$22,400,000 as further detailed in note 23 to the financial statements.

The Group made a gain of approximately HK$41,998,000 thereon. Further details of this transaction were set out in a circular to the shareholders of the Company dated 11 December 2007.

(c) Compensation of key management personnel of the Group

	2008	**2007**
	HK$'000	*HK$'000*
Short term employee benefits	19,749	10,999
Post-employment benefits	309	93
Equity-settled share option expenses	2,231	4,125
Total compensation paid to key management personnel	22,289	15,217

Further details of directors' remuneration are included in note 10 to the financial statements.

14. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 includes a profit of HK$40,320,000 (2007: HK$58,154,000) which has been dealt with in the financial statements of the Company (note 33(b)).

15. DIVIDENDS

	2008	**2007**
	HK$'000	*HK$'000*
Interim – HK2.0 cents (2007: HK2.0 cents) per ordinary share	8,023	8,000
Proposed final and special – HK3.0 cents (2007: HK6.0 cents) and HK3.0 cents (2007: Nil), respectively, per ordinary share	24,068	24,000
	32,091	32,000

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

16. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit for the year attributable to ordinary equity holders of the Company of HK$71,983,000 (2007: HK$122,516,000) and the weighted average of 400,989,000 (2007: 400,003,000) ordinary shares during the year.

The calculation of diluted earnings per share for the year ended 31 December 2008 is based on the profit attributable to ordinary equity holders of the Company of HK$71,983,000 (2007: HK$122,516,000). The weighted average number of ordinary shares used in the calculation is the 400,989,000 (2007: 400,003,000) ordinary shares as used in the basic earnings per share calculation, and the weighted average of 2,679,000 (2007: 4,532,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2008							
Cost:							
At 1 January 2008	56,146	3,690	46,557	76,296	13,544	76,832	273,065
Additions	–	–	9,322	19,683	1,087	25,193	55,285
Write-off	–	–	(46)	(1,462)	(635)	–	(2,143)
Transfers	82,590	–	–	10,599	–	(93,189)	–
Exchange realignment	6,698	–	3,128	4,634	586	120	15,166
At 31 December 2008	145,434	3,690	58,961	109,750	14,582	8,956	341,373
Accumulated depreciation:							
At 1 January 2008	21,005	3,690	29,976	44,849	9,251	–	108,771
Provided during the year	3,413	–	3,347	15,068	1,793	–	23,621
Write-off	–	–	(41)	(1,414)	(623)	–	(2,078)
Exchange realignment	1,017	–	2,006	2,458	378	–	5,859
At 31 December 2008	25,435	3,690	35,288	60,961	10,799	–	136,173
Net book value:							
At 31 December 2008	119,999	–	23,673	48,789	3,783	8,956	205,200

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
31 December 2007							
Cost:							
At 1 January 2007	71,219	3,690	36,631	54,448	12,323	–	178,311
Additions	–	–	6,781	19,131	1,620	73,752	101,284
Write-off	–	–	(2)	(1,362)	(757)	–	(2,121)
Disposal of subsidiaries *(note 34(b))*	(17,920)	–	–	(60)	(210)	–	(18,190)
Exchange realignment	2,847	–	3,147	4,139	568	3,080	13,781
At 31 December 2007	56,146	3,690	46,557	76,296	13,544	76,832	273,065
Accumulated depreciation:							
At 1 January 2007	21,705	3,690	26,634	37,926	8,838	–	98,793
Provided during the year	2,324	–	1,190	5,927	901	–	10,342
Write-off	–	–	(2)	(1,299)	(668)	–	(1,969)
Disposal of subsidiaries *(note 34(b))*	(4,156)	–	–	(60)	(189)	–	(4,405)
Exchange realignment	1,132	–	2,154	2,355	369	–	6,010
At 31 December 2007	21,005	3,690	29,976	44,849	9,251	–	108,771
Net book value:							
At 31 December 2007	35,141	–	16,581	31,447	4,293	76,832	164,294

The Group's leasehold land and buildings at cost included above are held under the following lease terms:

	Group 2008 *HK$'000*	Group 2007 *HK$'000*
Medium term leases in Hong Kong	28,605	28,605
Medium term leases outside Hong Kong	113,810	24,701
Long term leases outside Hong Kong	3,019	2,840
	145,434	56,146

At 31 December 2008, the buildings in Mainland China included certain buildings with a net book value of approximately HK$86,159,000 (2007: Nil) for which the Group is still in the process of obtaining the building ownership certificates. These buildings are erected on lands for which the relevant land use rights certificates have been obtained by the Group.

18. INVESTMENT PROPERTY

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Carrying amount at 1 January	31,000	27,700
Changes in fair value *(notes 6 and 9)*	(1,000)	3,300
Carrying amount at 31 December	30,000	31,000

The Group's investment property is held under the medium term lease and is situated at 6th Floor, Wyler Centre II, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong, as office building.

The Group's investment property was revalued on 31 December 2008 by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer, at HK$30,000,000 on an open market, existing state basis. The investment property is leased to a third party under an operating lease, further summary details of which are included in note 35(a) to the financial statements.

19. PREPAID LAND LEASE PAYMENTS

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Cost:		
At 1 January	3,768	6,162
Disposal of subsidiaries *(note 34(b))*	–	(2,838)
Exchange realignment	238	444
At 31 December	4,006	3,768
Amortisation:		
At 1 January	–	361
Recognised during the year	60	62
Disposal of subsidiaries *(note 34(b))*	–	(452)
Exchange realignment	1	29
At 31 December	61	–
Carrying amount at 31 December	3,945	3,768
Current portion included in prepayments, deposits and other receivables *(note 22)*	(82)	(38)
Non-current portion	3,863	3,730

The leasehold lands are situated in Mainland China and the respective prepaid land lease payments are held under medium term leases.

20. INVENTORIES

	Group 2008	Group 2007
	HK$'000	*HK$'000*
Raw materials	28,470	24,901
Work in progress	31,806	24,406
Finished goods	300,066	246,652
	360,342	295,959

21. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for wholesalers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables from the sales department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group 2008	Group 2007
	HK$'000	*HK$'000*
Within 90 days	40,376	31,023
91 to 180 days	1,330	892
181 to 360 days	174	649
Over 360 days	164	1,026
	42,044	33,590
Less: Impairment allowance	(341)	(1,678)
	41,703	31,912

The carrying amounts of trade receivables approximate to their fair values.

At 31 December 2008, trade receivables of HK$341,000 (2007: HK$1,678,000) were individually determined to be impaired. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances. Movements in provision for impairment of trade receivables are as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
At 1 January	1,678	1,994
Amount write-off as uncollectible	(607)	–
Impairment losses write-back *(note 9)*	(730)	(316)
At 31 December	341	1,678

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Neither past due nor impaired	40,376	31,023
1 to 3 months past due	1,327	889
	41,703	31,912

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepaid land lease payments *(note 19)*	82	38	–	–
Deposit paid for land use rights	–	14,078	–	–
Deposits for acquisition of items of property, plant and equipment	455	1,988	–	–
Prepayments	4,303	2,680	148	150
Deposits and other receivables	20,350	17,152	–	2,529
	25,190	35,936	148	2,679
Current portion included in prepayments, deposits and other receivables	(24,735)	(33,948)	(148)	(2,679)
Non-current portion	455	1,988	–	–

None of the above assets is either past due or impaired.

23. DUE FROM A RELATED COMPANY

Particulars of an amount due from a related company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name	31 December 2008	Group Maximum amount outstanding during the year	1 January 2008
	HK$'000	*HK$'000*	*HK$'000*
Sinowide Investment Limited ("Sinowide")	–	22,400	22,400

The balance represented the promissory note issued by Sinowide for the settlement of the balance of the consideration, as detailed in note 13(b) to the financial statements. The promissory note was unsecured, bore interest at 5% per annum, and was fully settled in March 2008.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Quoted investment in PRC, at fair value	23,014	–

The above investment at 31 December 2008 was classified as held for trading upon inital recognition, designated by the Group as financial assets at fair value through profit or loss.

25. INTERESTS IN SUBSIDIARIES

	Company 2008 *HK$'000*	Company 2007 *HK$'000*
Unlisted investments, at cost	381,448	381,448
Due from subsidiaries	327,609	260,281
Due to a subsidiary	(325)	(428)
	708,732	641,301

The balances with subsidiaries are unsecured, interest-free and not expected to be settled within the next twelve months from the balance sheet date. The carrying amounts of the balances with subsidiaries approximate to their fair values.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Issued and fully paid share/ registered capital	Percentage of equity attributable to the Company 2008	Percentage of equity attributable to the Company 2007	Principal activities
Embry (Changzhou) Garments Ltd. ("Embry CZ")**	PRC/ Mainland China	RMB11,600,000	100	100	Manufacture and trading of ladies' brassieres, panties, swimwear and sleepwear
Embry (China) Garments Ltd.** ("Embry SZ")	PRC/ Mainland China	HK$11,000,000	100	100	Manufacture and trading of ladies' brassieres, panties, swimwear and sleepwear
Embry (H.K.) Limited ("Embry HK")	Hong Kong	Ordinary HK$45,000 * Non-voting deferred HK$4,500,000	100	100	Trading of ladies' brassieres, panties, swimwear and sleepwear
Embry (Macau) Fashion Company Limited (Embry (Macau) Pronto A Vestir, Limitada)	Macau	MOP100,000	100	100	Trading of ladies' brassieres, panties, swimwear and sleepwear
Embry (Shandong) Garments Limited ("Embry SD")**	PRC/ Mainland China	US$10,000,000	100	100	Manufacture and trading of ladies' brassieres, panties, swimwear and sleepwear
Embry Garments Limited	BVI	US$1	100	100	Investment holding

Name	Place of incorporation/ registration and operations	Issued and fully paid share/ registered capital	Percentage of equity attributable to the Company 2008	2007	Principal activities
Embry Group Limited (“EGL”)	BVI	US$472	100	100	Investment holding
Gallin Investments Limited	Hong Kong	HK$2	100	100	Investment holding
Prime Force Advertising Limited	Hong Kong	HK$20	100	100	Property investment
Whistleblower Limited	BVI	US$1	100	100	Holding of trademarks

* *The non-voting deferred shares carry no rights to dividends (other than for any financial year during which the net profit of Embry HK available for dividend exceeds HK$1,000,000,000,000), no rights to vote at general meetings and no rights to receive any surplus in return of capital in a winding-up in respect of the first HK$500,000,000,000,000.*

** *Embry CZ, Embry SZ and Embry SD are registered as wholly-foreign-owned enterprises under the PRC law.*

Except for EGL, all of the above subsidiaries are indirectly held by the Company.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	217,585	145,281	53,276	1,286
Time deposits with original maturity of less than three months when acquired	107,551	103,966	–	51,469
Time deposits with original maturity of more than three months when acquired	11,364	100,000	–	50,000
	336,500	349,247	53,276	102,755

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK$164,911,000 (2007: HK$90,360,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for approximately one week on average depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

27. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within 90 days	27,517	28,403
91 to 180 days	1,938	2,601
181 to 360 days	764	746
Over 360 days	2,802	1,092
	33,021	32,842

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days terms.

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	24,898	29,530	–	125
Accruals	40,039	23,122	3,180	637
	64,937	52,652	3,180	762

Other payables and accruals included amounts of HK$3,715,000 due to related companies as at 31 December 2008 (2007: Nil). The balances were unsecured, interest-free and repayable in accordance with normal trading terms.

Other payables are non-interest-bearing and have an average term of three months.

29. DEFERRED LIABILITIES

Deferred liabilities represent the estimated provision in respect of long service payments which may become payable in the future under the Hong Kong Employment Ordinance to employees in proportion to their periods of services with the Group up to the balance sheet date.

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
At 1 January	3,388	3,395
Provision for the year *(note 9)*	1,521	192
Payments during the year	(71)	(199)
At 31 December	4,838	3,388

30. DEFERRED TAX

The movements in deferred tax liabilities and asset during the year are as follows:

Group

	Revaluation of a property	Depreciation allowance in excess of related depreciation	Unrealised profit of inventories	Withholding taxes on undistributed profits on PRC subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	997	853	–	–	1,850
Deferred tax charged to the income statement during the year *(note 12)*	578	104	–	–	682
At 31 December 2007 and 1 January 2008	1,575	957	–	–	2,532
Effect on opening deferred tax of decrease in rate *(note 12)*	(90)	(55)	–	–	(145)
Deferred tax charged/(credited) to the income statement during the year *(note 12)*	(165)	100	(3,361)	4,200	774
At 31 December 2008	1,320	1,002	(3,361)	4,200	3,161

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	HK$'000
Deferred tax asset recognised in the consolidated balance sheet	(3,361)
Deferred tax liabilities recognised in the consolidated balance sheet	6,522
	3,161

The Group has tax losses arising in Hong Kong of approximately HK$10,567,000 (2007: HK$1,135,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rates are 5% and 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

	2008	2007
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	10,000	10,000
Issued and fully paid:		
401,130,500 (2007: 400,314,500) ordinary shares of HK$0.01 each	4,011	4,003

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Notes	**Number of ordinary shares of HK$0.01 each**	**Nominal value of ordinary share** *HK$'000*
Authorised:			
As at 31 December 2007 and 31 December 2008		1,000,000,000	10,000
Issued:			
As at 1 January 2007		400,000,000	4,000
Share options exercised	*(a)*	314,500	3
As at 31 December 2007		400,314,500	4,003
Share option exercised	*(b)*	816,000	8
As at 31 December 2008		401,130,500	4,011

Notes:

(a) During the year ended 31 December 2007, the subscription rights attaching to 314,500 share options were exercised at the subscription price of HK$1.81 per share (note 32), at a consideration of approximately HK$569,000, of which $3,000 was credited to share capital and the balance of HK$566,000 was credited to the share premium account. An amount of HK$1,404,000 has been transferred from the share option reserve to the share premium account when the options were exercised.

(b) During the year ended 31 December 2008, the subscription rights attaching to 816,000 share options were exercised at the subscription price of HK$1.81 per share (note 32), at a consideration of approximately HK$1,477,000 of which HK$8,000 was credited to share capital and the balance of HK$1,469,000 was credited to the share premium account. An amount of HK$868,000 has been transferred from the share option reserve to the share premium account when the options were exercised.

32. SHARE OPTION SCHEMES

The Company has adopted a pre-initial public offering share option scheme on 25 November 2006 (the "Pre-IPO Share Option Scheme") and a share option scheme on 18 December 2006 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group.

Pre-IPO Share Option Scheme

Eligible participants of the Pre-IPO Share Option Scheme include (i) any employee (whether full time or part time, including directors) of the Company, its subsidiaries or invested entity; (ii) any directors or proposed directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any advisor (professional or otherwise), consultant, individual or entity who is in the opinion of the directors of the Company has contributed or will contribute to the growth and development of the Group and the listing of the shares of the Company on the Stock Exchange; and (iv) any company wholly-owned by one or more eligible participants as referred to in (i) to (iii) above.

The offer of a grant of share options under the Pre-IPO Share Option Scheme (the "Pre-IPO Share Options") may be accepted not later than the earlier of 21 days from the date of offer or 28 November 2006, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the Pre-IPO Share Options is determinable by the directors, which period may commence from the date of the offer of the Pre-IPO Share Options, and ends on a date which is not later than ten years from the date of the offer of the Pre-IPO Share Options or the expiry date of the Pre-IPO Share Option Scheme, if earlier.

The exercise price of the Pre-IPO Share Options is determinable by the directors, but shall not be less than the nominal value of the Company's shares.

There is no individual limit under the Pre-IPO Share Option Scheme. No further option can be granted under the Pre-IPO Share Option Scheme.

Pre-IPO Share Options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Set out below are the outstanding Pre-IPO Share Options as at 31 December 2008:

	Number of share options							
Name or category of participant	At 1 January 2008	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 31 December 2008	Date of grant of share options	Exercise period of share options*	Exercise price of share options# *HK$ per share*
Executive directors								
Mr. Cheng Man Tai	873,000	–	–	(218,000)	655,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
Ms. Cheng Pik Ho Liza	500,000	–	–	(125,000)	375,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
Madam Ngok Ming Chu	773,000	–	–	(193,000)	580,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
Mr. Hung Hin Kit	332,000	–	–	(83,000)	249,000	25 November 2006	18 December 2007 to 17 December 2011	1.81

Name or category of participant	Number of share options: At 1 January 2008	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 31 December 2008	Date of grant of share options	Exercise period of share options*	Exercise price of share options# *HK$ per share*
Independent non-executive directors								
Mr. Lau Siu Ki	68,000	–	–	–	68,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
Mr. Lee Kwan Hung	68,000	–	–	–	68,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
Prof. Lee T. S.	68,000	–	–	–	68,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
Other employees								
In aggregate	3,071,500	–	(1,078,500)	(197,000)	1,796,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
	5,753,500	–	(1,078,500)	(816,000)	3,859,000			

Notes to the reconciliation of the Pre-IPO Share Options outstanding during the year:

* The Pre-IPO Share Options are vested to the grantees in the following manner:

- 25% of such options were vested on 18 December 2007 with an exercise period from 18 December 2007 to 17 December 2011;
- 25% of such options were vested on 18 December 2008 with an exercise period from 18 December 2008 to 17 December 2011;
- 25% of such options will be vested on 18 December 2009 with an exercise period from 18 December 2009 to 17 December 2011; and
- the remaining 25% of such options will be vested on 18 December 2010 with an exercise period from 18 December 2010 to 17 December 2011.

The exercise price of each of the Pre-IPO Share Options per share is 50% of the final offer price of HK$3.62 and is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the Pre-IPO Share Options granted during the year ended 31 December 2006 was estimated at approximately HK$13,525,000 (HK$2.08 each) of which the Company recognised share option expenses of HK$2,636,000, HK$6,225,000 and HK$584,000 for the years ended 31 December 2008, 2007 and 2006, respectively.

At as 31 December 2008, the equity-settled option expenses under the Pre-IPO Share Option Scheme of HK$4,080,000 had not been recognised in the income statement.

The fair value of the Pre-IPO Share Options granted during the year ended 31 December 2006 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0
Expected volatility (%)	49
Risk-free interest rate (%)	3.8
Suboptimal exercise factor (times)	3

The suboptimal exercise factor is based on the directors' estimation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Share Option Scheme

Eligible participants of the Share Option Scheme include, (i) any employee (whether full time or part time, including directors but excluding any non-executive director) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support to the Group or any invested entity; (v) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; (vi) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (viii) any company wholly-owned by one or more eligible participants as referred in to (i) to (vii) above. The Share Option Scheme became effective on 18 December 2006 and, unless otherwise cancelled or amended, will remain in force for a period of ten years to 17 December 2016.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company.

In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet on the date of the offer of the share options; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Set out below are the outstanding share options under the Share Option Scheme as at 31 December 2008:

Name or category of participant	Number of share options: At 1 January 2008	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 31 December 2008	Date of grant of share options	Exercise period of share options*	Exercise price of share options *HK$ per share*
Executive directors								
Mr. Cheng Man Tai	–	1,000,000	–	–	1,000,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Ms. Cheng Pik Ho Liza	–	1,000,000	–	–	1,000,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Madam Ngok Ming Chu	–	1,000,000	–	–	1,000,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Mr. Hung Hin Kit	–	1,000,000	–	–	1,000,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Independent non-executive directors								
Mr. Lau Siu Ki	–	700,000	–	–	700,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Mr. Lee Kwan Hung	–	700,000	–	–	700,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Prof. Lee T. S.	–	700,000	–	–	700,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Other employees								
In aggregate	–	6,600,000	–	–	6,600,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
	–	12,700,000	–	–	12,700,000			

Notes to the reconciliation of share options under the Share Option Scheme outstanding during the year:

* The share options are vested to the grantees in the following manner:

- 30% of such options will be vested on 5 November 2009 with an exercise period from 5 November 2009 to 4 November 2012;
- 30% of such options will be vested on 5 November 2010 with an exercise period from 5 November 2010 to 4 November 2012; and
- the remaining 40% of such options will be vested on 5 November 2011 with an exercise period from 5 November 2011 to 4 November 2012.

The fair value of the share options under the Share Option Scheme granted during the year ended 31 December 2008 was estimated at approximately HK$6,664,000 (HK$0.52 each) of which the Company recognised a share option expense of HK$593,000 during the year ended 31 December 2008.

As at 31 December 2008, the equity-settled option expenses of HK$6,071,000 and under the Share Option Scheme had not been recognised in the income statement.

The fair value of the share options under the Share Option Scheme granted during the year ended 31 December 2008 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	3
Expected volatility (%)	55
Risk-free interest rate (%)	1.8
Expected life of option (year)	4
Exit rate – director (%)	0
Exit rate – staff except director (%)	15
Weighted average share price (HK$)	1.45

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The exit rate is based on the historical data on staff/director turnover rates.

No other feature of the options granted was incorporated into the measurement of fair value.

The following share options were outstanding under the Pre-IPO Share Option Scheme and the Share Option Scheme during the year:

	2008		2007	
	Weighted average exercise price *HK$ per share*	**Number of options**	**Weighted average exercise price** *HK$ per share*	**Number of options**
At 1 January	1.81	5,753,500	1.81	6,510,000
Granted during the year	1.45	12,700,000	1.81	–
Exercised during the year	1.81	(816,000)	1.81	(314,500)
Cancelled or lapsed during the year	1.81	(1,078,500)	1.81	(442,000)
At 31 December	1.53	16,559,000	1.81	5,753,500

The weighted average share price at the date of exercise for share options exercised during the year was HK$4.65 per share.

The 816,000 share options exercised during the year resulted in the issue of 816,000 ordinary shares of the Company and new share capital of HK$8,000 and share premium account of HK$1,469,000 (before issue expenses), as further detailed in notes 31 and 33(b) to the financial statements.

At the balance sheet date, the Company had 16,559,000 share options outstanding under the Pre-IPO Share Option Scheme and the Share Option Scheme. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 16,559,000 additional ordinary shares of the Company and additional share capital of HK$166,000 and share premium account of HK$25,234,000 (before issue expenses).

Subsequent to the balance sheet date and at the date of approval of these financial statements, the Company had 16,559,000 share options outstanding under the Pre-IPO Share Option Scheme and Share Option Scheme, which represented approximately 4.12% of the issued share capital of the Company as at that date.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The contributed surplus of the Group represents (i) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation of certain members of the Group which took place on 31 December 1992, over the nominal value of EGL's shares issued in exchange therefor; (ii) the premium arising from the share issues by EGL for settlement of the amount due to the ultimate holding company of HK$15,841,000; (iii) the premium arising from the acquisition of Embry HK from the minority shareholders of HK$5,000,000; and (iv) the excess of the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor and the then existing 10,000,000 shares of HK$0.01 each credited as fully paid at par.

In accordance with the relevant regulations applicable in the PRC, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profits after tax, if any, to the enterprise expansion and statutory reserve funds, which are non-distributable, before profit distributions to shareholders. The amounts of the transfers are subject to the approval of the board of directors of these subsidiaries.

The Group applied the transitional provision of HKFRS 3 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against the consolidated reserves. The amount of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries prior to 1 January 2001, was stated at cost, which is amounted to HK$3,168,000 as at 31 December 2008 (2007: HK$3,168,000).

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits/ (accu-mulated loss) HK$'000	Total HK$'000
At 1 January 2007		327,270	381,248	584	(24,077)	685,025
Profit for the year		–	–	–	58,154	58,154
Total income and expense for the year		–	–	–	58,154	58,154
Issue of shares	*31(a)*	1,970	–	(1,404)	–	566
Equity-settled share option arrangements	*32*	–	–	6,225	–	6,225
Share options lapsed		–	–	(36)	36	–
Interim 2007 dividend	*15*	–	–	–	(8,000)	(8,000)
Proposed final 2007 dividend	*15*	–	–	–	(24,000)	(24,000)
At 31 December 2007 and 1 January 2008		329,240	381,248	5,369	2,113	717,970
Profit for the year		–	–	–	40,320	40,320
Total income and expense for the year		–	–	–	40,320	40,320
Issue of shares	*31(b)*	2,337	–	(868)	–	1,469
Equity-settled share option arrangements	*32*	–	–	3,229	–	3,229
Share options lapsed		–	–	(1,034)	1,034	–
Interim 2008 dividend	*15*	–	–	–	(8,023)	(8,023)
Proposed 2008 final and special dividends	*15*	–	–	–	(24,068)	(24,068)
At 31 December 2008		331,577	381,248	6,696	11,376	730,897

The contributed surplus of the Company represents the excess of the then net assets of the subsidiaries acquired by the Company pursuant to the group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor and the then existing 10,000,000 shares of HK$0.01 each credited as fully paid at par.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

Pursuant to the agreement (the "Acquisition Agreement") entered into between a subsidiary and the People's Government of Zhangqiu, Shandong Province, the PRC (the "Zhangqiu Government") on 28 December 2005, the Group had agreed to acquire a 50 years' land use right of a piece of land located in Shandong Province at a consideration of RMB22,262,000.

During the year ended 31 December 2006, the land lease payments of RMB16,697,000 were made by the Group and the Group received a subsidy of RMB16,631,000 from the Zhangqiu Government for the construction cost of the basic infrastructure to be incurred by the Group in Shandong Province, the PRC. On 28 October 2006, the deposit of RMB3,525,000 had been utilised for the grant of a land use right of a piece of land with an area of 167,870 square metres and its related certificate had been obtained from the government land bureau of Shandong Province, the PRC. Based on the Acquisition Agreement, the Group may request the People's Government of Zhangqiu to refund the unutilised deposits of RMB13,172,000 if no further land use right certificate was granted to the Group by 31 December 2008.

As at 31 December 2008, no further land use right certificate was granted to the Group. Pursuant to a supplementary agreement to the Acquisition Agreement, the Zhangqiu Government agreed to refund the unutilised deposits to the Group. Accordingly, the Group utilised the deposits of RMB13,172,000 (approximately HK$14,985,000) with the subsidy from Zhangqiu Government. The remaining subsidy of RMB3,459,000 (approximately HK$3,935,000) is deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

During the year ended 31 December 2007, the Group disposed of certain subsidiaries for a consideration of HK$56,000,000. The above consideration was satisfied in cash and by an issue of the promissory note, as detailed in note 23 to the financial statements. The promissory note was classified as "Due from a related company" on the face of the consolidated balance sheet.

(b) Disposal of subsidiaries

	2007
	HK$'000
Disposal of net assets of the subsidiaries:	
Property, plant and equipment	13,785
Prepaid land lease payments	2,386
Other receivables	9
Cash and bank balances	1,423
Other payables and accruals	(127)
Total net assets disposed of	17,476
Exchange fluctuation reserve released on disposal	(4,581)
Gain on disposal of subsidiaries	41,998
Expenses on disposal of subsidiaries	1,107
Total consideration of the disposal	56,000
Satisfied by:	
Consideration settled in cash	33,600
Issue of the promissory note *(note 23)*	22,400
	56,000

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Group
	2007
	HK$'000
Consideration settled in cash	33,600
Cash and bank balances disposed of	(1,423)
Expenses on disposal of subsidiaries	(1,107)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	31,070

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 18) under an operating lease arrangement, with a lease negotiated for a term of four years.

At the balance sheet date, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	1,370	4,009
In the second to fifth years, inclusive	–	1,352
	1,370	5,361

(b) As lessee

The Group leases certain of its shops, counters, warehouses, office properties and office equipment under operating lease arrangements with leases negotiated for terms ranging from one to eight years.

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	57,054	48,586
In the second to fifth years, inclusive	32,661	28,837
After five years	766	–
	90,481	77,423

In addition, the Group has entered into agreements with department stores to enable the Group to set up its retail outlets therein. The operating lease rentals for the use of their floor areas in department stores are based on the higher of a fixed rental or contingent rent based on sales of the retail outlets pursuant to the terms and conditions as set out in the respective agreements. As the future sales of these retail outlets could not be accurately determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

36. COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	2008	**2007**
	HK$'000	*HK$'000*
Contracted for commitments in respect of		
– the land lease payments in the PRC	–	5,948
– the acquisition of property, plant and equipment	9,545	29,948
	9,545	35,896

The Company had no significant commitment at the balance sheet date.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Financial assets

	Group					
	2008			**2007**		
	Loans and receivables	**Financial assets at fair value through profit or loss**	**Total**	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	41,703	–	41,703	31,912	–	31,912
Financial assets included in prepayment, deposits and other receivables	2,292	–	2,292	5,863	–	5,863
Due from a related company	–	–	–	22,400	–	22,400
Financial assets at fair value through profit or loss	–	23,014	23,014	–	–	–
Cash and cash equivalents	336,500	–	336,500	349,247	–	349,247
	380,495	23,014	403,509	409,422	–	409,422

Financial liabilities

Financial liabilities at amortised cost

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Trade and bills payables	33,021	32,842
Financial liabilities included in other payables and accrual *(note 28)*	24,898	29,530
	57,919	62,372

Financial assets

Loans and receivables

	Company	
	2008	**2007**
	HK$'000	*HK$'000*
Due from subsidiaries	327,609	260,281
Cash and cash equivalents	53,276	102,755
	380,885	363,036

Financial liabilities

Financial liabilities at amortised cost

	Company	
	2008	**2007**
	HK$'000	*HK$'000*
Due to a subsidiary	325	428
Financial liabilities included in other payables and accrual *(note 28)*	–	125
	325	553

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's financial instruments are short term in nature. The carrying amounts of these financial instruments reported on the balance sheet approximate to their fair values, and hence there is no interest rate risk exposure in relation to these instruments.

Foreign currency risk

The Group carries on its sales and purchases transactions mainly in Hong Kong dollars and RMB. As the foreign currency risks generated from the sales and purchases can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business. However, as the Group's net profit is reported in Hong Kong dollars, there will be a translation gain as a result of the RMB appreciation, and vice versa. The majority of the Group's operating assets are located in Mainland China and are denominated in RMB.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit after tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit after tax and equity
	%	*HK$'000*
2008		
If Hong Kong dollar weakens against RMB	5	16,294
If Hong Kong dollar strengthens against RMB	(5)	(16,294)
2007		
If Hong Kong dollar weakens against RMB	5	12,686
If Hong Kong dollar strengthens against RMB	(5)	(12,686)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and on an individual basis. Each of the customers has been attached with a trading limit and any excess to the limit must be approved by the general manager of the operation unit. Under the tight control of the credit term and detailed assessment to the creditworthiness of individual customers, the Group's exposure to bad debts is maintained as minimal.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, an amount due from a related company and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objective is to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirement.

The Group continued to enjoy a strong financial position with cash and cash equivalents amounting to HK$336,500,000 as at 31 December 2008 (2007: HK$349,247,000).

During the year ended 31 December 2007, the Group repaid the interest-bearing bank loans prior to their maturity and no new loan was drawn in current year.

The Group financed its operations and investment activities by internally generated cash flows and the proceeds from the Company's initial public offering, respectively.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the undiscounted payments, was as follows:

Group

	On demand	**Less than one year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
2008			
Trade and bills payables	8,841	24,180	33,021
Other payables	–	24,898	24,898
	8,841	49,078	57,919
2007			
Trade and bills payables	4,439	28,403	32,842
Other payables	–	29,530	29,530
	4,439	57,933	62,372

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance where appropriate. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 2007.

As the Group has no debts, its capital is entirely represented by equity attributable to equity holders of the Company, which comprises issued capital and reserves as detailed in the consolidated statement of changes in equity.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2009.

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The following is the unaudited condensed consolidated financial statements and notes to the financial statements of the Group for the six months ended 30 June 2009 extracted from the 2009 interim report of the Company.

The unaudited condensed consolidated financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	**2008**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
REVENUE	*3*	606,599	489,166
Cost of sales		(125,435)	(113,275)
Gross profit		481,164	375,891
Other income and gains, net	*4*	1,717	15,621
Selling and distribution expenses		(327,719)	(279,549)
Administrative expenses		(63,745)	(59,460)
Other expenses		–	(2,565)
Finance costs	*5*	–	(2)
PROFIT BEFORE TAX	*6*	91,417	49,936
Tax	*7*	(29,586)	(10,305)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		61,831	39,631
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*9*		
– Basic (HK cents)		15.41	9.89
– Diluted (HK cents)		15.27	9.82

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	61,831	39,631
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	1,046	24,531
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	62,877	64,162

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2009

	Notes	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	207,716	205,200
Investment property		29,000	30,000
Prepaid land lease payments		3,822	3,863
Deferred tax asset		2,718	3,361
Deposits	12	21,653	455
Total non-current assets		264,909	242,879
CURRENT ASSETS			
Inventories		330,560	360,342
Trade receivables	13	47,494	41,703
Prepayments, deposits and other receivables		27,125	24,735
Financial assets at fair value through profit or loss		–	23,014
Cash and cash equivalents		418,984	336,500
Total current assets		824,163	786,294
CURRENT LIABILITIES			
Trade and bills payables	14	28,455	33,021
Tax payable		9,537	11,425
Other payables and accruals		84,745	64,937
Total current liabilities		122,737	109,383
NET CURRENT ASSETS		701,426	676,911
TOTAL ASSETS LESS CURRENT LIABILITIES		966,335	919,790
NON-CURRENT LIABILITIES			
Deferred liabilities		4,738	4,838
Deferred tax liabilities		10,892	6,522
Total non-current liabilities		15,630	11,360
NET ASSETS		950,705	908,430
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Issued capital		4,017	4,011
Other reserves		528,153	522,800
Retained earnings		418,535	381,619
TOTAL EQUITY		950,705	908,430

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to equity holders of the Company									
	Issued capital	Share premium account	Con-tributed surplus	Asset revaluation reserve	Enterprise expansion and statutory reserve funds	Exchange fluctuation reserve	Goodwill reserve	Share option reserve	Retained earnings	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009 (audited)	4,011	331,577	122,610	2,539	11,768	50,778	(3,168)	6,696	381,619	908,430
Profit for the period	–	–	–	–	–	–	–	–	61,831	61,831
Exchange differences arising on translation of foreign operations	–	–	–	–	–	1,046	–	–	–	1,046
Total comprehensive income for the period	–	–	–	–	–	1,046	–	–	61,831	62,877
Issue of shares	6	2,073	–	–	–	–	–	(1,106)	–	973
Equity-settled share option arrangements	–	–	–	–	–	–	–	2,493	–	2,493
Final and special 2008 dividends declared and paid	–	–	–	–	–	–	–	–	(24,068)	(24,068)
Transfer from retained earnings	–	–	–	–	847	–	–	–	(847)	–
At 30 June 2009 (unaudited)	4,017	333,650*	122,610*	2,539*	12,615*	51,824*	(3,168)*	8,083*	418,535	950,705

* *These reserves accounts comprise other reserves of HK$528,153,000 in the condensed consolidated statement of financial position.*

	Attributable to equity holders of the Company									
	Issued capital	Share premium account	Contributed surplus	Asset revaluation reserve	Enterprise expansion and statutory reserve funds	Exchange fluctuation reserve	Goodwill reserve	Share option reserve	Retained earnings	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008 (audited)	4,003	329,240	122,610	2,539	11,768	26,474	(3,168)	5,369	340,625	839,460
Profit for the period	–	–	–	–	–	–	–	–	39,631	39,631
Exchange differences arising on translation of foreign operations	–	–	–	–	–	24,531	–	–	–	24,531
Total comprehensive income for the period	–	–	–	–	–	24,531	–	–	39,631	64,162
Issue of shares	8	2,337	–	–	–	–	–	(868)	–	1,477
Equity-settled share option arrangements	–	–	–	–	–	–	–	1,464	–	1,464
Share options lapsed	–	–	–	–	–	–	–	(436)	436	–
Final 2007 dividend declared and paid	–	–	–	–	–	–	–	–	(24,000)	(24,000)
At 30 June 2008 (unaudited)	4,011	331,577	122,610	2,539	11,768	51,005	(3,168)	5,529	356,692	882,563

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
NET CASH INFLOW/(OUTFLOW) FROM:		
Operating activities	116,737	29,361
Investing activities	(840)	84,008
Financing activities	(23,095)	(22,525)
NET INCREASE IN CASH AND CASH EQUIVALENTS	92,802	90,844
Cash and cash equivalents at beginning of period	325,136	249,247
Effect of foreign exchange rate changes, net	1,046	14,293
CASH AND CASH EQUIVALENTS AT END OF PERIOD	418,984	354,384
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	418,984	145,005
Non-pledged time deposits with original maturity of less than three months when acquired	–	209,379
	418,984	354,384

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 August 2006 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company is located at 7th Floor, Wyler Centre II, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

The Company is a subsidiary of Harmonious World Limited ("Harmonious World"), a company incorporated in the British Virgin Islands, which is considered by the Directors as the Company's ultimate holding company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standards ("HKAS") 34: Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revalued amount or fair values, as appropriate. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except as described by below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs 2008
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 15	Agreement for the Construction of Real Estate
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the new HKFRSs, except for HKAS 1 (Revised) as described below, had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

The Group's primary operating segment is the manufacture and sale of ladies' brassieres, panties, swimwear and sleepwear. Since this is the only operating segment of the Group, no further analysis thereof is presented.

4. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other income		
Bank interest income	1,134	2,999
Other interest income	–	281
Gross rental income	1,117	1,102
Others	1,930	632
	4,181	5,014
Gains		
Gain on disposal of financial assets at fair value through profit or loss	135	–
Gain on disposal of items of property, plant and equipment	14	–
Changes in fair value of an investment property	(1,000)	1,500
Foreign exchange differences, net	(1,613)	9,107
	(2,464)	10,607
	1,717	15,621

5. FINANCE COSTS

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on bank overdrafts repayable within five years	–	2

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cost of inventories sold	125,435	113,275
Depreciation	10,959	12,988
Amortisation of prepaid land lease payments	41	20
Minimum lease payments under operating leases in respect of:		
Land and buildings	24,965	19,442
Contingent rents of retail outlets in department stores	148,442	119,889
Advertising and counter decoration expenses	29,584	48,224
Research and development expenditure	1,368	891

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Pursuant to the Corporate Income Tax Law (the "New PRC Tax Law") of the People's Republic of China (the "PRC") being effective on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises. Under an implementation guidance note of the New PRC Tax Law (the "Implementation Guidance"), enterprises established before the publication of the New PRC Tax Law were entitled to preferential treatments of a reduced corporate income tax rate (the "CIT rate") granted by the relevant tax authorities. The new CIT rate would be gradually increased from the preferential rate to 25% within 5 years after the effective date of the New PRC Tax Law on 1 January 2008. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

In addition, taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Group:		
Current – Hong Kong	602	1,532
Current – Mainland China	23,971	10,396
Deferred	5,013	(1,623)
Total tax charge for the period	29,586	10,305

8. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

		Six months ended 30 June	
		2009	**2008**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Continuing transactions			
Purchases of furniture for counters and shops from related companies	*(i)*	5,780	10,995
Rental expenses for a property paid to a related company	*(ii)*	1,227	1,193
Rental expenses for a warehouse paid to a director of the Company	*(iii)*	72	72
Discontinued transaction			
Interest income on promissory note received from a related company	*(iv)*	–	281

Notes:

(i) The purchases of furniture for counters and shops from related companies controlled by a son of a director of the Company were made according to the terms similar to those offered by the Group's independent suppliers. The balances owing to related companies as at 30 June 2009 were HK$5,306,000 (31 December 2008: HK$3,715,000) and were unsecured, interest-free and repayable in accordance with normal trading terms. The amounts had been included in other payables and accruals as at the balance sheet date.

(ii) The rental expenses which were paid to a related company controlled by a director of the Company and two sons of a director of the Company were determined with reference to the then prevailing market conditions.

(iii) The rental expenses were determined with reference to the then prevailing market conditions.

(iv) The promissory note issued by a related company controlled by a director of the Company and two sons of a director of the Company carried interest which was determined after considering the prevailing interest rates offered by commercial banks in Hong Kong for commercial loans. The promissory note was fully settled in March 2008.

The above continuing transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short term employee benefits	7,112	10,500
Post-employment benefits	117	174
Equity-settled share option expenses	1,519	1,145
Total compensation paid to key management personnel	8,748	11,819

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (unaudited profit for the period attributable to equity holders of the Company)	61,831	39,631
	'000	*'000*
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	401,184	400,847
Effect of dilutive share options	3,790	2,752
Weighted average number of ordinary shares for the purpose of diluted earnings per share	404,974	403,599

10. DIVIDENDS

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Dividend paid during the period		
Final and special dividends of HK6.0 cents per ordinary share for the year ended 31 December 2008 (year ended 31 December 2007: HK6.0 cents)	24,068	24,000
Proposed interim dividend		
Interim dividend of HK3.0 cents (2008: HK2.0 cents) per ordinary share	12,051	8,023

The interim dividend will be paid to the shareholders whose names appear in the register of members on 29 September 2009. The interim dividend was declared after the period ended 30 June 2009, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2009	**31 December 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At beginning of period/year, net of accumulated depreciation	205,200	164,294
Additions	13,495	55,285
Disposals	(20)	(65)
Depreciation provided during the period/year	(10,959)	(23,621)
Exchange realignment	–	9,307
At end of period/year, net of accumulated depreciation	207,716	205,200

12. DEPOSITS

	30 June 2009	**31 December 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Deposits paid for land use rights*	21,068	–
Deposits for acquisition of items of property, plant and equipment	585	455
	21,653	455

* *The deposits paid for land use rights are the total consideration for land with an area of 123,350 square metres (the "Shandong factory phase 2") in adjacent to the land of the Group's factory located in Zhangqiu City, Shandong province.*

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for wholesalers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables from the sales department to minimise credit risk. Overdue balances are reviewed regularly by the senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
Within 90 days	46,789	40,376
91 to 180 days	756	1,330
181 to 360 days	129	174
Over 360 days	161	164
	47,835	42,044
Less: Impairment allowance	(341)	(341)
	47,494	41,703

14. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
Within 90 days	25,202	27,517
91 to 180 days	641	1,938
181 to 360 days	817	764
Over 360 days	1,795	2,802
	28,455	33,021

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days' terms.

15. SHARE OPTION SCHEMES

The Company adopted a pre-initial public offering share option scheme on 25 November 2006 (the "Pre-IPO Share Option Scheme") and a share option scheme on 18 December 2006 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Details of the schemes are disclosed in the annual financial statements for the year ended 31 December 2008.

Pre-IPO Share Option Scheme

Set out below were the outstanding share options under the Pre-IPO Share Option Scheme (the "Pre-IPO Share Options") as at 30 June 2009:

	Number of share options							
Name or category of participant	At 1 January 2009	Granted during the period	Cancelled or lapsed during the period	Exercised during the period	At 30 June 2009	Date of grant of share options	Exercise period of share options*	Exercise price of share options# *HK$ per share*
Executive Directors								
Cheng Man Tai	655,000	–	–	(218,500)	436,500	25 November 2006	18 December 2007 to 17 December 2011	1.81
Cheng Pik Ho Liza	375,000	–	–	(125,000)	250,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
Ngok Ming Chu	580,000	–	–	(193,500)	386,500	25 November 2006	18 December 2007 to 17 December 2011	1.81
Hung Hin Kit	249,000	–	–	–	249,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
Independent Non-executive Directors								
Lau Siu Ki	68,000	–	–	–	68,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
Lee Kwan Hung	68,000	–	–	–	68,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
Lee T. S.	68,000	–	–	–	68,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
Other employees								
In aggregate	1,796,000	–	–	–	1,796,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
	3,859,000	–	–	(537,000)	3,322,000			

The weighted average closing share price at the date of exercise for share options exercised during the period was HK$2.30 per share.

The weighted average closing share price immediately before the date of exercise for share options exercised during the period was HK$2.32 per share.

Notes to the reconciliation of the Pre-IPO Share Options outstanding during the period:

* The Pre-IPO Share Options are vested to the grantees in the following manner:

- 25% of such options were vested on 18 December 2007 with an exercise period from 18 December 2007 to 17 December 2011;
- 25% of such options were vested on 18 December 2008 with an exercise period from 18 December 2008 to 17 December 2011;
- 25% of such options will be vested on 18 December 2009 with an exercise period from 18 December 2009 to 17 December 2011; and
- the remaining 25% of such options will be vested on 18 December 2010 with an exercise period from 18 December 2010 to 17 December 2011.

\# The exercise price of each of the Pre-IPO Share Options per share is 50% of the final offer price of HK$3.62 and is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the Pre-IPO Share Options granted during the year ended 31 December 2006 was estimated at approximately HK$13,525,000 (HK$2.08 each), of which the Company recognised a share option expense of HK$711,000 (2008: HK$1,464,000) during the period. As at 30 June 2009, the equity-settled option expenses of HK$1,300,000 had not been recognised in the income statement.

The fair value of the Pre-IPO Share Options granted during the year ended 31 December 2006 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0
Expected volatility (%)	49
Risk-free interest rate (%)	3.8
Suboptimal exercise factor (times)	3

The suboptimal exercise factor is based on the Directors' estimation and not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Share Option Scheme

Set out below were the outstanding share options under the Share Option Scheme as at 30 June 2009:

Name or category of participant	At 1 January 2009	Granted during the period	Cancelled or lapsed during the period	Exercised during the period	At 30 June 2009	Date of grant of share options	Exercise period of share options*	Exercise price of share options
	Number of share options							*HK$ per share*
Executive Directors								
Cheng Man Tai	1,000,000	–	–	–	1,000,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Cheng Pik Ho Liza	1,000,000	–	–	–	1,000,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Ngok Ming Chu	1,000,000	–	–	–	1,000,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Hung Hin Kit	1,000,000	–	–	–	1,000,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Independent Non-executive Directors								
Lau Siu Ki	700,000	–	–	–	700,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Lee Kwan Hung	700,000	–	–	–	700,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Lee T. S.	700,000	–	–	–	700,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
Other employees								
In aggregate	6,600,000	–	–	–	6,600,000	5 November 2008	5 November 2009 to 4 November 2012	1.45
	12,700,000	–	–	–	12,700,000			

Notes to the reconciliation of share options under the Share Option Scheme outstanding during the period:

* The share options under the Share Option Scheme will be vested to the grantees in the following manner:

- 30% of such options will be vested on 5 November 2009 with an exercise period from 5 November 2009 to 4 November 2012;
- 30% of such options will be vested on 5 November 2010 with an exercise period from 5 November 2010 to 4 November 2012; and
- the remaining 40% of such options will be vested on 5 November 2011 with an exercise period from 5 November 2011 to 4 November 2012.

The fair value of the share options under the Share Option Scheme granted during the year ended 31 December 2008 was estimated at approximately HK$6,664,000 (HK$0.52 each), of which the Company recognised a share option expense of HK$1,782,000 (2008: Nil) during the period. As at 30 June 2009, the equity-settled option expenses of HK$4,289,000 under the Share Option Scheme had not been recognised in the income statement.

The fair value of the share options under the Share Option Scheme granted during the year ended 31 December 2008 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	3
Expected volatility (%)	55
Risk-free interest rate (%)	1.8
Expected life of option (year)	4
Exit rate – director (%)	0
Exit rate – staff except director (%)	15
Weighted average share price (HK$)	1.45

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The exit rate is based on the historical data on staff/director turnover rates.

No other feature of the options granted was incorporated into the measurement of fair value.

The 537,000 share options exercised during the period resulted in the issue of 537,000 ordinary shares of the Company and new share capital of HK$6,000 and share premium account of approximately HK$967,000. An amount of HK$1,106,000 has been transferred from the share option reserve.

At the balance sheet date, the Company had 16,022,000 share options outstanding under the Pre-IPO Share Option Scheme and the Share Option Scheme. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 16,022,000 additional ordinary shares of the Company and additional share capital of HK$160,000 and share premium account of HK$24,267,000 (before issue expenses).

Subsequent to the balance sheet date and at the date of approval of these condensed consolidated financial statements, the Company had 16,004,000 share options outstanding under the Pre-IPO Share Option Scheme and Share Option Scheme, which represented approximately 3.98% of the issued ordinary shares of the Company as at that date.

16. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property to an independent third party under an operating lease arrangement, with a lease negotiated for a term of four years.

At the balance sheet date, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

	30 June 2009 *HK$'000* (unaudited)	**31 December 2008** *HK$'000* (audited)
Within one year	271	1,370

(b) As lessee

The Group leases certain of its shops, counters, warehouses, office properties and office equipment under operating lease arrangements with leases negotiated for terms ranging from one to eight years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
Within one year	59,680	57,054
In the second to fifth years, inclusive	28,723	32,661
After five years	567	766
	88,970	90,481

In addition, the Group has entered into agreements with department stores to enable the Group to set up its retail outlets therein. The operating lease rentals for the use of their floor areas in department stores are based on the higher of a fixed rental or contingent rent based on sales of the retail outlets pursuant to the terms and conditions as set out in respective agreements. As the future sales of these retail outlets could not be accurately determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above disclosure.

17. COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
Contracted for commitments in respect of the acquisitions of property, plant and equipment	9,813	9,545
Authorised, but not contracted for commitments in respect of investment in Shandong factory *	117,743	–

* *It refers to the construction and the related property, plant and equipment in the Group's Shandong factory phase 2 development.*

18. POST BALANCE SHEET EVENT

On 9 September 2009, Embry (Changzhou) Garments Ltd. ("Embry CZ"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the acquisition of a piece of land at a consideration of RMB6,318,000. The land, with an area of 25,070 square metres, is located at Xinbei District, Changzhou, Jiangsu Province. Embry CZ is currently operating in rented premises. It is the intention of the Group that the operations of Embry CZ will be relocated to this newly acquired site when construction of new production facilities is completed.

19. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board on 10 September 2009.

4. ADDITIONAL INFORMATION OF THE GROUP

Indebtedness, Liquidity and Financial Resources

At the close of business on 30 September 2009 (being the latest practicable date for the purpose of this indebtedness statement), the Group did not have any bank borrowings. The gearing ratio, being total interest-bearing bank borrowings divided by total assets, was therefore nil as at 30 September 2009.

Save as disclosed above and otherwise mentioned herein, and apart from intra-group liabilities, none of the members of the Group had, at the close of business on 30 September 2009, any outstanding mortgages, charges, debenture, loan capital issued and outstanding or agreed to be issued, bank loan and overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantee or other material contingent liabilities.

Working Capital

The Directors, after due and careful consideration and having taken into account the banking facilities, including an indicative offer of bank loans from a bank, and the internal resources available to the Group, are of the opinion that, in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for the next 12 months from the date of this circular.

Material Adverse Change

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest audited financial statements of the Group were made up.

Financial and Trading Prospects

The Group is principally engaged in the design, manufacture and retail distribution of lingerie products (including brassieres, panties and corsets), swimwear and sleepwear in the PRC, Hong Kong and the Macau Special Administrative Region of the PRC.

Looking into the second half of 2009, the overall market conditions in the PRC are expected to improve gradually as the Government's stimulus measures continue to fuel domestic consumption. While maintaining a cautiously optimistic outlook, the Group will adopt a sustainable business growth strategy to take advantage of the steady economic growth ahead.

The Group will continue to improve and expand its sales network prudently and adjust the distribution of its retail outlets according to the original expansion plan set out at the beginning of the year by opening around 100 retail outlets across the PRC in 2009. On the other hand, the Group will continue to develop top quality products for its brands and set the pricing carefully, in order to enhance its brand equity.

Following the commissioning of the Group's production plant in Jinan City, Shandong Province, the PRC ("**Shandong Factory**") in 2008, the Group is now in a position to allocate its production more flexibly among the three production bases in the PRC, thereby achieving better economies of scale and operating efficiency. It is expected that further expansion of production capacity in the Shandong Factory as and when needed will be sufficient to support the Group's growth plans for the coming years.

Leveraging its enhanced brand equity and strengthened market leading position, the Group will continue to promote healthy business growth by boosting its research and development capabilities to meet the needs of customers. It will also be carrying out various advertising and promotion campaigns to increase the brand awareness among customers. The Group is confident that the growth momentum can be sustained in the second half of 2009 and endeavours to deliver satisfactory returns to the Shareholders.

The unaudited pro forma statement of adjusted consolidated net assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is based on the condensed consolidated statement of financial position extracted from the latest published interim report as at 30 June 2009 after making pro forma adjustments relating to the purchase of the Property that are (i) directly attributable to the transaction, and (ii) factually supportable, as if the purchase had been completed on 30 June 2009.

The unaudited pro forma statement of adjusted consolidated net assets of the Group has been prepared to provide the unaudited pro forma financial information of the Group as if the purchase of the Property had been completed on 30 June 2009. As it is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 30 June 2009 or at any future date.

Unaudited pro forma net assets statement

	Notes	At 30 June 2009 HK$'000	Pro forma adjustments HK$'000	Total after adjustments HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	*1 & 2*	207,716	237,978	445,694
Investment property	*1 & 2*	29,000	209,508	238,508
Prepaid land lease payments		3,822		3,822
Deferred tax asset		2,718		2,718
Deposits		21,653		21,653
Total non-current assets		264,909		712,395
CURRENT ASSETS				
Inventories		330,560		330,560
Trade receivables		47,494		47,494
Prepayments, deposits and other receivables		27,125		27,125
Cash and cash equivalents	*3*	418,984	(227,486)	191,498
Total current assets		824,163		596,677
CURRENT LIABILITIES				
Trade and bills payables		28,455		28,455
Tax payable		9,537		9,537
Other payables and accruals		84,745		84,745
Secured bank loans	*1 & 4*	–	42,262	42,262
Total current liabilities		122,737		164,999
NET CURRENT ASSETS		701,426		431,678
TOTAL ASSETS LESS CURRENT LIABILITIES		966,335		1,144,073
NON-CURRENT LIABILITIES				
Deferred liabilities		4,738		4,738
Secured bank loans	*1 & 4*	–	177,738	177,738
Deferred tax liabilities		10,892		10,892
Total non-current liabilities		15,630		193,368
NET ASSETS		950,705		950,705

Notes:

1. The total costs of the purchase of the Property are as follows:

	HK$'000
Consideration of the purchase of the Property	
– by cash settlement	213,927
– by acquisition of bank loans (repayable within 1 year)	42,262
– by acquisition of bank loans (repayable within 2-5 years)	177,738
	433,927
Related cost directly attributable to the costs of the Property	
– stamp duty wholly borne by the Group	13,018
– legal and professional fee	541
	13,559
	447,486

2. In accordance with the current estimation, the Group may rent out approximately 50% of the Property, and accordingly, the Property is allocated into property, plant and equipment and investment property as follows:

	HK$'000
Property, plant and equipment	237,978
Investment property	209,508
	447,486

3. Cash outlay

– partial consideration of the purchase of the Property	213,927
– related costs of the purchase of the Property	13,559
	227,486

4. The Group intends to fund the purchase of the Property by internal resources and bank loans. As at the Latest Practicable Date, the Group has obtained an indicative offer from a bank. The Group does not expect to draw down any bank loans until February 2010.

LETTER ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

9 November 2009

The Directors
Embry Holdings Limited
7/F., Wyler Centre II
200 Tai Lin Pai Road
Kwai Chung
New Territories
HONG KONG

Dear Sirs

We report on the unaudited pro forma statement of adjusted consolidated net assets (the "Unaudited Pro Forma Financial Information") of Embry Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company (the "Directors"), for illustrative purpose only, to provide information about how the purchase of a property located at No. 508, Kunming Road, Yangpu District, Shanghai City, the People's Republic of China might have affected the financial information presented, for inclusion in Appendix II to the circular of the Company dated 9 November 2009 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 1 of Appendix II to the Circular.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standards on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2009 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;

(b) such bases are consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the full text of the letter and valuation certificate received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion on the market value on completion of the Property as at 15 October 2009 prepared for the purpose of incorporation in this circular.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

9 November 2009

The Board of Directors
Embry Holdings Limited
7th Floor, Wyler Centre II
200 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

Dear Sirs,

Re: A block of building known as Tower B of 北美廣場 (unofficial translation being North America Plaza) located at No. 508 Kunming Road, Yangpu District, Shanghai City, the People's Republic of China

Instructions, Purpose & Date of Valuation

In accordance with the instructions by Embry Holdings Limited (the "Company") for us to carry out the valuation of the market value on completion of the captioned property interest (the "Property") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you (the "Company") with our opinion of the market value on completion of the Property as at 15 October 2009 (the "date of valuation").

Definition of Market Value

The valuation of the Property represents our opinion of its market value which in accordance with The HKIS Valuation Standards on Property (First Edition 2005) of the Hong Kong Institute of Surveyors is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuation Assumption

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Property in the PRC, we have assumed that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the opinion of the Company's PRC legal adviser, GFE Law Office, regarding the title to the Property and the interest in the Property. In valuing the Property, we have assumed that the owners have enforceable title to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Method of Valuation

We have valued the Property by Direct Comparison Method by making reference to comparable sale evidence as available in the relevant market.

In valuing the Property, we have complied with the requirements set in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

Source of Information

In respect of the Property in the PRC, we have been provided with extracts of documents in relation to the title to the Property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Company and the opinion of the PRC legal adviser as to the PRC laws in respect of the interest in the Property. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of buildings, completion date of buildings, particulars of occupancy, development scheme, site and floor areas and all other.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

Site Inspection

We have inspected the exterior, and wherever possible, the interior of the Property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Property is free of rot, infestation and any other structure defects. No test was carried out on any of the service.

Unless otherwise stated, we have not carried out on-site measurements to verify the site or floor areas of the Property and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuation are in Renminbi "RMB", the official currency of the PRC.

We attach herewith our valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
China Real Estate Appraiser
Msc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 16 years' experience in the valuation of property in the PRC.

VALUATION CERTIFICATE

Property held under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value on completion as at 15 October 2009
A block of building known as Tower B of 北美廣場 (unofficial translation being North America Plaza) located at No. 508 Kunming Road, Yangpu District, Shanghai City, the PRC	North America Plaza is planned as a composite development of two office buildings (Tower A and Tower B) with a 2-level car park basement on a land with a site area of 15,160 sq. m. North America Plaza is under construction and the superstructure of Tower B has been erected. The interior of Tower B is being decorated and is scheduled for completion in about March 2010. The Property comprises Tower B which is a 14-storey office building. Level 1 and part of Level 2 are planned as ancillary commercial use whilst the remaining part of Level 2 and upper levels are planned as office use. According to Pre-sale Permit and Floor Area Survey Report, the planned gross floor area details are summarized as follows: **Planned Use** — **Approximate Planned Gross Floor Area** *(sq. m.)* Office on Part of Level 2 and Levels 3 to 14 — 10,405.28 Ancillary commercial on Level 1 and Part of Level 2 — 1,024.35 Total: — 11,429.63 We have assumed that the Property will be completed according to the development scheme in due course. The land use rights of North America Plaza have been granted for a term of 50 years from 9 June 2009 to 8 June 2056 for the commercial/ office uses (in which 40 years for commercial and 50 years for office).	The Property is under construction with the superstructure of the building erected.	RMB387,800,000

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2008) 025014, issued by Shanghai Housing and Land Resources Administration Bureau (上海市土地管理局) dated 16 December 2008, the title of land, with a site area of 15,160 sq. m., have been vested in 上海湯米房地產開發有限公司 (unofficial translation being Shanghai Tommy Real Estate Development Co., Ltd.). The land use rights of the Property have been granted for a term of 50 years from 9 June 2006 to 8 June 2056 for the commercial/ office uses (in which 40 years for commercial and 50 years for office).

(2) According to Contract for Grant of State-owned Land Use Rights No. (2006) 024, issued by Shanghai Yangpu District Housing and Land Resources Administration Bureau (上海市楊浦區房屋土地管理局) dated 9 June 2006, the details are summarized as follows:

(i)	Grantee	:	上海雙錢碧源置業有限公司 (as advised, the former land owner)
(ii)	Location	:	Lot 3/2, Jiefang 26, Yangpu District, Shanghai (上海市楊浦區26街坊3/2丘地塊)
(iii)	Nature of Land Use	:	Granted
(iv)	Site Area	:	15,160 sq. m.
(v)	Land Use Term	:	50 years from the date of this contract
(vi)	Land Usage	:	Commercial/ office
(vii)	Plot Ratio	:	≤3.5
(viii)	Land Grant Fee	:	RMB 64,470,000

(3) According to Construction Project Planning Permit No. (2008)10081103F02702, issued by Shanghai Yangpu Urban Planning Administration Bureau (上海市楊浦區城市規劃管理局) dated 3 November 2008, Tower A and Tower B are permitted to construct with a total above ground gross floor area of 39,793 sq. m.

(4) According to Construction Project Commencement Permit No. 0701YP0032D04 310110200711210301, issued by Shanghai Construction Industry Administration Office (上海市建築業管理辦公室) dated 26 November 2008, Tower A and Tower B are permitted to commence construction with a total above ground gross floor area of 39,793 sq. m.

(5) According to Pre-sale Permit No. (2009) 0000965, issued by Yangpu District Housing Protection and Housing Administration Bureau (楊浦區住房保障和房屋管理局) dated 2 October 2009, Tower B is permitted to pre-sale with a total gross floor area of 11,429.63 sq. m.

(6) According to Floor Area Survey Report No. 200910178012, issued by Yangpu Real Estate Survey Office (楊浦區房地產測繪所) dated 2 July 2009, the total above ground gross floor area of Tower A and Tower B is 39,688.97 sq. m. The total above ground gross floor area of Tower B is 11,528.58 sq. m.

(7) According to Business License No. 310110000467477, 上海湯米房地產開發有限公司 (unofficial translation being Shanghai Tommy Real Estate Development Co., Ltd.) was established on 15 August 2008 as a limited company with a registered capital of RMB35,000,000 for an operation period from 15 August 2008 to 14 August 2028.

(8) According to the PRC legal opinion prepared by the PRC legal adviser, GFE Law Office:

(i) 上海湯米房地產開發有限公司 has obtained Business License and was legally established as a legal entity.

(ii) According to the Transfer Contract dated 4 November 2008, 上海湯米房地產開發有限公司 purchased the project under-construction and related land use rights (Tower A and B) located at Lot 3/2, Jiefang 26, Yangpu District, Shanghai (上海市楊浦區26街坊3/2丘地塊) from 上海雙錢碧源置業有限公司 for a total consideration of RMB309,660,230.29. 上海湯米房地產開發有限公司 has settled the consideration in full.

(iii) 上海湯米房地產開發有限公司 has obtained Shanghai Certificate of Real Estate Ownership and the title of land, located at Lot 3/2, Jiefang 26, Yangpu District, Shanghai, with a site area of 15,160 sq. m. The land use rights have been granted for a term of 50 years from 9 June 2006 to 8 June 2056 for the commercial/ office uses (in which 40 years for commercial and 50 years for office).

(iv) 上海湯米房地產開發有限公司 has obtained the legal permit to construct Tower A and B with a total above ground gross floor area of 39,793 sq. m.

(v) 上海湯米房地產開發有限公司 has obtained the legal permit to pre-sell Tower B at No. 508 Kunming Road with a total above ground gross floor area of 11,429.63 sq. m. to third party.

(vi) The project under-construction and related land use rights at No. 508 Kunming Road are mortgaged to 中國工商銀行股份有限公司上海市楊浦支行 (Industrial and Commercial Bank of China Limited Shanghai Pudong Branch). The Bank has promised to rescind the said mortgage.

(9) The status of title and grant of major approvals, licenses in accordance with the PRC legal opinion and the information provided by the Company are as follows:

Shanghai Certificate of Real Estate Ownership	Yes
Contract for Grant of State-owned Land Use Rights	Yes
Construction Project Planning Permit	Yes
Construction Project Commencement Permit	Yes
Pre-sale Permit	Yes
Floor Area Survey Report	Yes
Business License	Yes

1. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions in Shares of the Company:

Name	Capacity and nature of interest	Shares	Number of Shares held	Approximate percentage of the Company's issued share capital
Cheng Man Tai	Interest of controlled corporations	Ordinary Shares *(Note 1)*	287,550,850	71.59
	Beneficial owner	Ordinary Shares	2,276,500	0.57
	Beneficial owner	Share options *(Note 2)*	1,436,500	0.36
Cheng Pik Ho Liza	Beneficial owner	Ordinary Shares	8,063,555	2.01
	Beneficial owner	Share options *(Note 2)*	1,250,000	0.31
Ngok Ming Chu	Interest of controlled corporations	Ordinary Shares *(Note 1)*	287,550,850	71.59
	Beneficial owner	Ordinary Shares	536,500	0.13
	Beneficial owner	Share options *(Note 2)*	1,386,500	0.35
Hung Hin Kit	Beneficial owner	Ordinary Shares	83,000	0.02
	Beneficial owner	Share options *(Note 2)*	1,249,000	0.31
Lau Siu Ki	Beneficial owner	Share options *(Note 2)*	768,000	0.19
Lee Kwan Hung	Beneficial owner	Share options *(Note 2)*	768,000	0.19
Lee T. S.	Beneficial owner	Share options *(Note 2)*	768,000	0.19

Long positions in shares of an associated corporation:

Name	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Approximate percentage of associated corporation's issued share capital
Cheng Man Tai	Harmonious World Limited ("Harmonious World")	Ultimate holding company	Ordinary shares	57.91 shares of US$1 each	Beneficial owner	59.09
Ngok Ming Chu	Harmonious World	Ultimate holding company	Ordinary shares	40.09 shares of US$1 each	Beneficial owner	40.91

Notes:

1. These Shares are held as to 286,279,660 Shares by Harmonious World and as to 1,271,190 Shares by Fairmout Investments Limited ("**Fairmout Investments**"). Harmonious World is owned as to 59.09% by Mr. Cheng Man Tai and as to 40.91% by Madam Ngok Ming Chu. Fairmout Investments is owned as to 50% by Mr. Cheng Man Tai and as to 50% by Madam Ngok Ming Chu.

2. These represent the number of Shares which will be allotted and issued to the respective Directors upon the exercise of the share options granted to each of them pursuant to the share option schemes adopted by the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

2. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WITH INTERESTS IN THE COMPANY WHICH ARE DISCLOSEABLE UNDER SECTION 336 OF PART XV OF THE SFO

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Long positions in Shares of the Company:

Name of shareholder	Capacity	Number of ordinary Shares *(note 1)*	Approximate percentage of the Company's issued share capital
Harmonious World	Beneficial owner	286,279,660	71.27
Fidelity International Limited	Investment manager	28,729,000	7.15

Note: The relationships between Harmonious World and Mr. Cheng Man Tai and Madam Ngok Ming Chu are disclosed under the heading "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, there is no other person (other than the Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and/or any subsidiaries of the Company, or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTEREST IN ASSETS

None of the Directors has since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTEREST IN CONTRACTS

Save for the transactions disclosed in note 13 to the audited financial statements as set out in Appendix I to this circular, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group as a whole.

7. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors has any business or interest which competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

8. PROFESSIONAL QUALIFICATIONS

The company secretary of the Company is Mr. Chau Kwok Ming. He is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

9. MATERIAL CONTRACTS

Saved as disclosed below, no other contracts (not being contracts in the ordinary course of business) had been entered into by any member of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material:

(a) the conditional agreement dated 27 November 2007 entered into between Embry Group Limited, a wholly-owned subsidiary of the Company, as vendor and Sinowide Investments Limited, a company wholly-owned by Ms. Cheng Pik Ho Liza, Mr. Cheng Chuen Chuen and Mr. Cheng Chuen Chi in equal share, as purchaser in relation to the disposal of the entire issued share capital of Embry Development Limited, which was the immediate holding company of Changzhou Embry Development Limited, the sole beneficial owner of an industrial complex situated at No. 8 Embry Road, Tongjiang Avenue, Changzhou, the PRC at a total consideration of HK$56,000,000; and

(b) the Agreement.

10. EXPERTS AND CONSENTS

(a) DTZ Debenham Tie Leung Limited ("**DTZ**") is a corporation of professional surveyors and property valuers.

(b) Ernst & Young ("EY") is a firm of certified public accountants.

(c) Each of DTZ and EY has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter and references to its name in the form and context in which it appears.

(d) As at the Latest Practicable Date, none of DTZ and EY has any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

(e) As at the Latest Practicable Date, none of DTZ and EY has any interest, direct or indirect, in any assets which since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at 7th Floor, Wyler Centre II, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

(c) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at 7th Floor, Wyler Centre II, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong from the date of this circular up to and including 23 November 2009:

(a) the memorandum of association and articles of association of the Company;

(b) the annual report of the Company for the year ended 31 December 2008 and the interim report of the Company for the six months ended 30 June 2009;

(c) the letter, valuation certificate and valuation report relating to the Property, prepared by DTZ, the text of which is set out in Appendix III to this circular;

(d) the Letter issued by EY in connection with the unaudited proforma financial information of the Group as set out in Appendix II to this circular;

(e) the letter of consent from each of DTZ and EY referred to in the paragraph headed "Experts and consents" in this appendix; and

(f) a copy of each of the material contracts referred to in the paragraph headed "Material contracts" in this appendix.