

## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### BUSINESS

The Group is a vertically integrated lingerie company with its own design, manufacturing, marketing, distribution and retail capabilities. Since its establishment in the 1970s, the Group has developed itself into a well-known lingerie brand-owner in the PRC and Hong Kong. At present, the principal market of the Group is in the PRC, revenue from which accounted for approximately 77.3%, 77.5%, 80.8% and 83.7% respectively of the Group's total revenue for the three years ended 31 December 2005 and the six months ended 30 June 2006. As at the Latest Practicable Date, the Group had over 1,000 retail outlets covering most of the major cities in the PRC and a total of 44 retail outlets in Hong Kong.

The Group's products are principally sold under its own brand names **EMBRY FORM**, **FANDECIE** and **COMFIT** offering a wide range of products with different design and features. In June 2006, the Group soft launched a new series of products under the brand name **LC**, which targets the premiere luxury lingerie market.

The Group's products have been accredited with a number of awards and recognitions over the past few years. In 2005, **EMBRY FORM** brassieres were awarded the "China Top Brand (中國名牌產品)" status from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局). Moreover, in 2006, **EMBRY FORM** lingerie products were accredited with "The Best-selling Lingerie Products in the Industry in Ten Consecutive Years 1996-2005 (1996-2005 連續十年全國市場同類產品銷量第一名)" by The China Industrial Information Issuing Center (中國行業企業信息發佈中心).

For the three years ended 31 December 2005 and the six months ended 30 June 2006, the sales derived from the Group's retail operation accounted for approximately 88.5%, 87.8%, 88.2% and 91.0% respectively of the Group's total revenue. The Group also has the OEM and wholesale businesses. The OEM customers of the Group are mainly lingerie trading companies in Japan and the United Kingdom. The Group's branded products are also sold to its wholesale customers (which include individuals and companies in the PRC and Hong Kong selling lingerie products under a variety of brands to retail customers).

The Group owns two production sites in the PRC, which are located in Shenzhen and Changzhou with a total gross floor area of approximately 25,207 sq.m..

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During the Track Record Period, the total revenue of the Group increased from approximately HK\$429.3 million in 2003 to approximately HK\$550.0 million in 2005, representing a compound annual growth rate of approximately 13.2%. In addition, the Net Profit increased from approximately HK\$14.7 million in 2003 to approximately HK\$44.4 million in 2005, representing a compound annual growth rate of approximately 73.8%. During the six months ended 30 June 2006, the Group recorded total revenue of approximately HK\$314.1 million and Net Profit of approximately HK\$40.3 million.

As the Group is a well-known lingerie brand-owner in the PRC, the Directors believe that the Group will benefit from the anticipated growth in the PRC lingerie market. Besides, the Directors expect to leverage the Group's leading position in the PRC market to increase its market share in the PRC and capture new opportunities if identified.

### COMPETITIVE STRENGTHS

The Directors believe that the success of the Group is attributable to the following principal factors:

- the Group's long development history in the PRC. Since its establishment, and after the efforts of the past few decades, *EMBRY FORM* has developed itself into a well-known lingerie brand in the PRC. Moreover, the Group has different brands covering various segments in the lingerie market;
- the Group's sales network with wide geographical spread in the PRC, covering many of the major cities in the PRC and Hong Kong. As at the Latest Practicable Date, the Group had 1,107 retail outlets in the PRC and Hong Kong;
- the Group's senior management team members having extensive experience in the design, manufacture and distribution of lingerie and related products;
- the Group's commitment to provide quality products and services; and
- the Group's in-house capabilities of managing the supply chain for its products, from product design and development, raw materials procurement, production and distribution to retail outlets management.

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### FUTURE PLANS AND PROSPECTS

The PRC economic environment has undoubtedly been improving as reflected by the increase in the PRC GDP per capita from approximately RMB8,622 in 2001 to approximately RMB14,040 in 2005 (representing a compound annual growth rate of approximately 13.0%). The Directors are optimistic about the future market demand for lingerie and believe that there is a considerable development potential in this industry. In the long run, the Group's objective is to become a leading and reputable lingerie retailer in the Greater China Region, which offers a wide range of products to fit the needs of customers of different age groups, having different perception and purchasing power.

In order to achieve its business objective, the Group will dedicate more resources to strengthen the awareness of its brand names and promote the Company's image. In addition, the Group plans to increase its production capacity so as to cope with the continued business development of the Group. In view of the above, the Group has formulated a series of development plans as set out below.

#### **Strategic development of sales network and coverage**

As a lingerie retailer, sales network and coverage are very important for the business. In view of this, the Group intends to expand its sales network by increasing the number of retail outlets in the PRC and Hong Kong by approximately 300 by the end of 2007. The Group plans to expand its sales network by increasing the number of its retail outlets in China's Eastern region, Northern region, Southern region, Western region and Hong Kong by 48, 100, 93, 35 and 24 respectively. Among these 300 new retail outlets, one flagship store is planned to be opened in each of Beijing, Shanghai, Guangzhou, Shenzhen and Hong Kong. The Group also intends to open new retail outlets in other major cities in the PRC such as Hangzhou, Changsha, Chengdu, Shenyang, Dalian, Harbin and Wuhan. Subject to the economic and market conditions of these cities, the Group may strategically adjust the timing and locations of these planned new retail outlets. Besides, in order to be more cost effective and to maximise the contribution of each retail outlet, the Group may consolidate the number of retail outlets in areas with less rewarding results and re-allocate the resources to retail outlets located in areas with more promising performance.

#### **Brand management and development**

The Group has put years of efforts in establishing, promoting and maintaining its brands, *EMBRY FORM*, *FANDECIE* and since 2006, *COMFIT*. In order to further strengthen brand awareness, the Group intends to make further investments in the promotion and marketing of its brands such as organisation of various fashion shows, sponsorship of charity events and posting of advertisements through different media.

In June 2006, the Group soft launched a new series of products under the brand *LC* which targets premiere luxury lingerie market. The Group intends to promote the public awareness of *LC* through advertising, setting up additional *LC* retail outlets, and introducing more products under this series.

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### Expansion of production capacity

In conjunction with the Group's plans to continue to expand its sales network, the Group intends to strengthen its production operation and expand the production capacity through the establishment of the Shandong Factory. When the Shandong Factory is put into full operation, the Group's annual production capacity is expected to be increased by approximately 11.9 million Standard Product Units in mid 2008. For details of the development of the Shandong Factory, please refer to the paragraph headed "Production facilities" in the section headed "Business" in this prospectus.

### Wholesale business

With the expected increase in production capacity, the Group is considering to launch another new brand to widen its product series. Different from its existing sales strategy, the present intention is that this brand will principally be sold through wholesale and franchising channels.

### USE OF PROCEEDS

Based on an Offer Price of HK\$3.24 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$2.86 per Offer Share and HK\$3.62 per Offer Share), the gross proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$324 million. The net proceeds of the Share Offer after deducting the expenses payable by the Company, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$300 million. At present, the Directors intend to apply the net proceeds for the following purposes:

- approximately HK\$75 million for the expansion of the Group's sales network by increasing the number of retail outlets in the capital and major cities in provinces in the PRC and Hong Kong respectively by approximately 300 by the end of 2007;
- approximately HK\$75 million for the promotion and marketing of *EMBRY FORM*, *FANDECIE* and *COMFIT* products;
- approximately HK\$15 million for the promotion and marketing of *LC* products;
- approximately HK\$66 million for the establishment of the Shandong Factory (including approximately HK\$40 million for the related construction work, approximately HK\$18 million for the installation of approximately 1,600 additional sewing machines and approximately HK\$8 million for the installation of other production facilities);
- approximately HK\$22 million for the Group's product development;
- approximately HK\$18 million for the enhancement of the Group's ERP and other information technology systems; and

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- the balance of approximately HK\$29 million to be used as additional general working capital of the Group.

In the event that the Offer Price is fixed at HK\$3.62 per Offer Share, being the highest point of the indicative Offer Price range, the net proceeds will be increased by approximately HK\$37 million. The Directors intend to apply approximately 40% of such additional net proceeds for the opening of new retail outlets in the PRC and Hong Kong, approximately 30% as for the promotion of *LC* products and approximately 30% as for the Group's product development. In the event that the Offer Price is fixed at HK\$2.86 per Offer Share, being the lowest point of the indicative Offer Price range, the net proceeds will be reduced by approximately HK\$37 million. In such circumstances, the Directors intend to reduce the application of the proceeds for the opening of new retail outlets, promotion and marketing of *EMBRY FORM*, *FANDECIE* and *COMFIT* products and additional general working capital by approximately HK\$15 million, HK\$10 million and HK\$12 million respectively.

If the Over-allotment Option is exercised in full, based on an Offer Price of HK\$3.24 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$2.86 per Offer Share and HK\$3.62 per Offer Share), the net proceeds will be increased by approximately HK\$47 million (the "Additional Proceeds"). The Directors intend to apply approximately 40% of the Additional Proceeds for the opening of new retail outlets, approximately 50% of the Additional Proceeds for the promotion of *LC* products, and the remaining approximately 10% of the Additional Proceeds as additional general working capital of the Group.

To the extent that any part of the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term investments and/or short-term deposits with banks and/or financial institutions in Hong Kong.

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### TRADING RECORD

The following table is a summary of the combined results of the Group for each of the three years ended 31 December 2005 and the six months ended 30 June 2005 and 2006, prepared on the basis that the current structure of the Group was in existence throughout the period under review. The summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

	Notes	Year ended 31 December			Six months ended 30 June	
		2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2005 HK\$'000	2006 HK\$'000
					(Unaudited)	
Revenue	1	429,296	508,493	550,014	290,178	314,108
Cost of sales		(116,047)	(125,876)	(136,979)	(80,031)	(72,228)
Gross profit		313,249	382,617	413,035	210,147	241,880
Other income and gains	1	857	4,266	5,335	1,331	1,823
Selling and distribution expenses		(240,550)	(277,688)	(312,948)	(157,135)	(164,832)
Administrative expenses		(51,477)	(52,162)	(46,620)	(24,613)	(25,717)
Other expenses, net		32	(543)	(1,617)	(977)	(191)
Finance costs		(204)	(79)	(791)	(100)	(792)
Profit before tax		21,907	56,411	56,394	28,653	52,171
Tax		(6,746)	(11,861)	(10,717)	(4,933)	(10,355)
Profit for the year/period		<u>15,161</u>	<u>44,550</u>	<u>45,677</u>	<u>23,720</u>	<u>41,816</u>
Attributable to:						
Equity holders of the Company		14,668	42,143	44,431	23,124	40,316
Minority interests		493	2,407	1,246	596	1,500
		<u>15,161</u>	<u>44,550</u>	<u>45,677</u>	<u>23,720</u>	<u>41,816</u>
Dividend						
Interim		<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Earnings per Share attributable to equity holders of the Company	2					
Basic (HK cents)		<u>4.89</u>	<u>14.05</u>	<u>14.81</u>	<u>7.71</u>	<u>13.44</u>
Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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Notes:

1. An analysis of the Group's revenue, other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2005 HK\$'000	2006 HK\$'000
				(Unaudited)	
<b>Retail</b>					
– Concessions	339,118	399,854	433,908	233,078	258,954
– Retail Stores	40,946	46,473	51,077	27,788	27,009
Wholesale	25,868	22,848	33,748	17,683	19,101
OEM	23,364	39,318	31,281	11,629	9,044
<b>Total</b>	<u>429,296</u>	<u>508,493</u>	<u>550,014</u>	<u>290,178</u>	<u>314,108</u>
<b>Other income</b>					
Bank interest income	470	573	718	558	219
Gross rental income	–	117	923	104	1,053
Subsidy income from the PRC government:					
Rewards as a superbrand in the PRC *	–	–	1,923	–	288
VAT refunded *	377	783	405	–	–
Negative goodwill recognised as income	–	2,051	–	–	–
Others	10	742	766	669	263
	<u>857</u>	<u>4,266</u>	<u>4,735</u>	<u>1,331</u>	<u>1,823</u>
<b>Gains</b>					
Changes in fair value of investment property	–	–	600	–	–
	<u>–</u>	<u>–</u>	<u>600</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<u>857</u>	<u>4,266</u>	<u>5,335</u>	<u>1,331</u>	<u>1,823</u>

\* There are no unfulfilled conditions or contingencies relating to these incomes.

2. The calculation of the basic earnings per Share for the Track Record Period is based on the profit attributable to equity holders of the Company for each of the year/period during the Track Record Period and assuming 300,000,000 Shares had been in issue throughout the Track Record Period, comprising 20,000,000 Shares in issue as at the date of this prospectus and 280,000,000 Shares to be issued pursuant to the Capitalisation Issue.

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### FORECAST FOR THE YEAR ENDING 31 DECEMBER 2006 AND STATISTICS OF THE SHARE OFFER (Note 1)

Forecast Net Profit (Note 2) ..... not less than HK\$77 million

Forecast earnings per Share

- (a) Weighted average (Note 3) ..... HK25.34 cents  
 (b) Pro forma (Note 4) ..... HK19.25 cents

	Based on an Offer Price of	
	HK\$2.86 per Offer Share	HK\$3.62 per Offer Share
Market capitalisation .....	HK\$1,144 million	HK\$1,448 million
Prospective price-to-earnings multiple (Note 5)		
(a) Weighted average .....	11.29 times	14.28 times
(b) Pro forma .....	14.88 times	18.80 times
Unaudited pro forma adjusted combined net tangible assets value per Share (Note 6) .....	HK\$1.51	HK\$1.69

*Notes:*

- (1) Except where otherwise indicated, the statistics have been prepared on the assumption that the Over-allotment Option is not exercised and takes no account of (i) any Shares which may be issued upon the exercise of the Pre-IPO Share Options and any options which may be granted under the Share Option Scheme; or (ii) any Shares which may be allotted or issued or purchased by the Company under the general mandates for the issue or repurchase of Shares granted to the Directors referred to in the section headed "Share capital" in this prospectus or otherwise.
- (2) The bases and assumptions on which the forecast Net Profit for the year ending 31 December 2006 have been prepared are set out in the paragraph headed "Bases and assumptions" in Appendix II to this prospectus.
- (3) The calculation of the unaudited weighted average forecast earnings per Share is based on the forecast Net Profit for the year ending 31 December 2006 and a weighted average number of 303,835,616 Shares in issue.
- (4) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast Net Profit for the year ending 31 December 2006 and on the assumption that the Company has been listed since 1 January 2006 and that a total number of 400,000,000 Shares were in issue during the year ending 31 December 2006. The forecast Net Profit for the year ending 31 December 2006 has not taken into account any interest income that would have been earned if the proceeds from the Share Offer had been received on 1 January 2006.
- (5) The calculation of the prospective price-to-earnings multiple on a weighted average basis and on a pro forma basis are based on the forecast earnings per Share as set out in notes (3) and (4) above.
- (6) The unaudited pro forma adjusted combined net tangible assets value per Share has been arrived at after making the adjustments set out under the paragraph headed "Unaudited pro forma adjusted combined net tangible assets" in the section headed "Financial information" in this prospectus and on the basis of a total of 400,000,000 Shares in issue and to be issued as mentioned herein.



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### PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme. The purpose of the Pre-IPO Share Option Scheme is to recognise and reward the contribution of certain Directors, senior management and employees of the Group to the growth and development of the Group and the listing of the Shares on the Main Board. As at the Latest Practicable Date, options to subscribe for an aggregate of 6,510,000 Shares had been granted by the Company under the Pre-IPO Share Option Scheme, none of which had been exercised by the grantees. A summary of the principal terms of the Pre-IPO Share Option Scheme is set out in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix VI to this prospectus.

As at the Latest Practicable Date, the Pre-IPO Share Options to subscribe for an aggregate of 6,510,000 Shares had been granted to the Directors and certain senior management and employees of the Group, representing (i) approximately 1.63% of the issued share capital of the Company immediately following completion of the Share Offer and the Capitalisation Issue (but does not take into account any Shares which may fall to be allotted and issued upon the exercise of such Pre-IPO Share Options and any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option) and (ii) approximately 1.60% of the issued share capital of the Company immediately following completion of the Share Offer and the Capitalisation Issue and assuming that all the Pre-IPO Share Options are exercised at the same time (but does not take into account any Shares which may fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option). The Directors estimate that the expenses charged to the income statement in relation to the issue of Pre-IPO Share Options for the first year will be approximately HK\$7.0 million. Based on a total of 400,000,000 Shares in issue, the impact on the earnings per Share is approximately HK\$0.018 per Share.

A breakdown of the grant of the Pre-IPO Share Options by category of grantees is set out below:

Category of grantees	Number of grantees	Number of the underlying Shares under the Pre-IPO Share Options
Directors (including executive and independent non-executive Directors)	7	2,682,000
Senior management of the Group and company secretary of the Company	13	2,232,000
Other employees of the Group	26	1,596,000
	<u>46</u>	<u>6,510,000</u>

Save as disclosed above, no options have been granted or will be granted under the Pre-IPO Share Option Scheme.

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Pursuant to the offer letters in respect of the grant of the Pre-IPO Share Options:

- (i) the exercise price of each of the Pre-IPO Share Options per Share is 50% of the final Offer Price (i.e. between HK\$1.43 and HK\$1.81); and
- (ii) the Pre-IPO Share Options can only be exercised by the grantees thereof in the following manner:

	<b>Maximum cumulative percentage of the total number of Shares under the Pre-IPO Share Options that can be subscribed for pursuant to the exercise of the Pre-IPO Share Options</b>
Commencing from the first anniversary of the Listing Date and ending at 5:00 p.m. on the day immediately before the second anniversary of the Listing Date	25
Commencing from the second anniversary of the Listing Date and ending at 5:00 p.m. on the day immediately before the third anniversary of the Listing Date	50
Commencing from the third anniversary of the Listing Date and ending at 5:00 p.m. on the day immediately before the fourth anniversary of the Listing Date	75
Commencing from the fourth anniversary of the Listing Date and ending at 5:00 p.m. on the day immediately before the fifth anniversary of the Listing Date	100

The grantees who are connected persons of the Company (including all Directors, Mr. Cheng Chuen Chuen, the son of Mr. Cheng Man Tai, and Mr. Yue Zhong Lu, the brother of Madam Ngok Ming Chu) have undertaken to the Company, the Stock Exchange and the Sponsor that they will not exercise the Pre-IPO Share Options to such extent that the Shares held by the public Shareholders after issue of Shares pursuant to such exercise will fall below 25% of the issued share capital of the Company.

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### RISK FACTORS

#### RISKS RELATING TO THE GROUP

- The Group may not be able to sustain growth in revenue and Net Profit and/or implement its expansion plan successfully
- The Group may not be able to renew the leases/licences for its Retail Stores or Concessions on favourable terms
- Some of the Group's leased properties in the PRC possess defects in title and/or the relevant leases have not been registered with the relevant authorities
- The Group's image and profitability may be adversely affected if there are any infringements of the Group's trademarks and other intellectual property rights, and counterfeit products
- The Group maintains comparably high level of inventory. Sudden decrease in market demand for the Group's products may lead to obsolete inventories
- Power shortages may lead to disruption in the Group's business
- The Group's success, to a certain extent, relies on its key management
- The Group's production is, to a certain extent, reliant on its skilled labour
- Increased cost of fabrics not matched by cost reduction in other production areas or increase in selling price may adversely affect the Group's results
- The historical dividends of the Group should not be treated as indicator of future dividend policy
- Certain PRC subsidiaries of the Company enjoy preferential tax treatment and subsidy income which may be subject to change in the future
- The Company is an investment holding company which relies on dividend payments from its subsidiaries for funding

#### RISKS RELATING TO THE INDUSTRY

- The Group faces competition from both the PRC and international lingerie companies in the PRC and Hong Kong
- Changes in trend of the fashion market may affect the Group's business

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### RISKS RELATING TO THE PRC

- Changing conditions in the apparel retail industry in the PRC may adversely affect the Group's operations
- Change in the PRC judicial, political and economic conditions may adversely affect the Group's operations
- Regional outbreak of SARS or other epidemics, such as avian flu, may adversely affect the Group's operations
- Changes in the PRC foreign exchange regulations may affect the Company's ability to pay dividends or to satisfy other foreign exchange requirements
- Fluctuations in the exchange rate of RMB may materially and adversely affect the Group's operations and financial results

### RISKS RELATING TO THE SHARE OFFER

- There has been no prior public market for the Shares. Liquidity may be low and the market price may be volatile
- Shareholders' interests in the share capital of the Company may be diluted in the future
- The Company cannot guarantee the accuracy of facts and statistics contained in this prospectus with respect to the PRC and Hong Kong, their respective economy or fashion industry
- Risks associated with forward-looking statements

Please refer to the section headed "Risk factors" in this prospectus for details.