The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the auditors and reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong:

ERNST & YOUNG
安永會計師事務所

5 December 2006

The Directors
Embry Holdings Limited
Taifook Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Embry Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2006 (the "Relevant Periods"), for inclusion in the prospectus of the Company dated 5 December 2006 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 29 August 2006 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands for the purpose of acting as a holding company of the subsidiaries set out below. The Company has not carried out any business since the date of its incorporation save for the acquisition by way of a share exchange on 25 November 2006 of the entire issued share capital of Embry Group Limited, the intermediate holding company of the other subsidiaries set out below ("Group Reorganisation"). The Group is principally engaged in the design, manufacture and retail distribution of lingerie products (including brassieres, panties and corsets), swimwear and sleepwear in the People's Republic of China (the "PRC") and Hong Kong. The Group has adopted 31 December as its financial year end date.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation or registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Changzhou Embry Development Limited (常州安莉芳發展有限公司) ("CZ Embry Development")	PRC 4 March 1993	RMB20,000,000	100	Property investment
Embry (Changzhou) Garments Ltd. (安莉芳(常州)服裝有限公司) ("Embry CZ")	PRC 4 March 1993	RMB11,600,000	100	Manufacture and trading of ladies' brassieres, panties and swimwear
Embry (China) Garments Ltd. (安莉芳(中國)服裝有限公司) ("Embry SZ")	PRC 18 December 1987	HK$11,000,000	100	Manufacture and trading of ladies' brassieres, panties and swimwear
Embry (H.K.) Limited ("Embry HK")	Hong Kong 4 March 1980	Ordinary HK$45,000 * Non-voting deferred HK$4,500,000	100	Trading of ladies' brassieres, panties and swimwear
Embry (Macau) Fashion Company Limited (Embry (Macau) Pronto A Vestir, Limitada) ("Embry Macau")	Macau 7 December 1998	MOP100,000	100	Trading of ladies' brassieres, panties and swimwear
Embry (Shandong) Garments Limited (安莉芳(山東)服裝有限公司) ("Embry SD")	PRC 18 January 2006	US$10,000,000	100	Manufacture and trading of ladies' brassieres, panties and swimwear, but not yet commenced business

Name	Place and date of incorporation or registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Embry Development Limited ("Embry Development")	British Virgin Islands (the "BVI") 14 August 1992	US$1	100	Investment holding
Embry Garments Limited ("Embry Garments")	BVI 4 January 1993	US$1	100	Investment holding
Embry Group Limited ("EGL")	BVI 6 November 1992	US$472	100	Investment holding
Gallin Investments Limited ("Gallin Investments")	Hong Kong 9 October 1987	HK$2	100	Investment holding
Prime Force Advertising Limited ("Prime Force")	Hong Kong 16 May 1986	HK$20	100	Property investment
Whistleblower Limited ("Whistleblower")	BVI 5 July 1994	US$1	100	Holding of trademarks

Other than Embry SD, in which the Group has only contributed US$2,000,000, the Group has contributed all the registered capital of the Company's PRC subsidiaries.

All the companies are with limited liability and are indirectly held by the Company, except for EGL.

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

As at the date of this report, no audited financial statements have been prepared for the Company since the date of its incorporation as the Company has not been involved in any significant business transactions other than the Group Reorganisation. We have, however, performed our own independent review of all relevant transactions of the Company since the date of its incorporation.

No audited financial statements have been prepared for Embry Garments, Embry Development, Embry Macau and Whistleblower as the entities are not subject to any statutory audit requirements under their jurisdiction of incorporation.

The statutory financial statements of the following PRC subsidiaries, for each of the three years ended 31 December 2005 were prepared in accordance with the applicable accounting principles and financial regulations applicable to PRC enterprises and were audited by the following certified public accountants registered in the PRC. No audited financial statements of these PRC subsidiaries and Embry SD, which was incorporated during the six months ended 30 June 2006, have been issued for the six months ended 30 June 2006.

Name of the subsidiaries	Auditors
CZ Embry Development	江蘇公証會計師事務所有限公司
Embry CZ	江蘇公証會計師事務所有限公司
Embry SZ	深圳市財安合夥會計師事務所

For the purpose of this report, we have carried out independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") on the management accounts of these companies which were prepared in accordance with accounting principles generally accepted in Hong Kong for the purpose of this report for the Relevant Periods.

We acted as the auditors of EGL, Embry HK, Gallin Investments and Prime Force for the Relevant Periods.

The Financial Information which includes the combined income statements, combined statements of changes in equity and combined cash flow statements of the Group for each of the Relevant Periods and of the combined balance sheets of the Group as at 31 December 2003, 2004, 2005 and 30 June 2006 set out in this report have been prepared from the audited financial statements or where appropriate, management accounts of the companies now comprising the Group (collectively referred to as the "Accounts"), after making such adjustments as we considered appropriate and are presented on the basis set out in Section II "Notes to the Financial Information" below.

For the purpose of this report, we have carried out an independent audit, on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and have carried out such additional procedures on the Accounts as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The audited financial statements and the management accounts are the responsibility of the directors of the respective companies who approve their issuance. The directors of the Company are responsible for the contents of the Prospectus, including the preparation of the Financial Information. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and consistently applied. It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 under Section II "Notes to Financial Information" below, the Financial Information, together with the notes thereto, gives, for the purpose of this report, a true and fair view of the combined state of affairs of the Group as at 31 December 2003, 2004 and 2005 and 30 June 2006 and of the combined results and cash flows of the Group for each of the Relevant Periods.

The comparative combined income statement, combined cash flow statement and combined statement of changes in equity of the Group for the six months ended 30 June 2005 together with the notes thereto have been extracted from the Group's interim financial information for the same period (the "30 June 2005 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2005 Financial Information in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquires of management and applying analytical procedures to the 30 June 2005 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 June 2005 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 30 June 2005 Financial Information.

I. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

The following is a summary of the combined results of the Group for the Relevant Periods, prepared on the basis set out in Section II below:

		Year ended 31 December			Six months ended 30 June	
		2003	2004	2005	2005	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
REVENUE	5	429,296	508,493	550,014	290,178	314,108
Cost of sales		(116,047)	(125,876)	(136,979)	(80,031)	(72,228)
Gross profit		313,249	382,617	413,035	210,147	241,880
Other income and gains	6	857	4,266	5,335	1,331	1,823
Selling and distribution expenses		(240,550)	(277,688)	(312,948)	(157,135)	(164,832)
Administrative expenses		(51,477)	(52,162)	(46,620)	(24,613)	(25,717)
Other expenses, net		32	(543)	(1,617)	(977)	(191)
Finance costs	7	(204)	(79)	(791)	(100)	(792)
PROFIT BEFORE TAX	8	21,907	56,411	56,394	28,653	52,171
Tax	10	(6,746)	(11,861)	(10,717)	(4,933)	(10,355)
PROFIT FOR THE YEAR/PERIOD		15,161	44,550	45,677	23,720	41,816
Attributable to:						
Equity holders of the Company		14,668	42,143	44,431	23,124	40,316
Minority interests		493	2,407	1,246	596	1,500
		15,161	44,550	45,677	23,720	41,816
DIVIDEND	12					
Interim		–	–	150,000	150,000	–
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	13					
– Basic *(HK cents)*		4.89	14.05	14.81	7.71	13.44
– Diluted *(HK cents)*		N/A	N/A	N/A	N/A	N/A

COMBINED BALANCE SHEETS

The combined balance sheets of the Group as at 31 December 2003, 2004 and 2005 and 30 June 2006, prepared on the basis set out in Section II below, are as follows:

		31 December			**30 June**
		2003	**2004**	**2005**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	106,052	103,343	78,797	77,225
Investment property	*15*	–	–	25,500	25,500
Prepaid land lease payment	*16*	2,277	2,220	2,205	2,176
Deposit paid for a land use right	*33*	–	–	–	16,055
Other long term prepayment		–	–	–	536
		108,329	105,563	106,502	121,492
CURRENT ASSETS					
Inventories	*17*	189,779	171,734	205,068	205,218
Trade receivables	*18*	18,529	21,702	22,219	26,339
Prepayments, deposits and other receivables	*19*	12,001	14,883	10,902	15,895
Cash and cash equivalents	*20*	81,291	130,719	49,510	82,161
		301,600	339,038	287,699	329,613
CURRENT LIABILITIES					
Trade and bills payables	*21*	25,884	13,189	40,949	26,435
Tax payable		5,112	7,017	3,043	8,877
Other payables and accruals	*22*	21,151	28,115	26,641	40,527
Interest-bearing bank loans and bank overdrafts, secured	*23, 24*	3,654	444	4,067	4,095
Due to a minority shareholder	*25*	–	–	3,810	–
		55,801	48,765	78,510	79,934
NET CURRENT ASSETS		245,799	290,273	209,189	249,679
TOTAL ASSETS LESS CURRENT LIABILITIES		354,128	395,836	315,691	371,171

		31 December			30 June
		2003	2004	2005	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES					
Interest-bearing bank loans, secured	*23, 24*	–	–	24,108	22,233
Due to the ultimate holding company	*26*	–	–	–	15,841
Deferred liabilities	*27*	5,400	5,614	4,622	4,320
Deferred tax liabilities	*28*	66	66	595	595
		5,466	5,680	29,325	42,989
		348,662	390,156	286,366	328,182
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	*29*	1	1	1	1
Reserves		341,442	383,585	282,811	323,127
		341,443	383,586	282,812	323,128
Minority interests		7,219	6,570	3,554	5,054
		348,662	390,156	286,366	328,182

COMBINED STATEMENTS OF CHANGES IN EQUITY

The changes in the combined shareholders' equity of the Group for the Relevant Periods, prepared on the basis set out in Section II below, are as follows:

	Equity attributable to equity holders of the Company										
	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note (i))	Asset revaluation reserve HK$'000	Enterprise expansion and statutory reserve funds HK$'000 (note (ii))	Exchange fluctuation reserve HK$'000	Goodwill reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2003	1	97,741	4,227	–	12,016	(1,520)	(3,168)	217,478	326,775	6,726	333,501
Profit for the year	–	–	–	–	–	–	–	14,668	14,668	493	15,161
Total income and expenses for the year	–	–	–	–	–	–	–	14,668	14,668	493	15,161
Transfer to enterprise expansion and statutory reserve funds	–	–	–	–	641	–	–	(641)	–	–	–
At 31 December 2003 and 1 January 2004	1	97,741*	4,227*	–*	12,657*	(1,520)*	(3,168)*	231,505*	341,443	7,219	348,662
Profit for the year	–	–	–	–	–	–	–	42,143	42,143	2,407	44,550
Total income and expenses for the year	–	–	–	–	–	–	–	42,143	42,143	2,407	44,550
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(3,056)	(3,056)
At 31 December 2004 and 1 January 2005	1	97,741*	4,227*	–*	12,657*	(1,520)*	(3,168)*	273,648*	383,586	6,570	390,156
Revaluation surplus *(note 14)*	–	–	–	2,730	–	–	–	–	2,730	169	2,899
Deferred tax debited to asset revaluation reserve *(note 28)*	–	–	–	(191)	–	–	–	–	(191)	(12)	(203)
Exchange realignment	–	–	–	–	–	2,256	–	–	2,256	26	2,282
Total income and expenses recognised in equity	–	–	–	2,539	–	2,256	–	–	4,795	183	4,978
Profit for the year	–	–	–	–	–	–	–	44,431	44,431	1,246	45,677
Total income and expenses for the year	–	–	–	2,539	–	2,256	–	44,431	49,226	1,429	50,655
Interim 2005 dividend	–	–	–	–	–	–	–	(150,000)	(150,000)	–	(150,000)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(4,445)	(4,445)
At 31 December 2005	1	97,741*	4,227*	2,539*	12,657*	736*	(3,168)*	168,079*	282,812	3,554	286,366

	Equity attributable to equity holders of the Company										
	Issued capital	Share premium	Contributed surplus	Asset revaluation reserve	Enterprise expansion and statutory reserve funds	Exchange fluctuation reserve	Goodwill reserve	Retained profits	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000 (note (i))	HK$'000	HK$'000 (note (ii))	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	1	97,741*	4,227*	2,539*	12,657*	736*	(3,168)*	168,079*	282,812	3,554	286,366
Profit for the period	–	–	–	–	–	–	–	40,316	40,316	1,500	41,816
Total income and expenses for the period	–	–	–	–	–	–	–	40,316	40,316	1,500	41,816
At 30 June 2006	1	97,741*	4,227*	2,539*	12,657*	736*	(3,168)*	208,395*	323,128	5,054	328,182
(Unaudited)											
At 1 January 2005	1	97,741*	4,227*	–*	12,657*	(1,520)*	(3,168)*	273,648*	383,586	6,570	390,156
Profit for the period	–	–	–	–	–	–	–	23,124	23,124	596	23,720
Total income and expenses for the period	–	–	–	–	–	–	–	23,124	23,124	596	23,720
Interim 2005 dividend	–	–	–	–	–	–	–	(150,000)	(150,000)	–	(150,000)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(3,045)	(3,045)
At 30 June 2005	1	97,741*	4,227*	–*	12,657*	(1,520)*	(3,168)*	146,772*	256,710	4,121	260,831

Notes:

(i) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation of certain members of the Group which took place on 31 December 1992, over the nominal value of EGL's shares issued in exchange therefor.

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

* *These reserves accounts comprise the combined reserves of HK$341,442,000, HK$383,585,000, HK$282,811,000, HK$323,127,000 and HK$256,709,000 (unaudited) in the combined balance sheets of the Group as at 31 December 2003, 2004 and 2005, 30 June 2006, and 30 June 2005, respectively.*

COMBINED CASH FLOW STATEMENTS

The combined cash flow statements of the Group for the Relevant Periods, prepared on the basis set out in Section II below, are as follows:

		Year ended 31 December			Six months ended 30 June	
		2003	2004	2005	2005	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		21,907	56,411	56,394	28,653	52,171
Adjustments for:						
Finance costs	7	204	79	791	100	792
Bank interest income	8	(470)	(573)	(718)	(558)	(219)
Depreciation	8	9,692	9,530	9,069	4,537	4,457
Amortisation of prepaid land lease payment	8	57	57	58	28	29
Loss/(gain) on disposal of items of property, plant and equipment	8	103	(41)	(267)	–	(6)
Loss on write-off of items of property, plant and equipment	8	–	–	938	724	68
Impairment allowances/ (write-back) for bad and doubtful debts, net	8	(69)	585	481	–	–
Provision for obsolete inventories, net	8	–	1,907	4,466	3,471	1,019
Changes in fair value of an investment property	8	–	–	(600)	–	–
Negative Goodwill recognised as income	8	–	(2,051)	–	–	–
Operating profit before working capital changes		31,424	65,904	70,612	36,955	58,311
Decrease/(increase) in inventories		(30,796)	16,138	(37,800)	6,914	(1,169)
Increase in trade receivables		(2,461)	(3,758)	(998)	(5,820)	(4,120)
Decrease/(increase) in prepayments, deposits and other receivables		(23)	(2,882)	3,982	4,324	(4,993)
Increase/(decrease) in trade and bills payables		14,326	(12,695)	27,760	(1,105)	(14,514)
Increase/(decrease) in other payables and accruals		693	6,964	(1,474)	8,033	13,886
Decrease in an amount due to a related company		(282)	–	–	–	–
Increase/(decrease) in deferred liabilities		1,648	214	(992)	(235)	(302)

		Year ended 31 December			Six months ended 30 June	
		2003	2004	2005	2005	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cash generated from operations		14,529	69,885	61,090	49,066	47,099
Hong Kong profits tax paid		(631)	(319)	(421)	–	–
Overseas tax paid		(4,697)	(9,637)	(13,944)	(6,248)	(4,521)
Net cash inflow from operating activities		9,201	59,929	46,725	42,818	42,578
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		470	573	718	558	219
Purchases of items of property, plant and equipment	*14*	(8,491)	(7,370)	(6,422)	(2,573)	(2,953)
Proceeds from disposal of items of property, plant and equipment		80	590	295	–	6
Deposit paid for a land use right		–	–	–	–	(16,055)
Payment of other long term prepayment		–	–	–	–	(536)
Acquisition of additional interests in subsidiaries	*30(a)*	–	(1,005)	–	–	–
Net cash outflow from investing activities		(7,941)	(7,212)	(5,409)	(2,015)	(19,319)
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase in an amount due to the ultimate holding company		–	–	–	–	15,841
Dividends paid to minority shareholders		–	–	(635)	–	(3,810)
Dividends paid		–	–	(150,000)	(150,000)	–
Interest paid		(204)	(79)	(791)	(100)	(792)
New bank loans		2,011	–	30,000	30,000	–
Repayment of bank loans		(2,878)	(3,005)	(1,825)	–	(1,847)
Net cash inflow/(outflow) from financing activities		(1,071)	(3,084)	(123,251)	(120,100)	9,392

		Year ended 31 December			Six months ended 30 June	
		2003	2004	2005	2005	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		189	49,633	(81,935)	(79,297)	32,651
Cash and cash equivalents at beginning of year/period		80,453	80,642	130,275	130,275	49,510
Effect of foreign exchange rate changes, net		–	–	1,170	–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		80,642	130,275	49,510	50,978	82,161
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*20*	81,291	128,719	45,484	50,978	82,161
Non-pledged time deposits with original maturity of less than three months when acquired	*20*	–	2,000	4,026	–	–
Bank overdrafts, secured	*23*	(649)	(444)	–	–	–
		80,642	130,275	49,510	50,978	82,161

II. NOTES TO FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Financial Information, which is based on the audited financial statements or management accounts of the companies after making such adjustments as we considered appropriate, has been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of their incorporation or registration, where this is a shorter period. The combined balance sheets of the Group as at 31 December 2003, 2004 and 2005 and 30 June 2006 have been prepared to present the assets and liabilities of the Group as at the respective dates as if the current group structure had been in existence at those dates.

All significant intra-group transactions and balances have been eliminated on combination.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention except for the investment property which is measured at fair value, as explained in the accounting policies set out below, and in accordance with accounting principles generally accepted in Hong Kong including applicable Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the HKICPA. All HKFRSs effective for 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 Information throughout the Relevant Periods. The Financial Information has been prepared in accordance with the accounting policies set out below which conform with HKFRSs.

Subsidiaries

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

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

Business combinations

Goodwill

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. As the Group early adopted HKFRS 3 "Business Combinations" for the accounting period beginning on 1 January 2003, goodwill on acquisitions after 1 January 2003 is not amortised and goodwill already carried in the combined balance sheet is not amortised after 1 January 2003. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

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

Goodwill previously eliminated against the combined reserves

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

Excess over the cost of business combinations ("Negative Goodwill")

On acquisition of subsidiaries, if the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities of the entity being acquired recognised as at the date of acquisition exceeds the cost of the business combination, the Group shall reassess the identification and measurement of the identifiable assets, liabilities and contingent liabilities of that entity and the measurement of the cost of the business combination; and recognise immediately in the combined income statement any excess remaining after that reassessment.

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

Impairment of assets

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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

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

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

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

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

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

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

Investment property

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

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

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

Financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through the income statement or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through the income statement, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

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

Assets carried at amortised cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

Derecognition of financial assets

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

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

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

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

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

Derecognition of financial liabilities

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

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

Inventories

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

Leases

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

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

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

Cash and cash equivalents

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

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

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Revenue recognition

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

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

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

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

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

Dividends

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

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

Research and development costs

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

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

During the Relevant Periods, the research and development costs incurred were not significant to the Group and were charged to the income statement.

Borrowing costs

Borrowing costs are generally expensed as incurred.

Government grants

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

Employee benefits

Paid leave carried forward

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

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Retirement benefits schemes

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

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

Foreign currencies

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

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

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

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2007:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's accounting policies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Operating lease commitments – Group as lessor

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

Estimation uncertainty

Estimation of fair value of an investment property

As described in note 15, the investment property was revalued at the balance sheet date on market value, existing state basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

4. SEGMENT INFORMATION

The Group's primary business segment is the manufacture and sale of ladies' brassieres, panties and swimwears. 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.

Year ended 31 December 2003

	PRC	Hong Kong	Others (mainly the United Kingdom and Japan)	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	331,654	74,278	23,364	429,296
Segment assets	316,089	93,840	–	409,929
Capital expenditure incurred during the year	8,413	78	–	8,491

Year ended 31 December 2004

	PRC	Hong Kong	Others (mainly the United Kingdom and Japan)	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	393,909	75,266	39,318	508,493
Segment assets	363,108	81,493	–	444,601
Capital expenditure incurred during the year	7,311	59	–	7,370

Year ended 31 December 2005

	PRC	Hong Kong	Others (mainly the United Kingdom and Japan)	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	444,554	74,179	31,281	550,014
Segment assets	313,960	80,241	–	394,201
Capital expenditure incurred during the year	6,270	152	–	6,422

Six months ended 30 June 2005

(Unaudited)	**PRC** *HK$'000*	**Hong Kong** *HK$'000*	**Others (mainly the United Kingdom and Japan)** *HK$'000*	**Combined** *HK$'000*
Revenue from external customers	235,780	37,619	16,779	290,178
Segment assets	278,782	74,473	–	353,255
Capital expenditure incurred during the period	2,467	105	–	2,572

Six months ended 30 June 2006

	PRC *HK$'000*	**Hong Kong** *HK$'000*	**Others (mainly the United Kingdom and Japan)** *HK$'000*	**Combined** *HK$'000*
Revenue from external customers	262,916	42,148	9,044	314,108
Segment assets	363,035	88,070	–	451,105
Capital expenditure incurred during the period	1,486	1,467	–	2,953

5. REVENUE

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

6. OTHER INCOME AND GAINS

		Year ended 31 December			Six months ended 30 June	
		2003	**2004**	**2005**	**2005**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Other income						
Bank interest income		470	573	718	558	219
Gross rental income		–	117	923	104	1,053
Subsidy income from the PRC government:						
Rewards as a superbrand in the PRC *		–	–	1,923	–	288
Value-added tax refunded *		377	783	405	–	–
Negative Goodwill recognised as income	*30(a)*	–	2,051	–	–	–
Others		10	742	766	669	263
		857	4,266	4,735	1,331	1,823
Gains						
Changes in fair value of investment property	*15*	–	–	600	–	–
		–	–	600	–	–
		857	4,266	5,335	1,331	1,823

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

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interests on:					
Bank loans and overdrafts repayable within five years	204	79	33	10	14
Bank loan repayable over five years	–	–	758	90	778
Total interests	204	79	791	100	792

8. PROFIT BEFORE TAX

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

		Year ended 31 December			Six months ended 30 June	
		2003	2004	2005	2005	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cost of inventories sold		116,047	125,876	136,979	80,031	72,228
Depreciation	*14*	9,692	9,530	9,069	4,537	4,457
Amortisation of a prepaid land lease payment	*16*	57	57	58	28	29
Negative Goodwill recognised as income	*30(a)*	–	(2,051)	–	–	–
Minimum lease payments under operating leases in respect of:						
Land and buildings		18,242	22,868	22,646	10,944	10,183
Contingent rents of retail outlets in department stores		121,341	126,583	135,602	70,505	80,314
Employee benefits expenses (excluding directors' remuneration-note 9):						
Wages and salaries		81,223	94,819	108,930	50,165	59,844
Provision/(write-back of provision) for long service payments	*27*	2,028	1,007	(735)	–	88
Retirement benefits scheme contributions		4,092	5,642	5,305	3,100	4,000
		87,343	101,468	113,500	53,265	63,932
Auditors' remuneration		790	900	1,200	562	911
Advertising and counter decoration expenses		38,495	28,946	43,584	24,025	17,095
Impairment allowances/(write-back) for bad and doubtful debts, net		(69)	585	481	–	–
Provision for obsolete inventories, net		–	1,907	4,466	3,471	1,019
Research and development expenditure		681	1,366	1,733	627	522
Loss/(gain) on disposal of items of property, plant and equipment		103	(41)	(267)	–	(6)
Loss on write-off of items of property, plant and equipment		–	–	938	724	68
Gross and net rental income		–	(117)	(923)	(104)	(1,053)
Changes in fair value of an investment property	*15*	–	–	(600)	–	–
Foreign exchange differences, net		(10)	360	(671)	62	920
Bank interest income		(470)	(573)	(718)	(558)	(219)

9. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

(A) Directors' remuneration

Details of directors' and senior executives' remuneration are as follows:

	Year ended 31 December			Six months ended 30 June	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	4,456	6,285	4,871	2,416	1,944
Performance related bonuses*	1,387	1,227	–	–	–
Retirement benefits scheme contributions	12	12	12	6	6
	5,855	7,524	4,883	2,422	1,950

* Certain executive directors of the Company are entitled to bonus payments which are determined as reference to the profit after tax of the Group.

Year ended 31 December 2003

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefits scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Cheng Man Tai	–	2,018	670	–	2,688
Ms. Cheng Pik Ho Liza	–	1,010	298	12	1,320
Madam Ngok Ming Chu	–	1,428	419	–	1,847
Mr. Hung Hin Kit **	–	–	–	–	–
	–	4,456	1,387	12	5,855
Independent non-executive directors:					
Mr. Lau Siu Ki	–	–	–	–	–
Mr. Lee Kwan Hung	–	–	–	–	–
Prof. Lee T. S.	–	–	–	–	–
	–	–	–	–	–

Year ended 31 December 2004

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefits scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Cheng Man Tai	–	3,317	600	–	3,917
Ms. Cheng Pik Ho Liza	–	1,087	257	12	1,356
Madam Ngok Ming Chu	–	1,881	370	–	2,251
Mr. Hung Hin Kit **	–	–	–	–	–
	–	6,285	1,227	12	7,524
Independent non-executive directors:					
Mr. Lau Siu Ki	–	–	–	–	–
Mr. Lee Kwan Hung	–	–	–	–	–
Prof. Lee T. S.	–	–	–	–	–
	–	–	–	–	–

Year ended 31 December 2005

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefits scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Cheng Man Tai	–	2,256	–	–	2,256
Ms. Cheng Pik Ho Liza	–	979	–	12	991
Madam Ngok Ming Chu	–	1,636	–	–	1,636
Mr. Hung Hin Kit **	–	–	–	–	–
	–	4,871	–	12	4,883
Independent non-executive directors:					
Mr. Lau Siu Ki	–	–	–	–	–
Mr. Lee Kwan Hung	–	–	–	–	–
Prof. Lee T. S.	–	–	–	–	–
	–	–	–	–	–

Six months ended 30 June 2005

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefits scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Cheng Man Tai	–	1,263	–	–	1,263
Ms. Cheng Pik Ho Liza	–	455	–	6	461
Madam Ngok Ming Chu	–	698	–	–	698
Mr. Hung Hin Kit **	–	–	–	–	–
	–	2,416	–	6	2,422
Independent non-executive directors:					
Mr. Lau Siu Ki	–	–	–	–	–
Mr. Lee Kwan Hung	–	–	–	–	–
Prof. Lee T. S.	–	–	–	–	–
	–	–	–	–	–

Six months ended 30 June 2006

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefits scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Cheng Man Tai	–	674	–	–	674
Ms. Cheng Pik Ho Liza	–	519	–	6	525
Madam Ngok Ming Chu	–	751	–	–	751
Mr. Hung Hin Kit **	–	–	–	–	–
	–	1,944	–	6	1,950
Independent non-executive directors:					
Mr. Lau Siu Ki	–	–	–	–	–
Mr. Lee Kwan Hung	–	–	–	–	–
Prof. Lee T. S.	–	–	–	–	–
	–	–	–	–	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

** Mr. Hung Hin Kit ("Mr. Hung") was appointed as an executive director of the Company in November 2006. Prior to his appointment, Mr. Hung was an employee of the Group throughout the Relevant Periods. The remuneration received by Mr. Hung from the Group during the Relevant Periods was not included as directors' remuneration since the services provided by Mr. Hung to the Group was not in the capacity of a director of the Company.

(B) Five highest paid individuals

The five highest paid individuals during each of the Relevant Periods included three directors, details of whose remuneration are set out above. Details of the remuneration of the remaining two non-director, highest paid employees for each of the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2003	**2004**	**2005**	**2005**	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	1,861	1,865	1,875	843	842
Performance related bonuses	497	–	–	–	–
Retirement benefits scheme contributions	24	24	24	12	12
	2,382	1,889	1,899	855	854

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

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2003	**2004**	**2005**	**2005**	**2006**
				(Unaudited)	
Nil to HK$1,000,000	1	1	1	2	2
HK$1,000,001 to HK$1,500,000	1	1	1	–	–
	2	2	2	2	2

During the Relevant Periods, no remuneration were paid by the Group to the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

The Group offers its staff competitive remuneration packages. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive directors is to enable the Group to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved.

The principal elements of the Group's executive directors remuneration packages include basic salary, discretionary bonus and housing benefit.

10. TAX

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 17.5% during the Relevant Periods. The increased Hong Kong profits tax rate from 16% to 17.5% became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. Pursuant to relevant laws and regulations in the PRC, the Company's subsidiaries, Embry SZ and Embry CZ are entitled to use of tax rates of 15% and 27%, being the applicable tax rates for foreign invested enterprise 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.

	Year ended 31 December			**Six months ended 30 June**	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current tax – Hong Kong	299	324	324	158	160
Current tax – Mainland China					
Charge for the year/period	6,382	11,526	10,483	5,184	10,195
Under/(over)provision in prior years/periods	143	11	(416)	(409)	–
Deferred *(note 28)*	(78)	–	326	–	–
Total tax charge for the year/period	6,746	11,861	10,717	4,933	10,355

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:

	Year ended 31 December			Six months ended 30 June	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before tax	21,907	56,411	56,394	28,653	52,171
Tax at the applicable rates to profits/(losses) in the countries concerned	9,103	19,020	19,324	9,895	18,185
Lower tax rate for specific provinces in Mainland China	(5,560)	(10,146)	(9,946)	(5,027)	(9,254)
Adjustments in respect of current tax of previous periods	143	11	(416)	(409)	–
Effect on opening deferred tax of increase in rates	13	–	–	–	–
Income not subject to tax	(1,691)	(978)	(491)	(582)	(304)
Expenses not deductible for tax	708	2,924	1,060	754	5,590
Tax losses not recognised	4,247	1,030	1,186	302	99
Tax losses utilised from previous periods	(217)	–	–	–	(3,961)
Tax charge at the Group's effective rate	6,746	11,861	10,717	4,933	10,355

11. RELATED PARTY TRANSACTIONS

(i) In addition to the balances detailed in notes 25 and 26 to the accountants' report, the Group had the following material transactions with related parties during the Relevant Periods:

		Year ended 31 December			Six months ended 30 June	
		2003	**2004**	**2005**	**2005**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Continuing transactions						
Purchases of furniture for counters and shops from related companies	*(a)*	9,835	6,597	13,786	5,202	6,199
Rental expense for a warehouse paid to Madam Ngok Ming Chu, a director of the Company	*(b)*	180	180	180	90	90
Discontinued transactions						
Rental income received from a related company	*(c)*	136	138	159	74	85
Rental expense for director's quarter paid to Madam Ngok Ming Chu, a director of the Company	*(d)*	–	–	200	–	300
Rental expense for director's quarter paid to a related company	*(e)*	–	–	–	–	90

Notes:

(a) The purchases of furniture for counters and shops from Duosiwei Metal & Plastic Products (Shenzhen) Co., Ltd. (多思維五金塑膠製品(深圳)有限公司) and Changzhou Duosiwei Furniture Decoration Construction Co., Ltd. (常州多思維家俱裝飾工程有限公司), ("Duosiwei Changzhou"), related companies controlled by Mr. Cheng Chuen Chuen, a son of Mr. Cheng Man Tai who is a director of the Company, were made according to the terms similar to those offered to the Group's independent suppliers.

(b) The rental expense was determined with reference to the then prevailing market conditions.

(c) The rental income was received from Duosiwei Changzhou and was determined by the directors of the Company and the related company with reference to the then prevailing market conditions. Subsequent to 30 June 2006, the rental agreement with Duosiwei Changzhou was terminated on 30 June 2006.

(d) The rental expense was determined with reference to the then prevailing market conditions. Subsequent to 30 June 2006, the rental agreement with Madam Ngok Ming Chu, a director of the Company, was terminated on 1 July 2006.

(e) The rental expense was paid to Good Most Limited, a related company controlled by Ms. Cheng Pik Ho Liza and Madam Ngok Ming Chu, the directors of the Company, and were determined with reference to the then prevailing market conditions. Subsequent to 30 June 2006, the rental agreement with Good Most Limited was terminated on 1 July 2006.

(ii) Other transactions with related parties:

(a) On 30 June 2006, the Group disposed of certain dormant subsidiaries ("Disposed Subsidiaries") with an aggregate deficiency in assets of approximately HK$108,000 to Ms. Cheng Pik Ho Liza, a director of the Company, for a total cash consideration of approximately HK$14,000. The considerations are determined by reference to the net asset values of the respective Disposed Subsidiaries and at nominal value for the respective Disposed Subsidiaries which record deficiency in assets.

(b) As at 4 December 2006, Harmonious World Limited ("Harmonious World"), the ultimate holding company and Fairmout Investments Limited ("Fairmout Investments"), a shareholder of the Company and Mr. Cheng Man Tai, Ms. Cheng Pik Ho Liza and Madam Ngou Ming Chu, the directors of the Company, have provided an indemnity in favour of the Group as described in the paragraph headed "Estate duty, tax and other indemnity" in Appendix VI to the Prospectus.

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

	Year ended 31 December			Six months ended 30 June	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Short term employee benefits	10,034	11,729	10,111	4,826	4,608
Post-employment benefits	48	48	70	34	36
Total compensation paid to key management personnel	10,082	11,777	10,181	4,860	4,644

The directors are of the opinion that the above transactions were conducted on normal commercial terms and in the ordinary course of business of the Group.

Further details of directors' remuneration are included in note 9 to the Financial information.

12. DIVIDEND

No dividend has been paid or declared by the Company since its date of incorporation. The dividend paid by the Company's subsidiaries to their then shareholders during the Relevant Periods was as follows.

	Year ended 31 December			Six months ended 30 June	
	2003	**2004**	**2005**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Dividend	–	–	150,000	150,000	–

The rates of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the purpose of this report.

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

The calculation of basic earnings per share for each of the Relevant Periods is based on the profit for the year/period attributable to equity holders of the Company for each of the Relevant Periods and on the assumption that 300,000,000 shares had been in issue throughout the Relevant Periods, comprising the 20,000,000 shares in issue at the date of the Prospectus and 280,000,000 shares to be issued pursuant to the capitalisation issue, as described more fully in the paragraph headed "Resolutions in writing of all Shareholders passed on 25 November 2006" in Appendix VI to the Prospectus.

There were no potential dilutive ordinary shares in existence during the Relevant Periods and, therefore, no diluted earnings per share amounts have been presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:						
As at 1 January 2003	93,396	7,183	33,244	36,669	9,826	180,318
Additions	–	–	319	7,564	608	8,491
Disposals	(85)	–	(193)	(905)	(189)	(1,372)
As at 31 December 2003 and 1 January 2004	93,311	7,183	33,370	43,328	10,245	187,437
Additions	2,269	–	461	3,958	682	7,370
Disposals	(622)	–	(144)	(1,587)	(552)	(2,905)
As at 31 December 2004 and 1 January 2005	94,958	7,183	33,687	45,699	10,375	191,902
Additions	–	–	874	4,446	1,102	6,422
Transfer to investment property *(note 15)*	(26,008)	–	–	–	–	(26,008)
Disposals	(36)	–	–	–	(182)	(218)
Write-off	–	(3,493)	(1,280)	(2,364)	(77)	(7,214)
Exchange realignment	780	–	644	688	127	2,239
As at 31 December 2005 and 1 January 2006	69,694	3,690	33,925	48,469	11,345	167,123
Additions	–	–	475	969	1,509	2,953
Disposal	–	–	–	–	(774)	(774)
Write-off	–	–	–	(75)	(216)	(291)
As at 30 June 2006	69,694	3,690	34,400	49,363	11,864	169,011
Accumulated depreciation:						
As at 1 January 2003	15,470	7,183	18,582	24,425	7,222	72,882
Provided during the year	2,531	–	2,130	4,254	777	9,692
Disposals	(55)	–	(191)	(804)	(139)	(1,189)
As at 31 December 2003 and 1 January 2004	17,946	7,183	20,521	27,875	7,860	81,385
Provided during the year	2,517	–	2,018	4,163	832	9,530
Disposals	(362)	–	(130)	(1,415)	(449)	(2,356)
As at 31 December 2004 and 1 January 2005	20,101	7,183	22,409	30,623	8,243	88,559
Provided during the year	2,573	–	1,860	3,973	663	9,069
Transfer to investment property *(note 15)*	(4,007)	–	–	–	–	(4,007)
Disposals	(25)	–	–	–	(165)	(190)
Write-off	–	(3,493)	(607)	(2,148)	(28)	(6,276)
Exchange realignment	242	–	439	400	90	1,171
As at 31 December 2005 and 1 January 2006	18,884	3,690	24,101	32,848	8,803	88,326
Provided during the period	1,112	–	825	2,149	371	4,457
Disposal	–	–	–	–	(774)	(774)
Write-off	–	–	–	(28)	(195)	(223)
As at 30 June 2006	19,996	3,690	24,926	34,969	8,205	91,786
Net book value:						
As at 30 June 2006	49,698	–	9,474	14,394	3,659	77,225
As at 31 December 2005	50,810	–	9,824	15,621	2,542	78,797
As at 31 December 2004	74,857	–	11,278	15,076	2,132	103,343
As at 31 December 2003	75,365	–	12,849	15,453	2,385	106,052
As at 1 January 2003	77,926	–	14,662	12,244	2,604	107,436

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

	31 December			30 June
	2003	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Medium term leases				
– in Hong Kong	54,613	54,613	28,605	28,605
– outside Hong Kong	36,190	37,837	38,533	38,533
Long term leases outside Hong Kong	2,508	2,508	2,556	2,556
	93,311	94,958	69,694	69,694

At 31 December 2003, 2004, 2005 and 30 June 2006, the Group's leasehold land and buildings situated in Hong Kong with a net book value of approximately HK$47,969,000, HK$46,877,000, HK$23,981,000 and HK$23,695,000, respectively, were pledged to secure banking facilities granted to the Group (note 24).

During the year ended 31 December 2005, certain of the Group's land and buildings were transferred to investment property at a fair value of HK$24,900,000 which was based on the valuation by LCH (Asia-Pacific) Surveyors Limited, an independent professionally qualified valuer, on an open market, existing state basis. Accordingly, an asset revaluation reserve of HK$2,730,000 arose, after netting with the reserve attributable to minority interests of HK$169,000.

15. INVESTMENT PROPERTY

	31 December			30 June
	2003	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount at beginning of the year/period	–	–	–	25,500
Transfer from owner-occupied property *(note 14)*	–	–	24,900	–
Changes in fair value *(notes 6 and 8)*	–	–	600	–
Carrying amount at end of the year/period	–	–	25,500	25,500

The Group's investment property situated in Hong Kong is held under the medium term lease and was pledged as security against banking facilities granted to the Group (note 24).

The Group's investment property was revalued on 31 December 2005 by LCH (Asia-Pacific) Surveyors Limited, an independent professionally qualified valuer, at HK$25,500,000 on an open market, existing state basis. On 30 June 2006, the investment property was revalued by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer, at HK$25,500,000 on an open market, existing state basis. The investment property was leased to a third party under an operating lease, further summary details of which are included in note 32 to the Financial Information.

16. PREPAID LAND LEASE PAYMENT

	31 December			30 June
	2003	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At beginning of the year/period	2,505	2,505	2,505	2,553
Additions	–	–	–	–
Exchange realignment	–	–	48	–
At end of the year/period	2,505	2,505	2,553	2,553
Amortisation:				
At beginning of the year/period	114	171	228	290
Recognised during the year/period	57	57	58	29
Exchange realignment	–	–	4	–
At end of the year/period	171	228	290	319
Carrying amount at the end of year/period	2,334	2,277	2,263	2,234
Current portion included in prepayments, deposits and other receivables *(note 19)*	(57)	(57)	(58)	(58)
Non-current portion	2,277	2,220	2,205	2,176

The land is situated in Mainland China and the respective prepaid land lease payment is held under medium term lease.

17. INVENTORIES

	31 December			30 June
	2003	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	27,409	15,957	30,800	24,939
Work in progress	12,089	10,826	15,832	19,407
Finished goods	150,281	144,951	158,436	160,872
	189,779	171,734	205,068	205,218

18. 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 by 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 dates, based on the invoice date, is as follows:

	31 December			30 June
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	16,756	20,456	21,017	25,017
91 to 180 days	1,972	1,007	1,408	1,205
181 to 360 days	1	910	297	343
Over 360 days	469	175	862	1,139
	19,198	22,548	23,584	27,704
Less: Impairment allowance	(669)	(846)	(1,365)	(1,365)
	18,529	21,702	22,219	26,339

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

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December			30 June
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepaid land lease payment *(note 16)*	57	57	58	58
Prepayments	3,959	4,835	2,559	3,865
Deposits and other receivables	7,985	9,991	8,285	11,972
	12,001	14,883	10,902	15,895

The carrying amounts of prepayments, deposits and other receivables approximate to their fair values.

20. CASH AND CASH EQUIVALENTS

	31 December			30 June
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	81,291	128,719	45,484	82,161
Time deposits	–	2,000	4,026	–
	81,291	130,719	49,510	82,161

The cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$74,720,000, HK$121,140,000, HK$40,389,000 and HK$69,466,000 as at 31 December 2003, 2004 and 2005 and 30 June 2006, respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for approximately one week on average depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values.

21. TRADE AND BILLS PAYABLES

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

	31 December			30 June
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	23,320	11,949	36,933	20,851
91 to 180 days	348	170	1,992	3,575
181 to 360 days	722	349	575	885
Over 360 days	1,494	721	1,449	1,124
	25,884	13,189	40,949	26,435

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

22. OTHER PAYABLES AND ACCRUALS

	31 December			30 June
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	10,418	15,894	12,496	26,356
Accruals	10,733	12,221	14,145	14,171
	21,151	28,115	26,641	40,527

As at 30 June 2006, included in the other payables amounting to HK$10,703,000, was the subsidy from the People's Government of Zhangqiu, Shandong Province, the PRC, for the construction cost of the basic infrastructure incurred by the Group in Shandong Province, the PRC.

Except the government subsidy stated above, other payables are non-interest-bearing and have an average term of three months. The carrying amounts of other payables and accruals approximate to their fair values.

23. INTEREST-BEARING BANK LOANS AND BANK OVERDRAFTS, SECURED

	31 December			30 June
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Bank overdrafts	649	444	–	–
Trust receipt loans	2,011	–	332	–
Bank loans	994	–	3,735	4,095
	3,654	444	4,067	4,095
Non-current				
Bank loan	–	–	24,108	22,233
	3,654	444	28,175	26,328

	31 December			30 June
	2003	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Bank loans, bank overdrafts and trust receipt loans repayable:				
Within one year	3,654	444	4,067	4,095
In the second year	–	–	3,940	4,015
In the third to fifth years, inclusive	–	–	13,172	13,565
Beyond five years	–	–	6,996	4,653
	3,654	444	28,175	26,328

The above bank loans and overdrafts are all denominated in Hong Kong dollars while trust receipt loans are denominated in Euro.

As at 31 December 2003, the effective interest rates of the Group's bank overdrafts, trust receipt loans and bank loans were 1% above the best lending rate, prevailing rate for foreign currency (Euro) facility and 0.5% above Hong Kong dollar prime lending rate, respectively.

As at 31 December 2004, the effective interest rate of the Group's bank overdrafts was 0.5% above the Hong Kong dollar prime lending rate.

As at 31 December 2005, the effective interest rates of the Group's bank loans and trust receipt loans were Hong Kong dollar prime lending rate minus 2.125% and 0.25% above the Hong Kong dollar prime lending rate, respectively.

As at 30 June 2006, the effective interest rate of the Group's bank loans was Hong Kong dollar prime lending rate minus 2.125%.

The bank loans do not bear interest at fixed rate, so the fair value of non-current bank loan is not materially different from its carrying value. The carrying amounts of short-term bank loans and overdrafts approximate to their fair values.

24. BANKING FACILITIES

As at 30 June 2006, the Group's general banking facilities are secured by the first legal charges on certain medium term leasehold land and buildings and investment property owned by the Group (notes 14 and 15).

25. DUE TO A MINORITY SHAREHOLDER

As at 31 December 2005, the Group has not yet settled the dividend of HK$3,810,000 declared to a minority shareholder of Embry HK, Ms. Cheng Pik Ho Liza, who is also a director of the Company. The amount was unsecured, interest-free and was fully settled during the six months ended 30 June 2006.

26. DUE TO THE ULTIMATE HOLDING COMPANY

During the six months ended 30 June 2006, Harmonious World has provided certain advances to the Group. The amount advanced to the Group of HK$15,841,000 as at 30 June 2006 was unsecured, interest-free and was fully settled on 3 July 2006 by the allotment and issue, credited as fully paid, of an aggregate of 365 shares of US$1 each in the capital of EGL to Harmonious World.

The carrying amount of the amount due to the ultimate holding company approximates to its fair value.

27. DEFERRED LIABILITIES

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

	31 December			30 June
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year/period	3,751	5,400	5,614	4,622
Provision/(write-back) for the year/ period *(note 8)*	2,028	1,007	(735)	88
Payments during the year/period	(379)	(793)	(257)	(390)
At end of the year/period	5,400	5,614	4,622	4,320

28. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during each of the Relevant Periods were as follows:

	Revaluation of a property	**Accelerated tax depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2003	–	144	144
Deferred tax credited to the income statement during the year *(note 10)*	–	(78)	(78)
At 31 December 2003, 1 January 2004, 31 December 2004 and 1 January 2005	–	66	66
Deferred tax charged to the asset revaluation reserve during the year	203	–	203
Deferred tax charged to the income statement during the year *(note 10)*	42	284	326
At 31 December 2005 and 1 January 2006	245	350	595
Deferred tax charged/(credited) to the income statement during the period *(note 10)*	–	–	–
At 30 June 2006	245	350	595

The Group has tax losses arising in Hong Kong of the following amounts at each of the balance sheet dates (31 December 2003: HK$38,825,000; 31 December 2004: HK$41,012,000; 31 December 2005: HK$45,809,000 and 30 June 2006: HK$19,597,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the aforesaid company has not generated assessable profits for some time.

At each of the balance sheet dates, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

29. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 29 August 2006 with an authorised share capital of HK$100,000 divided into 10,000,000 ordinary shares of HK$0.01 each. Pursuant to resolutions passed on 25 November 2006, the authorised share capital of the Company was increased to HK$10,000,000 by the creation of an additional 990,000,000 ordinary shares.

On 29 August 2006, one nil-paid share was allotted and issued to Codan Trust Company (Cayman) Limited, the initial subscriber of the Company, which was transferred to Harmonious World on the same date.

Pursuant to the Group Reorganisation, on 25 November 2006:

(i) an aggregate of 9,999,999 nil-paid shares were allotted and issued to Harmonious World, Fairmout Investments, Ms. Cheng Pik Ho Liza and Mr. Cheng Chuen Chi;

(ii) in consideration for the transfer of the entire issued share capital of EGL to the Company, an aggregate of 10,000,000 shares were allotted and issued to Harmonious World, Fairmout Investments, Ms. Cheng Pik Ho Liza and Mr. Cheng Chuen Chi and the nil-paid shares referred to in (i) above were credited as fully paid by the Company.

The issued capital of the Group at each of the balance sheet dates represented the issued capital of EGL.

30. NOTES TO THE COMBINED CASH FLOW STATEMENTS

(a) Acquisition of additional interests in subsidiaries

(i) CZ Embry Development was established by Embry Development, a wholly-owned subsidiary of the Company, and a PRC partner (the "PRC Partner") as an equity joint venture company for a period of 50 years commencing on 4 March 1993.

During the year ended 31 December 2004, Embry Development acquired the remaining 5% equity interest in CZ Embry Development from the PRC Partner, at a consideration of approximately HK$1,005,000. Accordingly, the Group's equity interest in CZ Embry Development, increased from 95% to 100%. Negative Goodwill of approximately HK$245,000 was arisen from such acquisition.

(ii) During the year ended 31 December 2004, the registered capital of Embry SZ increased from HK$6,000,000 to HK$11,000,000, in which the additional registered capital of HK$5,000,000 was credited as fully paid in consideration of the acquisition of the entire registered capital of a former subsidiary of the Group, Gallin Enterprises (Shenzhen) Limited ("Gallin SZ") from Gallin Investments. This transaction was completed on 16 December 2004. Gallin SZ was then deregistered and its assets and liabilities were absorbed by Embry SZ. As a result, Gallin Investments and Embry HK held 45.45% and 54.55% equity interests in Embry SZ, respectively, and the Group's equity interest in Embry SZ increased from 94.17% to 96.82%. Negative Goodwill of approximately HK$1,806,000 was arisen from such acquisition.

(b) Major non-cash transaction

During the year ended 31 December 2005, dividend of HK$3,810,000 declared to a minority shareholder of Embry HK, Ms. Cheng Pik Ho Liza who is also a director of the Company, has been reflected as "Due to a minority shareholder" (note 25).

31. CONTINGENT LIABILITIES

At each of the balance sheet dates, contingent liabilities not provided for were as follows:

	31 December			30 June
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bills discounted with recourse	829	–	–	–
Letter of guarantees given to a bank in connection with lease arrangements granted to a landlord	–	575	–	–
	829	575	–	–

32. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment property (note 15) under an operating lease arrangement, with lease negotiated for terms of four years.

At each of the balance sheet dates, the Group had total future minimum lease receivables under non-cancellable operating lease with its tenants falling due as follows:

	31 December			30 June
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	–	1,936	1,936
In the second to fifth years, inclusive	–	–	5,539	4,571
	–	–	7,475	6,507

As lessee

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

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

	31 December			30 June
	2003	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	8,733	26,839	31,154	40,872
In the second to fifth years, inclusive	4,622	9,896	18,482	15,731
	13,355	36,735	49,636	56,603

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 have not been included above and only the minimum lease commitments have been included in the above table.

33. COMMITMENTS

At each of the balance sheet dates, the Group had the following commitments:

	31 December			30 June
	2003	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for commitment in respect of its wholly-foreign-owned investments in the PRC	8,048	8,048	85,548	62,080
Contracted for commitment in respect of				
– the land lease payment in the PRC *	–	–	21,406	5,351
– the acquisition of a motor vehicle	–	–	1,210	–
– the purchase of office equipment	–	–	–	1,096
	8,048	8,048	108,164	68,527

* *Pursuant to the agreement entered into between a subsidiary, Embry HK, and the People's Government of Zhangqiu, Shandong Province, the PRC on 28 December 2005, the Group has agreed to acquire 50 years' land use right of a piece of land located in Shandong Province at a consideration of approximately HK$21,406,000. During the six months ended 30 June 2006, the land lease payment of HK$16,055,000 was paid by the Group. On 28 October 2006, the deposit of HK$3,390,000 has been utilised for the grant of 167,780 square metres of land use rights and its related certificate has been obtained from the government land bureau of Shandong Province, the PRC.*

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise amounts due to a minority shareholder, the ultimate holding company, bank loans and overdrafts, other interest-bearing loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the Relevant Periods, the Group's policy that no trading in financial instruments shall be undertaken.

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

Interest rate risk

Except for the bank loans bearing interest at floating rate, the Group's financial instruments are short-term in nature. Carrying amounts of these financial instruments reported on the balance sheet approximate to their fair values, hence there is no interest rate risk exposure in relation to these instruments.

Foreign currency risk

The Group carries on its trading transactions mainly in Hong Kong dollars and Renminbi. As the foreign currencies risks generated from the sales and purchases can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of business.

Credit risk

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

There is no other credit risk of the Group under other financial assets such as cash and cash equivalents.

Liquidity risk

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

35. NET ASSETS OF THE COMPANY

The Company was incorporated on 29 August 2006. As at 30 June 2006, the Company had no assets and liabilities. Pursuant to a group reorganisation, the Company became the holding company of the Group on 25 November 2006. Had the group reorganisation been completed on 30 June 2006, the net assets of the Company as at that date would have been approximately HK$323,128,000, representing the Company's investments in its subsidiaries.

36. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable in respect of any of the Relevant Periods by the Company, or any of the other companies now comprising the Group, to the directors of the Company. Under the arrangements currently in force, the estimated amount of directors' fees and other remuneration payable to the directors of the Company for the year ending 31 December 2006 will be approximately HK$4,200,000, excluding discretionary bonuses payable under the directors' service contracts. Further details of the directors' service contracts are set out in the paragraph headed "Particulars of Directors' service contracts" in Appendix VI to the Prospectus.

III. SUBSEQUENT EVENTS

Subsequent to 30 June 2006, the following events occurred:

(a) On 3 July 2006, the Group has made full settlement for the amount due to Harmonious World of HK$15,841,000 by the allotment and issue, credited as fully paid, of an aggregate of 365 shares of US$1 each in the capital of EGL to Harmonious World.

(b) On 3 July 2006, the Group has acquired the remaining 5.83% equity interest in Embry HK from the minority shareholders at a consideration of HK$5,000,000. The consideration was settled by the allotment and issue, credited as fully paid, of an aggregate of 7 shares of US$1 each in the capital of EGL to such minority shareholders. Accordingly, the Group's equity interest in Embry HK increased to 100%.

(c) On 25 November 2006, the companies now comprising the Group underwent a reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited. Further details of the Group Reorganisation are set out in the paragraph headed "Group reorganisation" in Appendix VI to the Prospectus.

Save as aforesaid, no other significant events took place subsequent to 30 June 2006.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2006.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong