



Striving 追求卓越 for Excellence

INTERIM REPORT 2011



EMBRY HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability
Stock Code : 1388

website: www.embryform.com

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CORPORATE INFORMATION

Directors and Board Committees

Directors

Executive Directors

CHENG Man Tai (*Chairman*)

CHENG Pik Ho Liza (*Chief Executive Officer*)

NGOK Ming Chu

HUNG Hin Kit (*resigned on 1 July 2011*)

Independent Non-executive Directors

LAU Siu Ki (alias, Kevin Lau)

LEE Kwan Hung

LEE T. S. (alias, Lee Tien-sheng)

Board Committees

Audit Committee

LAU Siu Ki (alias, Kevin Lau) (*Chairman*)

LEE Kwan Hung

LEE T. S. (alias, Lee Tien-sheng)

Remuneration Committee

CHENG Pik Ho Liza (*Chairman*)

LAU Siu Ki (alias, Kevin Lau)

LEE Kwan Hung

LEE T. S. (alias, Lee Tien-sheng)

Nomination Committee

CHENG Pik Ho Liza (*Chairman*)

LAU Siu Ki (alias, Kevin Lau)

LEE Kwan Hung

LEE T. S. (alias, Lee Tien-sheng)

Compliance Officer

CHENG Pik Ho Liza

Company Secretary

CHAU Kwok Ming

Registered Office

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head Office and Principal Place of Business

7th Floor, Wyler Centre II

200 Tai Lin Pai Road

Kwai Chung, New Territories

Hong Kong

Principal Bankers

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Nanyang Commercial Bank, Limited

Bank of China – Shenzhen Shangbu Branch

China Construction Bank – Shenzhen Tianbei Branch

China Merchants Bank – Shenzhen Dongmen Branch

China Merchants Bank – Shenzhen Shekou Branch

China Construction Bank – Shenzhen Buxin Branch

Legal Advisers

As to PRC law:

GFE Law Office

Auditors

Ernst & Young

18th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

Share Registrars

Principal Share Registrar and Transfer Office in the Cayman Islands

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House

68 Fort Street

P. O. Box 705

George Town

Grand Cayman

Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

Investor Relations

iPR Ogilvy Limited

Website

www.embryform.com

Stock Code

1388

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors (the “Board” or “Directors”) of Embry Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2011 together with the unaudited comparative figures for the corresponding period in 2010 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
REVENUE	3	841,283	687,187
Cost of sales		(155,957)	(140,692)
Gross profit		685,326	546,495
Other income and gains	4	20,245	4,778
Selling and distribution expenses		(482,682)	(367,936)
Administrative expenses		(91,233)	(65,367)
Finance costs	5	(1,022)	–
PROFIT BEFORE TAX	6	130,634	117,970
Income tax expense	7	(39,349)	(37,217)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		91,285	80,753
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
– Basic (HK cents)		22.35	20.04
– Diluted (HK cents)		21.97	19.60

Details of the dividends are disclosed in note 10 to the condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	91,285	80,753
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	6,994	(1,224)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	98,279	79,529

Condensed Consolidated Statement of Financial Position

30 June 2011

	Notes	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	529,179	518,923
Investment properties		238,876	217,224
Prepaid land lease payments		35,056	35,020
Deferred tax assets		12,691	11,197
Deposits		7,420	5,497
Total non-current assets		823,222	787,861
CURRENT ASSETS			
Inventories		540,141	441,617
Trade receivables	12	83,771	64,838
Prepayments, deposits and other receivables		64,564	49,839
Cash and cash equivalents		134,152	195,090
Total current assets		822,628	751,384
CURRENT LIABILITIES			
Trade and bills payables	13	90,266	63,955
Interest-bearing bank borrowing	14	38,000	20,000
Tax payable		18,938	11,105
Other payables and accruals		138,456	223,306
Total current liabilities		285,660	318,366
NET CURRENT ASSETS		536,968	433,018
TOTAL ASSETS LESS CURRENT LIABILITIES		1,360,190	1,220,879
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing	14	122,500	65,000
Deferred liabilities		3,549	3,471
Deferred tax liabilities		28,310	20,854
Other payables		22,143	21,882
Total non-current liabilities		176,502	111,207
NET ASSETS		1,183,688	1,109,672

Condensed Consolidated Statement of Financial Position *(continued)*

30 June 2011

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
<hr/>		
EQUITY		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Issued capital	4,101	4,067
Reserves	1,179,587	1,105,605
	<hr/>	<hr/>
TOTAL EQUITY	1,183,688	1,109,672
	<hr/>	<hr/>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company										
	Reserves										
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Enterprise expansion and statutory reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Goodwill reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total reserves HK\$'000	Total equity HK\$'000
At 1 January 2011 (audited)	4,067	346,713	122,610	2,539	20,606	72,045	(3,168)	7,556	536,704	1,105,605	1,109,672
Profit for the period	-	-	-	-	-	-	-	-	91,285	91,285	91,285
Exchange differences arising on translation of foreign operations	-	-	-	-	-	6,994	-	-	-	6,994	6,994
Total comprehensive income for the period	-	-	-	-	-	6,994	-	-	91,285	98,279	98,279
Issue of shares	34	8,759	-	-	-	-	-	(3,538)	-	5,221	5,255
Equity-settled share option arrangements	-	-	-	-	-	-	-	3,285	-	3,285	3,285
2010 final and special dividends declared and paid	-	-	-	-	-	-	-	-	(32,803)	(32,803)	(32,803)
Transfer from retained profits	-	-	-	-	8,029	-	-	-	(8,029)	-	-
At 30 June 2011 (unaudited)	4,101	355,472	122,610	2,539	28,635	79,039	(3,168)	7,303	587,157	1,179,587	1,183,688

	Attributable to owners of the Company										
	Reserves										
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Enterprise expansion and statutory reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Goodwill reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total reserves HK\$'000	Total equity HK\$'000
At 1 January 2010 (audited)	4,021	334,714	122,610	2,539	15,177	51,838	(3,168)	10,204	456,302	990,216	994,237
Profit for the period	-	-	-	-	-	-	-	-	80,753	80,753	80,753
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(1,224)	-	-	-	(1,224)	(1,224)
Total comprehensive income for the period	-	-	-	-	-	(1,224)	-	-	80,753	79,529	79,529
Issue of shares	23	5,952	-	-	-	-	-	(2,437)	-	3,515	3,538
Equity-settled share option arrangements	-	-	-	-	-	-	-	1,168	-	1,168	1,168
Share options lapsed	-	-	-	-	-	-	-	(112)	112	-	-
2009 final and special dividends declared and paid	-	-	-	-	-	-	-	-	(28,300)	(28,300)	(28,300)
Transfer from retained profits	-	-	-	-	449	-	-	-	(449)	-	-
At 30 June 2010 (unaudited)	4,044	340,666	122,610	2,539	15,626	50,614	(3,168)	8,823	508,418	1,046,128	1,050,172

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<hr/>		
NET CASH FLOWS FROM/(USED IN):		
Operating activities	26,733	83,844
Investing activities	(133,470)	(147,540)
Financing activities	46,930	70,238
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(59,807)	6,542
Cash and cash equivalents at beginning of period	195,090	288,957
Effect of foreign exchange rate changes, net	(1,131)	(1,224)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	134,152	294,275
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	134,152	294,275
	<hr/>	<hr/>

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 address 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 the investment properties that are measured at fair value, 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 2010 except as described 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 2011.

HKFRS 1 Amendment	<i>Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Right Issues</i>
HK(IFRIC)-Int 14 Amendments	<i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to HKFRSs 2010	<i>Amendments to a number of HKFRSs</i>

The adoption of the new HKFRSs 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.

Notes to the Condensed Consolidated Financial Statements (continued)

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

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income		
Subsidy income*	3,168	–
Gross rental income	1,903	1,058
Bank interest income	437	1,245
Royalty income	235	–
Others	1,444	741
	7,187	3,044
Gains		
Foreign exchange differences, net	8,180	(294)
Changes in fair value of an investment property	4,875	2,000
Gain on disposal of items of property, plant and equipment	3	28
	13,058	1,734
	20,245	4,778

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

Notes to the Condensed Consolidated Financial Statements (continued)

5. Finance Costs

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Total interest on bank loan wholly repayable within five years	1,022	393
Less: Interest capitalised	–	(393)
	<u>1,022</u>	<u>–</u>
Interest expenses charged to the income statement	<u>1,022</u>	<u>–</u>

6. Profit before Tax

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

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories sold	155,957	140,692
Depreciation	16,467	11,057
Amortisation of prepaid land lease payments	381	93
Minimum lease payments under operating leases in respect of:		
Land and buildings	30,400	25,424
Contingent rents of retail outlets in department stores	207,101	170,419
Advertising and counter decoration expenses	46,802	33,583
Research and development expenditure	1,587	521
	<u>1,587</u>	<u>521</u>

Notes to the Condensed Consolidated Financial Statements (continued)

7. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Pursuant to the Enterprise 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, 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 five 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.

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Group:		
Current – Hong Kong	295	238
Current – Mainland China	33,092	33,168
Deferred	5,962	3,811
	39,349	37,217
Total tax charge for the period	39,349	37,217

Notes to the Condensed Consolidated Financial Statements (continued)

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	
	Notes	2011	2010
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Continuing transactions			
Purchases of furniture for counters and shops from related companies	(i)	10,317	8,161
Rental expenses for a property paid to a related company	(ii)	1,350	1,227
Rental expenses for a warehouse paid to a director of the Company	(iii)	72	72

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 2011 were HK\$9,405,000 (31 December 2010: HK\$5,980,000) and were unsecured, interest-free and repayable in accordance with normal trading terms. The amounts have been included in other payables and accruals as at the end of the reporting period.
- (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.

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.

Notes to the Condensed Consolidated Financial Statements (continued)

8. Related Party Transactions (continued)

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

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term employee benefits	7,160	6,459
Post-employment benefits	148	134
Equity-settled share option expenses	794	681
	<hr/>	<hr/>
Total compensation paid to key management personnel	8,102	7,274

9. Earnings per Share Attributable to Owners of the Company

The calculations of the basic and diluted earnings per share are based on the following data:

	Six months ended 30 June	
	2011	2010
	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 owners of the Company)	91,285	80,753
	<hr/>	<hr/>
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	408,451	402,914
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the period	7,029	9,149
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	415,480	412,063

Notes to the Condensed Consolidated Financial Statements (continued)

10. Dividends

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends paid during the period		
Final and special in respect of the financial year ended 31 December 2010 – HK5.0 cents and HK3.0 cents, respectively, per ordinary share (2010: final and special in respect of the financial year ended 31 December 2009 – HK5.0 cents and HK2.0 cents, respectively, per ordinary share)	32,803	28,300
Proposed interim dividend		
Interim – HK3.0 cents (2010: HK3.0 cents) per ordinary share	12,302	12,135

The interim dividend will be paid to the shareholders whose names appear in the register of members on 16 September 2011. The interim dividend was declared after the period ended 30 June 2011, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

11. Property, Plant and Equipment

	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(audited)
At beginning of period/year, net of accumulated depreciation	518,923	203,519
Additions	20,783	327,892
Disposals/write-off	(2)	(401)
Depreciation provided during the period/year	(16,467)	(24,152)
Exchange realignment	5,942	12,065
At end of period/year, net of accumulated depreciation	529,179	518,923

Notes to the Condensed Consolidated Financial Statements (continued)

12. 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 end of the reporting period, based on the invoice date, is as follows:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Within 90 days	78,981	62,291
91 to 180 days	4,790	2,547
181 to 360 days	694	239
Over 360 days	159	11
	84,624	65,088
Less: Impairment allowance	(853)	(250)
	83,771	64,838

Notes to the Condensed Consolidated Financial Statements (continued)

13. Trade and Bills Payables

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

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Within 90 days	83,884	57,979
91 to 180 days	4,431	4,704
181 to 360 days	1,362	741
Over 360 days	589	531
	90,266	63,955

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

14. Interest-bearing Bank Borrowing

	30 June 2011			31 December 2010		
	Effective interest rate %	Maturity	HK\$'000 (unaudited)	Effective interest rate %	Maturity	HK\$'000 (audited)
Current						
Bank loan-unsecured	HIBOR+1.08	2011-2012	38,000	HIBOR+1.08	2011	20,000
Non-current						
Bank loan-unsecured	HIBOR+1.08	2013-2016	122,500	HIBOR+1.08	2012-2015	65,000
Total			160,500			85,000

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Analysed into:		
Bank loan repayable:		
Within one year	38,000	20,000
In the second year	38,000	20,000
In the third to fifth years, inclusive	84,500	45,000
	160,500	85,000
Less: Amount repayable within one year and classified as current portion	(38,000)	(20,000)
Amount classified as non-current portion	122,500	65,000

The above bank loan is denominated in Hong Kong dollars. The bank loan is supported by a corporate guarantee given by the Company, bears interest rate at 1.08% above the Hong Kong Interbank Offered Rate per annum.

Notes to the Condensed Consolidated Financial Statements (continued)

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 reporting period ended 31 December 2010.

Pre-IPO Share Option Scheme

Set out below are the outstanding share options under the Pre-IPO Share Option Scheme (the "Pre-IPO Share Options") as at 30 June 2011:

Name or category of participant	Number of share options				At 30 June 2011	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$ per share
	At 1 January 2011	Granted during the period	Cancelled or lapsed during the period	Exercised during the period				
Executive directors								
Cheng Man Tai	218,250	-	-	(218,250)	-	25 November 2006	18 December 2007 to 17 December 2011	1.81
Cheng Pik Ho Liza	125,000	-	-	(125,000)	-	25 November 2006	18 December 2007 to 17 December 2011	1.81
Ngok Ming Chu	193,250	-	-	(193,250)	-	25 November 2006	18 December 2007 to 17 December 2011	1.81
Hung Hin Kit	83,000	-	-	(83,000)	-	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	827,500	-	-	(336,500)	491,000	25 November 2006	18 December 2007 to 17 December 2011	1.81
	1,651,000	-	-	(1,092,000)	559,000			

Notes to the Condensed Consolidated Financial Statements (continued)

15. Share Option Schemes (continued)

Pre-IPO Share Option Scheme (continued)

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

With reference to the vesting period, the Company recognised all share option expense in prior years.

Notes to the Condensed Consolidated Financial Statements (continued)

15. Share Option Schemes (continued)

Share Option Scheme

Set out below are the outstanding share options under the Share Option Scheme as at 30 June 2011:

Name or category of participant	Number of share options				At 30 June 2011	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 January 2011	Granted during the period	Cancelled or lapsed during the period	Exercised during the period				
Executive directors								
Cheng Man Tai	700,000	-	-	(300,000)	400,000	5 November 2008	5 November 2009 to 4 November 2012*	1.45
	-	35,000	-	-	35,000	18 May 2011	18 May 2012 to 17 May 2016**	5.24
Cheng Pik Ho Liza	700,000	-	-	(300,000)	400,000	5 November 2008	5 November 2009 to 4 November 2012*	1.45
	-	1,460,000	-	-	1,460,000	18 May 2011	18 May 2012 to 17 May 2016**	5.24
Ngok Ming Chu	700,000	-	-	(300,000)	400,000	5 November 2008	5 November 2009 to 4 November 2012*	1.45
	-	60,000	-	-	60,000	18 May 2011	18 May 2012 to 17 May 2016**	5.24
Hung Hin Kit (Note)	650,000	-	-	(250,000)	400,000	5 November 2008	5 November 2009 to 4 November 2012*	1.45
Independent non-executive directors								
Lau Siu Ki	700,000	-	-	(420,000)	280,000	5 November 2008	5 November 2009 to 4 November 2012*	1.45
	-	100,000	-	-	100,000	18 May 2011	18 May 2012 to 17 May 2016**	5.24
Lee Kwan Hung	650,000	-	-	(95,000)	555,000	5 November 2008	5 November 2009 to 4 November 2012*	1.45
	-	100,000	-	-	100,000	18 May 2011	18 May 2012 to 17 May 2016**	5.24
Lee T. S.	580,000	-	-	(200,000)	380,000	5 November 2008	5 November 2009 to 4 November 2012*	1.45
	-	100,000	-	-	100,000	18 May 2011	18 May 2012 to 17 May 2016**	5.24
Other employees								
In aggregate	4,152,000	-	-	(396,000)	3,756,000	5 November 2008	5 November 2009 to 4 November 2012*	1.45
	-	18,500,000	(80,000)	-	18,420,000	18 May 2011	18 May 2012 to 17 May 2016**	5.24
	<u>8,832,000</u>	<u>20,355,000</u>	<u>(80,000)</u>	<u>(2,261,000)</u>	<u>26,846,000</u>			

Notes to the Condensed Consolidated Financial Statements (continued)

15. Share Option Schemes (continued)

Share Option Scheme (continued)

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

- * The share options ("the 2008 Options") are vested to the grantees in the following manner:
 - 30% of such options were vested on 5 November 2009 with an exercise period from 5 November 2009 to 4 November 2012;
 - 30% of such options were 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 share options ("the 2011 Options") are vested to the grantees in the following manner:
 - 30% of such options will be vested on 18 May 2012 with an exercise period from 18 May 2012 to 17 May 2016;
 - 30% of such options will be vested on 18 May 2013 with an exercise period from 18 May 2013 to 17 May 2016; and
 - the remaining 40% of such options will be vested on 18 May 2014 with an exercise period from 18 May 2014 to 17 May 2016.

Note:

Mr. Hung Hin Kit resigned as a director of the Company with effect from 1 July 2011 and his share options lapsed on the same day in accordance with the rules of the Share Option Scheme.

For the period ended 30 June 2011, 20,355,000 share options were granted and their fair value was estimated at approximately HK\$41,952,000 (HK\$2.06 each). The Company recognised share option expense of HK\$3,285,000 (2010: HK\$873,000) in respect of the 2008 Options and the 2011 Options during the period.

Notes to the Condensed Consolidated Financial Statements (continued)

15. Share Option Schemes (continued)

Share Option Scheme (continued)

The fair value of the share options under the Share Option Scheme granted during the period ended 30 June 2011 were 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 (%)	1.5
Expected volatility (%)	52
Risk-free interest rate (%)	1.64
Expected life of option (year)	5
Exit rate – director (%)	0
Exit rate – staff except director (%)	14
Weighted average share price (HK\$)	5.24

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 weighted average share price at the date of exercise for share options exercised during the period was HK\$5.72 per share.

The 3,353,000 share options exercised during the period resulted in the issue of 3,353,000 ordinary shares of the Company and new share capital of HK\$34,000 and share premium account of approximately HK\$5,221,000 (before issue expenses). An amount of HK\$3,538,000 has been transferred from the share option reserve.

At the end of the reporting period, the Company had 27,405,000 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 27,405,000 additional ordinary shares of the Company and additional share capital of HK\$274,000 and share premium account of HK\$116,507,000 (before issue expenses).

Subsequent to the end of the reporting period and at the date of approval of these condensed consolidated financial statements, the Company had 26,685,000 share options outstanding under the Pre-IPO Share Option Scheme and the Share Option Scheme, which represented approximately 6.51% of the issued share capital of the Company as at that date.

Notes to the Condensed Consolidated Financial Statements (continued)

16. Operating Lease Arrangements

(a) *As lessor*

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from two to three years.

At 30 June 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Within one year	2,071	1,914
In the second to fifth years, inclusive	2,564	–
	4,635	1,914

(b) *As lessee*

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

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Within one year	83,984	78,345
In the second to fifth years, inclusive	37,241	42,829
After five years	–	31
	121,225	121,205

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 table.

Notes to the Condensed Consolidated Financial Statements (continued)

17. Commitments

At the end of the reporting period, the Group had the following commitments:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Contracted for capital commitments in respect of its wholly-owned investment in the PRC	58,667	57,976
Contracted for commitments in respect of the acquisition of property, plant and equipment	15,146	12,334
Authorised, but not contracted for commitments in respect of investment in the Shandong Factory Phase 2 development	123,350	121,898

18. Approval of the Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the Board on 29 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

During the first half of the year 2011, the continuing rapid growth of China's economy presented a sharp contrast against the uncertainties in the international market. The accelerating pace of urbanisation underpinned the growth in China's domestic income and established a favourable environment for the country's growth in its consumer market. According to the statistics from the National Bureau of Statistics of China, the country's Gross Domestic Product amounted to RMB20,445.9 billion in the first half of the year, representing a year-on-year growth of 9.6%, while the total retail sales of consumer products grew by 16.8% year on year to RMB8,583.3 billion. The consumption on daily necessities like garments recorded a stable growth.

The steady domestic economic development and increased consumption power of nationals drove the expansion of the lingerie market in China which favoured the demand for branded lingerie products. To capture the immense potential of the lingerie market in China, industry participants strengthened their promotion efforts which led to increasingly intense competition within the sector. Despite rising commodity prices and inflation in China, high quality lingerie brands had still been able to sustain healthy development as consumers' demand for quality brands remained strong.

During the period, Embry applied its multi-brand strategy, continued to optimise its brand image and enhanced its product quality so as to grasp development opportunities in the rapidly changing market and boost its business growth. At the same time, the Group expanded its sales network to strengthen its foundation to deliver positive contribution to its businesses.

For the six months ended 30 June 2011 (the "Current Period"), the Group reported satisfactory business performance with a revenue growth of 22.42% to HK\$841,283,000 when compared with that of the six months ended 30 June 2010 (the "Prior Period"). Adopting a faster pace in opening more new shops during the period has led to an increase of 31.19% in selling and distribution expenses of the Group. Profit attributable to owners of the Company was HK\$91,285,000, representing an increase of 13.04% when compared with the corresponding period of last year. Basic earnings per share was HK22.35 cents (2010: HK20.04 cents), representing an increase of 11.53%. The Board has resolved to declare an interim dividend of HK3.00 cents per share (2010: HK3.00 cents) for the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business and Operation Review (continued)

Brand Management

The strong presence of its brands constitutes one of the most important competitive edges of the Group. Having established a renowned brand name in the market over the years, the Group has secured its leading position in the high-quality lingerie market. The Group operates five brands namely, **EMBRY FORM**, **FANDECIE**, **COMFIT**, **LC** and **E-BRA**, which strategically target at different market segments to meet the diverse demand of different customer groups.

The fifth brand of the Group, **E-BRA**, was launched in the fourth quarter of last year. It is positioned as a mass-market brand at affordable prices for consumer markets in second- and third-tier cities. During the period, the Group improved the brand image of two signature brands, **EMBRY FORM** and **FANDECIE**, and optimised their product portfolios to better accommodate different needs in the market. These efforts were well received by the market.

The Group effectively integrated its resources and actively hosted branding and product marketing and advertising activities via different channels to enhance its brand equity. During the Current Period, the Group continued to maintain close relationships with its distributors and customers by hosting an array of marketing and promotional activities including “Glamorous & Gorgeous EMBRY FORM Press Conference & Fashion Salon” (「魅力綻放安莉芳新品發佈秀暨新女性時尚沙龍」), “FANDECIE Dazzling Tour” (「芬狄詩炫秀巡禮」) and “E-BRA Exhibition of the China International Underwear Culture Week” (「中國國際內衣文化週之E-BRA品牌展」) in order to penetrate further and expand their share in the market.

Sales Network

The surging domestic income in China stimulated the country’s consumer demand and growth of its retail sector. The Group strategically expanded its sales network to cover first-tier cities as well as the rapidly-developing second- and third-tier cities, to achieve better coverage of its retail point of sales. The Group adjusted its annual target of shop opening to a net increase of around 250 retail outlets to accommodate strong market demand. During the Current Period, the Group achieved a net addition of 131 retail outlets. As at 30 June 2011, the Group operated a total of 2,012 retail outlets, comprising 1,823 concessionary counters and 189 retail shops.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business and Operation Review (continued)

Product Design, Research and Development

As the living standard in China continues to rise, both urban and rural residents saw their income increase steadily, their purchasing power improving and consumption behaviour becoming more sophisticated. Consequently, the Group continued to allocate resources to the design, research and development of new products to satisfy the market demand and to stay on the cutting edge of the lingerie product trends.

During the Current Period, the Group launched a number of new product lines, of which **EMBRY FORM**'s "Simple Chic Series", "Air Bra Print Series" and "Elegant Series"; **FANDECIE**'s "Candy Girl Series", "Colour Party Series" and "Navy Badge Series"; **E-BRA**'s "Zebra Print Series", "Cotton Rose Series", "Exquisite Lotus Series" and "Large & Small Leopard Print Series" were particularly well-received by customers.

As at 30 June 2011, the Group had 29 applications patents and 13 appearance design patents that were registered in China and/or other parts of the world.

Production Capacity

The Group currently has three production bases located in Shenzhen, Jinan and Changzhou respectively. As at 30 June 2011, the aggregate annual production capacity of the Group's production bases reached 21,200,000 standard product units. In view of the volatility noted recently in the world's economy and the effect of inflationary pressure on the consumer market, the Group will continue to closely monitor the retail market demand and manage its production capacity to fulfil market demand while enhancing its efficiency and effectiveness.

Human Resources

The buoyant labour market in China inflicted mounting pressure on wages. High quality human resources constituted a major driving force of the Group. The Group enacted multiple measures to enhance staff loyalty including the provision of training courses and cultural activities, better employee benefits and generous bonuses. During the Current Period, the Group's number of employees grew to approximately 9,600 (2010: 7,700) due to the increased number of retail outlets and the expanded production capacity. As a result, total staff costs (including wages and basic salaries, commissions, bonuses and retirement benefits scheme contributions) during the Current Period increased to HK\$235,841,000 (2010: HK\$163,937,000).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review

Revenue

By sales channel and location

During the Current Period, the Group's revenue was HK\$841,283,000, representing an increase of 22.42% when compared with the corresponding period of last year. The increase primarily reflected the growth and expansion of retail sales network in China and increased customer demand as a whole. Higher average selling prices resulting from wider applications of patents also contributed to the increase in revenue.

Retail sales amounted to HK\$707,199,000 in the Current Period, accounting for 84.06% of the Group's total revenue and representing an increase of 17.68% from the Prior Period. The revenue of wholesale business increased by 45.80% from HK\$79,715,000 to HK\$116,224,000. The contribution to the Group's total revenue from ODM business was insignificant and amounted to HK\$9,111,000 during the Current Period, representing an increase of 39.31% from the corresponding period of last year. In addition, the Group has started its online direct sales during the Current Period and used the Internet as a sales platform for selling products under the different brands of the Group. This business contributed a revenue of HK\$8,749,000.

Mainland China remained as the Group's core market. During the Current Period, revenue from Mainland China was HK\$787,536,000, accounting for 93.61% of the Group's total revenue and representing an increase of 23.96% over that of the Prior Period.

By brand and product line

At the moment, the Group manages five brands: **EMBRY FORM**, **FANDECIE**, **COMFIT**, **LC** and **E-BRA**, targeting at customers in different age and income brackets. The flagship brand **EMBRY FORM**, from which the Group derived most of its income, maintained its growth momentum and saw its revenue increase by 15.84% to HK\$443,826,000. **FANDECIE** was another major growth driver of the Group, with its revenue rose by 14.82% to HK\$290,068,000 from that of the Prior Period. **E-BRA**, launched in the fourth quarter last year, was well-received by the market. This brand endeavoured to expand sales channels for the Group and recorded a revenue of HK\$53,685,000. With regards to **LC**, which is positioned as a higher end brand, saw its revenue increase by 91.15% to HK\$2,743,000 for the Current Period. **COMFIT**, which emphasises functionality and quality, saw its revenue decline by 3.62% to HK\$41,850,000 when compared with the corresponding period of last year.

Lingerie products have always been the Group's core product offering, reflecting the Group's unparalleled edges in the research and development, and production technology in this area. During the Current Period, sales of lingerie amounted to HK\$744,492,000, accounting for 88.50% of the Group's revenue and representing an increase of 21.62% from the Prior Period. Swimwear delivered a satisfactory growth of 48.68% in revenue while sleepwear recorded an increase of 7.79% in sales. Sales revenues of swimwear and sleepwear were HK\$46,776,000 and HK\$37,184,000 respectively, accounting for 5.56% and 4.42% respectively of the Group's revenue for the Current Period. These two product lines help diversify the product range of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Gross Profit

The Group's gross profit was approximately HK\$685,326,000 for the Current Period, representing a growth of approximately 25.40% from that of the Prior Period. The overall gross profit margin was approximately 81.46%, representing an improvement from the corresponding period of last year. Despite the rise in raw material prices and wages, which inflicted pressure on costs, the Group had still been able to maintain a stable gross profit margin through better economies of scale from business expansion, effective cost control measures, enhanced brand equity and higher selling prices from patented products.

Other Income and Gains

Other income increased by 323.71% to HK\$20,245,000 in the Current Period. During the Current Period, there was an exchange gain of HK\$8,180,000 derived from the business operations in Mainland China as a result of the appreciation of Renminbi against the Hong Kong dollar. As the Renminbi exchange rate during the Prior Period had been relatively stable, the Group had not recorded a significant difference in foreign exchange. In addition, rising real estate prices in Hong Kong brought about HK\$4,875,000 of gain from value appreciation of its investment property, up HK\$2,875,000 from the corresponding period of last year. Furthermore, the Group's interest income declined by 64.90% to HK\$437,000 due to persisting low interest rates both in China and Hong Kong and deployment of part of the cash balance to settle payment of the consideration for the acquisition of Embry Tower in Shanghai.

Operating Expenses

Selling and distribution expenses increased by 31.19% to HK\$482,682,000 (2010: HK\$367,936,000) in the Current Period, being 57.37% (2010: 53.54%) of the Group's revenue.

Increase in the above expenses was partly attributable to the net increase of 131 retail outlets, including both concessionary counters and retail stores, during the first half of the year. Therefore, advertising and counter decoration expenses increased by 39.36% to HK\$46,802,000, being 5.56% (2010: 4.89%) of the Group's revenue.

Administrative expenses increased by 39.57% to HK\$91,233,000, accounting for 10.84% of the Group's revenue, when compared with 9.51% of the Prior Period. The increase was mainly due to the rising costs.

As disclosed in the announcement of the Company dated 18 May 2011, on 18 May 2011, options to subscribe for a total of 20,355,000 shares of the Company (the "2011 Options") were granted pursuant to the share option scheme of the Company. During the Current Period, the Company recognised in the income statement a total share option expense of approximately HK\$3,285,000 (2010: HK\$1,168,000), of which share option expense of approximately HK\$2,906,000 was recognised for the 2011 Options granted. It is expected that further share option expense of approximately HK\$12,150,000 will be recognised in the second half of the year ending 31 December 2011 for the 2011 Options granted, which the Company expects will have an impact on the operating expenses of the Group for the year ending 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Net Profit

During the Current Period, profit attributable to owners of the Company was HK\$91,285,000, representing an increase of 13.04% from the corresponding period of last year. This increase was mainly due to the growth in revenue, enhanced gross profit margin and the increase in other income. Net profit margin narrowed from 11.75% in the Prior Period to 10.85% in the Current Period due to increases in the aforesaid expenses.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows and its financial position remained sound and healthy during the Current Period. As at 30 June 2011, the Group had cash and cash equivalents of approximately HK\$134,152,000 (31 December 2010: HK\$195,090,000). As at 30 June 2011, the Group's indebtedness amounted to HK\$160,500,000 (31 December 2010: HK\$85,000,000). During the Current Period, the Group did not pledge any of its assets to secure bank borrowing. Its gearing ratio was approximately 13.56% as at 30 June 2011 (31 December 2010: 7.66%).

Capital Structure

As at 30 June 2011, the total issued share capital of the Company was approximately HK\$4,101,000 (31 December 2010: HK\$4,067,000), comprising 410,051,500 ordinary shares (31 December 2010: 406,698,500 ordinary shares) of HK\$0.01 each. The increase in the number of issued shares resulted from the exercise of share options granted under the pre-initial public offering share option scheme and the share option scheme by certain Directors and employees of the Group.

In addition, on 18 May 2011, the Company granted 20,355,000 share options to certain Directors and employees of the Group under the share option scheme, to subscribe for a total of 20,355,000 ordinary shares of HK\$0.01 each in the share capital of the Company.

Details of the above are set out in note 15 to the condensed consolidated financial statements.

Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the Current Period, the Group did not involve in any significant investment, nor any material acquisitions or disposals of any subsidiaries and associated companies.

Capital Expenditure

The capital expenditure of the Group during the Current Period amounted to HK\$20,783,000 (2010: HK\$11,728,000).

Charges on the Group's Assets

As at 30 June 2011, the Group did not pledge any of its assets.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Foreign Currency Exposure

The Group conducts the majority of its business transactions in Hong Kong dollars and Renminbi. As the Group's foreign currency risk generated from sales and purchases can be largely offset with one another, the foreign currency risk is considered insignificant to the Group. It is the policy of the Group to continue to maintain the balance of its sales and purchases in the same currency. The Group does not use any derivative financial instruments to hedge against volatility associated with foreign currency transactions and other financial assets and liabilities created during the ordinary course of business.

Contingent Liabilities

As at 30 June 2011, the Group had no significant contingent liabilities or any litigation or arbitration of material importance.

Prospect

The outlook of the second half of the year 2011 poses both opportunities and threats. The rising per capita income in China driven by the accelerating economic restructuring continue to bring in great potential for market demand. Faced with changes and challenges in the domestic and international markets, the Central Government strives to reinforce and improve its macro-economic control measures by implementing the "Twelfth Five-Year" Plan, so as to consolidate and intensify its efforts in response to the impact from the global financial crisis, and at the same time proactively speeds up urbanisation to boost domestic consumer demand in order to maintain steady social and economic growth.

On the other hand, volatility of the international economy and escalating inflation introduced uncertainties to economic development. In view of this, being one of the market leaders in the lingerie industry in China, the Group remains an optimistic yet prudent stance and adopts sustainable development strategies in response to changes in the social environment.

The Group will continue to leverage the edges of its multi-brand strategy and capitalise on the substantial growth in the second- and third-tier cities in China. The introduction of a new brand, **E-BRA**, has successfully attracted diversified customer groups, covered a niche in the market and expanded its overall market coverage. As **E-BRA** achieved satisfactory results in the first half of the year, the Group plans to continue to open more retail outlets and create a unique brand image in order to establish a solid foundation for its future development.

Given the strong market demand, the Group has adjusted its annual target of shop opening to a net increase of around 250 retail outlets, aiming at further optimising and expanding its sales network. On production, the Group will closely monitor market demand and manage its production capacity to satisfy market demand in a more efficient and effective manner. The Group has started planning for Phase II development of the Shandong Factory to prepare for its production needs over the next five years.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Prospect (continued)

In view of the rapid income growth among urban and rural residents in China and the optimisation of the overall economic and consumption structure in China, the Group strives to grow its business steadily by fully leveraging the competitive edges of its multi-brand strategy and utilising every opportunity that arises from the changing market. The Group is confident that this growth momentum will be sustainable and bring about a satisfactory return to shareholders during the second half of 2011.

OTHER INFORMATION

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2011, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in shares of the Company:

Name	Capacity and nature of interest	Shares/equity derivatives	Number of shares/equity derivatives held	Percentage of the Company's issued share capital
Cheng Man Tai	Interest of controlled corporations	Ordinary shares (Note 1)	276,679,557	67.47
	Beneficial owner	Ordinary shares	3,808,000	0.93
	Beneficial owner	Share options (Note 2)	435,000	0.11
Cheng Pik Ho Liza	Beneficial owner	Ordinary shares	19,884,848	4.85
	Beneficial owner	Share options (Note 2)	1,860,000	0.45
Ngok Ming Chu	Interest of controlled corporations	Ordinary shares (Note 1)	276,679,557	67.47
	Beneficial owner	Ordinary shares	1,902,000	0.46
	Beneficial owner	Share options (Note 2)	460,000	0.11
Hung Hin Kit	Beneficial owner	Ordinary shares	566,000	0.14
	Beneficial owner	Share options (Note 3)	400,000	0.10
Lau Siu Ki	Beneficial owner	Ordinary shares	488,000	0.12
	Beneficial owner	Share options (Note 2)	380,000	0.09
Lee Kwan Hung	Beneficial owner	Ordinary shares	173,000	0.04
	Beneficial owner	Share options (Note 2)	655,000	0.16
Lee T. S.	Beneficial owner	Ordinary shares	200,000	0.05
	Beneficial owner	Share options (Note 2)	548,000	0.13

OTHER INFORMATION (continued)

Directors' Interests and Short Positions in Shares and Underlying Shares (continued)

Long positions in shares of an associated corporation:

Name	Name of associated corporation	Relationship with the Company	Shares/equity derivatives	Number of shares	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Cheng Man Tai	Harmonious World	Ultimate holding company	Ordinary shares	57.91 shares of US\$1 each	Directly beneficially owned	59.09
Ngok Ming Chu	Harmonious World	Ultimate holding company	Ordinary shares	40.09 shares of US\$1 each	Directly beneficially owned	40.91

Notes:

- These shares are held as to 275,408,367 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.
- 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 under the Pre-IPO Share Option Scheme and the Share Option Scheme, details of which are disclosed in note 15 to the condensed consolidated financial statements.
- Mr. Hung Hin Kit resigned as a Director of the Company with effect from 1 July 2011 and his share options lapsed on the same day in accordance with the rules of the Share Option Scheme.

Save as disclosed above, as at 30 June 2011, none of the Directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as those disclosed in note 15 to the condensed consolidated financial statements, at no time during the six months ended 30 June 2011 (the "Interim Period") were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

OTHER INFORMATION (continued)

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

At 30 June 2011, the following interests of 5% or more of the issued share capital of the Company (other than the Directors of the Company) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Harmonious World	Directly beneficially owned (Note)	275,408,367	67.16
FIL Limited	Investment manager	25,508,000	6.22

Note: The relationship between Harmonious World and Mr. Cheng Man Tai and Madam Ngok Ming Chu is disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above.

Save as disclosed above, as at 30 June 2011, no person, other than the Directors, whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Changes in Directors' Information

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in the Directors' information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) after the reporting period of the 2010 Annual Report of the Company are set out below:

(i) Experience including other directorships and other major appointments

With effect with 13 July 2011, Mr. Lau Siu Ki resigned as an independent non-executive director of Carry Wealth Holdings Limited, the shares of which are listed on the Stock Exchange.

In December 2010, Mr. Lee Kwan Hung was appointed as an independent non-executive director of Newton Resources Ltd, the shares of which have been listed on the Stock Exchange since 4 July 2011.

OTHER INFORMATION *(continued)*

Changes in Directors' Information *(continued)*

(ii) Directors' emoluments

With effect from 1 February 2011, the monthly salary of each of Mr. Cheng Man Tai, Ms. Cheng Pik Ho Liza and Madam Ngok Ming Chu has been increased to HK\$174,434, HK\$160,710 and HK\$148,850 respectively, as covered by their service contracts.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Interim Dividend

On 29 August 2011, the Board resolved to declare the payment of an interim dividend of HK3.0 cents per ordinary share in respect of the Interim Period, to shareholders registered on the register of members on Friday, 16 September 2011, resulting in an appropriation of approximately HK\$12,302,000. The above-mentioned interim dividend will be payable on or before 30 September 2011.

Closure of Register of Members

The register of members of the Company will be closed for two days from Thursday, 15 September 2011 to Friday, 16 September 2011. During such period, no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 14 September 2011.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Interim Period.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code during the Interim Period.

On behalf of the Board

Cheng Man Tai

Chairman

Hong Kong
29 August 2011