THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in the Company, you should at once hand the Prospectus Documents to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

A copy of each of the Prospectus Documents has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of any of these documents.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Hembly International Holdings Limited
恒寶利國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

PROPOSED OPEN OFFER OF 141,515,000 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON RECORD DATE

Financial adviser to the Company

Ample Capital Limited

豐盛融資有限公司

Underwriter

Fortune (HK) Securities Limited

The latest time for acceptance of and payment for the Offer is at 4:00 p.m. on 25 February 2009. The procedure for acceptance or transfer is set out on page 16 of the Prospectus.

Terms used in this cover page have the same meanings as defined in this Prospectus.

If, prior to the Latest Time for Termination:

(1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
   - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
   - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will materially adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition for the voluntary liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material uninsured asset of the Group; or

(4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Prospectus Documents or other announcements or circulars in connection with the Open Offer.

The Underwriter shall also be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

11 February 2009

CONTENTS

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

"Announcement"	the announcement dated 21 January 2009 issued by the Company in relation to the Open Offer
"Application Form(s)"	the application form for use by the Qualifying Shareholders to apply for the Offer Shares
"Board"	the board of Directors
"CCASS"	Central Clearing and Settlement System established and operated by HKSCC
"Charm Hero"	Charm Hero Investments Limited, a wholly owned subsidiary of Mensun Limited, which was controlled by Mr. Ngok
"Company"	Hembly International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company
"Fortune" or "Underwriter"	Fortune (HK) Securities Limited (富強證券有限公司), being the underwriter to the Open Offer
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	6 February 2009, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information referred in this Prospectus
"Latest Time for Acceptance"	4:00 p.m. on 25 February 2009 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus
"Latest Time for Termination"	4:00 p.m. on the next business day after the Latest Time for Acceptance

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Ngok"	Ngok Yan Yu, the chairman and an executive director and substantial shareholder of the Company
"Offer Share(s)"	141,515,000 new Shares, proposed to be offered to the Qualifying Shareholders for subscription under the Open Offer
"Open Offer"	the proposed issue of the Offer Shares at the Subscription Price by way of an open offer to the Qualifying Shareholders on the terms pursuant to the Prospectus Documents and summarized in the Announcement and this Prospectus
"Prohibited Shareholders"	the Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses are in places outside of Hong Kong or who are persons to whom in the Directors' opinion, the Offer Shares may not be offered without compliance with registration and/or other legal or regulatory requirements of a jurisdiction or jurisdictions outside of Hong Kong
"Prospectus"	the Open Offer prospectus
"Prospectus Documents"	the Prospectus and the Application Form
"Qualifying Shareholders"	the Shareholders other than the Prohibited Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date
"Record Date"	Tuesday, 10 February 2009, being the date by reference to which entitlements to the Open Offer will be determined
"Registrar"	Tricor Investor Services Limited, the Company's Hong Kong branch Share registrar located at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong
"Remaining Share Options"	6,065,000 Share Options, the holders of which have not undertaken to the Company not to exercise such Share Options on or prior to the Record Date

"Share Option Scheme"	the share option scheme adopted by the Company on 15 June 2006, which entitles the holders of the Share Options to subscribe for Shares
"Share Options"	share options granted by the Company under the Share Option Scheme
"Share(s)"	the Shares of HK$0.10 in the issued share capital of the Company
"Shareholders"	the shareholders of the Company
"Specified Event"	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained the Underwriting Agreement untrue or incorrect in any material respect
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.30 per Offer Share under the Open Offer
"Underwriting Agreement"	the underwriting agreement dated 20 January 2009 entered into among the Company, Mr. Ngok and the Underwriter in relation to the Open Offer
"Underwritten Shares"	90,600,265 Offer Shares, being all Offer Shares less such number of Offer Shares agreed to be taken up or procured to be taken up by Mr. Ngok pursuant to the Underwriting Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

	2009
Latest time for payment for and acceptance of the Offer Shares	Wednesday 25 February
Latest time for the Open Offer to become unconditional	Thursday 26 February
Announcement of results of the Open Offer	Tuesday 3 March
If the Open Offer is terminated, refund cheques to be despatched on or before	Tuesday 3 March
Share certificates of the Offer Shares to be posted	Tuesday 3 March
Dealing in the Offer Shares commences	Thursday 5 March

All times and dates in this Prospectus refer to Hong Kong times and dates. Dates or deadlines specified above are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable above will be published or notified to the Shareholders appropriately.

Effect of bad weather on the latest time for acceptance of and payment for Offer Shares

The latest time for acceptance of and payment for Offer Shares will not take place on the Latest Acceptance Time if there is:

– a tropical cyclone warning signal number 8 or above, or

– a "black" rainstorm warning

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 25 February 2009. Instead the Latest Acceptance Time will be extended to 5:00 p.m. on the same Business Day;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 25 February 2009. Instead the Latest Acceptance Time will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Acceptance Time does not take place on Wednesday, 25 February 2009, the dates mentioned in the section headed "Expected Timetable" in this Prospectus may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting may by notice in writing to the Company given at any time before 4:00 p.m. of the next business day after the Latest Time for Acceptance, terminate the Underwriting Agreement, if any of the following grounds of termination happens:

(1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will materially adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition for the voluntary liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material uninsured asset of the Group; or

(4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Prospectus Documents or other announcements or circulars in connection with the Open Offer.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall also be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

Hembly International Holdings Limited
恒寶利國際控股有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 03989)

Executive Directors:
Ngok Yan Yu *(Chairman)*
Lam Hon Keung, Keith
Tang Chui Yi, Janny
Wong Ming Yeung
Tang Wai Ha
Marcello Appella

Non-executive Directors:
Antonio Piva
Je Kin Ming

Independent non-executive Directors:
Lo Ming Chi, Charles
Pao Ping Wing
Kwan Hung Sang, Francis

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

Head office and principal place of business:
36th Floor, No. 1 Hung To Road
Kwun Tong
Kowloon
Hong Kong

11 February 2009

To the Qualifying Shareholders and, for information only, holders of Share Options

Dear Sir or Madam,

PROPOSED OPEN OFFER OF 141,515,000 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON RECORD DATE

INTRODUCTION

As stated in the Announcement, the Company and the Underwriter entered into the Underwriting Agreement to implement the Open Offer. The Company proposes to raise HK$42.45 million before the estimated expenses of the Open Offer by issuing 141,515,000 Offer Shares at a price of HK$0.30 per Share by way of the Open Offer, payable in full on application, on the basis of one Offer Share for every two Shares held on the Record Date.

The purpose of this Prospectus is to provide you with further information regarding the Open Offer, including information on procedures for application and payment and certain financial information and other information in respect of the Group.

THE OPEN OFFER

Issue statistics

Basis of the Open Offer	:	One Offer Share for every two Shares held on Record Date
Number of Shares in issue as at the Latest Practicable Date	:	283,030,000 Shares
Number of Offer Shares	:	141,515,000 Offer Shares
Number of Shares in issue immediately following the completion of the Open Offer	:	424,545,000 Offer Shares
Underwriter	:	Fortune
Number of Underwritten Shares	:	90,600,265 Offer Shares and, being all Offer Shares less such number of Offer Shares agreed to be taken up or procured to be taken up by Mr. Ngok pursuant to the Underwriting Agreement
Number of Offer Shares undertaken to be taken up by Mr. Ngok	:	50,914,735 Offer Shares
Number of outstanding Share Options	:	14,850,000 outstanding Share Options in which 8,415,000 Share Options have vested to and are exercisable by the relevant participants, while 6,435,000 Share Options have not vested and are not exercisable by the relevant participants
Number of Share Options undertaken not to be exercised by Mr. Ngok	:	Mr. Ngok and his spouse are holders of 3,500,000 outstanding Share Options of which 2,350,000 Share Options have been vested and are exercisable, while 1,150,000 Share Options have not vested and are not exercisable. Mr. Ngok has also irrevocably undertaken to the Company not to exercise and procure the non-exercise of any of the 2,350,000 Share Options granted to him and his spouse on or before the Record Date

As no outstanding Remaining Share Options are expected to be exercised before the Record Date, 141,515,000 Offer Shares would fall to be allotted under the Open Offer, representing approximately 50.0% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 33.3% of the issued share capital of the Company as enlarged by the issue of 141,515,000 Offer Shares. Other than the 14,850,000 outstanding Share Options, there are no other outstanding warrants, convertible notes or other rights to subscribe for Shares as at the Latest Practicable Date.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Prohibited Shareholders. Furthermore, the Company will send the Application Form to the Qualifying Shareholders only. To qualify for the Open Offer, Qualifying Shareholders must be registered as members of the Company on the register of members of the Company on the Record Date and not be Prohibited Shareholders.

In order to be registered as members of the Company on the Record Date, Qualifying Shareholders must lodge any transfer of Shares (with the relevant Share certificates) for registration with the Registrar by 4:30 p.m. on Thursday, 5 February 2009.

The branch share registrar of the Company in Hong Kong is:

Tricor Investor Services Limited
26/F
Tesbury Centre
28 Queen's Road East
Hong Kong

The invitation to apply for the Offer Shares will not be transferable and there will be no trading in the nil-paid entitlements on the Stock Exchange.

Closure of register of members

The register of members of the Company will be closed from Friday, 6 February 2009 to Tuesday, 10 February 2009 (both days inclusive) to determine the eligibility of the Qualifying Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

The Subscription Price

The Subscription Price of HK$0.30 per Offer Share, payable in full on application, represents:

(i) a discount of approximately 13.0% to the closing price of HK$0.345 per Share as quoted on the Stock Exchange on 20 January 2009, being the date of the Underwriting Agreement;

(ii) a discount of approximately 9.1% to the theoretical ex-entitlement price of approximately HK$0.33 per Share based on the aforesaid closing price per Share;

(iii) a discount of approximately 16.4% to the average closing price of approximately HK$0.359 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 20 January 2009;

(iv) a discount of approximately 24.7% to the average closing price of approximately HK$0.399 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 20 January 2009;

(v) a discount of approximately 87.2% to the unaudited net asset value per Share of approximately HK$2.35 as at 30 June 2008; and

(vi) the closing price of HK$0.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined based on arm's length negotiations between the Company and the Underwriter, with reference to the prevailing market prices of the Shares. The Board considers that the Subscription Price is fair and reasonable and the discount of the Subscription Price as compared to the recent market prices would encourage Qualifying Shareholders to participate in the Open Offer and accordingly the future growth of the Group.

Status of the Offer Shares

The Offer Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid in respect thereof on or after the date of allotment and issue of such Offer Shares.

Certificates for the Offer Shares and Refund Cheques

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted on or before Tuesday 3 March 2009 to those Qualifying Shareholders who have validly applied and paid for the Offer Shares at their own risks. If the Open Offer is terminated, refund cheques will be despatched on or before Tuesday 3 March 2009 by ordinary post at their own risk.

Rights of the Prohibited Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company as at the Record Date, there are no Shareholders with registered addresses which are outside Hong Kong. Therefore, all the Shareholders are entitled to participate in the Open Offer and there is no Prohibited Shareholder for the purpose of the Open Offer.

No Application for Excess Offer Shares

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group. The Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

After arm's length negotiation with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Company has decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements.

Any Offer Shares not taken up by the Qualifying Shareholders (other than Mr. Ngok) will be taken up by the Underwriter.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares will be subject to the payment of stamp duty in Hong Kong.

The Open Offer is not subject to Shareholders' approval.

Undertaking arrangements

Irrevocable undertaking from Mr. Ngok

Under the Underwriting Agreement, Mr. Ngok irrevocably, undertakes to the Company and the Underwriter:

1. to subscribe or procure the subscription of an aggregate of 50,914,735 Offer Shares to which Charm Hero is entitled pursuant to the Open Offer;

2. not to exercise and procure the non-exercise of the 2,350,000 Share Options beneficially owned by him and his spouse on or before the Record Date;

3. not to and procure Charm Hero not to dispose of its Shares until after the fourth business day following (but excluding) the Latest Time for Acceptance; and

4. to lodge the Application Form in respect of the Offer Shares referred to the Underwriting Agreement accompanied by appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

The Underwriting Agreement

Taking into account the undertaking from Mr. Ngok, the Underwriter has agreed to fully underwrite 90,600,265 Offer Shares at a subscription price of HK$0.30 per Offer Share. The Underwriter and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules). The Underwriting Agreement provides that the Underwriter will be obliged to subscribe or procure subscribers for any Underwritten Shares not taken up by the Qualifying Shareholders.

The Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate subscription price of the maximum number of the Offer Shares. The underwriting commission was determined with reference to the market rates. The Directors (including the independent non-executive Directors) are also of the view that the commission is fair and reasonable.

Undertaking from Mr. Marcello Appella

In addition, Mr. Marcello Appella, who is an executive Director, has given an undertaking to the Company not to accept the Open Offer. As at the Latest Practicable Date, 3,588,030 Shares were held by Sycomore Limited, which was owned as to 50% by Mr. Marcello Appella, and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella.

Conditions of the Open Offer

Completion of the Open Offer is conditional upon fulfillment of each of the following conditions:

1. the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the date on which the Prospectus is despatched;

2. the posting of the Prospectus Documents to the Qualifying Shareholders and, if required by and in compliance with the Listing Rules, the posting of the Prospectus, and a letter to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the date on which the Prospectus is despatched;

3. the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;

4. the obligations of the Underwriter becoming unconditional and that the Underwriter Agreement is not terminated in accordance with its terms;

5. compliance with and performance of all undertakings and obligations of Mr. Ngok under the Underwriting Agreement.

The Company has made an application to the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

If any of the conditions of the Open Offer is not fulfilled by or at the time and/or date specified therefor, (or if no time or date is specified, the time as specified under the Underwriting Agreement, or such other time as may be agreed between the Underwriter and the Company) or shall become incapable of being fulfilled on or before such time, or the Underwriting Agreement is terminated by the Underwriter by written notice to the Company pursuant to the terms of the Underwriting Agreement, in which case the Open Offer will not proceed.

Shareholding structure of the Company

The shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Open Offer is set out below:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Open Offer assuming all Shareholders (except Sycomore Limited) take up their respective allotment of the Offer Shares in full		Immediately after completion of the Open Offer assuming no Shareholder takes up any of the Underwritten Shares, all Underwritten Shares are taken up by the Underwriter	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Charm Hero *(Note 1)*	101,829,470	35.98%	152,744,205	35.98%	152,744,205	35.98%
Other Directors and connected persons (other than Sycomore Limited)	6,270,050	2.22%	9,405,075	2.22%	6,270,050	1.48%
Sycomore Limited *(Note 2)*	3,588,030	1.27%	3,588,030	0.85%	3,588,030	0.85%
The Underwriter *(Note 3)*	–	–	1,794,015	0.42%	90,600,265	21.34%
Public						
existing public Shareholders	171,342,450	60.54%	257,013,675	60.54%	171,342,450	40.36%
Total	283,030,000	100.00%	424,545,000	100.00%	424,545,000	100.00%

Notes:

1) As at the Latest Practicable Date, Charm Hero Investments Limited, a wholly owned subsidiary of Mensun Limited, which was controlled by Mr. Ngok, which holds 101,829,470 Shares, representing approximately 35.98% of the issued share capital of the Company, has given an irrevocable undertaking in favour of the Company and the Underwriter to subscribe for or procure subscriptions for an aggregate of 50,914,735 Offer Shares to which Charm Hero is entitled under the Open Offer. Mr. Ngok and his spouse are also the beneficial owners of 3,500,000 outstanding Share Options of which 2,350,000 Share Options have been vested and are exercisable, while 1,150,000 Share Options are not exercisable. Mr. Ngok has also irrevocably undertaken to the Company not to exercise and procure the non-exercise of any of the 2,350,000 Share Options granted to him and his spouse on or before the Record Date.

2) The entire issued share capital of Sycomore Limited is owned as to 50% by Mr. Marcello Appella, an executive Director, and as to 50% by his spouse. Mr. Marcello Appella has given an undertaking to the Company not to accept the Open Offer.

3) According to the Underwriter, the Underwriter has entered into a sub-underwriting agreement with Excalibur Securities Limited, an independent third party to the Group.

Business review and prospects

In the first half of 2008, the Group continued to record growth. The Group's revenue reached approximately HK$735.7 million, representing an increase of 100.3% over the same period last year. Profits attributable to the Company's equity holders increased 35.3% to approximately HK$61.8 million, as compared to the corresponding period last year.

Throughout the years, the Group's supply chain business has remained the major contributor to its financial and operation performances. With a vision towards vertical integration, the Company had allocated resources to develop its distribution and retailing businesses in China.

Notwithstanding the Group's vision towards vertical integration, the unexpected global financial melt-down had adversely affected all industries, with luxury and affordable luxury businesses being its casualties.

In light of the above-said market conditions, the Group has, on 3 December 2008 entered into a conditional sale and purchase agreement with Primewill Investment Limited ("Primewill"), an associate of New World Development Company Limited, pursuant to which the Group conditionally agreed to sell to Primewill the Group's distribution and retailing engine which holds all of the Group's material distribution and retailing businesses in China. This agreement may become unconditional subject to the Company's independent shareholders' approval, and their vote shall be counted at an extraordinary general meeting of the Company which shall be convened in or about April 2009.

Reasons for the Open Offer and use of proceeds

The Group is principally engaged in the provision of supply chain services for its supply of apparel and accessories to international brand apparel makers and the distribution and retailing of apparel and footwear. As stated in the Company's announcement dated 3 December 2008, Spring Castle Group Limited (a wholly-owned subsidiary of the Company), Primewill, and the Company entered into the conditional sale and purchase agreement, pursuant to which Spring Castle Group Limited has agreed to sell and the Primewill has agreed to purchase the 7,500 common shares with a par value of US$1.00 each in the share capital of Well Metro Group Limited, for an aggregate cash consideration of HK$100,000,000, subject to the satisfaction of the conditions as stated in the agreement. Well Metro Group Limited is principally engaged in the business of distribution and retailing of apparel and accessories in the PRC. Upon completion of the transaction, the Group will not be engaged in any material distribution and retailing businesses. For details, please refer to company's announcement dated 3 December 2008.

The estimated net proceeds from the Open Offer is approximately HK$38.35 million, which will be used for general working capital of the Group.

The Board considers that the Open Offer provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position. In addition, since the Open Offer will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Open Offer.

The estimated expenses of the Open Offer are about HK$4.1 million, which include underwriting commission and professional fees payable to the financial advisers, lawyers and financial printer, etc. and will be borne by the Company.

Adjustment in relation to the Share Option Scheme

Pursuant to the terms of the Share Option Scheme, the exercise price of the Share Options will be adjusted in accordance with the Share Option Scheme upon the Open Offer becoming unconditional. Such adjustment will be verified by the auditor or an independent financial adviser of the Company and the Company will notify the holders of the Share Options the adjustment upon the Open Offer becoming unconditional. Further announcement will be made by the Company in respect of such adjustment as and when appropriate.

PROCEDURE FOR APPLICATION

Application for Offer Shares

The Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed to apply for the number of Offer Shares as shown therein subject to payment in full by the Latest Acceptance Time. Qualifying Shareholders should note that they may apply for any number of Offer Shares only up to the number set out in the Application Form.

If Qualifying Shareholders wish to apply for all the Offer Shares offered to them as specified in the Application Form or wish to apply for any number less than their entitlements under the Open Offer, they must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of Offer Shares they have applied for with, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Wednesday, 25 February 2009. All remittance(s) must be made in Hong Kong dollars and cheques must be drawn on an account with, or bankers' cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "Hembly International Holdings Limited – Open Offer Account" and crossed "Account Payee Only".

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with, Tricor Investor Services Limited by not later than 4:00 p.m. on Wednesday, 25 February 2009, the entitlements of the respective Qualifying Shareholders under the Open Offer and all rights in relation thereto shall be deemed to have been declined and will be cancelled.

The Application Form is for the use by the person(s) named therein only and is not transferable.

No receipt will be issued in respect of any application monies received.

Any Offer Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriter.

The Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee as a single Shareholder according to the register of members of the Company.

WARNING OF RISKS OF DEALINGS IN THE SHARES

If Fortune, the Underwriter, terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement have not been fulfilled in accordance with the terms thereof, the Open Offer will not proceed. Shareholders and potential investors are advised to exercise due caution when dealing with the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Wednesday, 4 February 2009 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholders or other persons dealing in such Shares up to the date on which all conditions to which the Open Offer is subject to are fulfilled (which is expected to be Thursday 26 February 2009) will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating on selling or purchasing the Shares who are in any doubt about their position are recommended to consult their professional advisers.

GENERAL

Your attention is drawn to the additional information contained in the appendices of this Prospectus.

Your faithfully,
For and on behalf of the Board
Hembly International Holdings Limited
Ngok Yan Yu
Chairman

I. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the consolidated results of the Group for the three years ended 31 December 2005, 2006 and 2007, and the consolidated balance sheets as at 31 December 2005, 2006 and 2007 as extracted from the published annual reports of the Company for the two years ended 31 December 2006 and 2007.

Consolidated income statement
For the year ended 31 December

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	427,781	611,689	1,036,956
Cost of sales	(285,672)	(391,801)	(697,206)
Gross profit	142,109	219,888	339,750
Fair value change of an investment property	–	–	13,249
Other income	2,781	5,554	15,095
Administrative expenses	(51,634)	(86,430)	(134,107)
Distribution and selling costs	(17,244)	(24,967)	(63,518)
Finance costs	(12,423)	(23,256)	(40,517)
Profit before tax	63,589	90,789	129,952
Income tax expense	(5,115)	(13,296)	(21,828)
Profit for the year	58,474	77,493	108,124
Attributable to:			
Equity holders of the Company	58,194	78,128	107,747
Minority interests	280	(635)	377
	58,474	77,493	108,124
Dividends recognised as distribution during the year	–	7,586	26,236
Earnings per share			
Basic	HK32.33 cents	HK36.50 cents	HK40.32 cents
Diluted	HK32.33 cents	HK36.47 cents	HK39.93 cents

Consolidated balance sheet
At 31 December

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	121,712	175,106	230,983
Investment property	–	–	71,505
Intangible asset	–	–	10,186
Goodwill	–	–	20,800
Prepaid lease payments	28,944	59,391	64,911
Loan to a jointly controlled entity	1,574	5,168	5,168
Available-for-sale investments	4,799	5,424	2,870
Deferred tax assets	–	–	287
	157,029	245,089	406,710
Current assets			
Inventories	69,187	107,315	178,559
Trade receivables	93,449	187,932	243,759
Deposits, prepayments and other receivables	47,301	58,229	109,058
Prepaid lease payments	611	1,246	1,389
Loans to jointly controlled entities	–	5,596	8,273
Amount due from a minority shareholder	10,584	1,300	6,689
Amount due from a related company	21,845	–	174,388
Amounts due from jointly controlled entities	–	6,112	6,609
Available-for-sale investments	–	1,960	3,174
Tax recoverable	809	1,584	–
Pledged bank deposits	32,568	57,462	48,099
Bank deposits with original maturity of more than three months	–	150,000	313,767
Bank balances and cash	52,049	30,982	112,223
	328,403	609,718	1,205,987
Assets classified as held for sale	–	–	41,530
	328,403	609,718	1,247,517

	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade payables	43,161	58,631	131,260
Other payables and accruals	34,042	28,802	84,736
Loans from joint venturers of jointly controlled entities	–	6,273	13,441
Amounts due to joint venturers of jointly controlled entities	1,457	6,682	17,097
Amount due to a jointly controlled entity	3,510	–	5,812
Taxation payable	2,776	10,459	26,064
Obligations under finance leases — due within one year	586	328	910
Bank borrowings — due within one year	191,059	287,871	426,009
Bank overdrafts	9,288	76	607
	285,879	399,122	705,936
Liabilities associated with assets classified as held for sale	–	–	13,080
	285,879	399,122	719,016
Net current assets	42,524	210,596	528,501
Total assets less current liabilities	199,553	455,685	935,211
Non-current liabilities			
Loans from joint venturers of jointly controlled entities	2,250	5,168	–
Obligations under finance leases – due after one year	1,769	596	2,019
Bank borrowings – due after one year	46,244	104,710	257,128
Convertible redeemable preference shares	–	–	68,071
Conversion option derivative liability	–	–	22,022
Deferred tax liabilities	336	–	3,411
	50,599	110,474	352,651
	148,954	345,211	582,560
Capital and reserves			
Share capital	7	25,288	28,283
Reserves	148,291	319,902	546,624
Equity attributable to equity holders of the Company	148,298	345,190	574,907
Minority interests	656	21	7,653
	148,954	345,211	582,560

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

Set out below are the audited consolidated financial statements of the Group for the year ended 31 March 2007 together with the relevant notes thereto as extracted from the Company's published annual report for the year ended 31 December 2007.

Consolidated income statement
For the year ended 31 December 2007

		2007	2006
	Notes	*HK$'000*	*HK$'000*
Revenue	*7*	1,036,956	611,689
Cost of sales		(697,206)	(391,801)
Gross profit		339,750	219,888
Fair value change of an investment property		13,249	–
Other income	*9*	15,095	5,554
Administrative expenses		(134,107)	(86,430)
Distribution and selling costs		(63,518)	(24,967)
Finance costs	*10*	(40,517)	(23,256)
Profit before tax	*11*	129,952	90,789
Income tax expense	*12*	(21,828)	(13,296)
Profit for the year		108,124	77,493
Attributable to:			
Equity holders of the Company		107,747	78,128
Minority interests		377	(635)
		108,124	77,493
Dividends recognised as distribution during the year	*15*	26,236	7,586
Earnings per share	*16*		
Basic		HK40.32 cents	HK36.50 cents
Diluted		HK39.93 cents	HK36.47 cents

Consolidated balance sheet

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	17	230,983	175,106
Investment property	18	71,505	–
Intangible asset	19	10,186	–
Goodwill	20	20,800	–
Prepaid lease payments	22	64,911	59,391
Loan to a jointly controlled entity	24	5,168	5,168
Available-for-sale investments	25	2,870	5,424
Deferred tax assets	38	287	–
		406,710	245,089
Current assets			
Inventories	26	178,559	107,315
Trade receivables	27	243,759	187,932
Deposits, prepayments and other receivables		109,058	58,229
Prepaid lease payments	22	1,389	1,246
Loans to jointly controlled entities	24	8,273	5,596
Amount due from a minority shareholder	28	6,689	1,300
Amount due from a related company	29	174,388	–
Amounts due from jointly controlled entities	30	6,609	6,112
Available-for-sale investments	25	3,174	1,960
Tax recoverable		–	1,584
Pledged bank deposits	31	48,099	57,462
Bank deposits with original maturity of more than three months	31	313,767	150,000
Bank balances and cash	31	112,223	30,982
		1,205,987	609,718
Assets classified as held for sale	32	41,530	–
		1,247,517	609,718
Current liabilities			
Trade payables	33	131,260	58,631
Other payables and accruals		84,736	28,802
Loans from joint venturers of jointly controlled entities	34	13,441	6,273
Amounts due to joint venturers of jointly controlled entities	30	17,097	6,682
Amount due to a jointly controlled entity	30	5,812	–
Taxation payable		26,064	10,459
Obligations under finance leases – due within one year	35	910	328
Bank borrowings – due within one year	36	426,009	287,871
Bank overdrafts	36	607	76
		705,936	399,122

	Notes	2007 HK$'000	2006 HK$'000
Liabilities associated with assets classified as held for sale	32	13,080	–
		719,016	399,122
Net current assets		528,501	210,596
Total assets less current liabilities		935,211	455,685
Non-current liabilities			
Loans from joint venturers of jointly controlled entities	34	–	5,168
Obligations under finance leases – due after one year	35	2,019	596
Bank borrowings – due after one year	36	257,128	104,710
Convertible redeemable preference shares	37	68,071	–
Conversion option derivative liability	37	22,022	–
Deferred tax liabilities	38	3,411	–
		352,651	110,474
		582,560	345,211
Capital and reserves			
Share capital	39	28,283	25,288
Reserves		546,624	319,902
Equity attributable to equity holders of the Company		574,907	345,190
Minority interests		7,653	21
		582,560	345,211

Consolidated statement of changes in equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Enterprise expansion reserve HK$'000 (Note a)	Statutory reserve HK$'000 (Note b)	Translation reserve HK$'000	Share options reserve HK$'000	Special reserve HK$'000 (Note c)	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006	7	31,037	2,015	3,356	2,370	–	3,008	(201)	106,706	148,298	656	148,954
Exchange differences arising on translation of foreign operations	–	–	–	–	8,588	–	–	–	–	8,588	–	8,588
Gain on fair value change of available-for-sale investments	–	–	–	–	–	–	–	89	–	89	–	89
Income recognised directly in equity	–	–	–	–	8,588	–	–	89	–	8,677	–	8,677
Profit for the year	–	–	–	–	–	–	–	–	78,128	78,128	(635)	77,493
Total recognised income for the year	–	–	–	–	8,588	–	–	89	78,128	86,805	(635)	86,170
Reserve arising from group restructuring	3,993	(31,037)	–	–	–	–	27,044	–	–	–	–	–
Issue of shares	7,008	112,128	–	–	–	–	–	–	–	119,136	–	119,136
Issue of shares on capitalisation of share premium accounts	14,000	(14,000)	–	–	–	–	–	–	–	–	–	–
Share issuance expenses	–	(8,616)	–	–	–	–	–	–	–	(8,616)	–	(8,616)
Exercise of share options	280	4,984	–	–	–	–	–	–	–	5,264	–	5,264
Recognition of equity-settled share based payments	–	–	–	–	–	1,889	–	–	–	1,889	–	1,889
Transfer	–	–	–	4,104	–	–	–	–	(4,104)	–	–	–
Interim dividend paid	–	–	–	–	–	–	–	–	(7,586)	(7,586)	–	(7,586)
At 31 December 2006 and 1 January 2007	25,288	94,496	2,015	7,460	10,958	1,889	30,052	(112)	173,144	345,190	21	345,211
Exchange differences arising on translation of foreign operations	–	–	–	–	27,786	–	–	–	–	27,786	566	28,352
Gain on fair value change of available-for-sale investments	–	–	–	–	–	–	–	620	–	620	–	620

	Attributable to equity holders of the Company											
	Share capital	Share premium	Enterprise expansion reserve	Statutory reserve	Translation reserve	Share options reserve	Special reserve	Investment revaluation reserve	Retained profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000* *(Note b)*	*HK$'000*	*HK$'000*	*HK$'000* *(Note c)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Income recognised directly in equity	–	–	–	–	27,786	–	–	620	–	28,406	566	28,972
Profit for the year	–	–	–	–	–	–	–	–	107,747	107,747	377	108,124
Total recognised income for the year	–	–	–	–	27,786	–	–	620	107,747	136,153	943	137,096
Issue of shares	2,380	99,722	–	–	–	–	–	–	–	102,102	–	102,102
Share issuance expenses	–	(3,153)	–	–	–	–	–	–	–	(3,153)	–	(3,153)
Exercise of share options	615	16,095	–	–	–	–	–	–	–	16,710	–	16,710
Transfer to share premium upon exercise of share options	–	3,525	–	–	–	(3,525)	–	–	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	4,141	–	–	–	4,141	–	4,141
Contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	–	6,689	6,689
Transfer	–	–	–	3,471	–	–	–	–	(3,471)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	(26,236)	(26,236)	–	(26,236)
At 31 December 2007	28,283	210,685	2,015	10,931	38,744	2,505	30,052	508	251,184	574,907	7,653	582,560

Notes:

(a) According to their respective Articles of Association, the subsidiaries registered in the People's Republic of China ("PRC") shall make appropriation to the enterprise expansion reserve out of profit after tax of the statutory financial statements and the amount and allocation basis are decided by its board of directors annually. The enterprise expansion reserve can be used to expand the capital of the PRC subsidiaries.

(b) The statutory reserve of the Group refer to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 50% of registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.

(c) The special reserve arose during the year ended 31 December 2006 represents the difference between the aggregate of the nominal value of shares capital and share premium of Full Prosper acquired by the Company pursuant to a group reorganisation ("Group Reorganisation") in June 2006 and the nominal value of the share capital issued by the Company as consideration for the acquisition.

Consolidated cash flow statement

For the year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before tax	129,952	90,789
Adjustments for:		
Depreciation of property, plant and equipment	15,007	10,239
Amortisation of prepaid lease payments	1,278	623
Share-based payment expense	4,141	1,889
Share issuance expense charged to consolidated income statement	–	9,772
Finance costs	40,517	23,256
Interest income	(7,853)	(3,477)
Impairment loss recognised in respect of trade receivables	3,226	–
Reversal of impairment loss on loan to a jointly controlled entity	(677)	–
Allowance for inventories	1,675	–
Gain on disposal of available-for-sale investments	(278)	–
Loss on disposal of property, plant and equipment	1,061	696
Amortisation of intangible asset	631	–
Increase in fair value of an investment property	(13,249)	–
Operating cash flows before movements in working capital	175,431	133,787
Increase in inventories	(66,209)	(36,892)
Increase in trade receivables	(56,049)	(93,614)
Increase in deposits, prepayments and other receivables	(48,318)	(10,180)
Decrease in amount due from a minority shareholder	1,300	9,284
Increase in amount due from a related company	(174,388)	–
Increase in trade payables	69,648	14,876
Increase (decrease) in other payables and accruals	25,726	(5,738)
Increase in amounts due to joint venturers of jointly controlled entities	10,415	5,225
Increase (decrease) in amount due to a jointly controlled entity	5,812	(2,622)
Cash (used in) from operations	(56,632)	14,126
Hong Kong Profits Tax refund (paid)	1,472	(4,065)
Tax paid for other jurisdictions	(3,446)	(2,659)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(58,606)	7,402

	2007 *HK$'000*	2006 *HK$'000*
INVESTING ACTIVITIES		
Increase in bank deposits with original maturity of more than three months	(163,767)	(150,000)
Purchase of property, plant and equipment	(57,527)	(61,504)
Purchase of investment property	(56,181)	–
Purchase of additional interest in a subsidiary	(20,800)	–
Purchase of intangible asset	(10,817)	–
Increase in prepaid lease payments	(2,818)	(30,536)
Loans to jointly controlled entities	(2,000)	(9,190)
Increase in amounts due from jointly controlled entities	(497)	(6,112)
Decrease (increase) in pledged bank deposits	9,363	(24,894)
Interest received	7,853	3,477
Proceeds on disposal of available-for-sale investments	2,238	–
Proceeds on disposal of property, plant and equipment	159	1,091
Purchase of available-for-sale investments	–	(2,496)
Decrease in amounts due from related companies	–	21,845
NET CASH USED IN INVESTING ACTIVITIES	(294,794)	(258,319)
FINANCING ACTIVITIES		
New bank borrowings raised	2,047,297	1,228,242
Issuance of convertible redeemable preference shares	90,859	–
Proceeds from issue of ordinary shares	118,812	124,400
Loans from joint venturers of jointly controlled entities	2,000	9,191
Repayment of bank borrowings	(1,761,726)	(1,074,925)
Interest paid	(40,517)	(23,256)
Dividend paid	(26,236)	(7,586)
Share issuance expenses	(3,153)	(18,388)
Repayment of obligations under finance leases	(329)	(1,490)
NET CASH FROM FINANCING ACTIVITIES	427,007	236,188
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	73,607	(14,729)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	7,103	2,874
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	30,906	42,761
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	111,616	30,906
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	112,223	30,982
Bank overdrafts	(607)	(76)
	111,616	30,906

I. Notes to the consolidated financial statements

1. GENERAL

The Company was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13 July 2006. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The principal activities of the Group are the manufacture and sales of apparel and accessories, and distribution and retailing of apparel and footwear.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment to Hong Kong Accounting Standard ("HKAS") and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) – INT 12	Service Concession Arranagements[4]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group except for the adoption of HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidation and Separate Financial Statements. HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for investment property and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests in subsidiaries

On acquisition of additional interests in subsidiaries, goodwill is measured at the aggregate of the carrying amounts of identified assets and liabilities of the subsidiaries and any excess of the consideration over the net assets acquired.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating units, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Non-current assets held for sale

A disposal group classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell as at balance sheet date. A subsidiary (or disposal group) that is acquired exclusively with a view to its subsequent disposal is classified as held for sale at the acquisition date if it is evidenced that it is intended to be disposed of within twelve months and that management is actively seeking a buyer.

A disposal group, classified as held for sale are measured on initial recognition at the lower of carrying amount had it not been so classified and fair value less costs to sell. On subsequent remeasurement, any assets and liabilities that are not within the scope of the measurement requirements of HKFRS 5 Non-current Assets held for Sale and Discontinued Operations but are included in a disposal group classified as held for sale are remeasured in accordance with the relevant applicable accounting policies before the fair value less costs to sell of the disposal group is remeasured.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Royalty fee income is recognised when the rights to receive payment are established.

Commission income and sourcing income are recognised when the services are rendered.

Delivery charge and management fee income are recognised when services are rendered.

Interest income from a financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying amount.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:–

Buildings	4.5%
Leasehold improvement	shorter of useful life or the lease term
Plant and machinery	9% to 20%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	10% to 20%

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the asset is derecognised.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining consolidated balance of the liability. Finance charges are charged to profit or loss.

Rentals payable under operating leases are charged to the consolidated income statements on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in consolidated income statement in the year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated income statement in the year in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e Hong Kong dollar) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in consolidated income statement in the year in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated income statement.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from a minority shareholder, a related company and jointly controlled entities, loans to jointly controlled entities, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio which exceed the average credit period of 60 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and amount due from a related company are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible redeemable preference shares

Convertible redeemable preference shares issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible redeemable preference shares are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade payables, other payables, amounts due to joint venturers of jointly controlled entities and jointly controlled entities, loans from joint venturers of jointly controlled entities and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans are charged as expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumption concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Key sources of estimation uncertainty

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill is HK$20,800,000 (2006: Nil). Details of the recoverable amount calculation are disclosed in Note 21.

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of trade receivable is approximately HK$243,759,000 (2006: HK$187,932,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the loans from joint venturers of jointly controlled entities, bank borrowings and convertible redeemable preference shares disclosed in Notes 34, 36 and 37, respectively, net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2007	**2006**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,028,033	499,197
Available-for-sale financial assets	6,044	7,384
Financial liabilities		
Amortised cost	975,569	475,886
Conversion option derivative liability	22,022	–

6b. Financial risk management objectives and policies

The Group's major financial instruments include loans to jointly controlled entities, trade receivables, other receivables, available-for-sale investments, bank deposits and bank balances, amounts due from (to) a minority shareholder, jointly controlled entities, joint venturers of jointly controlled entities and a related party, trade payables, other payables, loans from joint venturers of jointly controlled entities, convertible redeemable preference shares and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, and certain trade receivables and trade payables of the Group are denominated in Renminbi and Euro, which expose the Group to foreign currency risk. Approximately 75% of the sales of the Group are denominated in currencies other than the functional currencies of the group entity making the sale, whilst almost 37% costs are denominated in currencies other than the group entity's functional currencies. For sales made in United States dollars ("USD"), the currency risk is minimal as the exchange rate of HKD is pegged with USD.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2007	2006
	HK$'000	*HK$'000*
Assets		
Renminbi	4,517	38
Euro	472	131
Liabilities		
Renminbi	12,553	202
Euro	3,559	3,557
USD	130,769	260,015

Sensitivity analysis

The Group is mainly exposed to the fluctuations in Renminbi and Euro.

The following table details the Group's sensitivity to a 7% increase and decrease in Renminbi and Euro against Hong Kong Dollars. 7% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% change in foreign currency rate. A positive number below indicates a decrease in profit of the Group where Renminbi and Euro strengthen 7% against the relevant currency. For a 7% weakening of Renminbi and Euro against the relevant currency, there would be an equal and opposite impact on the profit of the Group and the balances below would be negative.

	Renminbi		Euro	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit or loss for the year (i)	562	11	105	240

(i) This is mainly attributable to the exposure to outstanding Renminbi and Euro receivables and payables at year end in the Group.

The Group's sensitivity to foreign currency has increased mainly due to the increase in Renminbi payable at year ended 31 December 2007.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from joint venturers of jointly controlled entities, convertible redeemable preference shares and bank borrowings (see Notes 34, 36 and 37 for details of these borrowings). The Group currently does not enter into any hedging instruments for fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 36 for details of these borrowings). It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter-Bank Borrowing Rate ("HIBOR") arising from the Group's Hong Kong dollar ("HKD") denominated borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate bank borrowings at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared using the average amount of liability outstanding during the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 31 December 2007, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by HK$2,928,000 (2006: HK$1,474,000).

The Group's sensitivity to interest rates has increased during the current year mainly due to increase of a term loan raised during the year ended 31 December 2007 (Note 36).

Other price risk

The Group is exposed to equity price risk through its available-for-sale investments, which linked to the performance of certain equity index in Hong Kong and Asia as disclosed in Note 25 and convertible options derivative liability. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective available-for-sale investment had been 5% higher/lower, investment valuation reserve would increase/decrease by approximately HK$302,000 (2006: increase/decrease by approximately HK$369,000) for the Group as a result of the change in fair value of available-for-sale investments.

If the volatility used in the binomial model for calculating the fair value of the conversion option derivate liability had been 5% higher/lower and all other variables were held constant, profit for the year of the Group would increase/decrease by approximately HK$1,515,000 and HK$1,475,000 respectively (2006: Nil) as a result of the change in fair value of conversion option derivate liability.

In management's opinion, the sensitivity analysis are unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the conversion option derivative liability of the convertible redeemable preference shares involves multiple variables and certain variables are interdependent.

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counter parties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has been largely dependent on a small number of customers for a substantial portion of its business. The largest 5 customers accounted for a total of 45% of the Group's trade receivables as at 31 December 2007 (2006: 50%). The failure of any of these customers to make required payments could have a substantial negative impact on the Group's profits. The Group manages this risk by applying a limit on the credit to these customers.

The Group's concentration of credit risk by geographical locations is mainly in Asia and Europe, which accounted for 55% and 45%, respectively (2006: 27% and 73% respectively) of the total trade receivable as at 31 December 2007.

The Group's concentration of credit risk also arises from amount due from a related company, in which a director of the Company has beneficial interest, amounting to approximately HK$174,388,000 as at 31 December 2007. The Group considers the risk is minimal as there is continue trade and settlement with the related company.

The credit risk on bank balances is limited because the counterparties are reputable banks in the PRC and Hong Kong.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenant.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as at 31 December 2007 and 2006. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both undiscounted cash flows and principal cash flows.

	Weighted average interest rate	Less than 1 month *HK$'000*	1-3 months *HK$'000*	3 months to 1 year *HK$'000*	1 to 2 years *HK$'000*	Over 2 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at balance sheet date *HK$'000*
2007								
Trade and other payables	–	–	164,352	20,123	–	–	184,475	184,475
Loans from joint venturers of jointly controlled entities	2.8%	–	–	14,113	–	–	14,113	13,441
Amounts due to joint venturers of jointly controlled entities	–	–	–	17,097	–	–	17,097	17,097
Amount due to a jointly controlled entity	–	–	–	5,812	–	–	5,812	5,812
Convertible redeemable preference share (Note)	15.0%	–	–	–	–	99,945	99,945	68,071
Obligations under finance leases	3.2%	–	262	786	891	1,277	3,216	2,929
Bank borrowings								
– Fixed rate	5.5%	–	–	–	52,183	–	52,183	48,206
– Variable rate	4.8%	–	294,656	143,599	130,611	96,979	665,845	634,931
Bank overdrafts	1.6%	617	–	–	–	–	617	607
		617	459,270	201,530	183,685	198,201	1,043,303	975,569

	Weighted average interest rate	Less than 1 month *HK$'000*	1-3 months *HK$'000*	3 months to 1 year *HK$'000*	1 to 2 years *HK$'000*	Over 2 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at balance sheet date *HK$'000*
2006								
Trade and other payables	–	–	60,475	3,707	–	–	64,182	64,182
Loans from joint venturers of jointly controlled entities	3.0%	–	–	6,386	5,698	–	12,084	11,441
Amounts due to joint venturers of jointly controlled entities	–	–	–	6,682	–	–	6,682	6,682
Obligations under finance leases	3.2%	–	92	276	368	298	1,034	924
Bank borrowings								
– Fixed rate	5.4%	–	–	–	21,512	–	21,512	20,000
– Variable rate	2.8%	–	242,869	49,190	81,776	9,081	382,916	372,581
Bank overdrafts	0.7%	76	–	–	–	–	76	76
		76	304,436	66,241	109,354	9,379	488,486	475,886

Note: The convertible redeemable preference share can be converted to ordinary share of a subsidiary at anytime (note 37). The undiscounted cash flow above represents coupon and principal payable to the holder of convertible redeemable preference shares based on the contractual terms.

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets held with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the fair value of conversion option derivative liability is measured using the binomial model.

The directors consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

	2007	2006
	HK$'000	*HK$'000*
Sales of apparel and accessories	913,424	551,924
Distribution and retailing of apparel and footwear	123,532	59,406
Royalty fee income	–	359
	1,036,956	611,689

8. BUSINESS AND GEOGRAPHICAL SEGMENT

Business segments

For management purposes, the Group is currently organised into two (2006: three) operating divisions – manufacture and sales of apparel and accessories and distribution and retailing of apparel and footwear. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

Year ended 31 December 2007

	Manufacture and sales of apparel and accessories	Distribution and retailing of apparel and footwear	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	913,424	123,532	–	1,036,956
Inter-segment sales	7,381	–	(7,381)	–
Total	920,805	123,532	(7,381)	1,036,956

Inter-segment sales are charged at prevailing market rates.

RESULT				
Segment result	157,376	1,627	–	159,003
Unallocated income				8,076
Unallocated corporate expense				(9,859)
Fair value change of an investment property				13,249
Finance costs				(40,517)
Profit before tax				129,952
Income tax expense				(21,828)
Profit for the year				108,124

Year ended 31 December 2007

BALANCE SHEET

	Manufacture and sales of apparel and accessories	Distribution and retailing of apparel and footwear	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	879,793	167,479	1,047,272
Unallocated corporate assets			606,955
			1,654,227
LIABILITIES			
Segment liabilities	(181,329)	(40,451)	(221,780)
Unallocated corporate liabilities			(849,887)
			(1,071,667)

OTHER INFORMATION

	Manufacture and sales of apparel and accessories	Distribution and retailing of apparel and footwear	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	31,384	39,294	56,181	126,859
Amortisation of prepaid lease payments	1,044	234	–	1,278
Amortisation of intangible asset	–	631	–	631
Depreciation of property, plant and equipment	11,111	3,896	–	15,007
Loss on disposal of property, plant and equipment	2	1,059	–	1,061
Allowance of trade receivables	2,098	1,128	–	3,226
Allowance of inventories	–	1,675	–	1,675

Year ended 31 December 2006

	Manufacture and sales of apparel and accessories	Distribution and retailing of apparel and footwear	Other	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	551,924	59,406	359	–	611,689
Inter-segment sales	6,328	1,084	–	(7,412)	–
Total	558,252	60,490	359	(7,412)	611,689

Inter-segment sales are charged at prevailing market rates.

	Manufacture and sales of apparel and accessories	Distribution and retailing of apparel and footwear	Other	Eliminations	Consolidated
RESULT					
Segment result	121,445	91	61	–	121,597
Unallocated income					3,477
Unallocated corporate expense					(11,029)
Finance costs					(23,256)
Profit before tax					90,789
Income tax expense					(13,296)
Profit for the year					77,493

	Manufacture and sales of apparel and accessories	Distribution and retailing of apparel and footwear	Other	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	539,854	50,521	–	590,375
Unallocated corporate assets				264,432
				854,807
LIABILITIES				
Segment liabilities	(73,453)	(13,974)	(6)	(87,433)
Unallocated corporate liabilities				(422,163)
				(509,596)

OTHER INFORMATION

	Manufacture and sales of apparel and accessories	Distribution and retailing of apparel and footwear	Other	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	53,867	7,696	–	61,563
Amortisation of prepaid lease payments	623	–	–	623
Depreciation of property, plant and equipment	8,073	2,166	–	10,239
Loss on disposal of property, plant and equipment	580	116	–	696

Geographical segments

The analysis of the Group's revenue by geographical market for the year is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Europe	722,370	476,284
The PRC	270,699	86,363
Others	43,887	49,042
	1,036,956	611,689

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible asset, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Addition to property, plant and equipment and intangible asset	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	653,889	416,110	122,037	52,241
Hong Kong	188,624	127,743	4,779	9,308
Macau	165,793	45,737	42	13
Europe	38,966	785	1	1
	1,047,272	590,375	126,859	61,563

9. OTHER INCOME

	2007 HK$'000	2006 HK$'000
Bank interest income	7,482	3,298
Interest income from a jointly controlled entity	371	179
Total interest income	7,853	3,477
Delivery charge received from customers and suppliers	89	462
Gain on disposal of available-for-sale investments	278	–
Management fee income from jointly controlled entities	2,276	180
Management fee income from outsiders	1,214	–
Reversal of impairment loss on loans to jointly controlled entities	677	–
Royalty fee income	385	–
Sundry income	2,323	1,435
	15,095	5,554

10. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable		
– within five years	39,705	22,535
– over five years	307	387
Obligations under finance leases	134	155
Loans from joint venturers of jointly controlled entities	371	179
	40,517	23,256

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2007 HK$'000	2006 HK$'000
Auditors' remuneration	1,822	1,125
Cost of inventories recognised as an expense	695,531	391,801
Depreciation of property, plant and equipment	15,007	10,239
Amortisation of intangible asset	631	–
Amortisation of prepaid lease payments	1,278	623
Allowance for inventories	1,675	–
Impairment loss recognised in respect of trade receivables	3,226	–
Loss on disposal of property, plant and equipment	1,061	696
Exchange loss	579	2,542
Staff costs		
– directors' remuneration *(Note 13)*	12,372	8,967
– other staff costs	71,032	35,585
– retirement benefit scheme contribution excluding directors	4,647	3,026
	88,051	47,578

12. INCOME TAX EXPENSE

	2007	2006
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	16	11
Other jurisdictions	18,755	13,345
	18,771	13,356
Under (over) provision in prior years:		
Hong Kong	94	282
Other jurisdictions	(72)	(6)
	22	276
Deferred tax *(Note 38)*:		
Current year	3,035	(336)
	21,828	13,296

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the years ended 31 December 2007 and 2006, respectively. Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries were exempted from PRC Foreign Enterprise Income Tax ("FEIT") for two years starting from their first profit-making year, followed by a 50% reduction for next three years ("Tax Incentive"). Accordingly, tax provision for these subsidiaries have been provided for after taking into account of these tax exemption and tax concession during the years ended 31 December 2007 and 2006, respectively.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate to 25% for certain subsidiaries from 1 January 2008 onward. The Tax Incentive continues to apply for those subsidiaries incorporated in the PRC already entitled the Tax Incentive before 1 January 2008.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit before tax	129,952	90,789
Tax at the domestic income tax rate of 24% (2006: 24%) *(Note)*	31,189	21,790
Tax effect of expenses not deductible for tax purpose	5,716	1,325
Tax effect of incomes not taxable for tax purpose	(21,979)	(295)
Tax effect on tax concession	(7,934)	(15,857)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,034	(1,033)
Tax effect of tax losses not recognised	14,190	7,026
Tax effect of other deductible temporary differences not recognised	–	64
Utilisation of other deductible temporary differences not recognised	(224)	–
Net underprovision in prior years	22	276
Others	(186)	–
Income tax expense for the year	21,828	13,296

Note: Majority of the operation of the Group is operated by its PRC Subsidiaries which entitle to preferential tax rate of 24%.

13. DIRECTORS' EMOLUMENTS

	Ngok Yan Yu	Tang Chui Yi, Janny	Wong Ming Yeung	Tang Wai Ha	Marcello Appella	Antonio Piva	Lam Hon Keung, Keith	Je Kin Ming	Lo Ming Chi, Charles	Pao Ping Wing	Kwan Hung Sang, Francis	Total 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(note a)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007												
Fee	28	–	–	–	517	771	360	360	240	240	240	2,756
Other emoluments												
Salaries and other benefits	1,800	4,000	730	365	396	–	–	–	–	–	–	7,291
Contribution to retirement benefit schemes	12	12	12	3	119	–	–	–	–	–	–	158
Bonus *(note b)*	300	500	120	–	292	52	30	–	–	–	–	1,294
Share-based compensation	203	164	103	–	103	99	102	99	–	–	–	873
Total emoluments	2,343	4,676	965	368	1,427	922	492	459	240	240	240	12,372

	Ngok Yan Yu	Tang Chui Yi, Janny	Wong Ming Yeung	Marcello Appella	Antonio Piva	Lam Hon Keung, Keith	Je Kin Ming	Lo Ming Chi, Charles	Pao Ping Wing	Kwan Hung Sang, Francis	Total 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006											
Fee	34	28	–	434	–	195	195	130	130	130	1,276
Other emoluments											
Salaries and other benefits	1,518	2,665	751	–	1,343	–	–	–	–	–	6,277
Contribution to retirement benefit schemes	12	12	12	235	–	–	–	–	–	–	271
Bonus *(note b)*	–	200	53	275	–	–	–	–	–	–	528
Share-based compensation	142	113	72	72	72	72	72	–	–	–	615
Total emoluments	1,706	3,018	888	1,016	1,415	267	267	130	130	130	8,967

Notes:

a. Ms. Tang Wai Ha is appointed as director of the Company on 9 October 2007.

b. The bonus paid to directors is determined on discretionary basis.

No director waived or agreed to waive any emoluments for the years ended 31 December 2007 and 2006. No emoluments have been paid to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

During the year, 5,750,000 share options (2006: 4,300,000) were granted to directors of the Company in respect of their services provided to the Group, further details of which are set out in note 46.

14. EMPLOYEES' EMOLUMENTS

Of the five highest emoluments in the Group, four (2006: four) were directors of the Company whose emoluments are included in note 13 above. The emolument of the remaining one individual for the year ended 31 December 2007 (2006: one) is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	1,321	1,119
Retirement benefits scheme contributions	12	118
	1,333	1,237

15. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Interim dividend of HK3 cents per share (2006: HK3 cents)	8,479	7,586
2006 final dividend of HK7 cents per share (2005: Nil)	17,757	–
	26,236	7,586

The final dividend of HK7 cents (2006: HK7 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

Earnings

	2007	2006
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	107,747	78,128
Adjustment to the share of result of a subsidiary based on potential dilution of its earnings per share	(372)	–
Earnings for the purpose of diluted earnings per share	107,375	78,128

Number of shares

	2007	2006
	'000	*'000*
	(Note)	*(Note)*
Weighted average number of ordinary shares for the purpose of basic earnings per share	267,204	214,058
Effect of dilutive potential ordinary shares for share options	1,717	168
Weighted average number of ordinary shares for the purpose of diluted earnings per share	268,921	214,226

Note: The computation of diluted earnings per share does not assume the exercise of certain outstanding share options as the exercise price of those options is higher than the average market price for year 2007 and 2006.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2006	81,013	20,061	2,099	13,407	7,618	6,619	130,817
Exchange realignment	3,240	802	9	533	187	103	4,874
Additions	18,051	17,240	5,324	4,714	15,276	958	61,563
Transfer	38,103	(38,103)	–	–	–	–	–
Disposals	–	–	(1,525)	–	(1,162)	(1,665)	(4,352)
At 31 December 2006	140,407	–	5,907	18,654	21,919	6,015	192,902
Exchange realignment	9,662	704	327	1,318	1,312	415	13,738
Additions	7,398	23,562	9,230	2,349	12,068	5,254	59,861
Disposals	–	–	(529)	(160)	(669)	–	(1,358)
At 31 December 2007	157,467	24,266	14,935	22,161	34,630	11,684	265,143
DEPRECIATION							
At 1 January 2006	3,087	–	1,040	1,437	2,153	1,388	9,105
Exchange realignment	61	–	2	27	25	14	129
Provided for the year	3,639	–	1,753	1,212	2,404	1,231	10,239
Eliminated on disposals	–	–	(1,039)	–	(225)	(413)	(1,677)
At 31 December 2006	6,787	–	1,756	2,676	4,357	2,220	17,796
Exchange realignment	721	–	48	264	303	159	1,495
Provided for the year	4,014	–	2,457	1,685	5,097	1,754	15,007
Eliminated on disposals	–	–	(41)	(21)	(76)	–	(138)
At 31 December 2007	11,522	–	4,220	4,604	9,681	4,133	34,160
CARRYING VALUES							
At 31 December 2007	145,945	24,266	10,715	17,557	24,949	7,551	230,983
At 31 December 2006	133,620	–	4,151	15,978	17,562	3,795	175,106

The Group's buildings are situated in the PRC.

The carrying values of motor vehicles include an amount of approximately HK$3,024,000 (2006: HK$810,000) in respect of assets held under finance leases. Also, the carrying values of furniture, fixtures and equipment include an amount of approximately HK$93,000 (2006: HK$127,000) in respect of assets held under finance leases.

18. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
Additions	56,181
Increase in fair value recognised in the consolidated income statement	13,249
Exchange realignment	2,075
At 31 December 2007	71,505

The fair value of the Group's investment property at 31 December 2007 has been arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, independent qualified professional valuers not connected with the Group. Asset Appraisal Limited, member of the Hong Kong Institute of Valuers, has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases with medium lease term in the PRC are for rental purposes and are measured using the fair value model and are classified and accounted for as investment properties.

19. INTANGIBLE ASSET

	Franchise *HK$'000*
COST	
Additions during the year and balance at 31 December 2007	10,817
AMORTISATION	
Provided for the year and balance at 31 December 2007	(631)
CARRYING AMOUNT	
At 31 December 2007	10,186

During the year ended 31 December 2007, the Group entered into a franchise agreement with an independent third party for the grant of franchise and distribution right in relation to footwear and apparel in the PRC for a period of ten years up to May 2017 at a consideration of approximately HK$10,817,000 (EUR1,000,000). The franchise and distribution right is amortised over the term of the franchise agreement.

20. GOODWILL

	HK$'000
COST	
Arise on acquisition of additional interest in a subsidiary and balance at 31 December 2007	20,800

On 26 June 2007, the Group acquired additional equity interests in Well Metro Group Limited ("Well Metro") from a minority shareholder, at a cash consideration of HK$20,800,000. Since Well Metro had a net liability at the acquisition date, the total cash consideration of HK$20,800,000 paid by the Group was recognised as goodwill.

21. IMPAIRMENT LOSS ON GOODWILL

Goodwill acquired on acquisition of additional interest in a subsidiary was allocated, at acquisition, to the cash generating unit ("CGU") – distribution and retailing of apparel and footwear business operated by Well Metro – that is expected to benefit from that additional interest in a subsidiary. During the year ended 31 December 2007, the management of the Group recognised no impairment of goodwill as the performance of the distribution and retailing and apparel and footwear business was satisfactory and positive net asset value was noted as at 31 December 2007.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of HK$20,800,000 have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period at a discount rate of 12% per annum. Cash flows beyond the three-year period are extrapolated at zero growth rate. Other key assumptions for the value in use calculation relate to the estimation of cash inflows and outflows which include budgeted sales and budgeted gross margin, which is determined based on past performance and management's expectation for the market development. Management believes that any reasonably possible change in any of these assumptions will not cause the aggregate carrying amounts of the above CGU to exceed the aggregate recoverable amounts of the above CGU.

22. PREPAID LEASE PAYMENTS

	2007	**2006**
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	66,300	60,637
Analysed for reporting purposes as:		
Current asset	1,389	1,246
Non-current asset	64,911	59,391
	66,300	60,637

The amounts represents land use rights located in the PRC and is released to consolidated income statement over the term of the relevant rights of 50 years.

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

As at 31 December 2007, the Group had interests in the following principal jointly controlled entities:

Name of entity	Place of incorporation/ operation	Class of shares held	Proportion of nominal values of issued share capital indirectly held by the Group		Principal activity
			2007	2006	
Lotto Nanjing Garment Company Limited	PRC	Registered capital	46.7%	35.0%	Sourcing, distribution of apparel and footwear
Lotto Shanghai Garment Company Limited	PRC	Registered capital	46.7%	35.0%	Sourcing, distribution of apparel and footwear
STF Nanjing Garment Company Limited	PRC	Registered capital	46.7%	35.0%	Sourcing, distribution of apparel and footwear
STF Shanghai Company Limited	PRC	Registered capital	46.7%	35.0%	Sourcing, distribution of apparel and footwear
Shanghai Sisley Trading Company Limited	PRC	Registered capital	46.7%	–	Sourcing, distribution of apparel and footwear
M.T.T. Yangzhou Garment Company Limited	PRC	Registered capital	50.0%	50.0%	Sourcing, distribution of apparel and footwear

The table above lists the jointly controlled entities of the Group which, in the opinion of the directors of the Company, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors of the Company, result in particulars of excessive length.

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entities accounted for by the Group using proportionate consolidation are set out below:

	2007	2006
	HK$'000	*HK$'000*
Current assets	88,217	45,138
Non-current assets	15,539	9,155
Current liabilities	92,629	51,498
Non-current liabilities	12,345	5,167
Income	87,724	21,282
Expenses	(88,930)	(30,207)

24. LOAN TO A JOINTLY CONTROLLED ENTITY/LOANS TO JOINTLY CONTROLLED ENTITIES

Loan to a jointly controlled entity under non-current assets is unsecured, interest bearing at 5% per annum and is not repayable within twelve months from the balance sheet date.

Loans to jointly controlled entities under current assets include an amount of HK$2,250,000 (2006: HK$1,573,000) which is unsecured, interest bearing at 5% per annum and repayable within one year. The remaining current balances are unsecured, non-interest bearing and repayable within one year.

25. AVAILABLE-FOR-SALE INVESTMENTS

	2007	**2006**
	HK$'000	*HK$'000*
Funds – unlisted securities	6,044	7,384
Analysed for reporting purpose as:		
Current asset	3,174	1,960
Non-current asset	2,870	5,424
	6,044	7,384

The Funds represents Hang Seng 100% and 108% Capital Guaranteed HK Equity Fund (2006: HSBC 107 Capital Guaranteed Asia Fund, Hang Seng 100% and 108% Capital Guaranteed HK Equity Fund). The potential return of the investments includes full repayment of investment cost plus a return linked to the performance of certain equity index in Hong Kong and Asia with a guaranteed return of 8% over the investment cost.

26. INVENTORIES

	2007	**2006**
	HK$'000	*HK$'000*
Raw materials	20,119	42,524
Work in progress	133,538	54,537
Finished goods	24,902	10,254
	178,559	107,315

27. TRADE RECEIVABLES

	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables	247,156	188,065
Less: allowance for doubtful debts	(3,397)	(133)
	243,759	187,932

The Group allows an average credit periods normally ranging from 60 days to 90 days to its trade customers.

The aged analysis of trade receivables (net of impairment) at the balance sheet dates is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	223,661	178,755
91 – 180 days	8,810	6,700
181 – 360 days	9,834	619
Over 360 days	1,454	1,858
Total	243,759	187,932

Before accepting any new customer, the Group assesses the potential customer's credit quality by respective sales team and defines credit limit by customer.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$31,545,000 (2006: HK$19,371,000) which are past due at 31 December 2007 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2007	2006
	HK$'000	*HK$'000*
0-90 days	11,447	10,194
91-180 days	8,810	6,700
181-360 days	9,834	619
Over 360 days	1,454	1,858
Total	31,545	19,371

Movement in the allowance for doubtful debts

	2007	2006
	HK$'000	*HK$'000*
Balance at beginning of the year	133	133
Exchange realignment	38	–
Impairment losses recognised on receivables	3,226	–
Balance at end of the year	3,397	133

28. AMOUNT DUE FROM A MINORITY SHAREHOLDER

In December 2007, Well Metro, one of the non-wholly owned subsidiaries of the Company issued certain ordinary shares to a minority shareholder at HK$6,689,000, which remains unsettled as at year ended 31 December 2007.

The amount due from a minority shareholder as at 31 December 2006 represented trade receivable from Morgan S.A., which was unsecured, interest free and the Group allowed a credit period of 90 days for sales made to this minority shareholder. This amount was fully settled in 2007.

The following is an aged analysis of the amount due from a minority shareholder as at 31 December 2006.

	2006
	HK$'000
0–90 days	1,235
91–180 days	26
181–360 days	39
Total	1,300

At 31 December 2006, included in amount due from a minority shareholder is aggregate carrying amount of HK$65,000 which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The balances have been subsequently settled.

Aging of amount due from a minority shareholder which are past due but not impaired

	2006
	HK$'000
91 – 180 days	26
181 – 360 days	39
Total	65

29. AMOUNT DUE FROM A RELATED COMPANY

	2007
	HK$'000
Name of related company	
H4T S.r.l. ("H4T") *(Note)*	174,388

Note: Mr. Ngok Yan Yu, a director and major shareholder of the Company, has beneficial interests in this company.

The above amount represents trade receivable which is unsecured, interest free and the Group allows a credit period of 120 days.

The aged analysis of the amount due from a related company (net of impairment) at the balance sheet date is as follows:

	HK$'000
0 – 90 days	83,132
91 – 180 days	85,036
181 – 360 days	6,220
Total	174,388

Included in the Group's amount due from a related company is an aggregate carrying amount of HK$20,070,000 (2006: Nil) which is past due at 31 December 2007 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amount is still considered recoverable. The Group does not hold any collateral over the balance.

Ageing of amount due from a related company which is past due but not impaired

	2007
	HK$'000
91-180 days	13,850
181-360 days	6,220
Total	20,070

30. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES AND AMOUNTS DUE TO JOINT VENTURERS OF JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest free and repayable on demand.

31. PLEDGED BANK DEPOSITS/BANK DEPOSITS WITH ORIGINAL MATURITY OF MORE THAN THREE MONTHS/BANK BALANCES AND CASH

Pledged bank deposits are used to secure the Group's banking facilities. The pledged deposits carry average fixed interest rate of 2.6% (2006: 3.1%) for the year ended 31 December 2007. The bank balances carry interest at market rates which range from 1.0% to 2.0% (2006: 2.0% to 4.0%).

The Group has bank balances and deposits of approximately HK$378,560,008 (2006: HK$165,154,000) where the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

32. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATES WITH ASSETS CLASSIFIED AS HELD FOR SALE

In December 2007, Hembly Italia S.r.l, one of the wholly owned subsidiaries of the Company, acquired 100% interest in Pianeta Terra S.r.l. ("PT"), for an amount of approximately HK$28,450,000 (EUR2.5 millions). PT was incorporated in 2007 and owns a patent in Europe contributed by the former shareholder. The Group acquired PT with an intention to expand its retail business. However, upon the completion of acquisition the director of the Company decided to dispose of PT. PT is therefore accounted for as held for sale at initial recognition.

In February 2008, PT was disposed of to an independent third party. No gain or loss was resulted from the disposal of PT.

Pursuant to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the Group classified the assets and liabilities of PT as asset held for sale and liabilities associated with assets held for sale, respectively.

As at 31 December 2007, PT has not commenced operation and incurred insignificant expenditure for the year ended 31 December 2007.

33. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2007	**2006**
	HK$'000	*HK$'000*
0–90 days	111,138	54,924
91–180 days	15,138	2,535
181–360 days	4,446	731
Over 360 days	538	441
	131,260	58,631

34. LOANS FROM JOINT VENTURERS OF JOINTLY CONTROLLED ENTITIES

At 31 December 2007, loans from joint venturers of jointly controlled entities include an amount of HK$7,418,000 (2006: HK$2,250,000) which is unsecured, interest bearing at 5% and repayable within one year. The remaining were unsecured, non-interest bearing and repayable within one year.

At 31 December 2006, loans from joint venturers of jointly controlled entities included an amount of approximately HK$5,168,000, which was unsecured, interest bearing at 5% per annum and not repayable within twelve months from the balance sheet date.

35. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	1,048	368	910	328
More than one year, but not exceeding two years	891	368	798	328
More than two years, but not exceeding three years	761	211	713	187
More than three years, but not exceeding four years	516	81	508	75
More than four years, but not exceeding five years	–	6	–	6
	3,216	1,034	2,929	924
Less: Future finance charges	(287)	(110)	–	–
Present value of lease obligations	2,929	924	2,929	924
Less: Amounts due for settlement within one year shown under current liabilities			(910)	(328)
Amounts due for settlement after one year			2,019	596

It is the Group's policy to lease certain of its motor vehicles and furniture, fixtures and equipment under finance leases. The average lease term is 5 years. For the years ended 31 December 2007, the average effective borrowing rates were 3.2% (2006: 3.2%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

36. BANK BORROWINGS

During the year ended 31 December 2007, the Group has obtained a syndicated unsecured loan in the amount of HK$200 million. The loan is for a 3 years transferrable term loan facility, bears interest at HIBOR plus 1.55% per annum and is repayable by the following 2 tranches, namely: (i) tranche 1 in the amount of HK$133.33 million repayable by 9 equal quarterly installments commencing 12 months from the date of the loan; and (ii) tranche 2 in the amount of HK$66.67 million being repayable and re-borrowable on a revolving basis during the period between the date of the loan and one month prior to the loan's maturity, subject to non-occurrence of events of default and/or potential default of the loan, with all outstanding principal to be repaid in one lump sum at the loan's maturity. The effective interest rate of this syndicated unsecured loan is 8.0% (2006: Nil). The proceeds are used to finance general working capital and capital expenditure of the Group.

	2007	2006
	HK$'000	*HK$'000*
Bank borrowings	683,137	392,581
Bank overdrafts	607	76
	683,744	392,657
Analysed as:		
Secured	387,134	333,777
Unsecured	296,610	58,880
	683,744	392,657
Carrying amount repayable:		
Within one year	426,009	287,871
More than one year, but not exceeding two years	172,724	99,522
More than two years, but not exceeding three years	82,748	2,422
More than three years, but not exceeding four years	909	1,215
More than four years, but not exceeding five years	747	852
More than five years	–	699
	683,137	392,581
Less: Amounts due within one year shown under current liabilities	(426,009)	(287,871)
Amounts due after one year shown under non-current liabilities	257,128	104,710

The Group's variable-rate borrowings, other than the HK$200 million syndicated loan above, carry interest at HIBOR. Interest is repriced every year.

The exposure of the Group's fixed-rate borrowings amounting to approximately HK$48,206,000 (2006: HK$20,000,000) and the contractual maturity dates are more than one year, but not exceeding two years.

The bank borrowings are secured by the assets of the Group as disclosed in Note 41.

	2007	2006
The range of effective interest rate on the Group's bank loans is as follows:		
Bank borrowings		
– Fixed	5.7%	5.4%
– Float	5.0% – 8.0%	5.6% – 7.8%

The Group's borrowings that are denominated in currencies other than the functional currency of the Group entity are set out below:

		Denominated in 2007	2006
		HK$'000	*HK$'000*
Denominated in	– RMB	7,177	–
	– USD	130,769	260,015
	– Euro	1,584	–

37. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

On 28 December 2007, Well Metro has issued 1,500 shares of convertible redeemable preference share with a yield to maturity in an amount equal to 5% of the issue price per annum, compounded annually, to an independent third party at a consideration of approximately HK$90,859,000 ("Consideration"). One convertible redeemable preference share can be converted to one ordinary share of Well Metro at any time after date of issuance, subject to certain adjustments including adjustment on conversion ratio based on actual profit of Well Metro and its subsidiaries, and is redeemable at an amount equal to Consideration plus any accrued yield by the holder after three years from date of issuance.

The convertible redeemable preference shares contain two components, liability component of approximately HK$68,071,000 and convertible option derivative of approximately HK$22,022,000. The relevant transaction cost for the issuance of the convertible redeemable preference shares of approximately HK$766,000 are included in the liability component. At 31 December 2007, the effective interest rate of the liability component is 8.6%. The conversion option derivative is measured at fair value with changes in fair value recognised in consolidated income statement.

38. DEFERRED TAXATION

The following are the deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation	Revaluation of investment property	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	(336)	–	–	(336)
(Charge) Credit to consolidated income statement *(Note 12)*	(669)	–	1,005	336
At 31 December 2006	(1,005)	–	1,005	–
Exchange realignment	10	(99)	–	(89)
(Charge) credit to consolidated income statement *(Note 12)*	(37)	(3,312)	314	(3,035)
At 31 December 2007	(1,032)	(3,411)	1,319	(3,124)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offsetted. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2007	2006
	HK$'000	*HK$'000*
Deferred tax assets	287	–
Deferred tax liabilities	(3,411)	–
	(3,124)	–

The Group has unused tax loss of approximately HK$99,741,000 (2006: HK$39,600,000) available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses of approximately HK$5,203,000 (2006: HK$4,188,000). No deferred tax asset has been recognised in respect of the remaining tax loss of HK$94,538,000 (2006: HK$35,412,000) due to the unpredictability of future profit streams of the relevant subsidiaries. Included in unrecognised tax losses is loss of HK$20,471,000 that will expire in 2012 (2006: HK$5,439,000 will expire in 2011) and all other remaining tax losses may be carried forward indefinitely.

In addition, the Group has deductible accelerated tax depreciation of approximately HK$899,000 (2006: HK$966,000). A deferred tax assets of approximately HK$869,000 (2006: Nil) has been recognised in respect of the deductible temporary differences. No deferred tax asset has been recognised in relation to the remaining deducible temporary difference as, in the opinion of the directors, it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

39. SHARE CAPITAL

	Number of share	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
On incorporation and at 1 January 2006	1,000,000	100
Increase on 13 June 2006	1,999,000,000	199,900
At 31 December 2006 and 31 December 2007	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2006	1	–
Issue of shares upon Group Reorganisation	39,999,999	4,000
Issue of shares upon the placing and public offer	70,080,000	7,008
Issue of shares on capitalisation of share premium account	140,000,000	14,000
Exercise of share options	2,800,000	280
At 31 December 2006	252,880,000	25,288
Issue of shares	23,800,000	2,380
Exercise of share options	6,150,000	615
At 31 December 2007	282,830,000	28,283

The following changes in the share capital of the Company took place during the year ended 31 December 2007 and 2006:

(a) Pursuant to a resolution passed on 13 June 2006, the authorised share capital of the Company was increased from HK$100,000 to HK$200,000,000 by the creation of an additional 1,999,000,000 shares. The new shares rank pari passu in all respects with the existing shares.

On the same date, as consideration for the acquisition of the entire issued share capital of Full Prosper, the Company issued an aggregate of 39,999,999 shares of HK$0.1 each, credited as fully paid under the Group Reorganisation.

(b) 140,000,000 shares of HK$0.10 each in the Company were allotted and issued as fully paid to the shareholders of the Company whose names appeared on the register of members at the close of business on 14 June 2006 in proportion to their respective shareholdings by the capitalisation of an amount of HK$14,000,000 from the amount standing to the credit of the share premium account of the Company.

(c) On 12 July 2006, 70,080,000 new ordinary shares of the Company of HK$0.10 each were issued at HK$1.70 per share for cash through an initial public offering by way of placing and public offer.

(d) During the year ended 31 December 2006, 2,800,000 new ordinary shares of the Company of HK$0.10 each were issued at an exercise price of HK$1.88 per share upon the exercise of share options.

(e) Pursuant to a subscription agreement entered on 29 June 2007, the Company issued 23,800,000 new ordinary shares of HK$0.10 each at HK$4.29 per share for cash.

(f) During the year ended 31 December 2007, a total of 6,150,000 ordinary shares of the Company were issued upon the exercise of 1,000,000, 4,800,000, and 350,000 share options at an exercise price of HK$1.88, HK$2.90 and HK$2.60, respectively, upon the exercise of share options.

40. MAJOR NON-CASH TRANSACTIONS

As disclosed in note 28, Well Metro issued certain shares to a minority shareholder at a consideration of approximately HK$6,689,000 (2006: Nil), which remain unsettled as at year ended 31 December 2007.

As disclosed in note 32, the consideration payable for the acquisition of PT of approximately HK$28,450,000 was unsettled as at year ended 31 December 2007 and was recorded as other payable in the consolidated balance sheet.

During the year ended 31 December 2007, the Group entered into finance lease arrangements in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK$2,334,000 (2006: HK$59,000).

41. PLEDGE OF ASSETS

At the balance sheet date, the Group has pledged the following assets to secure the general banking facilities and bank borrowings granted to the Group.

	2007	2006
	HK$'000	*HK$'000*
Bank deposits	48,099	57,462
Available-for-sale investments	6,044	7,384
Property, plant and equipment	145,636	131,162
Prepaid lease payments	31,471	30,113
	231,250	226,121

42. OPERATING LEASE COMMITMENT

	2007	2006
	HK$'000	*HK$'000*
The Group made rental payment for properties under operating lease as follows:		
minimum lease payments	19,372	121,192
contingent rental payment	1,380	–
	20,752	12,192

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating lease in respect of rental premises which fall due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	12,822	5,127
In the second to fifth years	13,405	4,135
	26,227	9,262

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Leases are negotiated for terms ranged from one to three years. In addition, the Group paid rental expense in respect of certain retail shops which are dependent on the level of revenue achieved by these retail shops.

43. CAPITAL COMMITMENT

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	59,565	643

Pursuant to the franchise agreement entered for the grant of franchise and distribution rights in the PRC as per disclosed in Note 19, the Group also committed to open 30 retail shops in the PRC within five years.

44. CONTINGENT LIABILITY

As at 31 December 2007, the Group had contingent liability of approximately HK$70,200,000 (2006: Nil) in respect a guarantee given to a bank in connection with bank facilities granted.

45. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group monthly contributes at the lower of HK$1,000 or 5% of the relevant payroll costs to the MPF Scheme.

The employees of the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The relevant subsidiaries are required to make contributions to the state-managed retirement benefits schemes in the PRC based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff. The only obligation of the Group respect to the retirement benefit schemes is to make the specified contributions.

The Group also operates various defined contribution retirement benefits schemes (the "Schemes") for those employees other than in Hong Kong and the PRC. Contributions are made based on the percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the Schemes. The assets of the Schemes are held separately from those of the Group in various independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the Schemes.

During the year, the pension scheme contributions made by the Group were approximately HK$4,805,000 (2006: HK$3,297,000).

46. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution of the shareholders of the Company and will expire on 14 June 2016. The purpose of the Scheme is to recognise the significant contributions of the eligible persons to the growth of the Group by rewarding them with opportunities to obtain the ownership interest in the Company and to further motivate and give incentives to those persons to continue to contribute to the Group's long term success and prosperity. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for share in the Company. The Scheme became effective on 13 July 2006 (being the date of listing of the shares of the Company on the Stock Exchange).

At 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 7,150,000 (2006: 5,300,000), representing 2.5% (2006: 2.1%) of the shares of the Company in issue at that date. The maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. In addition, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at 13 July 2006, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days after the date of grant, upon payment of HK$1.0 per option. Options may be exercised at any time during the period as determined by the directors of the Company but may not be exercised after the expiry of the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of specific categories of options are as follows:

Date of grant	Number of of options	Vesting period	Exercise period	Exercise Price
13.7.2006	3,800,000	Nil	13.7.2006 to 12.7.2009	HK$1.88
14.9.2006	860,000	Nil	14.9.2006 to 13.9.2009	HK$2.60
	1,290,000	14.9.2006 to 13.9.2007	14.9.2007 to 13.9.2009	HK$2.60
	2,150,000	14.9.2006 to 13.9.2008	14.9.2008 to 13.9.2009	HK$2.60
7.5.2007	6,000,000	Nil	7.5.2007 to 7.5.2010	HK$2.90
9.10.2007	840,000	Nil	9.10.2007 to 8.10.2010	HK$4.91
	435,000	9.10.2007 to 8.10.2008	9.10.2008 to 8.10.2010	HK$4.91
	725,000	9.10.2007 to 8.10.2009	9.10.2009 to 8.10.2010	HK$4.91

The following table discloses movements of the Company's share options held by employees and directors during the year:

Share options grant date	Granted in 2006	Exercised in 2006	Outstanding at 31.12.2006	Granted during year	Exercised during year	Outstanding at 31.12.2007
13.7.2006	3,800,000	(2,800,000)	1,000,000	–	(1,000,000)	–
14.9.2006	4,300,000	–	4,300,000	–	(350,000)	3,950,000
7.5.2007	–	–	–	6,000,000	(4,800,000)	1,200,000
9.10.2007	–	–	–	2,000,000	–	2,000,000
	8,100,000	(2,800,000)	5,300,000	8,000,000	(6,150,000)	7,150,000
Exercisable at the end of the year			1,860,000			3,550,000
Weighted average exercise price	HK$2.26	HK$1.88	HK$2.46	HK$3.40	HK$2.72	HK$3.28

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise and the date immediately before the date of exercise is HK$4.44 (2006: HK$2.39) and HK$4.53 (2006: HK$2.39), respectively.

During the year ended 31 December 2007, options were granted on 7 May 2007 and 9 October 2007 where the share prices of the Company's share at the date immediately before the date of grant were HK$2.90 and HK$4.91, respectively. The estimated fair values of the options granted on those dates are approximately HK$2,664,000 and HK$2,852,000 respectively.

During the year ended 31 December 2006, options were granted on 13 July 2006 and 14 September 2006 where the share prices of the Company's share at the date immediately before the date of grant were HK$1.88 and HK$2.60, respectively. The estimated fair values of the options granted on those dates are approximately HK$1,273,000 and HK$2,289,000 respectively.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	Share options grant date			
	13.7.2006	**14.9.2006**	**7.5.2007**	**9.10.2007**
Share price at date of grant	HK$1.88	HK$2.50	HK$2.88	HK$4.77
Exercise price	HK$1.88	HK$2.60	HK$2.90	HK$4.90
Expected volatility *(Note)*	45%	45%	55.7%	61.5%
Expected life	Nil	1.5 to 2.5 years	3 years	1 year to 2.5 years
Risk-free rate	4.4%	3.8%	3.8% to 4.0%	3.7% to 3.8%
Expected dividend yield	3.0%	3.0%	4.0%	3.0%

Note: Expected volatility was determined by using the volatility of share price for other companies, with shares listed on the Stock Exchange, in the same industry.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of approximately HK$4,141,000 for the year ended 31 December 2007 (2006: HK$1,889,000) in relation to share options granted by the Company.

47. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transactions	2007 HK$'000	2006 HK$'000
Morgan S.A. +	Sales of finished goods	–	38,222
Long Wise (Holdings) Limited +	Service fee paid	268	281
STF (China) Limited *	Interest income received	371	179
	Management fee income received	690	180
STF (Nanjing) Garment Limited *	Rental income received	125	–
Lotto (Nanjing) Garment Co. Ltd. *	Sales of finished goods	2,083	4,105
	Transfer of property, plant and equipment	–	888
	Rental income received	427	–
Lotto China Limited *	Sales of finished goods	–	155
	Management fee income received	690	–
H4T # *(Note)*	Sale of apparel	201,710	–
	Sourcing income received	12,167	–
M.T.T. Yangzhou Garment Company Limited *	Sale of property, plant and equipment	83	–
	Management fee income received	896	–

During the year ended 31 December 2007, 恆寶利南京科技有限公司, a related company acts as a guarantor for bank borrowings of a subsidiary of the Company, Hembly Yangzhou Garment Manufacturing Co., Ltd, approximately RMB10,000,000 (2006: Nil).

\+ *The company is a minority shareholder of the Company's subsidiaries.*

* *The company is a jointly controlled entity of the Company.*

\# *A director of the Company has beneficial interest in this company.*

Stonefly S.P.A., a joint venturer of a jointly controlled entity, STF China Limited ("STF China"), acts as a joint guarantor with a subsidiary of the Company, Hembly Garment Manufacturing Limited, for bank borrowings of approximately HK$22,000,000 (2006: HK$18,000,000) granted to STF China. As at 31 December 2007, the amount of such utilised by STF China was approximately HK$9,800,000 (2006: HK$10,424,000).

Pursuant to certain master licence agreements, Morgan S.A. granted to the Group an exclusive license, with the right to grant sub-license, to manufacture and sale certain Morgan S.A. licensed products, subject to payment of royalty fee, which is calculated based on the number of licensed products manufactured, for a period of five years starting from year 2004 with an option to renew further five years. No royalty fee has been paid by the Group in respect of these master license agreements during the years ended 31 December 2007 and 2006.

Note: Details of the nature and terms of transactions with H4T please refer to the circular issued by the Company on 26 July 2007.

48. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of key management during the year was as follows:

	2007	2006
	HK$'000	*HK$'000*
Short-term benefits	11,341	8,081
Other long-term benefits	158	271
Share-based payments	873	615
	12,372	8,967

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

49. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2007 are as follows:

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company 2007	2006	Principal activities
Hembly Garment Manufacturing Limited	Hong Kong	Ordinary shares HK$3,000,000	100%	100%	Investment holding and sale of garments
Hembly (Nanjing) Garment Co., Ltd. 恒寶利(南京)服裝有限公司 *(Note)*	PRC	Registered capital US$3,000,000	100%	100%	Garment manufacturing
Hembly (Nanjing) Garment Manufacturing Co., Ltd. 亨百利(南京)制衣有限公司 *(Note)*	PRC	Registered capital US$2,100,000	100%	100%	Property holding
Hembly Garment Manufacturing Macao Commercial Offshore Limited 恒寶利製衣澳門離岸商業服務有限公司	Macau	Quota capital MOP100,000	100%	100%	Sale of garments

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company 2007	2006	Principal activities
M.D.T. Sourcing (China) Limited	Hong Kong	Ordinary shares HK$780,000	51%	51%	Sale of garments
M.D.T. (Nanjing) Garment Manufacturing Company Limited 摩根(南京)制衣有限公司 *(Note)*	PRC	Registered capital US$500,000	51%	51%	Garment manufacturing and trading
Scienward (Nanjing) Garment Co., Ltd. 欣隆(南京)服裝有限公司 *(Note)*	PRC	Registered capital US$150,000	93.33%	70%	Garment manufacturing and sourcing of garment
Scienward International Holdings Limited	Hong Kong	Ordinary shares HK$1,000,000	93.33%	70%	Wholesale of garment
Hembly Yangzhou Garment Manufacturing Co., Ltd. 恒寶利(揚州)制衣有限公司 *(Note)*	PRC	Registered capital US$10,000,000	100%	100%	Garment manufacturing and trading
Hembly Italy S.R.L.	Italy	Registered capital EUR50,000	100%	100%	Sale of garment
Yangzhou Sunrise Garment Manufacturing Co., Ltd. *(Note)*	PRC	Registered capital US$10,000,000	100%	100%	Property holding

Note: These companies are wholly foreign owned enterprises.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except for Well Metro which has issued 1,500 convertible redeemable preference shares for HK$90,859,000 in which the Group has no interest.

II. STATEMENT OF INDEBTEDNESS

Borrowing and contingent liabilities

At the close of business on 31 December 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the Prospectus, the Group had outstanding debt securities, bank borrowings and other borrowing of approximately HK$680,014,000, comprising secured long-term bank loans of approximately HK$205,453,000, secured and unsecured short term bank loans and bank overdraft of approximately HK$373,497,000, amounts due to joint venturers of jointly controlled entities of approximately HK$17,727,000, amount due to jointly controlled entities of approximately HK$7,670,000, liability component of convertible redeemable preference shares of approximately HK$75,667,000.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, finance lease and hire purchase commitments, guarantees or other contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 6 February 2009.

III. WORKING CAPITAL

The Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the financial resources available to the Group, including internally generated funds, the available credit facilities and the estimated net proceeds from the Open Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Prospectus.

VI. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2008

The following information has been extracted from the published interim report of the Company for the six months ended 30 June 2008.

Condensed consolidated income statement

For the six months ended 30th June, 2008

	Notes	2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Revenue	3	735,740	367,351
Cost of sales		(499,848)	(234,937)
Gross profit		235,892	132,414
Other income		13,516	4,166
Administrative expenses		(93,448)	(55,545)
Distribution and selling expenses		(45,287)	(12,916)
Loss on fair value of conversion option derivative liability	16	(4,453)	–
Finance costs	4	(23,221)	(14,782)
Profit before tax		82,999	53,337
Income tax expense	5	(21,111)	(7,676)
Profit for the period	6	61,888	45,661
Attributable to:			
Equity holders of the Company		61,768	45,647
Minority interests		120	14
		61,888	45,661
Dividends	7	19,812	17,758
Earnings per share	8		
– Basic		HK21.82 cents	HK18.01 cents
– Diluted		HK21.69 cents	HK17.96 cents

Condensed Consolidated Balance Sheet
At 30 June 2008

	Notes	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	324,202	230,983
Investment properties	9	32,992	71,505
Intangible asset		15,615	10,186
Goodwill		36,303	20,800
Prepaid lease payments		68,446	64,911
Loan to a jointly controlled entity		–	5,168
Available-for-sale investments		8,630	2,870
Deferred tax assets		71	287
		486,259	406,710
Current assets			
Inventories		358,951	178,559
Trade receivables	10	408,638	243,759
Deposits, prepayments and other receivables		104,271	109,058
Prepaid lease payments		1,481	1,389
Loans to jointly controlled entities		6,023	8,273
Amount due from a minority shareholder	11	–	6,689
Amount due from a related company	12	202,738	174,388
Amounts due from jointly controlled entities		7,224	6,609
Available-for-sale investments		3,166	3,174
Pledged bank deposits		35,463	48,099
Bank deposits with original maturity of more than three months		192,833	313,767
Bank balances and cash		86,631	112,223
		1,407,419	1,205,987
Assets classified as held for sale	13	23,520	41,530
		1,430,939	1,247,517

	Notes	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000 (audited)
Current liabilities			
Trade payables	14	126,424	131,260
Other payables and accruals		90,550	84,736
Loans from joint venturers of jointly controlled entities		–	13,441
Amounts due to joint venturers of jointly controlled entities		13,173	17,097
Amount due to a jointly controlled entity		–	5,812
Loan from a former joint venturer of a jointly controlled entity		14,835	–
Amount due to a former joint venturer of a jointly controlled entity		16,582	–
Taxation payable		42,159	26,064
Obligations under finance leases – due within one year		903	910
Bank borrowings – due within one year	15	618,039	426,009
Bank overdrafts		19,103	607
		941,768	705,936
Liabilities associated with assets classified as held for sale	13	18,055	13,080
		959,823	719,016
Net current assets		471,116	528,501
Total assets less current liabilities		957,375	935,211
Non-current liabilities			
Obligations under finance leases – due after one year		1,571	2,019
Bank borrowings – due after one year	15	184,423	257,128
Convertible redeemable preference shares	16	71,869	68,071
Conversion option derivative liability	16	26,475	22,022
Deferred tax liabilities		7,913	3,411
		292,251	352,651
		665,124	582,560
Capital and reserves			
Share capital	17	28,303	28,283
Reserves		628,274	546,624
Equity attributable to equity holders of the Company		656,577	574,907
Minority interests		8,547	7,653
		665,124	582,560

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Enterprise expansion reserve HK$'000 (Note a)	Statutory reserve HK$'000 (Note b)	Translation reserve HK$'000	Share option reserve HK$'000	Special reserve HK$'000 (Note c)	Investment revaluation reserve HK$'000	Step acquisition revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007 (audited)	25,288	94,496	2,015	7,460	10,958	1,889	30,052	(112)	–	173,144	345,190	21	345,211
Exchange difference arising on translation of foreign operations	–	–	–	–	14,903	–	–	–	–	–	14,903	–	14,903
Gain on fair value change of available-for-sale investments	–	–	–	–	–	–	–	185	–	–	185	–	185
Net income recognised directly in equity	–	–	–	–	14,903	–	–	185	–	–	15,088	–	15,088
Profit for the period	–	–	–	–	–	–	–	–	–	45,647	45,647	14	45,661
Total recognised income for the period	–	–	–	–	14,903	–	–	185	–	45,647	60,735	14	60,749
Recognition of equity settled share based payments	–	–	–	–	–	3,142	–	–	–	–	3,142	–	3,142
Exercise of share options	165	3,570	–	–	–	–	–	–	–	–	3,735	–	3,735
Dividend paid	–	–	–	–	–	–	–	–	–	(17,758)	(17,758)	–	(17,758)
At 30 June 2007 (unaudited)	25,453	98,066	2,015	7,460	25,861	5,031	30,052	73	–	201,033	395,044	35	395,079
At 1 January 2008 (audited)	28,283	210,685	2,015	10,931	38,744	2,505	30,052	508	–	251,184	574,907	7,653	582,560
Exchange difference arising on translation of foreign operations	–	–	–	–	36,580	–	–	–	–	–	36,580	774	37,354
Loss on fair value change of available–for–sale investments	–	–	–	–	–	–	–	(103)	–	–	(103)	–	(103)
Revaluation increase on step acquisition from a jointly controlled entity to a subsidiary recognised directly in equity	–	–	–	–	–	–	–	–	1,118	–	1,118	–	1,118
Net income (expense) recognised directly in equity	–	–	–	–	36,580	–	–	(103)	1,118	–	37,595	774	38,369
Profit for the period	–	–	–	–	–	–	–	–	–	61,768	61,768	120	61,888
Total recognised income (expense) for the period	–	–	–	–	36,580	–	–	(103)	1,118	61,768	99,363	894	100,257
Recognition of equity settled share based payments	–	–	–	–	–	1,539	–	–	–	–	1,539	–	1,539
Exercise of share options	20	560	–	–	–	–	–	–	–	–	580	–	580
Transfer to share premium upon exercise of share options	–	100	–	–	–	(100)	–	–	–	–	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	(19,812)	(19,812)	–	(19,812)
At 30 June 2008 (unaudited)	28,303	211,345	2,015	10,931	75,324	3,944	30,052	405	1,118	293,140	656,577	8,547	665,124

Notes:

(a) According to the respective Articles of Association, the subsidiaries registered in the People's Republic of China ("PRC") shall make appropriation to the enterprise expansion fund out of profit after taxation based on their statutory financial statements, and the amount and allocation basis are decided by its board of directors annually. The enterprise expansion fund can be used to expand the capital of the PRC subsidiaries.

(b) The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of net profit after taxation based on the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after taxation unless the aggregate amount exceeded 50% of registered capital of the relevant PRC subsidiary. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiary.

(c) The special reserve includes:

i) the difference between the aggregate of the nominal value of share capital of the subsidiaries acquired by Full Prosper Holdings Limited ("Full Prosper") pursuant to a group reorganisation in May 2005 and the nominal value of the share capital issued by Full Prosper as consideration for the acquisition during the year ended 31 December 2005; and

ii) the difference between the aggregate of the nominal value of share capital and share premium of Full Prosper acquired by the Company pursuant to a group reorganisation in June 2006 and the nominal value of the share capital issued by the Company as consideration for the acquisition during the year ended 31 December 2006.

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
	Note	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(182,157)	(103,773)
INVESTING ACTIVITIES			
Decrease (increase) in bank deposits with original maturity of more than three months		120,934	(45,286)
Decrease in pledged bank deposits		12,636	20,536
Acquisition of a subsidiary	*18*	338	–
Purchase of available-for-sale investments		(6,162)	–
Purchase of property, plant and equipment		(49,974)	(14,913)
Other investing cash flows		(16,574)	(20,390)
Proceeds on disposal of property, plant and equipment		–	176
NET CASH FROM (USED IN) INVESTING ACTIVITIES		61,198	(59,877)
FINANCING ACTIVITIES			
New bank borrowings raised		1,308,334	1,009,672
Repayment of bank borrowings		(1,206,007)	(753,815)
Interest paid		(23,221)	(14,782)
Dividend paid		(19,812)	(17,758)
Other financing cash flows		8,208	4,161
NET CASH FROM FINANCING ACTIVITIES		67,502	227,478
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(53,457)	63,828
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		10,175	3,605
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		111,616	30,906
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		68,334	98,339
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		86,631	111,373
Bank overdrafts		(19,103)	(13,034)
Cash and cash equivalents included in a disposal group held for sale		806	–
		68,334	98,339

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 ("HKAS34"), Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007 except as describle below:

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

In the current interim period, the Group has applied, for the first time, new interpretations ("new Interpretations") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2008.

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new and revised standards or interpretations that have been issued but are not yet effective.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of other standards or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

	Six months ended 30 June 2008			
	Manufacturing and sales of apparel and accessories	Distribution and retailing of apparel and footwear	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	623,300	112,440	–	735,740
Inter-segment sales	3,728	–	(3,728)	–
Total	627,028	112,440	(3,728)	735,740

Inter-segment sales are charged at prevailing market rates.

Segment result	103,209	12,039	–	115,248
Unallocated income				2,737
Unallocated corporate expenses				(7,312)
Loss on fair value of conversion option derivative liability				(4,453)
Finance costs				(23,221)
Profit before tax				82,999
Income tax expense				(21,111)
Profit for the period				61,888

	Six months ended 30 June 2007			
	Manufacturing and sales of apparel and accessories	Distribution and retailing of apparel and footwear	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	337,100	30,251	–	367,351
Inter-segment sales	544	–	(544)	–
Total	337,644	30,251	(544)	367,351

Inter-segment sales are charged at prevailing market rates.

Segment result	72,897	2,307	–	75,204
Unallocated income				2,346
Unallocated corporate expenses				(9,431)
Finance costs				(14,782)
Profit before tax				53,337
Income tax expense				(7,676)
Profit for the period				45,661

4. FINANCE COSTS

	Six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings and overdrafts wholly repayable		
– within five years	22,904	14,323
– over five years	–	152
Obligations under finance leases	70	122
Loans from joint venturers of jointly controlled entities	247	185
	23,221	14,782

5. INCOME TAX EXPENSE

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008 - 2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 June 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30 June 2008.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 17% (2007: 12%) for the six months ended 30 June 2008.

On 16 March 2007, the People's Republic of China (the "PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate to 25% for the Group's subsidiaries from 1 January 2008.

	Six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Other jurisdictions	16,599	7,369
Underprovision in prior years:		
Hong Kong	–	307
Deferred tax :		
Current year	4,512	–
	21,111	7,676

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	11,255	7,142
Amortisation of intangible assets	1,595	88
Amortisation of prepaid lease payments	763	623
Amortisation of convertible redeemable preference shares	3,798	–
Loss on disposal of property, plant and equipment	553	1
Impairment loss recognised in respect of trade receivables	2,438	–
Exchange (gain) loss	(7,179)	1,903

7. DIVIDENDS

On 23 June 2008, a dividend of HK 7 cents per share (2007: HK 7 cents per share) was paid to shareholders as the final dividend for 2007.

The directors have determined that an interim dividend of HK 3 cents per share (2007: HK 3 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 24 October 2008.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to equity holders of the Company)	61,768	45,647
Adjustment to the share of profit of a subsidiary based on potential dilution of its earnings per share in respect of convertible preference shares	(222)	–
Earnings for the purpose of diluted earnings per share	61,546	45,647
Number of shares	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	283,021	253,518
Effect of dilutive potential ordinary shares for share options	793	574
Weighted average number of ordinary shares for the purpose of diluted earnings per share	283,814	254,092

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired approximately HK$8,903,000 leasehold improvements. The Group also acquired approximately HK$679,000 and HK$5,437,000 plant and machinery and furniture, fixtures and equipment, respectively, for the expansion of its production capacity. In addition, the Group spent approximately HK$34,955,000 on the construction of factory plant in Yangzhou for the expansion of production capacity.

At 30 June 2008, the Group has changed the use of some properties from earning rentals to administrative purpose, amount of HK$43,231,000 has been transferred from investment properties to property, plant and equipment. The Group's investment properties were fair valued by external valuer by reference to market evidence of transaction prices for similar properties at 30 June 2008. There was no material change in fair value of investment properties at period end.

10. TRADE RECEIVABLES

The Group allows an average credit period of 60 to 90 days to its trade customers. Trade receivables of approximately HK$4,511,000 have been classified as part of a disposal group held for sale.

The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2008 *HK$'000* (unaudited)	**31 December 2007** *HK$'000*
0 - 90 days	387,796	223,661
91 - 180 days	12,676	8,810
181 - 360 days	6,532	9,834
Over 360 days	1,634	1,454
	408,638	243,759

11. AMOUNT DUE FROM A MINORITY SHAREHOLDER

In December 2007, Well Metro Group Limited ("Well Metro"), one of the non-wholly owned subsidiaries of the Company issued certain ordinary shares to a minority shareholder at HK$6,689,000, which was fully settled as at 30 June 2008.

12. AMOUNT DUE FROM A RELATED COMPANY

	30 June 2008 *HK$'000* (unaudited)	**31 December 2007** *HK$'000*
Sergio Tacchini International S.P.A. (formerly known as H4T S.r.l.) *(Note)*	202,738	174,388

Note: Mr. Ngok Yan Yu, a director and major shareholder of the Company, has beneficial interest in this Company.

The above amount represents trade receivable which is unsecured, interest free and the Group allows a credit period of 120 days.

The following is an aged analysis of amount due from a related company at the balance sheet date:

	30 June 2008	**31 December 2007**
	HK$'000	*HK$'000*
	(unaudited)	
0 - 90 days	100,389	83,132
91 - 180 days	38,355	85,036
181 - 360 days	63,994	6,220
	202,738	174,388

13. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

In June 2008, the Group entered into a sale agreement to dispose of 50% shareholdings in a jointly controlled entity, Lotto China Limited ("Lotto"), to a joint venturer of Lotto, which carried out distribution and retailing of apparel and footwear at a consideration of HK$6,000,000. The transaction was completed in July 2008.

In December 2007, Hembly Italia S.r.l, one of the wholly owned subsidiaries of the Company, acquired 100% interest in Pianeta Terra S.r.l. ("PT"), for an amount of approximately H$28,450,000 (EUR2.5 million). PT was incorporated in 2007 and owns a patent in Europe contributed by the former shareholder. The Group acquired PT with an intention to expand its retail business. However, upon the completion of acquisition the director of the Company decided to dispose of PT. PT is therefore accounted for as held for sale at initial recognition.

In February 2008, PT was disposed of to an independent third party. No gain or loss was resulted from the disposal of PT.

The Group classified the assets and liabilities of Lotto and PT as assets held for sale and liabilities associated with assets held for sale upon meeting the criteria set out in HKFRS 5 Non-current Asset Held for Sale and Discontinued Operations.

14. TRADE PAYABLES

Trade payables of approximately HK$3,383,000 have been classified as part of a disposal group held for sale.

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2008	**31 December 2007**
	HK$'000	*HK$'000*
	(unaudited)	
0 - 90 days	93,673	111,138
91 - 180 days	20,837	15,138
181 - 360 days	11,217	4,446
Over 360 days	697	538
	126,424	131,260

15. BANK BORROWINGS

During the period, the Group obtained new trade finance and bank loans of approximately HK$1,308,334,000 which carries interest rate at market rate of ranged from 4% to 7% per annum and is payable within one year from drawn down date. The proceeds were used to finance the expanding business of the Group.

	30 June 2008 *HK$'000* (unaudited)	**31 December 2007** *HK$'000*
Bank borrowings	802,462	683,137
Bank overdrafts	19,103	607
	821,565	683,744
Analysed as:		
Secured	590,574	387,134
Unsecured	230,991	296,610
	821,565	683,744
Carrying amount repayable on bank borrowings:		
Within one year	618,039	426,009
More than one year, but not exceeding two years	184,423	172,724
More than two years, but not exceeding three years	–	82,748
More than three years, but not exceeding four years	–	909
More than four years, but not exceeding five years	–	747
	802,462	683,137
Less: Amounts due within one year shown under current liabilities	(618,039)	(426,009)
Amounts due after one year shown under non-current liabilities	184,423	257,128

16. CONVERTIBLE REDEEMABLE PREFERENCE SHARES/CONVERSION OPTION DERIVATIVE LIABILITY

On 28 December 2007, Well Metro has issued 1,500 shares of convertible redeemable preference share with a yield to maturity in an amount equal to 5% of the issue price per annum, compounded annually, to an independent third party at a consideration of approximately HK$90,859,000 ("Consideration"). One convertible redeemable preference share can be converted to one ordinary share of Well Metro at any time after date of issuance, subject to certain adjustments including adjustment on conversion ratio based on actual profit of Well Metro and its subsidiaries, and is redeemable at an amount equal to Consideration plus any accrued yield by the holder after three years from date of issuance.

The convertible redeemable preference shares contain two components, liability component of approximately HK$68,071,000 and convertible option derivative of approximately HK$22,022,000. The relevant transaction cost for the issuance of the convertible redeemable preference shares of approximately HK$766,000 are included in the liability component. At 31 December 2007, the effective interest rate of the liability component is 8.6%. The conversion option derivative is measured at fair value with changes in fair value recognised in consolidated income statement.

At 30 June 2008, the fair value of convertible option derivative increased from HK$22,022,000 to HK$26,475,000. The loss on fair value of HK$4,453,000 was recognised in consolidated income statement immediately.

17. SHARE CAPITAL

	Number of ordinary shares		Amount	
	30 June 2008	**31 December 2007**	**30 June 2008**	**31 December 2007**
			HK$'000	*HK$'000*
Authorised:				
At beginning of period/year and at end of period/year	2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid:				
At beginning of period/year	282,830,000	252,880,000	28,283	25,288
Issue of shares	–	23,800,000	–	2,380
Exercise of share options	200,000	6,150,000	20	615
At end of period/year	283,030,000	282,830,000	28,303	28,283

During the period, a total of 200,000 ordinary shares of the Company were issued upon the exercise of 200,000 share options at an exercise price of HK$2.90.

18. ACQUISITION OF A SUBSIDIARY

On 28 April 2008, the Group acquired additional 50% of the issued share capital of STF (China) Limited ("STF") for a consideration of approximately HK$7,380,000 (EUR600,000). Before the acquisition, the Group recognised its 50% interests in STF as jointly controlled entity using proportionate consolidation. This acquisition of additional 50% of the equity interest has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$15,503,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	**Provisional Fair value adjustments**	**Provisional fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Intangible asset	–	2,236	2,236
Property, plant and equipment	4,438	–	4,438
Inventories	17,574	–	17,574
Trade receivables	12,478	–	12,478
Deposits, prepayments and other receivables	5,634	–	5,634
Bank balances and cash	676	–	676
Trade payables	(1,436)	–	(1,436)
Other payables and accruals	(4,514)	–	(4,514)
Amounts due to related companies	(43,532)	–	(43,532)
Bank borrowings	(9,800)	–	(9,800)
	(18,482)	2,236	(16,246)
Less: Net liabilities previously held by the Group using proportionate consolidation			9,241
Step acquisition revaluation reserve			(1,118)
Goodwill			15,503
Total consideration satisfied by:			
Amount due to a former joint venturer of a jointly controlled entity			7,380
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			338

STF contributed HK$9,670,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2008, total group revenue for the period would have been HK$740,631,000, and profit for the period would have been HK$61,487,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

19. CAPITAL AND OTHER COMMITMENTS

	30 June 2008 *HK$'000* (unaudited)	31 December 2007 *HK$'000*
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	962	59,565

During the year ended 31 December 2007, the Group entered into a franchise agreement with an independent third party for the grant of franchise and distribution right in relation to footwear and apparel in the PRC for a period of ten years up to May 2017. Pursuant to the franchise agreement, the Group has committed to open 30 retail shops in the PRC within five years. At 30 June 2008, the Group has opened 5 retail shops and has committed to open the remaining 25 retail shops within five years.

20. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transactions	Six months ended 30 June 2008 *HK$'000* (unaudited)	Six months ended 30 June 2007 *HK$'000* (unaudited)
Long Wise (Holdings) Limited +	Service fee paid	906	888
STF (China) Limited @	Interest income received	124	185
	Management fee income received	220	345
Lotto China Limited *	Management income received	345	345
Lotto (Nanjing) Garment Company Limited *	Rental income received	286	–
Shanghai Sisley Trading Company Limited *	Purchase of apparel	5,036	–
M.T.T. Yangzhou Garment Company Limited *	Sales of property, plant and equipment	–	129
	Sales of apparel	–	5,939
	Sourcing income received	446	–
Sergio Tacchini International S.P.A. #	Sales of apparel	125,674	5,123
	Sourcing income received	4,658	–
M.T.T. Limited *	Management fee income received	420	79

\+ *The company is a minority shareholder of the Company's subsidiary.*
* *The company is a jointly controlled entity of the Company.*
\# *A director of the Company has beneficial interest in this company.*
@ *The Company is a jointly controlled entity of the Company before 28 April 2008.*

Stonefly S.P.A., a shareholder of a former jointly controlled entity, STF, acted as a joint guarantor with a subsidiary of the Company, Hembly Garment Manufacturing Limited, for bank facility of approximately HK$18,000,000 granted to STF at 30 June 2007. The amount utilised by STF was approximately HK$15,297,000 at 30 June 2007.

At 30 June 2008, an additional 50% shareholdings of STF, has been acquired by the Group, as such it becomes a wholly-owned subsidiary of the Group at period end.

At 30 June 2007, a related company in which a director of the Company has beneficial interest has granted bank guarantee to a subsidiary of the Company for bank borrowing of approximately HK$10,360,000.

The remuneration of key management personnel, which represented by directors' remuneration, during the period was as follows:

	Six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	5,257	4,281
Post-employment benefits	24	18
Share-based payment	1,539	427
	6,820	4,726

21. EVENTS AFTER THE BALANCE SHEET DATE

During the period, the Group entered into an agreement to dispose 50% shareholdings of a jointly controlled entity, Lotto at consideration of HK$6,000,000. Details of assets classified as held for sale and liabilities associated with assets classified as held for sale are disclosed in note 13.

I. UNAUDITED PRO FORMA FINANCIAL INFORMAITON

The unaudited pro forma statement of adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer has been completed on 30 June 2008.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Open Offer.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated net assets of the Group at 30 June 2008, extracted from the published interim report of the Group as set out in Appendix I to the Prospectus and the adjustments described below.

	Consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2008	**Deduct: Intangible asset and goodwill as at 30 June 2008**	**Adjusted consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2008**	**Add: Estimated net proceeds from the Open Offer**	**Pro forma adjusted consolidated net assets of the Group attributable to equity holders of the Company immediately after the Open Offer**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*		*(Note 2)*	
	656,577	(51,918)	604,659	38,350	643,009
Unaudited adjusted consolidated net assets per Share before completion of the Offer Shares *(Note 3)*					HK$2.14
Unaudited pro forma adjusted consolidated net assets per Share immediately after completion of the Open Offer *(Note 4)*					HK$1.51

Notes:

(1) These figures are extracted from the published interim report of the Group for the six months ended 30 June 2008 as set out in Appendix I to this Prospectus. Intangible asset and goodwill represent the goodwill and intangible asset of HK$36,303,000 and HK$15,615,000, respectively.

(2) The estimated net proceeds from the Open Offer are based on 141,515,000 Offer Shares issuable pursuant to the Open Offer at the subscription price of HK$0.30 per share totaling approximately HK$42,450,000 and after deduction of the estimated related expenses of approximately HK$4,100,000 and take no account of any additional Offer Shares to be issued upon the execrise of any outstanding Share Options.

(3) The unaudited adjusted consolidated net asset per Share is based on 283,030,000 Shares in issue as at 30 June 2008.

(4) The unaudited pro forma adjusted consolidated net assets per Share immediately after completion of the Open Offer is calculated based on the unaudited pro forma adjusted consolidated net assets of the Group attributable to equity holders of the Company upon completion of the Open Offer and on the basis of 424,545,000 Shares issued and issuable, comprising 283,030,000 Shares in issue as at 30 June 2008 and 141,515,000 Offer Shares to be issued.

II. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

陳錦福會計師事務所
Dominic K.F. Chan & Co., *Certified Public Accountants (Practising)*

Rooms 2105-06, 21/F., Office Tower, Langham Place, 8 Argyle Street, Mongkok, Kowloon, HK. Tel.: 2780 0607 Fax: 2780 0013

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF HEMBLY INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Hembly International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the open offer of 141,515,000 shares on the basis of one offer share for every two shares held on 10 February 2009 at HK$0.30 per offer share might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated 11 February 2009 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out on pages 93 and 94 to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

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

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2008 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Dominic K.F. Chan & Co.
Certified Public Accountants
Hong Kong, 11 February 2009

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Open Offer was and will be as follows:

Authorised:

2,000,000,000	shares of the Company (the "Shares")	HK$200,000,000

Shares of HK$0.10 each issued and to be issued, fully paid or credited as fully paid:

283,030,000	Shares in issue	HK$28,303,000
141,515,000	Offer Shares to be issued	HK$14,151,500
424,545,000	Shares in issue immediately upon completion of the Open Offer	HK$42,454,500

All of the Shares in issue and the Offer Shares to be issued rank pari passu in all respects with each other, including in particular as to dividends, voting rights and capital.

As at the Latest Practicable Date, the Company has 14,850,000 outstanding Share Options in which 8,415,000 Share Options have vested to and are exercisable by the relevant participants, while 6,435,000 Share Options have not vested to and are not exercisable by the relevant participants. Save as disclosed above, the Company does not have any other outstanding derivatives, options, warrants and conversion rights or similar rights or securities in issue which are convertible or exchangeable into Shares or Offer Shares.

The Shares in issue are listed on Main Board of the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There is no arrangement under which future dividends are waived or agreed to be waived.

3. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Head Office and Principal Place of Business in Hong Kong	36/F., No. 1 Hung To Road Kwun Tong Kowloon Hong Kong
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Underwriter	Fortune (HK) Securities Limited 5/F Skyline Commercial Centre 71-77 Wing Lok Street Sheung Wan Hong Kong
Auditor and Reporting Accountant	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong
	Dominic K.F. Chan & Co. Rooms 2105-06 21/F Office Tower Langham Place 8 Argyle Street Mong Kok Kowloon Hong Kong
Financial Adviser	Ample Capital Limited Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Legal Advisers as to Hong Kong Laws	Michael Li & Co. 14th Floor, Printing House 6 Duddell Street Central Hong Kong
Principal Banker	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Hong Kong Branch Share Registrar and Transfer Office	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorised Representatives	Mr. Ngok Yan Yu Ms. Kwan Shin Luen, Susanna
Company Secretary	Ms. Kwan Shin Luen, Susanna

4. PARTICULARS OF THE DIRECTORS AND THE COMPANY SECRETARY

Executive Directors

Mr. Ngok Yan Yu, aged 36, is the chairman of the Company and founder of the Group. Mr. Ngok has over 11 years of experience in the garment industry in Hong Kong and the PRC. He is responsible for the formulation of overall corporate direction and business strategy of the Group. Mr. Ngok is also responsible for supervising the new business development of the Group. He previously worked for the accounting and sales departments in the Jiangsu Garment Export & Import Company, a state-owned PRC enterprise, for five years. He resigned from the Jiangsu Garment Export & Import Company in 1996 and started his garment trading business in 1997. He graduated from Nanjing International Relations Institute with a major in English and attained a Master Degree in Environmental and Natural Resources Protection Law from Hohai University. He is the spouse of Ms. Tang Chui Yi, Janny.

Mr. Lam Hon Keung, Keith, aged 68, is the deputy chairman of the Company. He joined the Group in June 2006 and is responsible for business advisory and strategic consulting to the Group. Mr. Lam was a former district board member as well as a former appointed legislative councilor, a former committee member of Far East Exchange Limited, a former council member and the vicechairman of the management committee of the Stock Exchange (1988), a director of Hong Kong Securities Clearing Company Limited (1990 – 1994), the Hong Kong District Affairs Adviser to Xinhua News Agency (Hong Kong branch) (1994 – 1997), a member of the Board of Kowloon-Canton Railway Corporation (1998 – 2002), a member of the board of management of the Chinese Permanent Cemeteries (1997 – 2003), a member of Social Welfare Advisory Committee (2000 – 2006) and a member of management committee of Hong Kong Paralympians Fund (2001 – 2005). Apart from his other positions in various companies, Mr. Lam is an independent non-executive director of Wah Ha Realty Company Limited, which is a company listed on the Stock Exchange. He is also the chairman of the Hong Kong Buddhist Hospital, the vice chairman of the Hong Kong Buddhist Association, a director of Buddhist Heung Hoi Ching Kok Lin Association and Buddhist Li Chong Yuet Ming Nursing Home for the Elderly, senior consultant of the Association for Stock Enterprises, Jiangsu Province, the PRC, investment consultant of Yangzhou Municipal People's Government, the PRC, the supervisor of Buddhist Mau Fung Memorial College and Buddhist Chi Hong Chi Lam Memorial College. Mr. Lam was bestowed a badge of honour in 1977 and was appointed as an unofficial Justice of the Peace of Hong Kong in 1981. He was also bestowed as an officer of The Order of the British Empire (O.B.E.) in 1993 and is a fellow of the Hong Kong Institute of Directors and a fellow of Chartered Management Institute.

Ms. Tang Chui Yi, Janny, aged 45, is the chief executive officer of the Company and the co-founder of the Group. Ms. Tang is responsible for the Group's day-to-day management. She has nearly 20 years of experience in the garment industry with a strong garment business management capability. Prior to the establishment of the Group, Ms. Tang worked as a merchandiser for Yangtzekiang Garment Manufacturing Co., Ltd., a company listed on the Stock Exchange. She had also worked for a US based buying office in Hong Kong as a merchandising manager and was responsible for supervising the team in the textile division of such company, liaising with buyers and vendors and following through from sampling to shipments. She graduated from Hong Kong Polytechnic University with a Professional Diploma in Fashion & Clothing Technology in November 1988 and obtained a Master Degree in Management from the University of Kent at Canterbury, United Kingdom in July 1990. She is the spouse of Mr. Ngok Yan Yu and a cousin of Ms. Tang Wai Ha.

Mr. Wong Ming Yeung, aged 42, is an executive director of the Company. Mr. Wong joined the Group in June 2001 and is responsible for sales and marketing of the Group in Hong Kong. He has over 16 years of experience in the textile and garment industry at various posts such as merchandiser and sales manager and was responsible for handling and following up orders and liaising with overseas buyers. He graduated from the Hong Kong Polytechnic University in November 1990 with a Higher Diploma in Textile and Clothing Studies.

Ms. Tang Wai Ha, aged 46, is an executive director of the Company and the managing director of Scienward International Holdings Limited. Ms. Tang joined the Group in September 2005 and is responsible for the overall management of the Group's distribution and retailing business. Ms. Tang previously worked for Arthur Andersen and PricewaterhouseCoopers and specialised in the areas of tax and business advisory. She is particularly familiar with the PRC market. She obtained a Bachelor Degree in Education from the University of Bristol in the United Kingdom and a post-graduate Diploma in Accounting and Finance in London School of Economics and Political Science, University of London. She is a member of the Institute of Chartered Accountants in England and Wales and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. She is a cousin of Ms. Tang Chui Yi, Janny.

Mr. Marcello Appella, aged 54, is an executive director of the Company and the general manager of Hembly Europe SARL. Mr. Appella joined the Group in 2001 and is responsible for sales and marketing of the Group in France. He has over 27 years of experience in the apparel industry and has accumulated substantial business knowledge in both the European and Asian markets. Prior to joining the Group, Mr. Appella had assumed various positions from technical advisor to general manager for international brand names such as Eminence, New Man, Adidas and Jockey International. He obtained a Diploma in Technology from the University of Montpellier, France in July 1976 and a Diploma in Engineering from the National College of Textile Industries of Mulhouse, France in July 1980.

Non-Executive Directors

Mr. Antonio Piva, aged 54, was an executive director of the Company and with effect from 31 July 2007, Mr. Piva was re-designated to a non-executive director of the Company. He joined the Group in May 2005 and was responsible for the business development of the Group in Italy. Prior to joining the Group, Mr. Piva was the operation general manager of Benetton in Croatia. He started his career with Benetton S.p.A. in Italy in 1985 and had been managing various subsidiaries of the Benetton group in the US and Italy since then. Mr. Piva has more than 23 years of experience in the apparel industry. He obtained a Diploma in Accounting and Business Administration from Instituto Tecnico Statale Commerciale e per Geometri A. Martini in Italy in 1973.

Mr. Je Kin Ming, aged 41, was appointed as a non-executive director of the Company in June 2006. Mr. Je has over 17 years of experience in corporate restructuring, strategic and financial management, corporate finance and merger & acquisition in the Greater China Region. Mr. Je was an executive director (corporate finance) at Credit Agricole Indosuez and a director of Indosuez W.I. Carr Securities Limited, responsible for investment banking and securities businesses in the Greater China Region. Prior to that, Mr. Je was a director and the head of business development at Dresdner Kleinwort Wasserstein, responsible for its Greater China corporate finance business and a vice president at NatWest Markets Corporate Finance Asia Ltd. Before entering the investment banking field, Mr. Je was an audit manager at Arthur Andersen and a senior auditor at Deloitte Touche Tohmatsu. Mr. Je graduated from the Hong Kong Polytechnic with a Professional Diploma in Accountancy. He furthered his studies in the University of Wales and the Manchester Business School (U.K.) and graduated with a Master Degree in Business Administration. He is a fellow member of the Association of Chartered Certified Accountants, a certified public accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute.

Independent Non-Executive Directors

Mr. Lo Ming Chi, Charles, aged 59, was appointed as an independent non-executive director of the Company in June 2006. He has over 30 years of professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He was appointed as Justice of the Peace of Australia in 1983. He is a certified practising accountant in Australia and is an associate member of the Financial Services Institute of Australasia. From September 2004 to August 2006, he was an independent non-executive director of Freeman Corporation of Limited. From November 2003 to November 2006, he was an independent non-executive director of Cash Retail Management Group Limited. From September 1998 to April 2008, he was an independent non-executive director of Artfield Group Limited. From March 1999 to February 2009, he was an executive director of New Century Group Hong Kong Limited. Currently, he is an independent non-executive director of Cash Financial Services Group Limited, an independent non-executive director of Tak Sing Alliance Holdings Limited, and deputy chairman & chief executive officer of Poly Development Holdings Limited (formerly known as Xin Corporation Limited), all of which are listed on the Stock Exchange.

Mr. Pao Ping Wing, JP, aged 61, was appointed as an independent non-executive director of the Company in June 2006. He had been actively serving on government policy and executive bodies, including those relating to town planning, urban renewal, public housing and environment matters for 22 years. He has been appointed as a Justice of the Peace of Hong Kong since 1987. He was an ex-urban councilor. He obtained a Master of Science Degree in Human Settlements Planning and Development from the Asian Institute of Technology in Thailand in 1980. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. He is an independent non-executive director of Oriental Press Group Limited, Sing Lee Software (Group) Limited, UDL Holdings Limited Zhu Zhou CSR Times Electric Co. Ltd. and Maoye International Holdings Limited, all of which are listed on the Stock Exchange.

Mr. Kwan Hung Sang, Francis, aged 58, was appointed as an independent non-executive director of the Company in June 2006. Mr. Kwan has over 37 years of experience in exchange operations, commercial banking, investment and risk management in Hong Kong and Canada. He has held senior positions in The Hong Kong Exchanges and Clearing Limited for almost 10 years. Prior to that, he had also worked with a number of international banks and financial institutions. Mr. Kwan obtained a Management Development Certificate from the University of British Columbia in Canada in 1989. He is the chairman of USP Enterprise Limited, Rise & Shine Enterprise Limited and Hope Marketing Consultant Company Limited, the former two companies engaging in the distribution of health products and the latter engaging in the sales and marketing of natural health food products. He is currently an independent non-executive director of Tianjin Port Development Holdings Limited, which is a company listed on the Stock Exchange.

Company Secretary

Ms. Kwan Shin Luen, Susanna, aged 41, is the chief legal and planning officer and the company secretary of the Company. She joined the Group in March 2006 and is responsible for the Company's legal and compliance matters. Ms. Kwan is a corporate finance lawyer, qualified in both Hong Kong and the United Kingdom. With 15 years of post qualification experience, Ms. Kwan specialises in corporate finance matters, which include venture capital incubation, pre-flotation funding, main board and second board flotation (in Hong Kong, Singapore and New York), debts and equities, plus regulation and compliance in the banking listing and IT areas. Ms. Kwan acted as the company secretary of hongkong.com, a company listed on the Stock Exchange. During the period from 2001 to 2004, Ms. Kwan was in charge of the corporate finance department of Gallant Y.T. Ho & Co., wherein she consolidated her network and exposure in cross border corporate finance and funding deals.

5. INTERESTS IN SECURITIES

(a) Interests and short positions of Directors and chief executive in shares and debentures

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

(i) Shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholdings
Mr. Ngok	Interest of a controlled corporation *(Note 1)*	101,829,470 (L)	35.98%
	Personal *(Note 4)*	50,914,735 (L)	17.98%
Tang Chui Yi, Janny	Interest of a spouse *(Note 5)*	152,744,205 (L)	53.96%
Lam Hon Keung, Keith	Beneficial owner	100,000 (L)	0.04%
Wong Ming Yeung	Beneficial owner	10,000 (L)	0.004%
Marcello Appella	Interest of a controlled corporation *(Note 2)*	3,588,030 (L)	1.27%
Je Kin Ming	Interest of a controlled corporation *(Note 3)*	5,980,050 (L)	2.11%
Kwan Hung Sang, Francis	Beneficial owner	180,000 (L)	0.06%

(L) denotes long position

Notes:

1. These Shares were held by Charm Hero Investments Limited ("**Charm Hero**"), a wholly-owned subsidiary of Mensun Limited ("**Mensun**"), which was wholly-owned by Mr. Ngok, a substantial shareholder and the chairman of the Company. As such, Mr. Ngok was deemed or taken to be interested in the shares of the Company held by Charm Hero for the purposes of the SFO.

2. These Shares were held by Sycomore Limited ("**Sycomore**"), which was owned as to 50% by Mr. Marcello Appella, an executive director of the Company, and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella. As such, Mr. Marcello Appella was deemed or taken to be interested in the shares of the Company held by Sycomore for the purpose of the SFO.

3. These Shares were held by Capital Way Management Limited ("**Capital Way**"), a wholly-owned subsidiary of Walter International Corporation, which was wholly-owned by Mr. Je Kin Ming, a non-executive director of the Company. As such, Mr. Je Kin Ming was deemed or taken to be interested in the shares held by Capital Way for the purposes of the SFO.

4. The 50,914,735 Shares represent the undertaking given by Mr. Ngok to subscribe or procure the subscription of the Offer Shares entitled by Charm Hero.

5. These Shares comprise 101,829,470 Shares held by Charm Hero and 50,914,735 Shares undertaken to be subscribed by Mr. Ngok, all of them are deemed or taken to be interested by Tang Chui Yi, Janny who is the spouse of Mr. Ngok.

(ii) Shares of the associated corporations of the Company

Name of director	Name of associated corporation	Capacity	Number/class of shares held	Approximate percentage of shareholdings
Mr. Ngok	Complete Expert Limited ("**Complete Expert**")	Trustee	20 ordinary (L) *(Note 1)*	20%
	Charm Hero	Interest of a controlled corporation	100 ordinary (L) *(Note 2)*	100%
	Mensun	Beneficial owner	100 ordinary (L)	100%

Notes:

1. Pursuant to a declaration of trust dated 1 September 2004, Mr. Ngok, a substantial shareholder and the chairman of the Company, held 20 shares in Complete Expert, being 20% of its entire issued share capital, in trust for Hembly Garment Manufacturing, an indirect wholly-owned subsidiary of the Company.

2. Charm Hero was a wholly-owned subsidiary of Mensun which was wholly-owned by Mr. Ngok.

(L) denotes long position

(iii) Share options of the Company

Name of director	Number of shares options held *(Note 1)*	Exercisable period *(Note 1)*	Approximate percentage of issued share capital of the Company	Exercise price
Mr. Ngok	1,000,000	14/9/2006 – 13/9/2009 *(Note 2)*	0.35%	HK$2.60
	300,000	9/10/2007 – 8/10/2010 *(Note 3)*	0.11%	HK$4.91
	500,000	18/8/2008 – 17/8/2018 *(Note 5)*	0.18%	HK$1.57
	1,800,000		0.64%	
Tang Chui Yi, Janny	800,000	14/9/2006 – 13/9/2009 *(Note 2)*	0.28%	HK$2.60
	400,000	9/10/2007 – 8/10/2010 *(Note 3)*	0.14%	HK$4.91
	500,000	18/8/2008 – 17/8/2018 *(Note 5)*	0.18%	HK$1.57
	1,700,000		0.60%	
Lam Hon Keung, Keith	400,000	14/9/2006 – 13/9/2009 *(Note 2)*	0.14%	HK$2.60
	200,000	9/10/2007 – 8/10/2010 *(Note 3)*	0.07%	HK$4.91
	100,000	18/8/2008 – 17/8/2018 *(Note 5)*	0.04%	HK$1.57
	700,000		0.25%	

Name of director	Number of shares options held *(Note 1)*	Exercisable period *(Note 1)*	Approximate percentage of issued share capital of the Company	Exercise price
Wong Ming Yeung	250,000	14/9/2006 – 13/9/2009 *(Note 2)*	0.09%	HK$2.60
	300,000	9/10/2007 – 8/10/2010 *(Note 3)*	0.11%	HK$4.91
	100,000	18/8/2008 – 17/8/2018 *(Note 5)*	0.04%	HK$1.57
	650,000		0.23%	
Tang Wai Ha	300,000	7/5/2007 – 6/5/2010 *(Note 4)*	0.11%	HK$2.90
	200,000	18/8/2008 – 17/8/2018 *(Note 5)*	0.07%	HK$1.57
	500,000		0.18%	
Marcello Appella	500,000	14/9/2006 – 13/9/2009 *(Note 2)*	0.18%	HK$2.60
	250,000	9/10/2007 – 8/10/2010 *(Note 3)*	0.09%	HK$4.91
	200,000	18/8/2008 – 17/8/2018 *(Note 5)*	0.07%	HK$1.57
	950,000		0.34%	
Antonio Piva	500,000	14/9/2006 – 13/9/2009 *(Note 2)*	0.18%	HK$2.60
	100,000	18/8/2008 – 17/8/2018 *(Note 5)*	0.04%	HK$1.57
	600,000		0.21%	

Name of director	Number of shares options held *(Note 1)*	Exercisable period *(Note 1)*	Approximate percentage of issued share capital of the Company	Exercise price
Je Kin Ming	500,000	14/9/2006 – 13/9/2009 *(Note 2)*	0.18%	HK$2.60
	100,000	18/8/2008 – 17/8/2018 *(Note 5)*	0.04%	HK$1.57
	600,000		0.21%	

Notes:

1. The number of options held by each person is the same as the number of underlying Shares in which that person is interested pursuant to the options.

2. These share options were granted on 14 September 2006, 20% of the share options granted to the Directors would vest on 14 September 2006 and be exercisable from 14 September 2006 to 13 September 2009. Another 30% of the granted share options would vest on 14 September 2007 and be exercisable from 14 September 2007 to 13 September 2009. The remaining 50% of the granted share options would vest on 14 September 2008 and be exercisable from 14 September 2008 to 13 September 2009.

3. These share options were granted on 9 October 2007. 20% of the granted share options would vest on 9 October 2007 and be exercisable from 9 October 2007 to 8 October 2010. Another 30% of the granted share options would vest on 9 October 2008 and be exercisable from 9 October 2008 to 8 October 2010. The remaining 50% of the granted share options would vest on 9 October 2009 and be exercisable from 9 October 2009 to 8 October 2010.

4. These share options were granted on 7 May 2007 and would vest on 7 May 2007 and be exercisable from 7 May 2007 to 6 May 2010.

5. These share options were granted on 18 August 2008, 20% of the share options granted to the Directors would vest on 18 August 2008 and be exercisable from 18 August 2008 to 17 August 2018. Another 30% of the granted share options would vest on 18 August 2009 and be exercisable from 18 August 2009 to 17 August 2018. The remaining 50% of the granted share options would vest on 18 August 2010 and be exercisable from 18 August 2010 to 17 August 2018.

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

(b) Notifiable interests and short positions of substantial shareholders and other persons in Shares

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following substantial shareholders of the Company within the meaning of the Listing Rules and other persons (in each case other than the Directors and chief executive of the Company) had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	**Capacity**	**Number of shares held**	**Approximate percentage of shareholdings**
Mensun	Interest of a controlled corporation *(Note 1)*	101,829,470 (L)	35.98%
Charm Hero	Beneficial owner *(Note 1)*	101,829,470 (L)	35.98%
New World Development Company Limited	Interest of a controlled corporation *(Note 2)*	15,199,320 (L)	5.37%
New World Enterprise Holdings Limited	Interest of a controlled corporation *(Note 2)*	15,199,320 (L)	5.37%
New World China Industrial Limited	Interest of a controlled corporation *(Note 2)*	15,199,320 (L)	5.37%
New World China Enterprises Investments Limited	Interest of a controlled corporation *(Note 2)*	15,199,320 (L)	5.37%

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholdings
New World Liberty China Ventures Limited	Interest of a controlled corporation *(Note 2)*	15,199,320 (L)	5.37%
Liberty New World China Enterprises Investments, LP	Interest of a controlled corporation *(Note 2)*	15,199,320 (L)	5.37%
Smart Fame Holdings Limited	Beneficial owner *(Note 2)*	15,199,320 (L)	5.37%
China Fortune Group Limited	Interest of a controlled corporation *(Note 3)*	90,600,265 (L)	21.34%
Fortune Financial (Holdings) Limited	Interest of a controlled corporation *(Note 3)*	90,600,265 (L)	21.34%
Fortune (HK) Securities Limited	Beneficial owner *(Note 3)*	90,600,265 (L)	21.34%
Excalibur Securities Limited	Other *(Note 4)*	43,600,265 (L)	10.26%
Chan Hoei Len	Interest of a controlled corporation *(Note 4)*	43,600,265 (L)	10.26%
Lao Chio Kuan	Interest of a controlled corporation *(Note 4)*	43,600,265 (L)	10.26%
Kademan Ltd	Interest of a controlled corporation *(Note 4)*	43,600,265 (L)	10.26%
Pioneer (China) Limited	Interest of a controlled corporation *(Note 4)*	43,600,265 (L)	10.26%

(L) denotes long position

Notes:

1. These Shares were held by Charm Hero, a wholly-owned subsidiary of Mensun which was wholly-owned by Mr. Ngok. As such, Mensun and Mr. Ngok were deemed or taken to be interested in the shares of the Company held by Charm Hero for the purpose of the SFO.

2. These Shares were held by Smart Fame Holdings Limited, a wholly-owned subsidiary of New World Liberty China Ventures Ltd., which was owned as to 50% by New World China Enterprises Investments Limited and as to 50% by Liberty New World China Enterprises Investments, LP, New World China Enterprises Investments Limited was a wholly-owned subsidiary of New World China Industrial Limited, which was in turn a wholly-owned subsidiary of New World Enterprise Holdings Limited, which was in turn wholly-owned by New World Development Company Limited. As such, New World Liberty China Ventures Ltd., New World China Enterprises Investments Limited, New World China Industrial Limited, New World Enterprise Holdings Limited, New World Development Company Limited and Liberty New World China Enterprises Investments, LP were deemed to be beneficially interested in the said shares of the Company held by Smart Fame Holdings Limited for the purposes of the SFO.

3. These Shares represent the Offer Shares underwritten by the Underwriter pursuant to the Underwriting Agreement.

4. These Shares represent the Offer Shares sub-underwritten by Excalibur Securities Limited, which is a wholly-owned subsidiary of Pioneer (China) Limited owned as to 49.08% by Kademan Ltd (the same of which was wholly-owned by Chan Hoei Len) and as to 50.92% by Lao Chio Kuan, pursuant to a sub-underwriting agreement entered into between Excalibur Securities Limited and the Underwriter.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any substantial shareholder of the Company within the meaning of the Listing Rules or other person (in each case other than a Director or chief executive of the Company) who had, as at the Latest Practicable Date, an interest or a short position in Shares or underlying Shares which was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

(c) Interests in 10% or more of shares in subsidiaries

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following are the persons who (not being a member of the Group or a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company or in any options in respect of such capital:

Name of subsidiary	Name of shareholder	Number of shares held or extent of registered capital in which interested	Approximate percentage of the existing issued share capital or registered capital of the subsidiary
Pro-Brilliance International Development Limited	Long Wise (Holdings) Limited	35 *(Note 1)*	35%
Pro-Brilliance International Development Limited	Wong Hei See	35 *(Note 1)*	35%
M.D.T. Sourcing (China) Limited	Rich Merit Investments Limited	382,200 *(Note 2)*	49%
Well Metro Group Limited	All Field Investments Limited	1,500 *(Note 3)*	17%

Notes:

1. The 35 shares were held in trust by Long Wise (Holdings) Limited for the benefit of Ms. Wong Hei See pursuant to a declaration of trust dated 9 August 2003.

2. The 382,200 shares were held by Rich Merit Investments Limited.

3. The 1,500 preferred shares were held by All Field Investments Limited which was a wholly-owned subsidiary of New World Strategic Investment Limited, which in turn was wholly-owned by New World Development Company Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a member of the Group or a Director or chief executive of the Company) who was, as at the Latest Practicable Date, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company or in any options in respect of such capital.

6. DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of the executive Directors has entered into a service contract with the Company. Particulars of these contracts are set out below:

Each of the service contracts is for an initial term of three years commencing on from 15 June 2006 unless terminated by not less than three months' notice in writing served by either the Director or the Company. In certain other circumstances, each service contract can also be terminated by the Company, including but not limited to serious breaches of the Directors' obligations under the service contract or serious misconduct.

The current basic annual salaries of the executive Directors are as follows:

Name of Director	**Amount** *(HK$)*
Executive Directors	
Mr. Ngok	1,200,000
Mr. Lam Hon Keung, Keith	360,000
Ms. Tang Chui Yi, Janny	1,800,000
Mr. Wong Ming Yeung	720,000
Ms. Tang Wai Ha	1,440,000
Mr. Marcello Appella	819,840*(Note)*

Note: Mr. Marcello Appella is entitled to an annual salary of EUR84,000.

Exchange rate as at Latest Practicable Date is EUR 1 = HK$9.76.

In addition, for the financial year ending 31 December 2007 and each of the financial years thereafter, the executive Directors are also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 15% of the audited consolidated or combined net profit of the Group (after taxation and minority interests but before extraordinary and exceptional items) in respect of the financial year of the Group.

Non-executive Director and independent non-executive Directors

Letters of appointment have been signed by the Company with the non-executive Director and independent non-executive Directors. The non-executive Director and the independent non-executive Directors have been appointed for a term of three years commencing from 15 June 2006 (save for Antonio Piva's letter of appointment commencing on 31 July 2007). Save for directors' fees of HK$30,000.00 and HK$20,000.00 per month for the non-executive Director and each of the independent non-executive Directors respectively, none of the non-executive Director and independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or independent non-executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

(a) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Group; and

(b) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2007 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

9. LITIGATION

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

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Company were made up.

11. EXPERT

(a) The following are the qualifications of the expert who has given its opinions or advice which are contained in this Prospectus:

Name	**Qualifications**
Dominic K.F. Chan & Co.	Certified Public Accountants

(b) Dominic K.F. Chan & Co. has no shareholding in any member of the Group and does not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) Dominic K.F. Chan & Co. has no direct or indirect interest in any assets which have been, since 31 December 2007 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group.

(d) Dominic K.F. Chan & Co. has given and has not withdrawn its written consent to the issue of this Prospectus with inclusion of its letter and the reference to its name included herein in the form and context in which they respectively appear.

12. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of the Prospectus Documents and the consent letter referred to in the paragraph "Expert" in this appendix has been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance.

13. MATERIAL CONTRACTS

Within the two years immediately preceding the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, have been entered by members of the Group and are or may be material:

(a) A conditional sourcing agreement dated 25 May 2007 made between Hembly Garment Manufacturing Limited ("HGM"), a wholly-owned subsidiary of the Company, and H4T s.r.l. (now renamed and re-constituted as Sergio Tacchini International S.p.A.), a company incorporated in Italy and directly wholly-owned by Ngok Yan Yu, the chairman, executive director and substantial shareholder of the Company, pursuant to which H4T s.r.l. was appointed HGM's exclusive sourcing supplier for all sourcing of sport apparel, leisure wear and related accessories bearing the trademarks of "S.T." and/or "Sergio Tacchini" that will be manufactured in Asia for the period from 1 June 2007 to 31 December 2008. This sourcing agreement became unconditional on 22 August 2007, as it has on that same day received the Company's independent shareholders' approval;

(b) an agreement dated 26 June 2007 between Charm Talent Investments Limited ("Charm Talent"), which sole director was a director of the Group's non wholly owned subsidiary within the last 12 months from this agreement and was also a substantial shareholder of Well Metro as at the date of this agreement and Spring Castle Group Limited ("Spring Castle"), an indirectly wholly-owned subsidiary of the Company, wherein Charm Talent sold to Spring Castle 25 shares in Well Metro Group Limited ("Well Metro"), another indirectly non wholly-owned subsidiary of the Company. These 25 shares in Well Metro then represented 25% of the registered capital of Well Metro and the consideration for these 25 shares in Well Metro was HK$20,800,000.00;

(c) a placing and underwriting agreement dated 29 June 2007 made between Charm Hero Investments Limited ("Charm Hero"), a company wholly-owned by Ngok Yan Yu, the chairman, executive director and substantial shareholder of the Company and UOB Kay Hian (Hong Kong) Limited ("UOB"), the placing agent, upon which UOB has agreed to underwrite the placing of 23,800,000 placing shares ("Placing Shares") held by Charm Hero to independent parties which are third parties independent of the Company and connected persons at HK$4.29 per Placing Share, upon which completion of the placing would take place on or before 13 July 2007. On 29 June 2007, a subscription agreement was also entered into between the Company and Charm Hero, upon which Charm Hero conditionally agreed to subscribe for 23,800,000 new subscription shares ("Subscription Shares") from the Company again at HK$4.29 per Subscription Share;

(d) an agreement dated 19 December 2007 entered into by, inter alia, Spring Castle, an indirectly wholly-owned subsidiary of the Company and All Field Investments Limited ("All Field"), a wholly-owned subsidiary of New World Strategic Investment Limited, wherein Spring Castle agreed to sell to All Field the 1,500 redeemable cumulative convertible preferred shares ("Preferred Shares") with par value of US$1.00 each in the capital of Well Metro, a then indirectly non wholly-owned subsidiary of the Company. The Preferred Shares, which were sold at the consideration of HK$90,859,500.00, represented 16.67% of Well Metro's then existing issued share capital;

(e) a conditional sourcing agreement dated 14 November 2008 made between HGM, a wholly-owned subsidiary of the Company, and Sergio Tacchini International S.p.A., a company incorporated in Italy and directly wholly-owned by Ngok Yan Yu, the chairman, executive director and substantial shareholder of the Company, pursuant to which Sergio Tacchini International S.p.A. was re-appointed HGM's exclusive sourcing supplier for all sourcing of sport apparel, leisure wear and related accessories bearing the trademarks of "S.T." and/or "Sergio Tacchini" that will be manufactured in Asia for the period from 1 January 2009 to 31 December 2011. This sourcing agreement became unconditional on 30 December 2008 as it has on that same day received the Company's independent shareholders' approval;

(f) a conditional agreement dated 3 December 2008 entered into by, inter alia, Spring Castle, an indirectly wholly-owned subsidiary of the Company and Primewill Investments Limited ("Primewill"), an associate of New World Development Company Limited, which in turn beneficially owns the total issued share capital of All Field, a substantial shareholder of Well Metro. Pursuant to this agreement, Spring Castle will sell to Primewill 7,500 common shares with a par value of US$1.00 each in the capital of Well Metro (representing 83.33% of Well Metro's then existing issued share capital) to Primewill at the consideration of HK$100,000,000.00; and

(g) The Underwriting Agreement.

14. GENERAL

There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

In the event of inconsistency, the English text of this Prospectus shall prevail over the Chinese text.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company at 36th Floor, No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong from the date of this Prospectus up to and including 28 February 2009:

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

(b) the service contracts referred to in the section headed "Directors' service contracts" in this appendix.

(c) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(d) the annual reports of the Group for the two years ended 31 December 2006 and 2007;

(e) the company's circular in relation to the disposal of shares in a subsidiary dated 10 January 2008;

(f) the company's circular in relation to the continuing connected transaction dated 5 December 2008;

(g) the report on the unaudited pro forma financial information of the Group from Dominic K.Y. Chan & Co., the text of which is set out on pages 93 to 96 of this Prospectus; and

(h) the consent letter from Dominic K.Y. Chan & Co. referred to in the paragraph headed "Expert" in this Appendix.