



# EMBRY HOLDINGS LIMITED

## 安莉芳控股有限公司

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

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### RESULTS

The board of directors (the "Board") of Embry Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006, with the comparative figures for the preceding financial year ended 31 December 2005, as follows:

#### Consolidated Income Statement

Year ended 31 December 2006

|   | Notes | 2006<br>HK\$'000 | 2005<br>HK\$'000 |
|---|-------|------------------|------------------|
| REVENUE   | 4     | 624,324          | 550,014          |
| Cost of sales   |       | (145,581)        | (136,979)        |
| Gross profit  |       | 478,743          | 413,035          |
| Other income and gain   | 5     | 9,302            | 5,335            |
| Selling and distribution expenses                                   |       | (330,068)        | (312,948)        |
| Administrative expenses   |       | (51,007)         | (46,620)         |
| Other expenses  |       | (2,846)          | (1,617)          |
| Finance costs   |       | (1,545)          | (791)            |
| PROFIT BEFORE TAX   | 6     | 102,579          | 56,394           |
| Tax   | 7     | (19,974)         | (10,717)         |
| PROFIT FOR THE YEAR   |       | 82,605           | 45,677           |
| Attributable to:  |       |                  |                  |
| Equity holders of the Company                                       |       | 81,105           | 44,431           |
| Minority interests  |       | 1,500            | 1,246            |
|   |       | 82,605           | 45,677           |
| DIVIDENDS   | 8     | 24,000           | 150,000          |
| EARNINGS PER SHARE ATTRIBUTABLE TO<br>EQUITY HOLDERS OF THE COMPANY | 9     |                  |                  |
| – Basic (HK cents)  |       | 26.69            | 14.81            |
| – Diluted (HK cents)  |       | 26.68            | N/A              |

#### Consolidated Balance Sheet

As at 31 December 2006

|  | Notes | 2006<br>HK\$'000 | 2005<br>HK\$'000 |
|--|-------|------------------|------------------|
| NON-CURRENT ASSETS                                   |       |                  |                  |
| Property, plant and equipment                        |       | 79,518           | 78,797           |
| Investment property                                  |       | 27,700           | 25,500           |
| Prepaid land lease payments                          |       | 5,741            | 2,205            |
| Deposit paid for land use rights                     |       | 13,132           | –                |
| Total non-current assets                             |       | 126,091          | 106,502          |
| CURRENT ASSETS                                       |       |                  |                  |
| Inventories  |       | 227,969          | 205,068          |
| Trade receivables                                    | 10    | 34,967           | 22,219           |
| Prepayments, deposits and other receivables          |       | 14,046           | 10,902           |
| Cash and cash equivalents                            |       | 431,225          | 49,510           |
| Total current assets                                 |       | 708,207          | 287,699          |
| CURRENT LIABILITIES                                  |       |                  |                  |
| Trade and bills payables                             | 11    | 25,283           | 40,949           |
| Tax payable  |       | 4,212            | 3,043            |
| Other payables and accruals                          |       | 50,851           | 26,641           |
| Interest-bearing bank loans, secured                 |       | 4,242            | 4,067            |
| Due to a minority shareholder                        |       | –                | 3,810            |
| Total current liabilities                            |       | 84,588           | 78,510           |
| NET CURRENT ASSETS                                   |       | 623,619          | 209,189          |
| TOTAL ASSETS LESS CURRENT LIABILITIES                |       | 749,710          | 315,691          |
| NON-CURRENT LIABILITIES                              |       |                  |                  |
| Interest-bearing bank loans, secured                 |       | 20,228           | 24,108           |
| Deferred liabilities                                 |       | 3,395            | 4,622            |
| Deferred tax liabilities                             |       | 1,850            | 595              |
| Total non-current liabilities                        |       | 25,473           | 29,325           |
| Net assets   |       | 724,237          | 286,366          |
| EQUITY   |       |                  |                  |
| Equity attributable to equity holders of the Company |       |                  |                  |
| Issued capital                                       |       | 4,000            | 200              |
| Reserves   |       | 696,237          | 282,612          |
| Proposed final dividend                              | 8     | 24,000           | –                |
|  |       | 724,237          | 282,812          |
| Minority interests                                   |       | –                | 3,554            |
| Total equity   |       | 724,237          | 286,366          |

#### Notes:

##### 1. CORPORATE INFORMATION AND GROUP REORGANISATION

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.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 25 November 2006 (the "Group Reorganisation"). Further details of the Group Reorganisation are set out in the prospectus of the Company dated 5 December 2006 (the "Prospectus").

The Company's shares have been listed on the Stock Exchange since 18 December 2006.

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, Hong Kong. The Group is principally engaged in the design, manufacture and retail distribution of lingerie products (including brassieres, panties and corsets), swimwears and sleepwears in the People's Republic of China (the "PRC") and Hong Kong. There were no significant changes in the nature of the Group's principal activities during the year.

##### 2. BASIS OF PRESENTATION AND CONSOLIDATION

The consolidated financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of their acquisition. Accordingly, the consolidated results of the Group for the years ended 31 December 2005 and 2006 include the results of the Company and its subsidiaries with effect from 1 January 2005 or since their respective dates of incorporation, where this is a shorter period. The comparative consolidated balance sheet as at 31 December 2005 has been prepared on the basis that the existing Group had been in place at that date.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for the investment property, which has been measured at fair value. All HKFRSs effective from the accounting periods commencing from 1 January 2005 and 2006, together with the relevant transitional provision, have been early adopted by the Group in the preparation of the financial statements throughout the years.

These financial statements are presented in Hong Kong dollars and all amounts are rounded to the nearest thousand (HK\$'000) except where otherwise indicated.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

##### 3. SEGMENT INFORMATION

The Group's primary business segment is the manufacture and sale of ladies' brassieres, panties, swimwears and sleepwears. 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, revenue are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on location of assets.

|   | Mainland China   |                  | Hong Kong        |                  | Others           |                  | Total            |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   | 2006<br>HK\$'000 | 2005<br>HK\$'000 | 2006<br>HK\$'000 | 2005<br>HK\$'000 | 2006<br>HK\$'000 | 2005<br>HK\$'000 | 2006<br>HK\$'000 | 2005<br>HK\$'000 |
| Revenue from external customers                 | 513,207          | 444,554          | 81,083           | 74,179           | 30,034           | 31,281           | 624,324          | 550,014          |
| Segment assets                                  | 402,712          | 313,960          | 431,586          | 80,241           | –                | –                | 834,298          | 394,201          |
| Capital expenditure incurred<br>during the year | 6,359            | 6,270            | 1,516            | 152              | –                | –                | 7,875            | 6,422            |

##### 4. REVENUE

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

##### 5. OTHER INCOME AND GAIN

|   | Group            |                  |
|---|------------------|------------------|
|   | 2006<br>HK\$'000 | 2005<br>HK\$'000 |
| <b>Other income</b>                             |                  |                  |
| Bank interest income                            | 2,869            | 718              |
| Gross rental income                             | 2,052            | 923              |
| Subsidy incomes from the PRC government:        |                  |                  |
| – Rewards as a superbrand in the PRC*           | 292              | 1,923            |
| – Value-added tax refunded*                     | –                | 405              |
| – Reinvestment tax refunds#                     | 1,136            | –                |
| Others  | 753              | 766              |
|   | 7,102            | 4,735            |
| <b>Gain</b>                                     |                  |                  |
| Changes in fair value of an investment property | 2,200            | 600              |
|   | 9,302            | 5,335            |

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

# 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. During the year, 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.

##### 6. PROFIT BEFORE TAX

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

|   | Group            |                  |
|---|------------------|------------------|
|   | 2006<br>HK\$'000 | 2005<br>HK\$'000 |
| Cost of inventories sold  | 145,581          | 136,979          |
| Depreciation  | 9,029            | 9,069            |
| Amortisation of prepaid land lease payments                     | 59               | 58               |
| Minimum lease payments under operating leases in respect of:    |                  |                  |
| – Land and buildings  | 21,193           | 22,646           |
| – Contingent rents of retail outlets in department stores       | 157,264          | 135,602          |
| Employee benefits expenses (excluding directors' remuneration): |                  |                  |
| – Wages and salaries  | 116,213          | 108,930          |
| – Write-back of provision for long service payments             | (854)            | (735)            |
| – Retirement benefits scheme contributions                      | 10,850           | 5,305            |
| – Equity-settled share option expenses                          | 344              | –                |
|   | 126,553          | 113,500          |
| Auditors' remuneration  | 1,980            | 1,200            |
| Advertising and counter decoration expenses                     | 35,001           | 43,584           |
| Impairment allowances for bad and doubtful debts                | 565              | 481              |
| Research and development expenditure                            | 1,453            | 1,733            |
| Loss on write-off of items of property, plant and equipment     | 101              | 938              |
| Gain on disposal of items of property, plant and equipment      | (6)              | (267)            |
| Gross and net rental income                                     | (2,052)          | (923)            |
| Changes in fair value of an investment property                 | (2,200)          | (600)            |
| Foreign exchange differences, net                               | (1,704)          | (671)            |
| Bank interest income  | (2,869)          | (718)            |

7. **TAX**  
Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Pursuant to relevant laws and regulations in the PRC, the Company's subsidiaries, Embry (China) Garments Ltd. and Embry (Changzhou) Garments Ltd. are entitled to use of tax rates of 15% and 27%, being the applicable tax rates for foreign invested enterprises in the area of Shenzhen Special Economic Zone and Changzhou, respectively. 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            |                  |
|-------------------------------|------------------|------------------|
|                               | 2006<br>HK\$'000 | 2005<br>HK\$'000 |
| Group:                        |                  |                  |
| Current – Hong Kong           | 420              | 324              |
| Current – Mainland China      |                  |                  |
| Charge for the year           | 18,357           | 10,483           |
| Overprovision in prior years  | (58)             | (416)            |
| Deferred                      | 1,255            | 326              |
| Total tax charge for the year | 19,974           | 10,717           |

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            |                  |
|---|------------------|------------------|
|   | 2006<br>HK\$'000 | 2005<br>HK\$'000 |
| Profit before tax   | 102,579          | 56,394           |
| Tax at the applicable rates to profits in the countries concerned | 31,698           | 19,324           |
| Lower tax rate for specific provinces in Mainland China           | (14,871)         | (9,946)          |
| Adjustments in respect of current tax of previous years           | (58)             | (416)            |
| Income not subject to tax   | (360)            | (491)            |
| Expenses not deductible for tax                                   | 8,667            | 1,060            |
| Tax losses utilised from previous years                           | (5,528)          | –                |
| Tax losses not recognised   | 426              | 1,186            |
| Tax charge at the Group's effective rate                          | 19,974           | 10,717           |

#### 8. DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK6.0 cents per ordinary share in respect of the year, to shareholders on the register of members on Wednesday, 6 June 2007, resulting in an appropriation of HK\$24,000,000.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The final dividend will be paid on or about Friday, 29 June 2007.

The dividend in 2005 represented the dividend declared and paid by the Company's subsidiaries to their then shareholders during the year ended 31 December 2005. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the purpose of these financial statements.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$81,105,000 (2005: HK\$44,431,000) and the weighted average of 303,836,000 (2005: 300,000,000) ordinary shares deemed to have been in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2005 includes the pro forma issued share capital of the Company of 300,000,000 shares, comprising:

- the 1 share and 9,999,999 shares of the Company allotted and issued at nil paid on 29 August 2006 and 25 November 2006, respectively;
- the 10,000,000 shares issued as consideration for the acquisition of Embry Group Limited on 25 November 2006; and
- the capitalisation issue of 280,000,000 shares.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2006 includes the weighted average of 3,836,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 18 December 2006 in addition to the aforementioned 300,000,000 ordinary shares.

The calculation of diluted earnings per share for the year ended 31 December 2006 is based on the profit attributable to equity holders of the Company for the year of HK\$81,105,000. The weighted average number of ordinary shares used in the calculation is the 303,836,000 ordinary shares deemed to have been in issue during the year as used in the basic earnings per share calculation, and the weighted average of 168,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

There was no potential dilutive ordinary share in existence for the year ended 31 December 2005 and, accordingly, no diluted earnings per share amount has been presented.

#### 10. 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            |                  |
|----------------------------|------------------|------------------|
|                            | 2006<br>HK\$'000 | 2005<br>HK\$'000 |
| Within 90 days             | 33,214           | 21,017           |
| 91 to 180 days             | 1,765            | 1,408            |
| 181 to 360 days            | 662              | 297              |
| Over 360 days              | 1,320            | 862              |
|                            | 36,961           | 23,584           |
| Less: Impairment allowance | (1,994)          | (1,365)          |
|                            | 34,967           | 22,219           |

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

#### 11. 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            |                  |
|-----------------|------------------|------------------|
|                 | 2006<br>HK\$'000 | 2005<br>HK\$'000 |
| Within 90 days  | 21,040           | 36,933           |
| 91 to 180 days  | 2,066            | 1,992            |
| 181 to 360 days | 826              | 575              |
| Over 360 days   | 1,351            | 1,449            |
|                 | 25,283           | 40,949           |

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days terms. The carrying amounts of trade and bills payables approximate to their fair values.

#### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 4 June 2007 to Wednesday, 6 June 2007, both dates inclusive. During such period, no transfer of shares will be registered. In order to qualify for the proposed final 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 Friday, 1 June 2007.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### REVIEW OF OPERATIONS

For the year ended 31 December 2006, the Group's revenue amounted to HK\$624.3 million, representing an increase of 13.5% from HK\$550.0 million in last year. The Group's gross profit of HK\$478.7 million for the year ended 31 December 2006 (2005: HK\$413.0 million) represented a growth of approximately 15.9% as compared to that of last year. The increase in gross profit was mainly attributable to the growth in the revenue of the Group in light of its economy of scale as well as the increase in sales of its patented products and the reduction of its relatively lower profit margin sales to original equipment manufacturers ("OEM"). The Group's profit attributable to equity holders of the Company for the year ended 31 December 2006 was HK\$81.1 million, an increase of 82.5% over last year.

##### Retail sales

Retail sales constituted the major source of revenue of the Group, contributing approximately 89.3% of the Group's total revenue for the year ended 31 December 2006. The Group's products are currently sold through the retail stores and concessionary counters in the PRC and Hong Kong. The retail stores and concessionary counters of the Group are opened and operated mainly under the brand names of *EMBRY FORM* and/or *FANDECIE*, where products of these two brand names are sold. Depending on market demand, the Group will consider setting up individual retail stores or concessionary counters for the Group's other brands, namely *COMFIT* and *LC* products.

Concessionary counters are retail outlets located within department stores or shopping arcades. During 2006, the revenue generated from retail stores accounted for 8.8% of the Group's revenue, and the revenue generated from concessionary counters accounted for 80.5% of the Group's revenue. As it is the Group's strategy to increase the number of retail outlets in order to capture the increasing demand, the Group has had a net increase of 95 retail outlets during 2006 and operated a total of 1,113 retail outlets as at 31 December 2006 and will keep on reviewing the performance of each existing retail outlet.

##### Wholesale sales

The wholesale customers of the Group include individuals and companies in the PRC and Hong Kong which sell lingerie products under a variety of brands to retail customers. During 2006, wholesale sales accounted for 5.9% of the Group's total revenue.

##### OEM sales

In the year under review, the Group's OEM customers principally comprised lingerie trading companies mainly in Japan and Europe. Taking into account the Group's production capacity, the Group may consider reducing its OEM sales with an aim to maximising its profit margin when opportunities arise. For the year ended 31 December 2006, OEM sales accounted for 4.8% to the total revenue of the Group.

##### Brand management

The Group's products are principally sold under its self-owned brand names *EMBRY FORM*, *FANDECIE* and *COMFIT*. Revenue generated from *EMBRY FORM* and *FANDECIE* accounted for 62.0% and 30.1% respectively of the Group's revenue for the year 2006. During the first quarter of 2006, the Group introduced the brand name *COMFIT*, thus enabling the Group to successfully diversify its product line into a new segment of functional and premiere lingerie products. For the year ended 31 December 2006, sales of *COMFIT* series products accounted for 3.1% of the Group's total revenue. The directors are optimistic that *COMFIT* will become an increasingly significant source of the Group's revenue and growth driver for the future. In June 2006, the Group also soft launched a new series under the brand *LC*, which targets the high end segment of premiere luxury lingerie.

##### Production capacity

For the year ended 31 December 2006, the aggregate annual production capacity of the Group accounted for 11.8 million standard product units, which represented 63.9% increase compared with the annual production capacity for the year ended 31 December 2005. In order to cope with the expansion of the Group's business, the Group has identified a production site and plans to establish a new factory in Zhangqiu City, Shandong Province, the PRC (the "Shandong Factory"). Subject to the obtaining of all necessary approvals, the directors plan to commence operation of the Shandong Factory in mid 2008. When in full operation, the annual production capacity of the Group is expected to increase to 23.7 million standard product units.

##### Product development

Leveraging from the general economic rebound and continued market demand for lingerie products in the PRC last year, the sales of lingerie, sleepwears, swimwears, OEM products and other products accounted for approximately 80.3%, 7.2%, 5.4%, 4.8% and 2.3% respectively of the Group's total revenue for the year ended 31 December 2006. Sales of lingerie remained the key contributor to the Group's revenue and profit.

The directors consider product development to be vital for the Group to maintain its competitive advantages. The Group's research and development team focuses on practical areas that are closely related to the functionalities and features of the Group's products. In 2006, several new design in manufacturing techniques were invented. As at 31 December 2006, the Group had 36 patent registrations and 9 outlook design registrations.

##### Awards

During the year under review, the Group was accredited as the "The 2006 Best-selling Lingerie Products in the Industry" by the China Industrial Information Issuing Center (中國行業企業信息發佈中心) (the "CIII Center") in the PRC. The Group has obtained this award in the past eleven consecutive years. Apart from its distinctive house brand *EMBRY FORM*, its younger brand *FANDECIE* was also awarded as one of the "Top Ten Best Sellers in the Industry" by the CIII Center in the PRC. Further, both in the PRC and Hong Kong, the Group again received the award of SUPERBRAND from the PRC Superbrands Committee (中國超級品牌主委會) and Hong Kong Superbrands Council, respectively in the year under review, evidencing the Group's strong reputation in these markets.

##### PROSPECTS

The PRC economic environment has undoubtedly been improving during the past few years. Despite the competitive environment, 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 market awareness of its brand names and promote the Company's image. The Group will continue to expand its sales network by increasing the number of retail outlets in the PRC and Hong Kong. It is expected that the first flagship retail store of the Group will be opened in the second quarter of 2007. The Group expects the progress of opening its flagship stores and retail outlets to accelerate starting from the second quarter of 2007. Besides, the Group will make further investments in the promotion and marketing of its brands such as organising various fashion shows, sponsorship of charity events and advertising through different mass media.

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 this, the Group will expand its production capacity through the establishment of the Shandong Factory, as mentioned in the paragraph headed "Production capacity" above. The Shandong Factory's foundation laying ceremony was held on 28 December 2006 and it is expected that construction will commence in the second quarter of this year. The total cost expected at this stage for the establishment of the Shandong Factory is approximately HK\$100 million, which exceeds the original estimated amount of approximately HK\$70 million as stated in the Prospectus. The excess amount, which is principally due to, inter alia, the increased construction materials and overheads costs, changes made to the original design in order to comply with the new construction requirements, particularly in the areas of environmental protection and energy savings, from the local municipal government, will be financed by the Group's internal working capital. According to current construction plan, the Shandong Factory will commence operation in mid 2008.

The Group also considers launching another new brand for its wholesale business to widen its product series after the expansion of the Group's production capacity.

##### USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares on the Stock Exchange in December 2006, after deduction of related issuance expenses, amounted to approximately HK\$331 million. These net proceeds have been temporarily placed in short-term deposits with licensed banks in Hong Kong as at 31 December 2006. The directors intend to apply these net proceeds in the manner as set out in the Prospectus.

##### CORPORATE GOVERNANCE

Since the Company's listing on 18 December 2006, the Company has fully complied with the applicable code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has also adopted a code of conduct governing securities transactions by directors and senior management of the Group on terms as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code during the period from 18 December 2006 (being the date on which the shares of the Company first commenced dealings on the Stock Exchange) to 31 December 2006.

The Company has also complied with the requirement of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of whom must have appropriate professional qualifications or accounting or related financial management expertise.

The audit committee of the Company has met with the external auditors of the Company, Messrs. Ernst & Young, to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2006. The audit committee is composed of three independent non-executive directors of the Company. The chairman of the audit committee has professional qualification and experience in financial matters.

##### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The listing of the Company's shares commenced on 18 December 2006. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from 18 December 2006 to 31 December 2006.

##### PUBLICATION OF 2006 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2006 annual report of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board  
**Mr. Cheng Man Tai**  
Chairman

Hong Kong, 18 April 2007

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Cheng Man Tai (Chairman), Ms. Cheng Pik Ho Liza (Chief Executive Officer), Madam Ngok Ming Chu and Mr. Hung Hin Kit; and three independent non-executive directors, namely Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T. S..