PORTS
1961

寶姿時裝有限公司*
(股票代碼：0589)
二零零八年度報告

* 僅供識別

PORTS DESIGN LIMITED ANNUAL REPORT 2008 寶姿時裝有限公司* 二零零八年度報告

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PORTS DESIGN LIMITED
(Stock code: 0589)
ANNUAL REPORT 2008

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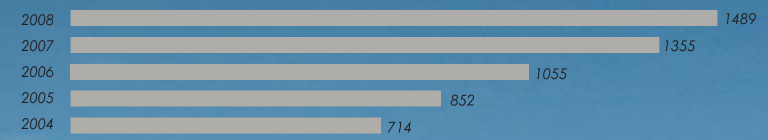
FINANCIAL HIGHLIGHTS

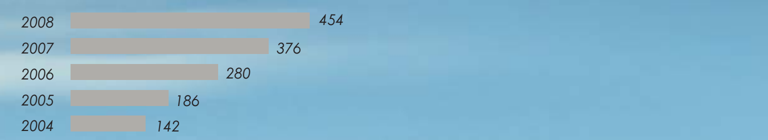
Five-Year Statistics
(Financial figures are expressed in Renminbi ("RMB") million)

	For the year ended 31 December				
	2008	*2007*	*2006*	*2005*	*2004* ***(Restated)***
Results					
Turnover	1,489	1,355	1,055	852	714
Profit from operations	454	376	280	186	142
Profit attributable to shareholders	422	397	254	165	133
Assets and liabilities					
Non-current assets	206	175	172	154	104
Current assets	1,684	1,186	968	758	718
Current liabilities	778	432	226	152	146
Net current assets	906	754	742	606	572
Total assets less current liabilities	1,112	929	914	760	677
Non-current liabilities	-	-	-	-	-
Shareholders' Equity	1,112	929	914	760	677

Turnover
(RMB millions)



Profit from Operations
(RMB millions)



Profit Attributable to Shareholders
(RMB millions)

Dividend History*
(RMB millions)

** an interim dividend of RMB0.21 per share, totaling RMB117.8 million was paid to shareholders during FY2008. The remaining profit for FY2008 was retained by the group.*

HIGHLIGHTS FROM 2008

PORTS DESIGN LIMITED ("Ports" or the "Company") continued the trend of strong top and bottom line growth throughout 2008. Turnover increased 9.8% from RMB1.36 billion in the year ended 31 December 2007 ("FY2007") to RMB1.49 billion in the year ended 31 December 2008 ("FY2008").

PROFIT ATTRIBUTABLE TO SHAREHOLDERS for the Company increased from RMB396.9 million in FY2007 to RMB421.7 million in FY2008, representing an increase of 6.3%. The Company's net profit margin declined marginally, from 29.3% in FY2007 to 28.3% in FY2008.

RETAIL SEGMENT growth continued to outpace the Company's export-driven OEM and "Other" segments in FY2008, allowing the higher-margin Retail segment to contribute a greater portion to the Company's total turnover and net profit. Turnover from the Retail segment increased 19.8%, from RMB1.08 billion in FY2007 to RMB1.29 billion in FY2008. Retail segment gross profit margin increased from 82.1% in FY2007 to 83.7% in FY2008. As a result of this strong growth, the Retail segment accounted for 86.9% of the Company's total turnover in FY2008 compared to 79.8% contribution in FY2007.

FINANCIAL STRENGTH of the Group continued throughout 2008, and the Group continues to generate strong cash inflow from operating activities. The Company remains in a net cash position with debt of RMB507.1 million and had cash, cash equivalents and time deposits with banks of RMB943.6 million at 31 December 2008 compared to RMB526.2 million at the same time last year.

CHAIRMAN'S STATEMENT

The performance by Ports and its subsidiaries (hereinafter referred as "the Group") amid a challenging economic environment in 2008 caused by the global financial crisis is a testament to the quality and resilience of our core retail business, with annual turnover for the Group reaching RMB1.49 billion for FY2008. The strong financial performance in FY2008 was driven mainly by the operating results of the retail segment, which consists of Ports and BMW Lifestyle retail stores operating in Hong Kong, Macau and the PRC.

We are also very pleased that the continued dedication of our staff has contributed to Ports maintaining its position as a leading high-end fashion brand in China. The 2008 'ME Generation' survey, published by Self Magazine in December 2008 and conducted by AC Nielsen, placed Ports as in one of the top five international luxury brands desired by young Chinese consumers in the following two categories: "Luxury Brands Currently Owned" and "Most Wanted Luxury Brands". The result of this latest survey reflects the continuing strength of Ports in the minds of PRC consumers – and is directly attributable to our products' quality, design, brand and market positioning.

The Retail segment continued to build on its profitable trend of strong turnover and same-store sales growth throughout FY2008. Total retail turnover increased 19.8%, from RMB1.08 billion in FY2007 to RMB1.29 billion in FY2008. The retail segment continues to benefit from the strength of its brands (Ports, BMW Lifestyle and Armani Collezioni), allowing the Company to implement growth in average retail selling price for both Ports and BMW Lifestyle and consequently continuous improvement in the gross profit margin of our retail business. This is achieved through a combination of the effectiveness of its retail branding strategy and improved customer satisfaction.

The second half of 2008 was a challenging period, with the economic slowdown intensifying during the last quarter amidst a global financial crisis. Our solid retail sales performance for the second half is an affirmation to the strength of the brands we own in China, as well as our distribution network strategy.

In September 2008, Ports hosted its Ports 1961 Beloved of the Sky - Canada Spring 2009 runway show during Fashion Week in New York City. The New York Fashion Week held bi-annually in Byrant Park is covered by every major fashion publication in the world and is closely watched by fashion insiders. The Ports runway shows, often attended by other top rated industry insiders, including Ms. Anna Wintour, Editor-in-Chief of American Vogue enjoyed great successes and received strong coverage from global fashion publications including ELLE, Harpers Bazaar, WWD, and Style.com, the online portal of VOGUE magazine.

In line with the corporate strategy to move the brands more upmarket, the Group continued to open new stores to strengthen our distribution platform, solidifying our position as one of the leading high-end retailers in the PRC. Throughout the year, the Group adapted to the challenging operating environment, whilst it maintained an efficient retail distribution platform, albeit at a measured and controlled pace.

2008 had been a successful year during which the Group embarked on its long term strategy to develop a multi-brand portfolio, which the Management believes will leverage on the Group's existing distribution platform and deliver strategic synergies to the Group. New brands such as Armani and Vivienne Tam were added to our portfolio.

Following the conclusion of the non-exclusive distribution agreement with Giorgio Armani S.p.A in March 2008 to distribute Armani Collezioni, Emporio Armani and Armani Jeans products in the PRC, careful execution of the expansion plan for the Armani retail points of sales by our Group were put into place, leading to the opening of the first Armani Collezioni retail concept store in October in Xiamen. Feedback on the store has been encouraging.

In June 2008, the Group entered into a Joint-Venture ("JV") deal with the Vivienne Tam group, where the Group owns 58%. The JV will distribute and market the Vivienne Tam brand within the PRC market. The intellectual property rights that are in relation to and essential to the operation of the Vivienne Tam's business in the PRC (excluding Hong Kong, and Macau) were transferred to the JV. In line with the Group's strategy to explore opportunity for acquisitions that meet its strategic initiatives, the management believes this deal combined with our manufacturing, marketing and distribution capabilities will provide further operating leverage to our existing platform. The management believes the investment in this JV will result in significant benefits to both parties.

However, the financial crisis sparked by the sub prime lending in the developed economies served to weaken the global capital markets and the banking industry. The repercussions from the global financial crisis have also impacted the PRC economy. During the month of October, the whole retail industry in China experienced a sharp slowdown, due to the global financial crisis. The same factor also affected our Group.

During the last two months of FY2008, the Group managed to recover some sales momentum from the low point experienced in October. In November and December 2008, the Group started to see recovery and again started to record retail sales growth, which was encouraging. This retail sales performance is sustained by our carefully selected distribution network, which tends to favour in-land retail locations, over costal areas that have strong exposure to the export industries. These areas had seen severe decline in retail sales because of the collapse of U.S. and European export markets.

The Group achieved a strong gross profit margin of 83.7% for the retail segment in FY2008, an improvement from 82.1% in FY2007 and recent efforts to upgrade brand positioning has demonstrated tangible results in terms of higher average unit selling price and improved returns.

The recession of the developed economies had a negative impact on the Company's export-driven OEM and Other segments. The OEM segment turnover decreased by 38.3% from RMB177.0 million in FY2007 to RMB109.2 million in FY2008. The Other turnover decreased by 12.7% from RMB97.5 million in FY2007 to RMB85.1 million in FY2008.

The increases in turnover experienced by the Company's higher-margin Retail segment, paired with the contraction of the lower-margin export-driven segments, resulted in high gross profit margin of 76.7% for FY2008 (FY2007: 71.5%). Profit before tax also improved by 21.6% to RMB463.7 million in FY2008 (FY2007: RMB381.3 million). However, a higher effective tax rate, because of the new taxation law introduced by the PRC government in 2008, resulted in a slight decline in the Group's net profit margin after tax to 28.3% in FY2008 (FY2007: 29.3%). Profit attributable to shareholders increased 6.3% to RMB421.7 million in FY2008 (FY2007: RMB396.9 million). Earnings per share (EPS) increased from RMB0.72 in FY2007 to RMB0.75 in FY2008.

The Directors believe that the Group continues to be in a strong financial position to take advantage of future business opportunities. As at 31 December 2008, the Group had approximately RMB943.6 million in cash, cash equivalents and time deposits, as compared to RMB526.2 million for FY2007, with bank borrowing of RMB507.1 million in 2008 vs. RMB248.1 million in 2007. The strong financial position enjoyed by the Group will enable the Company to capitalize on new business opportunities that the Directors believe will have long term growth potential in the PRC market.

Looking forward to 2009

Going forward, the Group is committed to building on its solid history of financial performance and high operational standards. The Group's strong balance sheet, cash flow, and healthy cash reserves are leading us towards further investments in retail opportunities in China which will leverage our core business expertise and enhance shareholders return on equity. The Group's aim is to make careful investments in licenses, partnerships, and/or assets which are directly related to our core competence of high-end retailing in the PRC market, and which management believes have significant potential return on investment. The Company is also committed to continue the policy of paying out dividends equal to approximately 60% of the after tax earning of the Group, subject to the Group's ongoing capital needs and the decision of the Board.

The Group will continue to build upon and solidify the leading position of the Ports brand within the PRC market and seek opportunities to expand to other countries in the Asia Pacific region. The increase in traffic at the Ports 1961 showroom in New York City from Asian customers seeking to represent the Ports 1961 line in their respective home countries is providing exciting opportunities for regional expansion. This type of wholesale business allows the Ports brand to expand internationally at a controlled pace and with minimum financial risk exposure to the Group. The Group will seek to strengthen the Ports brand in the PRC market through a number of initiatives including the opening of more flagship stores, the expansion of our talented design team, the upgrading of existing stores to our fifth generation design, and the continuation of advertising and promotional activities (such as the sponsorship of high-profile events).

The Group expects further progress at BMW Lifestyle, which has continued to make excellent performance and the expansion of its store network to benefit from the economies of scale that the Ports business currently enjoys. The BMW Lifestyle license has been renewed and additional products such as eyewear, watches and leather accessories have been added to the license agreement, which will allow the Group to include these higher margin products into its collection. The management team continues to refine the BMW Lifestyle store and merchandise mix to engage the Chinese consumers and to offer them a unique experience in the stores.

Our efforts in the expansion of our brand portfolio continue. With Armani, we expect to continue opening new stores for the various Armani collections. New Vivienne Tam stores will be rolled out in 2009. Management will closely monitor the performance to ensure the brands will be well-positioned for long-term growth. Discussions with Ferrari S.p.A. were successfully concluded in the first quarter of 2009. The Group is granted an exclusive 15-year retail distribution license to operate Ferrari concept-stores in the PRC and HK. Management is confident that this new collaboration will bring new opportunities to the Group. The Group will continue to carefully map out the stores roll out rate and select the appropriate store locations to ensure the growth potential of these brands will be maximised within the markets.

The Group's plans to move its facilities to a new location in Jimei, Xiamen whereby the Company's head-office, sample-making, and manufacturing operations may be consolidated into a single facility are well underway. The Group's new location will be over 110,000 square meters, and it is expected to be ready by the fourth quarter of 2009. The Group expects the move to this new location will greatly enhance the operational efficiency of the Company.

Despite the current turmoil in the global markets which has affected the PRC economy, the Directors believe that the long term potential of the PRC consumer market remains strong, and the Group is prepared for a difficult operating environment. We are maintaining our corporate strategy: growing our brands, moving them upmarket and strengthening our distribution platform. Simultaneously, we remain focused on cost control, cash generation and selective investments in new business development initiatives, in view of the challenges posed by the changing context.

The Group believes that our focus on cash generation, modest debt level and the strength of our balance sheet will help us sail through this difficult period. The Directors remain confident about the future development of the Group's business and the Management is dedicated to continue improving the return to our shareholders.

Edward Han Kiat Tan

Chairman
30 March 2009
Xiamen, China

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Turnover

Turnover increased from RMB1.36 billion in FY2007 to RMB1.49 billion in FY2008, representing an increase of 9.8%. Turnover comprises three different segments: Retail, OEM, and Other. In FY2008, the Retail segment continued to maintain its strong contribution in terms of overall turnover; it grew from 79.8% of the total Group turnover in FY2007, to 86.9% of the total Group turnover in FY2008.

Retail

Retail turnover increased from RMB1.08 billion in FY2007 to RMB1.29 billion in FY2008, representing an increase of 19.8%. The increase was driven by an increase in unit volume sold, sales from new stores, and an increase in the average retail selling price ("ARSP'). In 2008, the management team continued to close older generation and less desirable locations to maintain Ports and BMW Lifestyle positions as an upmarket high-end luxury brands.

The increase in ARSP for both Ports and BMW Lifestyle products demonstrates the strength of the Ports and BMW Lifestyle brands, the desirability of our products, and the effectiveness of the Group's marketing program. The Directors believe that the increase in Retail turnover was also partially attributable to the growth of the domestic consumption market in the PRC, where majority of the Group's retail outlets are located.

As at 31 December 2008, turnover from the Retail segment remained the key contributor to total Group turnover, accounting for 86.9% of the total Group turnover in FY2008, an increase from 79.8% of the total Group turnover in FY2007.

OEM

Turnover from the OEM segment decreased from RMB177.0 million in FY2007 to RMB109.2 million in FY2008, representing a decrease of 38.3%. Turnover from the OEM segment as a percentage of overall Group turnover declined from 13.1% in FY2007 to 7.3% in FY2008. This decline was mainly due to the greater contribution of the retail segment to the overall turnover for the Group, and the decline of export market as the U.S. and the European market entered into severe recession. In contrast, the Retail segment in China continued to experience growth vs. the OEM and Other segments. The Directors anticipate that the contribution of OEM turnover to the Group's total turnover will continue to decline in 2009.

Other

Other turnover decreased by approximately 12.7%, from RMB97.5 million in FY2007 to RMB85.1 million in FY2008. Other turnover comprises of BMW Lifestyle apparel exports to BMW AG in Germany, and wholesales exports of Ports branded apparel. The Directors anticipate that the contribution of Other turnover to the Group's total turnover will continue to decline in 2009.

Cost of Sales

Cost of sales decreased from RMB386.7 million in FY2007 to RMB346.6 million in FY2008, representing a decrease of 10.4%. This decrease is primarily contributed by the higher percentage increase in the total turnover and volume of sales, reflective of the higher ARSP of the Retail segment, which also resulted in increased benefits of economies of scale and other operational improvements.

Gross Profit

Gross profit increased from RMB968.6 million in FY2007 to RMB1.14 billion in FY2008, representing an increase of 17.9%. Gross profit margin also increased from 71.5% in FY2007 to 76.7% in FY2008. The improvement in gross profit margin was driven predominantly by the increasing contribution of gross profit generated by the higher margin Retail segment.

Other revenue

Other revenue decreased by approximately 10.5%, from RMB15.6 million in FY2007 to RMB14.0 million in FY2008.

Other net income

Other net income increased from RMB0 million in FY2007 to RMB12.0 million in FY2008. The increase was primarily due to the gain on the sale of property, plant and equipment. The gain from the sale of property, plant and equipment, and land use rights were RMB11.0 million and RMB1.0 million respectively, which resulted in total gain of RMB12.0 million in FY2008.

Operating Expenses

Operating expenses increased from RMB608.7 million in FY2007 to RMB714.3 million in FY2008, representing an increase of 17.4%. Operating expenses have generally increased in accordance with the growth of the business. Expenses consist of distribution expenses, administrative expenses and other operating expenses.

Distribution Expenses

Distribution expenses increased from RMB516.6 million in FY2007 to RMB618.9 million in FY2008, representing an increase of 19.8% (FY2007: 29.9%). The increase was principally due to increases in sales commissions, rental payments, advertising and promotional costs and depreciation charges. Depreciation charges increased from RMB30.8 million in FY2007 to RMB38.1 million in FY2008, representing an increase of 23.4%, as a result of increased investments in manufacturing, distribution facilities and retail outlets. Rental charges increased from RMB266.9 million in FY2007 to RMB327.5 million in FY2008, representing an increase of 22.7%. The rental as a percentage of sales had little increase in FY2008.

Administrative expenses

Administrative expenses increased from RMB44.7 million in FY2007 to RMB47.9 million in FY2008, representing an increase of 7.1% (FY2007: 33.8%). This increase was principally due to increases in business taxes, insurance expenses, and official sundries. Salaries and benefits decreased from RMB27.8 million in FY2007 to RMB 24.8 million in FY2008, representing a decrease of 10.8%. The decrease was mainly due to the impact from the reduction on the amortization expense related to our Share Option Scheme. In FY2008, salaries and benefits for administrative staff represented 1.9% of total retail turnover as compared to 2.6% in FY2007.

Other operating expenses

Other operating expenses remained relatively stable and increased from RMB47.4 million in FY2007 to RMB47.5 million in FY2008.

Profit from operations

As a result of the increase in turnover, and the economies of scale derived from the growth of the Group's operations, the Group's profit from operations increased from RMB375.6 million in FY2007 to RMB453.8 million in FY2008, representing an increase of 20.8%. The Group's operating margin (i.e. profit from operations expressed as a percentage of turnover), increased from 27.7% in FY2007 to 30.5% in FY2008.

Income tax expense

The Group's effective income tax rate increased from -4.1% of profit before tax in FY2007 to 9.1% of profit before tax in FY2008. The increase in income tax expense was mainly due to the impact from the income tax refund received by the Group in FY2007. The income tax refund decreased from RMB47.4 million in FY2007 to RMB0 million in FY2008. In line with the implementation of the new tax law in the PRC, the Group's effective tax rate will continue to increase by approximately 2-3% per year in the next four years.

Profit attributable to shareholders

As a result of the factors discussed above, the Group's profit attributable to shareholders increased from RMB396.9 million in FY2007 to RMB421.7 million in FY2008, representing an increase of 6.3%. The Group's net profit margin declined marginally from 29.3% in FY2007 to 28.3% in FY2008 due to the higher effective tax rate.

Financial Position & Liquidity

The Group continues to enjoy a strong financial position, with significant cash reserves being generated from normal business operations. As at 31 December 2008, the Group had approximately RMB943.6 million in cash, cash equivalents and time deposits, as compared to RMB526.2 million as at 31 December 2007, representing an increase of 79.3%. The Group also had access to significant bank loans and overdraft facilities and as at 31 December 2008, the Group had interest-bearing borrowings of RMB507.1 million. Cash inflow from operating activities increased from RMB307.9 million in FY2007 to RMB444.2 million in FY2008, representing an increase of 44.3%.

Acquisitions & Disposal of subsidiaries and associate companies

On 27 June 2008, the Group entered into an agreement with Chinanow Associates Limited ("CNOW"), MIC Design Limited and Pacific Pilot Holdings Limited for the establishment of a joint venture company in which the Group holds 58% and CNOW holds 42%. The joint venture company is responsible for the design, creation, production, distribution, marketing and/or sale of the products under the Vivienne Tam brand name in the PRC (excluding Hong Kong and Macau).
Save as mentioned above, the Group has made no acquisitions or disposal of subsidiaries and associated companies during the reporting period.

Currency Risk Management

The Group's cash balances from normal business operations are mainly deposited in Renminbi ("RMB"), United States dollars ("US$"), Hong Kong dollars ("HK$") and the European Union common currency ("Euro"), with major banks in Hong Kong and the PRC. The Group considers its risk exposure to currency fluctuations to be minimal.

Capital Commitments & Contingent Liabilities

As at 31 December 2008, the Group had capital commitments of RMB263.5 million (compared to RMB68.4 million as at 31 December 2007), of which RMB263.5 million was authorized but not contracted for (compared to RMB66.5 million as at 31 December 2007), and RMB0 million was authorized and already contracted for (compared to RMB1.9 million as at 31 December 2007). These capital commitments were mainly attributable to the construction of the new manufacturing facility. As at 31 December 2008, the Company had contingent liabilities of RMB388.9 million.

Capital Structure of the Group

The Group requires working capital to support its manufacturing, retail, OEM and other operations. As at 31 December 2007, cash, cash equivalents and time deposits held by the Group increased to approximately RMB526.2 million, denominated principally in RMB, US$, HK$ and Euros. As at 31 December 2008, the Group had cash, cash equivalents and time deposits of approximately RMB943.6 million, denominated principally in RMB, US$, HK$ and Euros. The Directors believe that the cash balances and net cash inflow from operating activities are sufficient to support the operating activities of the Group.

Major Customers & Suppliers

During FY2008, the Group purchased approximately 15% and 25% of its goods and services from its largest supplier and its five largest suppliers, respectively. The percentages of turnover attributable to the Group's largest customer and its five largest customers combined were roughly 4% and 13%, respectively. None of the Directors, their associates or shareholders (which to the best knowledge of the Directors own more than 5% of the Group's share capital) were interested at any time in the year in the above suppliers or customers.

Charges on Assets

As at 31 December 2008, the Group had not charged any of its assets.

Human Resources

As at 31 December 2008, the Group had approximately 5,260 employees. Total personnel expenses, comprised of wages, salaries, and benefits, amounted to RMB233.8 million in FY2008, compared with RMB199.2 million in FY2007, representing an increase of 17.4%.

The Group is committed to fostering a safe and comfortable workplace and a corporate culture that emphasizes training and career development opportunities and rewards employees for performance. A competitive remuneration scheme, a safe and comfortable work environment, and a merit-based advancement program provide incentives for employees to excel in their respective areas of responsibility. The multicultural environment that exists at the Group also provides a unique opportunity for employees from all over the world to perform and excel in their respective disciplines, while enabling them to exchange knowledge concerning best practices from their own respective cultures. In addition, share options were granted to eligible employees and Directors pursuant to the terms and conditions of the Share Option Scheme adopted by the Group on 14 October 2003. In FY2006, 16,000,000 additional shares were granted to eligible employees and Directors under the terms and conditions of the Share Option Scheme.

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

During the twelve months ended 31 December 2008, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, any of the Company's listed securities.

CORPORATE GOVERNANCE

The Group is committed to maintaining the highest levels of ethical behavior from all its employees. The foundation of the Group's corporate governance rests on three basic principles: zero tolerance, internal accountability and independent supervision, which are monitored by Valarie Fong, an independent non-executive director who acts as the Corporate Governance Officer for the Company. The Corporate Governance Officer meets with senior management as required to monitor corporate governance as well as to develop new processes and systems to ensure compliance and the Group's adherence with the highest standards of corporate governance practice.

Zero Tolerance: The Group maintains a zero-tolerance policy on any and all infringements of its corporate code of conduct.

Internal Accountability: The Group has developed extensive internal controls and accounting systems, which have been designed to provide reasonable assurance that the Group's assets will be protected from unauthorized use or transfer and that transactions will be executed in consistence with management authorizations. Qualified and trained employees are located in all divisions within the Group to maintain and monitor corporate governance compliance.

Independent Supervision: The independent non-executive Directors, each of whom possesses appropriate industry and financial experience, closely monitor the Company's audit procedures.

The Board and senior management

The Board is responsible for protecting and maximizing long-term shareholder value. As of 31 December 2008, the Company had seven Directors on its Board, including the Chairman and two other executive Directors. Of the remaining four non-executive Directors, three are independent. Details of the Directors and senior management set out on pages 32 to 33 of this report.

The Chairman and the Chief Executive Officer of the Company are brothers. Mr. Edward Tan is the Chairman of the Company, and Mr. Alfred Chan is the Chief Executive Officer of the Company. The role of Chairman is clearly segregated from that of the Chief Executive Officer.

The Chairman is responsible for managing and providing leadership to the Board. He ensures that the Company establishes sound corporate governance practices and procedures and encourages the Directors to make full and active contributions to the affairs of the Board. The Chairman is also responsible for approving the agenda for each Board meeting taking into account, where appropriate, any matters proposed by other Directors for inclusion in the agenda. With support of the executive directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive complete and reliable information in a timely manner.

The Chief Executive Officer is directly responsible for the day-to-day management of the business of the Company and maintaining the operational performance of the Company. With the assistance of the senior management team, he ensures that the funding requirements of the business are met, closely monitors the operating and financial results against plans and budgets, takes remedial actions when necessary and advises the Board of any significant developments and issues. The Chief Executive Officer also reviews and presents to the Board the annual business plans and operation budgets for the Board's consideration and approval.

The Board includes independent non-executive Directors who constructively challenge proposals on strategy and bring strong and independent judgment, knowledge and experience to the Board's deliberations. The independent Directors are of sufficient caliber that their views carry significant weight in the Board's decision making process. The Directors are given access to independent professional advice at the Group's expense, when the Directors deem it necessary to carry out their responsibilities.

The Board considers all its non-executive Directors to be independent in character and judgment. No non-executive Director:

- Has been an employee of the Group within the last five years;
- Has, or has had within the last three years, a material business relationship with the Group;
- Receives remuneration other than a Director's fee;
- Has close family ties with any of the Group's advisors, Directors or senior employees;
- Holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- Represents a significant shareholder; or
- Has served on the board for more than nine years.

The Board meets regularly and no less than two times a year. During the course of FY2008, the Board held two board meetings. All Directors understand their duty to represent the interests of shareholders and each Director has attended meetings as regularly as possible. When a Director is unable to attend a meeting, the Chairman and/or the Chief Executive Officer briefs him/her fully on the content and results of the Board meeting. Pursuant to the bye-laws of the Company, all Directors shall retire by rotation in the forthcoming annual general meeting and all, being eligible, offer themselves for re-election.

Directors Responsibility

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but be distinguished from, the Report of the Auditors on page 36 which states the reporting responsibilities of the Group's auditors.

Annual Report and Accounts

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

Accounting Policies

The Directors consider that in preparing the financial statements the Group has used appropriate accounting policies that are consistently applied, and that all applicable accounting standards have been followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Directors' Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. All Directors confirmed that they have complied with the Model Code and the Securities Trading Policy in their securities transactions throughout the year.

Remuneration of Directors

In FY2008, the remuneration of Directors and senior management was determined by the Board with reference to the performance and profitability of the Group as well as remuneration benchmarks from other companies in the high-end retail industry and the prevailing market conditions. Details of the remuneration and emoluments awarded can be found on pages 58 to 59.

A Remuneration Committee which comprises three Board members has been formed. The Committee is chaired by the Chief Executive Officer, Mr. Alfred Kai Tai Chan. The other two members are Ms. Lara Magno Lai and Mr. Rodney Ray Cone, both independent non-executive Directors. The Remuneration Committee is charged with the responsibility of assisting the Board in achieving its objective of attracting, retaining and motivating people of the highest caliber and experience needed to develop and implement the Group's strategy. The Committee is also responsible for the development and administration of fair and transparent procedures for setting policies on the remuneration of Directors and senior management of the Company and for determining their remuneration packages. Executive Directors, however, do not participate in the determination of their own remuneration.

Nomination of Directors

New directors are appointed to the Board by the existing Board of Directors. Vacant seats are discussed at Board level and appropriate candidates are considered based on prior experience and qualifications. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

Auditors' remuneration

The amount of fees charged by the Company's auditors in respect of their audit and non-audit services is disclosed in the notes to the financial statements of the Company. The Audit Committee is responsible for approving the remuneration and terms of engagement of the external auditors and for making recommendations to the Board regarding any non-audit services to be provided to the Company by the external auditors. In FY2008, the fees paid to the Company's auditors were primarily for audit services as no significant non-audit service assignments have been undertaken by them.

Audit Committee

The Audit Committee consists of Mr. Rodney Ray Cone, Ms. Valarie Wei Lynn Fong and Ms. Lara Magno Lai, all of whom are independent non-executive Directors of the Company. The Audit Committee is chaired by Mr. Rodney Ray Cone. All committee members possess appropriate business and financial experience. The Audit Committee is authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

The Audit Committee is responsible for monitoring the integrity of financial statements of the Company. In addition to the review of financial information of the Company, the Committee's other primary duties are monitoring the relationship with the Company's external auditors and overseeing the Company's financial reporting system, internal control and risk management procedures. With respect to the Group's results for FY2008, the Audit Committee has reviewed with senior management and the external auditors their respective audit findings, the accounting principles and practices adopted by the Group and the internal control, risk management and financial reporting matters.

Internal controls and risk management

The Board of Directors has overall responsibility for establishing and maintaining the Group's internal control systems and approval procedures. Together with the internal audit team, and senior management of the Group, the Audit committee reviews and monitors such internal control and approval procedures with a view to ensuring their effectiveness. The Company also maintains a system of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company is recorded, processed, summarized and reported within the required time periods and accumulated and communicated to the Company's management to allow timely decisions regarding disclosure.

Internal Control Environment

The Board has overall responsibility for monitoring the Group's operations. Executive Directors are appointed to the boards of all material operating subsidiaries and work closely with the senior management of the Group, monitoring their performance to ensure that strategic objectives and business performance targets are met.

Senior management of each of the operations within the Group prepares a business plan and budget annually which is subject to review and approval by the Executive Directors. When setting budgets and forecasts, senior management identifies, evaluates and reports on the likelihood and potential financial impact of any significant business risks. Budgets are prepared on an annual basis and forecasts are prepared on a quarterly basis.

The financial controller has established guidelines and procedures for the approval and control of expenditures. Both operating and capital expenditures are subject to overall budget control. Operating expenditures are further controlled by approval levels for such expenditures, which were set by reference to the level of responsibilities of the relevant executives and officers. Capital expenditures (including material expenditures within the approved budget, and also unbudgeted expenditures) are subject to specific approval prior to commitment.

The Group's internal audit function provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan. The plan is reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit also follows up on all findings to ensure that identified issues are satisfactorily resolved. Internal audit is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Chief Executive Officer, the financial controller and relevant senior management.

Review of Internal Controls

The Directors confirm that they have reviewed the effectiveness of the system of internal controls of the Company and its subsidiaries and that they consider that such system is reasonably effective and adequate although they cannot provide absolute assurance that all material risks are appropriately identified, evaluated and managed. The review covered all material controls including financial, operational and compliance controls and the risk management function. Whilst the various procedures described above are designed to identify and manage risks that could potentially adversely affect the Group's ability to meet its business objectives and to properly record and report financial information, they do not provide absolute assurance against material misstatement or loss.

Model Code for Securities Transactions by Directors

As noted above, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). The Directors have complied with the Model Code and the interests of Directors' notified to the Company in accordance with the Model Code are set out on page 24.

Code on Corporate Governance Practices

In the opinion of the Directors, the Company was in compliance with the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout FY2008.

Board Meetings

The number of full Board and Committee meetings attended by each Director during the FY2008 is as follows:

	Scheduled Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings
Alfred Kai Tai Chan, Executive Director	2/2	0/0	2/2
Edward Han Kiat Tan, Executive Director	2/2	n/a	n/a
Pierre Frank Bourque, Executive Director	2/2	n/a	n/a
Julie Ann Enfield, Non-executive Director	2/2	n/a	n/a
Rodney Ray Cone, Independent non-executive Director	2/2	0/0	2/2
Valarie Wei Lynn Fong, Independent non-executive Director	2/2	n/a	2/2
Lara Magno Lai, Independent non-executive Director	1/2	0/0	1/2

REPORT OF THE DIRECTORS

The Directors submit their annual report together with the audited financial results of PORTS DESIGN LIMITED ("Ports" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2008.

Principal Activities

The Group is a vertically integrated, international fashion and luxury goods company with its own design, manufacturing, marketing, distribution and retail capabilities. The Group is primarily engaged in the design, manufacture and retail distribution of ladies' and men's fashion garments and the sale of accessories such as shoes, handbags, scarves and fragrances in the PRC and Hong Kong, under the brand names Ports International, Ports 1961, BMW Lifestyle, Vivienne Tam, and Armani Collezioni.

Major Customers & Suppliers

An overview of the Group's major customers and suppliers is set out on page 13.

Financial Results & Appropriations

The results of the Group for FY2008 are set out in the consolidated profit and loss account on page 37.

An interim dividend of RMB0.21 per share, amounting to RMB117.8 million in total, was paid to shareholders during FY2008.

The Board will carry out a review of the Group's business strategy, the macro-economic environment, the Group's medium-term capital requirements and financial position and determine if a special dividend is appropriate, and that the Company, upon payment of this special dividend, will remain solvent and able to meet all of its obligations as they become due.

Transfer to Reserves

The Group transferred approximately RMB48.1 million from its profit attributable to shareholders before dividends to its reserves in FY2008, compared with RMB13.6 million in FY2007. Details of transfers to reserves are outlined on pages 68 to 70.

Group Financial Summary

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 2.

Share Capital

Details of the movements in share capital of the Company are set out on page 67.

Fixed Assets

During FY2008, the Group acquired fixed assets of approximately RMB80.4 million, compared with RMB54.9 million during FY2007. Details of the fixed asset acquisitions are outlined on page 62.

Directors

The Directors of Ports during the year were:

Executive Directors

Mr. Edward Han Kiat Tan
Mr. Alfred Kai Tai Chan
Mr. Pierre Frank Bourque

Non-Executive Directors

Ms. Julie Ann Enfield

Independent Non-Executive Directors

Mr. Rodney Ray Cone
Ms. Valarie Fong Wei Lynn
Ms. Lara Magno Lai

Pursuant to bye-law 99 of the bye-laws of the Company, Edward Han Kiat Tan, Alfred Kai Tai Chan, Pierre Frank Bourque, Julie Ann Enfield, Rodney Ray Cone, Valarie Wei Lynn Fong and Lara Magno Lai shall retire by rotation in the forthcoming annual general meeting and all, being eligible, offer themselves for re-election.

The Company has received from each of its independent non-executive Directors an annual confirmation of his or her independence and accordingly, the Company considers all its independent non-executive Directors to be independent.

A brief biography of each Director and each member of senior management of the Company can be found on pages 32 to 33.

Directors' Service Contracts

None of the Directors who were proposed for re-election at the forthcoming annual general meeting has a service contract with the Group that is not determinable within one year without payment of compensation other than statutory compensation.

Directors' and Chief Executives Officer's Interests

As at 31 December 2008, the interests or short positions of each Director or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Shares of the Company of HK$0.0025 each ("Shares")

	Personal Interest	Corporate Interest [3]	Total interest [3]	Percentage of total issued Shares
Mr. Edward Han Kiat Tan (Note 1)	0	223,600,000 (L)	223,600,000 (L)	39.86% (L)
		27,394,000 (S)	27,394,000 (S)	4.88% (S)
Mr. Alfred Kai Tai Chan (Note 1)	0	223,600,000 (L)	223,600,000 (L)	39.86% (L)
		27,394,000 (S)	27,394,000 (S)	4.88% (S)
Mr. Pierre Frank Bourque	80,000 (L) [2]	0	80,000 (L)	0.01% (L)
Ms. Julie Ann Enfield	0	0	0	0
Mr. Rodney Ray Cone	60,000 (L) [2]	0	60,000	0.01% (L)
Ms. Valarie Wei Lynn Fong	60,000 (L) [2]	0	60,000	0.01% (L)
Ms. Lara Magno Lai	0	0	0	0

Notes:

1. *A long position of 600,000 Shares are owned by Ports International Enterprises Limited ("PIEL"), the issued share capital of which is owned as to 50% by Mr. Tan and Mr. Chan respectively. PIEL also holds a short position of 27,394,000 Shares. 223,000,000 Shares are owned by CFS International Inc., a direct subsidiary of PIEL. Mr. Tan and Mr. Chan are deemed to be interested in 39.86% of the issued share capital of the Company by virtue of their respective interests in PIEL pursuant to Part XV of the SFO.*

2. *These interests represent interests in options granted by the Company under its Share Option Scheme.*

3. *(L) - Long Position, (S) - Short Position.*

(ii) Short Positions in the Shares

	Number of outstanding share options	Percentage of issued share capital
Mr. Pierre Frank Bourque	80,000	0.01%
Mr. Rodney Ray Cone	60,000	0.01%
Ms. Valarie Wei Lynn Fong	60,000	0.01%

As at 31 December 2008, other than the holdings disclosed above, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company adopted a Share Option Scheme (the "Scheme") pursuant to the resolutions of the shareholders of the Company passed on 14 October 2003:

1. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

2. The participants of the Scheme are (i) any employee of the Company, any of its subsidiaries or any entity in which any member of the Group holds an equity interest ("Invested Entity"), including any executive director of the Company (but excluding Mr. Chan, Kai Tai Alfred and Mr. Tan, Han Kiat Edward and each of their respective associates, any of its subsidiaries or any Invested Entity; (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to any member of the Group or any Invested Entity.

3. As at 30 March 2009, the maximum number of Shares available for issue under the Scheme was 24,324,000 representing approximately 4.3% of the issued share capital of the Company.

4. Unless otherwise approved by shareholders in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time.

5. An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during a period to be notified by the Directors to each grantee. The period for exercise may commence on the date upon which the offer for grant of options is made ("Offer Date") but shall expire on the day immediately preceding the tenth anniversary of the Offer Date.

6. An option may be accepted by a participant within 28 days from the Offer Date of grant of the option.

7. The subscription price for shares under the Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Directors, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the Offer Date; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

8. The Scheme shall be valid and effective for a period of 10 years commencing on 3 November 2003 for the initial share option grant and 1 September 2006 for the subsequent share option grant, respectively.

Details of the share options outstanding as at 31 December 2008 under the Scheme were as follows:

First Share option granted on 3 November 2003

	Options held at 1/1/2008	Options granted during the period	Options exercised during the period[2]	Options lapsed during the period	Exercise Price per option (HK$)[1]	Options held at 12/31/2008	Grant Date	Exercisable from	Exercisable until
Mr. Edward Han Kiat Tan	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Alfred Kai Tai Chan	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Pierre Frank Bourque	80,000	0	80,000	0	2.625	0	Nov-3-2003	Nov-3-2003	Nov-2-2013
Ms. Julie Ann Enfield	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Rodney Ray Cone	60,000	0	0	0	2.625	60,000	Nov-3-2003	Nov-3-2003	Nov-2-2013
Ms. Valarie Wei Lynn Fong	60,000	0	0	0	2.625	60,000	Nov-3-2003	Nov-3-2003	Nov-2-2013
Ms. Lara Magno Lai	0	0	0	0	N/A	0	N/A	N/A	N/A
Continuous contract employees	2,235,222	0	291,304	0	2.625	1,943,918	Nov-3-2003	Nov-3-2003	Nov-2-2013

Second Share option granted on 1 September 2006

	Options held at 1/1/2008	Options granted during the period	Options exercised during the period[2]	Options lapsed during the period	Exercise Price per option (HK$)[1]	Options held at 12/31/2008	Grant Date	Exercisable from	Exercisable until
Mr. Edward Han Kiat Tan	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Alfred Kai Tai Chan	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Pierre Frank Bourque	80,000	0	0	0	11.68	80,000	Sep-1-2006	Sep-1-2006	Aug-31-2016
Ms. Julie Ann Enfield	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Rodney Ray Cone	0	0	0	0	N/A	0	N/A	N/A	N/A
Ms. Valarie Wei Lynn Fong	0	0	0	0	N/A	0	N/A	N/A	N/A
Ms. Lara Magno Lai	0	0	0	0	N/A	0	N/A	N/A	N/A
Continuous contract employees	11,571,212	0	1,834,960	52,324	11.68	9,683,928	Sep-1-2006	Sep-1-2006	Aug-31-2016

Notes:

1) *The exercise price for each Share granted in November 2003 was originally fixed at HK$10.50, but was adjusted to HK$2.625 following the 4 for 1 share split in November 2004.*

2) *The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$25.*

On and subject to the terms of the Share Option Scheme (terms and conditions contained in this letter shall prevail in case of any inconsistencies), the options shall only be exercisable in respect of such part thereof that has been vested in accordance with the following manner:

Fraction of the Shares covered under the option	Vesting date
1/3	First anniversary of the offer date
1/3	Second anniversary of the offer date
1/3	Third anniversary of the offer date

The Board of Directors may in its absolute discretion relax or accelerate all or any of the above vesting periods in such manner as it may deem fit.

Substantial Shareholders

The Company has been notified that, as at 31 December 2008, persons (other than directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Names of shareholders	*Capacity*	*Number of Shares*	*Total number of Shares held*	*Percentage of issued share capital*
(a) Substantial shareholders				
CFS International Inc.[1]	Beneficial Owner	223, 000,000	223,000,000	39.76%
Ports International Enterprises Limited[1]	Beneficial Owner	600,000	600,000	0.10%
	Interest of Controlled Corporation	223,600,000(L)	223,600,000(L)	39.86%(L)
	Beneficial Owner	27,394,000(S)	27,394,000(S)	4.88%(S)
(b) Other persons				
JP Morgan Chase & Co	Investment Manager	51,455,248	51,455,248	9.17%
FMR LLC	Investment Manager	33,400,100	33,400,100	5.95%
Wasatch Advisors, Inc.	Investment Manager	28,329,685	28,329,685	5.05%

Notes:

1. *PIEL is deemed to be interested in the 223,600,000 Shares held by CFS by virtue of PIEL's interest in CFS. Please also see Note 1 on page 24.*

Save as disclosed above, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares of the Company as at 31 December 2008 as recorded in the register required to be kept under section 336 of the SFO.

Directors' Interest in Contracts of Significance

There were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, during FY2008.

Purchase, Sale or Redemption of Group's Listed Securities

During FY2008, the Company did not redeem, and neither the Company nor any of its subsidiaries purchased or sold, any of the Company's listed securities.

Pre-emptive Rights

There is no provision regarding pre-emptive rights under the bye-laws of the Company and the laws of Bermuda.

Properties

Details of the major properties and property interests of the Group are outlined on page 62.

Retirement Scheme

The Group participates in the pension plan benefit scheme mandated by the PRC government for its employees based in the PRC, and the Mandatory Provident Plan mandated by the Hong Kong Government for its employees in Hong Kong.

Continuing Connected Transactions

The Group has sold ladies and men's fashion garments and accessories and other merchandise or products branded with the PORTS INTERNATIONAL and PORTS 1961 brands ("PORTS Products") to Ports International Retail Corporation ("PIRC"), a wholly-owned subsidiary of CFS International Inc., which resells them in Europe and North America. These transactions constitute "continuing connected transactions" for the purpose of the Listing Rules. The Group supplies PORTS products to PIRC on a contract basis, with each contract specifying the quantity to be sold, the price and the date of delivery ("the Sales Transactions"). Pursuant to Rule 14A.35 of the Listing Rules, the Company and PIRC on 1 November 2006 entered into an agreement for the supply of PORTS Products to PIRC and its affiliated companies ("the Master Agreement"). The Master Agreement commenced on 1 November 2006 and ended on 31 December 2008.

The Directors originally estimated that the aggregate annual value of sales under the Master Agreement would not exceed RMB18,067,404, RMB19,589,697 and RMB20,441,423 for each of the three financial years ending 31 December 2008. In view of the sales under the Master Agreement for the full year 2006 being marginally higher than previously forecasted, the Company has revised the annual caps for the two financial years ending 2007 and 2008 to RMB26,000,000 each. The revision to the annual caps was announced on 26 April 2007. During FY2008, the total value of the Sales Transactions and other items was RMB17,018,000 and does not exceed the revised annual cap.

The parties to the Master Agreement intend that the arrangement be renewed and the relevant documentation is being prepared. The relevant continuing connected transaction disclosure requirement under the Listing Rules will be complied with in due course.

In addition, pursuant to Rule 14A.35 of the Listing Rules, the Group has entered into an agreement with PCD Stores (Group) Limited ("PCD") on 5 December 2007, an indirect wholly owned subsidiary of PIEL, pursuant to the terms of which PCD will procure members of the PCD group to enter into concessionaire agreements with members of the Group ("Master Concessionaire Agreement"). Members of the PCD group will provide certain designated counters within their respective department stores located in the PRC to the Group for the sale of clothing, accessories, and apparel, and in consideration of which the Group will pay a rental fee to the respective members of the PCD group. These transactions constitute "continuing connected transactions" for the purpose of the Listing Rules. The Master Concessionaire Agreement commenced on 5 December 2007 and ends on 30 June 2010.

It was expected that the rental fees to be paid by our Group to the PCD group pursuant to the Master Concessionaire Agreement for the remainder of the financial year ending 31 December 2007 and each of the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 will not exceed RMB 2.0 million, RMB19.0 million, RMB24.0 million, respectively and for six months ending 30 June 2010 when the term of the Master Concessionaire Agreement ends, the rental fee for that period should not exceed RMB16 million. During FY2008, the total rent paid by the Group to the PCD group was RMB17.7 million and falls within the annual cap.

The independent non-executive Directors of the Company have reviewed the two continuing connected transactions made during FY2008 and have confirmed that:

(a) the continuing connected transactions had been entered into in the ordinary and usual course of business of the Group;

(b) the continuing connected transactions had been entered into either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties;

(c) the continuing connected transactions had been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of the transactions between the Group and any related parties can be found on pages 60 to 61.

Pledging of shares by controlling shareholders

The controlling shareholder of the Company has not pledged any of its interests in shares of the Group to any third-party.

Corporate Governance

The Group's principal corporate governance practices are outlined on pages 15 to 19.

Use of Proceeds

There has been no change to the proposed application of proceeds raised from the IPO on 31 October 2003.

Auditors

A resolution for the re-appointment of KPMG as auditors of the Group is to be proposed at the upcoming annual general meeting.

Statement of Sufficiency of Public Interest

As at 30 March 2009, based on the information publicly available to the Company and within the knowledge of the Directors, 60.1% of the Shares were publicly held.

On Behalf of the Board
Edward Han Kiat Tan
Chairman

30 March 2009
Xiamen, China

CORPORATE SOCIAL RESPONSIBILITY

The Group continues to make good progress in developing and implementing its Corporate Social Responsibility (CSR) strategy. This is an ongoing process which will continue to evolve over time. This report highlights some of our actions and achievements during FY2008.

Community Initiatives

- We supported Red Cross China branch and local charities by making corporate clothing donations.
- In addition to clothing donations, we made cash donations to the Sichuan earthquake victims.
- In order to support Make-A-Wish Foundation in Hong Kong, a special tee-shirt and scarf collection was launched to raise funds in June 2007. Proceeds from the sale of those items (after deduction of costs) were donated to the Foundation.
- We were named a Caring Company in 2008 under a scheme run by The Hong Kong Council of Social Service, and this serves as a recognition of our efforts being a good corporate social citizen.

Supply Chain

- We consistently informed our suppliers that strict adherence to the principles outlined in the UN Global Compact were expected and required. Our efforts will continue in 2009, focusing in particular, to ensure our suppliers' compliance thereto.

Health and Safety

- We established a medical office in our manufacturing facility, providing first aid service. Training in this area was delivered to our staff, ensuring they are equipped with the ability to respond in case of a situation.
- In order to increase our staff awareness on fire prevention, we delivered training and conducted fire drills for our staff. Procedures in this area were adopted and deployed.

Working Environment

- We hosted and sponsored various corporate sporting events for our employees, promoting the importance of a healthy work-life balance. In 2009, we will continue exploration of different venues to promote and support such balance.
- Principles of equal opportunities and non-discrimination are continued to be emphaisized by management during regular meetings, and the same are upheld and respected within the Group.

The Environment

- On an ongoing and regular basis, we conducted checks to identify possible energy saving opportunities. Preparatory steps on a smaller scale had been taken, and we do expect our efforts will scale up going forward.
- We reviewed our packaging reuse, waste paper and fabric recycling procedures. Improvement recommendations are currently being reviewed and if appropriate, we expect improvement actions to be implemented in 2009.

SENIOR MANAGEMENT & DIRECTORS

Executive Directors

Tan, Han Kiat Edward, aged 66, is the Chairman of the Company and a founder of the Group. Mr. Tan has more than 35 years experience in the textile, garment and trading business. Mr. Tan is responsible for setting the general direction of the Group. Mr. Tan has extensive experience in carrying out business in both Canada and the PRC. Mr. Tan has been an executive director of CFS since 1989. Mr. Tan is the elder brother of Mr. Chan. Mr. Tan is also the Chairman and an executive director of both PIEL and CFS.

Chan, Kai Tai Alfred, aged 61, is the Chief Executive Officer and Managing Director of the Company, and a founder of the Group. Mr. Chan is the younger brother of Mr. Tan. Mr. Chan has over 20 years experience in the garment and fashion industry in North America and Asia. He was nominated as one of the 200 top Chief Executive Officers in Canada by the Financial Post of Canada in 1992. He is responsible for the overall management and operations of the Group. Mr. Chan graduated from McGill University in Canada with a Bachelor of Science degree in Physics in 1970 and a Masters degree in Electrical Engineering in 1972. Mr. Chan has been an executive director of CFS since 1989. Mr. Chan is also the CEO and an executive director of both PIEL and CFS.

Bourque, Pierre Frank, aged 61, is the Executive Vice President of the Company. Mr. Bourque has over 20 years experience in the garment and fashion industry with knowledge of inventory management, inventory quality control, marketing, merchandising and sales. Mr. Bourque joined the Ports International Canadian operations in 1997 and was the vice president of CFS in the same year. Mr. Bourque joined the Group in August 2002.

Non-Executive Directors

All non-executive directors of the Company are appointed for a term not longer than one year. Pursuant to the bye-laws of the Company, all Directors shall retire by rotation in the forthcoming, and each, annual general meeting and all, being eligible, will offer themselves for re-election.

Enfield, Julie Ann, aged 52, is a full time writer and also part time lecturer at Ryerson University in Toronto. Ms. Enfield was employed by CFS International Inc. ("CFS") in its public relations department from August 2002 to July 2005. She also holds certain share options which may convert into 10,000 shares in CFS. CFS currently has approximately over 36 million shares in issue. Ms. Enfield holds a degree in Journalism from Ryerson University in Toronto, Canada. Ms. Enfield joined the Group in September 2005.

Independent Non-Executive Directors

Cone, Rodney Ray, aged 48, is an independent non-executive Director and a member and the chairman of the audit committee of the Company. Mr. Cone graduated from the Wharton School, the University of Pennsylvania with a Master of Business Administration degree in 1993. Mr. Cone was a general manager of Healthcare Asia (Taiwan) Ltd. from 1993 to 1996. Mr. Cone is currently an independent businessman operating in Hong Kong, Taiwan and the PRC. Mr. Cone joined the Group in October 2002.

Fong, Wei Lynn Valarie, aged 35, is an independent non-executive Director and a member of the audit committee of the Company. Ms. Fong graduated from Australian National University in 1995 with a Bachelor of Commerce degree. Ms. Fong was an accountant with Ernst & Young, Hong Kong from 1996 to 1998. Ms. Fong is a member of the Australian Society of Certified Public Accountants. Ms. Fong is currently an art dealer at Contrasts Gallery, Hong Kong where she is responsible for purchases of art pieces for private clients, organising exhibitions and events, coordinating public relations and marketing events and preparing production schedules and budgets. Ms. Fong joined the Group in August 2002.

Lai, Lara Magno, aged 38, is the vice president of education for Sky Media Pte. Ltd. Ms. Lai graduated from the University of London's Institute of Education with a Master's Degree in Media Studies. Ms Lai was part of the pioneering team that created the SKYTUTOR e-learning program in 1995, and was instrumental in securing Sky Media's position as the only e-education content provider for the pilot Singapore ONE national broadband infrastructure project. Her exemplary work in the field of e-education has helped Sky Media Pte. Ltd. to secure numerous awards and grants under the National Innovation and Development Scheme. Ms. Lai joined the group in March 2004.

Senior Management

Wong, Fung Mei Irene, aged 56, is the company secretary of the Company. Miss Wong is an associate member of the Institute of Chartered Secretaries and Administrators, fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Hong Kong Institute of Certified Public Accountants. She is also a practicing Certified Public Accountant in Hong Kong and has been practicing for over 20 years. Miss Wong joined the Company in September 2003.

He, Kun, aged 38, is the financial controller of the Group. He is responsible for budget control and financial reporting. He completed a professional accounting degree in 1992, and a Master of Business Administration in 2004, at Xiamen University in The PRC. He joined the Group in 1992.

Cibani, Fiona and Tia, aged 43 and 36 respectively, are the creative directors of the Company. They are responsible for the overall artistic direction of the Group, and direct a team of designers and assistant designers in the creation of the Group's products, which include clothing and accessories. The Cibani sisters joined the Group in 1989.

Guan, Yang, aged 34, is the vice president of Retail for the Group. Ms. Guan is responsible for training the Group's retail staff in the areas of product knowledge and visual display, and enhancing the level of service in Ports and BMW Lifestyle retail outlets. She graduated from Ryerson University, Canada in 1998, with a B.A in Fashion Design. Ms. Guan first joined the Group in 2002.

Zheng Kai Mei, aged 39, is the manager of the information technology department. He is responsible for the day-to-day operations of the Group's information and technology services. Mr. Zheng graduated from Dalian Maritime University, China in 1990. Mr. Zheng joined the Group in 1993.

Chen, Xi Fan, aged 39, is the manager of merchandising. Ms. Chen is responsible for the ordering of merchandise for the Group, as well as the development of the BMW Lifestyle export business to BMW dealers worldwide. Ms. Chen graduated from Fuzhou University, China in 1991, with a Bachelor of Arts degree. Ms. Chen joined the Group in 1992.

Chen, Michelle, aged 40, is the marketing director of the Group. Ms. Chen is responsible for the advertising and marketing activities of the Group's Ports retail business. She graduated from Xiamen University, China in 1991 majoring in International Journalism and a Master of Business Administration in 2005, at Paris ESSEC Business School Luxury Brand Management Program. Ms. Chen first joined the Group in 1997 and left in 2004, she rejoined the Group in 2006.

PORTS DESIGN LIMITED

(Stock Code: 589)

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

(Prepared under International Financial Reporting Standards)

REPORT OF THE AUDITORS

KPMG

Independent auditors' report to the shareholders of Ports Design Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Ports Design Limited (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 78, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 March 2009

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2008
(Expressed in thousands of Renminbi Yuan, except share and per share data)

	Note	2008 RMB'000	2007 RMB'000
Turnover	3,4	1,488,615	1,355,314
Cost of sales		(346,581)	(386,677)
Gross profit		1,142,034	968,637
Other revenue	5	13,976	15,617
Other net income	5	12,037	-
Distribution costs		(618,936)	(516,553)
Administrative expenses		(47,863)	(44,679)
Other operating expenses	6	(47,498)	(47,428)
Profit from operations		453,750	375,594
Net finance income	8(i)	9,955	5,727
Profit before taxation	8	463,705	381,321
Income tax	9(a)	(42,023)	15,545
Profit for the year		421,682	396,866
Attributable to:			
Equity shareholders of the Company	10,28(a)	421,685	396,866
Minority interests	28(a)	(3)	-
Profit for the year	28(a)	421,682	396,866
Dividends payable to equity shareholders of the Company attributable to the year:	11(a)		
-Interim dividend declared during the year		117,796	89,135
-Special interim dividend declared during the year		-	279,327
-Final dividend proposed after the balance sheet date		-	150,857
		117,796	519,319
Earnings per share (RMB)			
-Basic	12	0.75	0.72
-Diluted	12	0.75	0.70

The notes on pages 43 to 78 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
at 31 December 2008
(Expressed in thousands of Renminbi Yuan, except share and per share data)

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Lease prepayments	16	3,772	6,554
Property, plant and equipment	17	166,863	163,577
Intangible assets	18	21,065	-
Deferred tax assets	19	14,589	5,067
		206,289	175,198
Current assets			
Inventories	20	425,593	349,233
Trade and other receivables, deposits and prepayments	21(a)	314,643	310,698
Fixed deposits with banks	22	636,039	230,000
Cash and cash equivalents	23(a)	307,606	296,174
		1,683,881	1,186,105
Current liabilities			
Trade payables, other payables and accruals	24(a)	231,089	182,904
Interest-bearing borrowings	26	507,093	248,146
Current taxation	9(c)	40,053	1,215
		778,235	432,265
Net current assets		905,646	753,840
Total assets less current liabilities		1,111,935	929,038
Equity attributable to equity shareholders of the Company			
Share capital	27	1,486	1,481
Reserves	28(a)	1,110,449	927,557
		1,111,935	929,038
Minority interests in equity		-	-
Total equity		1,111,935	929,038

Approved and authorised for issue by the board of directors on 30 March 2009.

Alfred Kai Tai Chan
Chief Executive Officer

Pierre Frank Bourque
Executive Vice President

The notes on pages 43 to 78 form part of these financial statements.

BALANCE SHEET
at 31 December 2008
(Expressed in thousands of Renminbi Yuan, except share and per share data)

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Investments in subsidiaries	31	197,620	185,804
		197,620	185,804
Current assets			
Trade and other receivables, deposits and prepayments	21(b)	722,115	630,986
Cash and cash equivalents	23(b)	2,624	28,573
		724,739	659,559
Current liabilities			
Trade payables, other payables and accruals	24(b)	126,010	201,166
Interest-bearing borrowings	26	132,285	65,548
		258,295	266,714
Net current assets		466,444	392,845
Total assets less current liabilities		664,064	578,649
Capital and reserves			
Share capital	27	1,486	1,481
Reserves	28(b)	662,578	577,168
Total equity		664,064	578,649

Approved and authorised for issue by the board of directors on 30 March 2009.

Alfred Kai Tai Chan
Chief Executive Officer

Pierre Frank Bourque
Executive Vice President

The notes on pages 43 to 78 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2008
(Expressed in thousands of Renminbi Yuan, except share and per share data)

	Note	2008 RMB'000	2007 RMB'000
Net cash generated from operating activities	(a)	444,172	307,905
Cash flow from investing activities			
Interest received		11,003	14,370
Acquisition of property, plant and equipment		(75,964)	(50,640)
Acquisition of intangible assets		(7,012)	-
Proceeds from disposal of property, plant and equipment		39,995	277
Proceeds from disposal of land use rights		3,640	-
Increase in fixed deposits with banks		(406,039)	(129,700)
Net cash used in investing activities		(434,377)	(165,693)
Cash flow from financing activities			
Interest expense paid		(8,743)	(6,871)
Proceeds from interest-bearing borrowings		295,333	454,154
Repayment of interest-bearing borrowings		(36,386)	(206,008)
Dividends paid to equity shareholders of the Company		(268,767)	(462,580)
Proceeds from shares issued under share option		20,197	62,913
Capital contribution from a minority shareholder		3	-
Net cash generated from/(used in) financing activities		1,637	(158,392)
Net increase/(decrease) in cash and cash equivalents		11,432	(16,180)
Cash and cash equivalents at 1 January		296,174	312,354
Cash and cash equivalents at 31 December		307,606	296,174

The notes on pages 43 to 78 form part of these financial statements.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2008
(Expressed in thousands of Renminbi Yuan, except share and per share data)

(a) Reconciliation of profit before taxation to cash generated from operating activities

	2008 RMB'000	2007 RMB'000
Profit before taxation	463,705	381,321
Adjustments for:		
Depreciation of property, plant and equipment	48,162	45,155
Amortisation of lease prepayments	173	173
(Gain)/losses on disposal of property, plant and equipment	(11,006)	304
Gain on disposal of land use rights	(1,031)	-
Equity-settled share-based payment expenses	9,782	18,077
Interest expense	12,026	6,871
Interest income	(16,538)	(17,500)
Operating profit before changes in working capital	505,273	434,401
Increase in inventories	(76,360)	(19,073)
Decrease/(increase) in accounts receivables	12,358	(1,714)
Increase in amounts due from related companies	(33,359)	(39,837)
Decrease/(increase) in advances to suppliers	64	(3,937)
Decrease/(increase) in other receivables, deposits and prepayments	19,247	(37,324)
Increase/(decrease) in bills payables and accounts payables	15,266	(37,686)
Increase in other creditors and accruals	14,390	7,532
Cash generated from operations	456,879	302,362
Tax refund from the PRC government	-	47,435
Income tax paid	(12,707)	(41,892)
Net cash generated from operating activities	444,172	307,905

The notes on pages 43 to 78 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2008
(Expressed in thousands of Renminbi Yuan, except share and per share data)

	Share capital (Note 27) RMB'000	Capital reserve - staff shares options issued (undis-tributable) (Note 28a) RMB'000	Capital reserve (Note 28a) RMB'000	Share premium (Note 28a) RMB'000	General reserve fund (Note 28a) RMB'000	Enterprise expansion fund (Note 28a) RMB'000	Retained earnings (Note 28a) RMB'000	Total RMB'000	Minority interest RMB'000	Total equity RMB'000
Balance at 1 January 2007	1,457	12,560	63,159	333,670	88,147	9,868	404,901	913,762	-	913,762
Dividends to equity holders	-	-	-	-	-	-	(462,580)	(462,580)	-	(462,580)
Shares issued under share option scheme	24	(10,973)	-	73,862	-	-	-	62,913	-	62,913
Equity settled share based transactions	-	18,077	-	-	-	-	-	18,077	-	18,077
Profit for the year	-	-	-	-	-	-	396,866	396,866	-	396,866
Transfer to reserve	-	-	-	-	13,597	-	(13,597)	-	-	-
Balance at 31 December 2007	1,481	19,664	63,159	407,532	101,744	9,868	325,590	929,038	-	929,038
Balance at 1 January 2008	1,481	19,664	63,159	407,532	101,744	9,868	325,590	929,038	-	929,038
Dividends to equity holders	-	-	-	-	-	-	(268,767)	(268,767)	-	(268,767)
Shares issued under share option scheme	5	(4,918)	-	25,110	-	-	-	20,197	-	20,197
Equity settled share-based transactions	-	9,782	-	-	-	-	-	9,782	-	9,782
Capital contribution from minority shareholder	-	-	-	-	-	-	-	-	3	3
Profit/(loss) for the year	-	-	-	-	-	-	421,685	421,685	(3)	421,682
Transfer to reserve	-	-	-	-	48,066	-	(48,066)	-	-	-
Balance at 31 December 2008	1,486	24,528	63,159	432,642	149,810	9,868	430,442	1,111,935	-	1,111,935

The notes on pages 43 to 78 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi Yuan, except share and per share data)

1. Significant accounting policies

Ports Design Limited (the "Company") is a company incorporated in Bermuda with limited liability. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis. These financial statements are presented in Renminbi ("RMB"). Except for share and per share data, all financial information presented in Renminbi has been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Information about judgements made by management in applying accounting policies that have the most significant effect on the amounts recognised in financial statements and significant areas of estimation uncertainty are discussed in note 35.

(c) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)).

(d) Leased assets

(i) Classification of leased assets

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(iii) Operating leases charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss are recognised immediately. If the sale price is below fair value, any profit or loss are recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value are deferred and amortised over the period for which the asset is expected to be used.

(iv) Lease prepayments

Lease prepayments represent prepayment made for land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 1(j)). Amortisation is provided to write off the cost of lease prepayment on a straight-line basis over the respective periods of the rights.

(e) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation (see below) and impairment losses (see note 1(j)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodies within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the income statement as an expense as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings situated on leasehold land	20 years
Plant and machinery	10 years
Fixtures, fittings and other fixed assets	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the items is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Construction in progress is stated at cost less impairment losses (see note 1(j)). Cost comprises direct costs of construction incurred during the period of construction and installation. The construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the Group's policy.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of inventories is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free advances made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(j)).

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(i) Intangible assets

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)).

Amortisation of intangible assets with finite useful lives is charged to the income statement on a straight-line basis over the assets' estimated useful lives.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(j) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following events:

- significant financial difficulty of the debtor;
- a breach of contract; and
- it becoming probable that the debtor will enter bankruptcy.

An impairment loss in respect of a financial asset carried at amortised cost is measured as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate where the effect of discounting is material. All impairment losses are recognized in the income statement.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost, the reversal is recognized in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In addition, for intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses and staff welfare are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement plans

Obligations for contributions to a defined contribution pension plan, including contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Scheme Ordinance, are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) Share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using black-scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits). Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiary in the Company's balance sheet which is eliminated on consolidation.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(n)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

(i) Sales of goods

Revenue is recognised when the customer has accepted the goods and the related risk and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Services rendered

Revenue from services rendered is recognised when the service is rendered.

(p) Finance income and expenses

Finance income comprise interests income from deposits placed with banks, which is recognised in the income statement as it accrues, using the effective interest method, and net foreign exchange gain.

Finance expenses comprise interest payable on borrowings, calculated using the effective interest rate method, bank charges and net foreign exchange losses.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses.

Foreign currency gains and losses are reported on a net basis.

(q) Income tax

Income tax on the income statement for the year comprises current tax and movements in deferred tax. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither

accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividend are recognised at the same time as the liability to pay the related dividend is recognised.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(s) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(t) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(Expressed in thousands of Renminbi Yuan, except share and per share data)

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, tax balances, corporate and financing expenses.

(v) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which include share options granted to employees.

2. Changes in accounting policies

The IASB has issued the following new Interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group and the Company:

- IFRIC 11, *IFRS 2 - Group and treasury share transactions*
- IFRIC 12, *Service concession arrangements*
- IFRIC 14, *IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction*
- Amendment to IAS 39, *Financial instruments: Recognition and measurement, and IFRS 7, Financial instruments: Disclosures - Reclassification of financial assets*

These IFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

3. Turnover

The principal activities of the Group are the manufacturing and sales of garments. Turnover represents income arising from the sales of garments net of value added tax.

4. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises two principal business segments which are retail and original equipment manufacturer ("OEM") respectively.

	2008 RMB'000	2007 RMB'000
Turnover:		
Retail	1,294,340	1,080,857
OEM	109,174	176,957
Unallocated	85,101	97,500
Total	1,488,615	1,355,314

	2008 RMB'000	2007 RMB'000
Segment result:		
Retail	464,606	360,624
OEM	8,440	16,770
Total	473,046	377,394
Unallocated operating income and expenses	(19,296)	(1,800)
Profit from operations	453,750	375,594
Net finance income	9,955	5,727
Income tax	(42,023)	15,545
Profit for the year	421,682	396,866

	2008 RMB'000	2007 RMB'000
Depreciation and amortisation:		
Retail	44,896	42,117
OEM	-	-
Unallocated	3,439	3,211
Total	48,335	45,328
Capital expenditure incurred:		
Retail	74,714	51,030
OEM	-	-
Unallocated	5,723	3,890
Total	80,437	54,920
Segment assets:		
Retail	766,444	613,110
OEM	17,110	29,695
Total	783,554	642,805
Unallocated assets	1,106,616	718,498
Total assets	1,890,170	1,361,303
Segment liabilities:		
Retail	197,051	144,889
OEM	18,640	21,727
Total	215,691	166,616
Unallocated liabilities	562,544	265,649
Total liabilities	778,235	432,265

(Expressed in thousands of Renminbi Yuan, except share and per share data)

Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal geographical areas, the People's Republic of China ("the PRC"), North America and Europe.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	2008 RMB'000	2007 RMB'000
Turnover:		
the PRC	1,294,340	1,080,857
North America	103,238	203,821
Europe	91,037	70,636
Total	1,488,615	1,355,314
Segment assets:		
the PRC	1,856,966	1,313,178
North America	9,495	17,231
Europe	23,709	30,894
Total	1,890,170	1,361,303
Capital expenditure incurred:		
the PRC	80,437	54,920

5. Other revenue and other net income

	2008 RMB'000	2007 RMB'000
a) Other revenue		
Liaison service income	1,466	2,143
Royalty income	4,856	4,647
Design and decoration income	4,024	5,479
Insurance compensation	1,533	1,255
Others	2,097	2,093
	13,976	15,617

	2008 RMB'000	2007 RMB'000
b) Other net income		
Net gain on sale of property, plant and equipment	11,006	-
Net gain on sale of land use rights	1,031	-
	12,037	-

6. Other operating expenses

	2008 RMB'000	2007 RMB'000
Stock provision	45,164	47,428
Others	2,334	-
	47,498	47,428

7. Personnel expenses

	2008 RMB'000	2007 RMB'000
Wages, salaries and staff benefits	218,979	177,110
Contributions to defined contribution retirement plan	5,052	4,049
Equity-settled share-based payment expense	9,782	18,077
	233,813	199,236

The Group participates in a defined contribution plan managed by the local government authorities of Xiamen whereby the Group is required to contribute to the plan. The applicable rates of contribution are either 6% (2007: 6%) of the minimum salary level of employees in Xiamen or 14% (2007: 14%) of the higher of the average salary of employees in Xiamen and the individual basic salary of the Group's employees subject to a cap of monthly income of RMB 2 thousand. The Group has no obligation for the payment of retirement benefits other than the contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution plan as mentioned above. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$ 20 thousand. Contributions to the scheme vest immediately.

(Expressed in thousands of Renminbi Yuan, except share and per share data)

8. Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

	2008 RMB'000	2007 RMB'000
(i) Net finance income		
Interest income from advances to unrelated parties	-	(8,233)
Interest income from bank deposits	(16,538)	(9,267)
Net foreign exchange gain	(6,696)	-
Finance income	(23,234)	(17,500)
Interest expense on bank advances repayable within five years	12,026	6,871
Bank charges	1,253	1,354
Net foreign exchange loss	-	3,548
Finance expenses	13,279	11,773
Net finance income	(9,955)	(5,727)

	2008 RMB'000	2007 RMB'000
(ii) Other items		
Cost of inventories# (note 20)	391,745	434,105
Auditors' remuneration - audit services	2,040	1,926
Depreciation		
- owned fixed assets	47,890	44,883
- leased fixed assets	272	272
Amortisation		
- lease prepayments	173	173
Operating leases charges in respect of properties		
- minimum lease payments	80,782	55,296
- contingent rents	246,717	211,557

#Cost of inventories includes RMB 96,902 thousand (2007: RMB 85,049 thousand) relating to personnel expenses, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 7 for each type of these expenses.

9. Income tax

(a) Income tax expense/ (credit) represents:

	2008 RMB'000	2007 RMB'000
Current year expense	50,644	25,650
Under-provision in respect of prior year	901	-
Income tax refund	-	(47,435)
	51,545	(21,785)
Changes in deferred taxes	(9,522)	6,240
	42,023	(15,545)

(i) Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda. Also, certain subsidiaries located in foreign jurisdictions are not subject to any income tax in their local jurisdictions.

(ii) In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as for the year ended 31 December 2008. No provision for Hong Kong Profits tax has been made during the year ended 31 December 2008 as the subsidiaries did not earn any assessable income for Hong Kong Profits tax purposes.

(iii) The majority of the subsidiaries in the PRC ("PRC subsidiaries") are located within special economic zones in the PRC and are subject to preferential PRC Enterprise income tax of 15% pursuant to the income tax rules and regulations of the PRC concerning foreign investment and foreign enterprises (the "FEIT Law"). In addition, all the PRC subsidiaries are entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, they are eligible for a 50% reduction of the applicable income tax rate for the following three years.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law"). According to the New Tax Law, the new enterprise income tax rate for all companies in the PRC are unified at 25% effective from 1 January 2008 when the FEIT Law was ended. In addition, pursuant to the transitional arrangement under the New Tax Law, the income tax rate applicable to the PRC subsidiaries will only be gradually increased from the existing rate of 15% to the unified rate of 25% over a 5-years transition period. The PRC subsidiaries will also continue to enjoy the tax-exemption or 50% reduction on the applicable income tax rate under the New Tax Law until the expiry of the above-mentioned tax holiday previously granted under the FEIT Law, and thereafter they are subject to the unified rate of 25%.

(iv) Pursuant to the New Tax Law, 10% withholding tax is levied on all foreign investors, except that only 5% is levied for foreign investors which are registered in Hong Kong, in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. As at 31 December 2008, temporary differences relating to the undistributed profits on PRC subsidiaries amounted to RMB 432,596 thousand (31 December 2007: nil). Deferred tax liabilities of RMB 21,630 thousand (31 December 2007: nil) have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed from the foreign investment enterprises established in the PRC to their foreign investors in the foreseeable future.

(b) The following is a reconciliation of income tax expense / (credit) calculated at the Group's PRC applicable tax rate with income tax expense.

	2008 RMB'000	2007 RMB'000
Profit from ordinary activities before taxation	463,705	381,321
Computed tax using the Group's applicable tax rate at 25% (2007: 15%)	115,926	57,198
Rate differential	1,540	(7,039)
Tax holiday enjoyed by certain PRC subsidiaries	(83,869)	(23,742)
Effect of change in tax rate	-	1,762
Tax effect of non-deductible expenses net of non-taxable income	3,815	2,067
Deferred tax asset not recognised	3,710	1,644
Income tax refund	-	(47,435)
Under-provision in prior year	901	-
Actual tax expense/ (credit)	42,023	(15,545)

(Expressed in thousands of Renminbi Yuan, except share and per share data)

(c) Current taxation in the consolidated balance sheet represents:

	2008 RMB'000	2007 RMB'000
Balance at beginning of year	1,215	17,457
Provision for income tax for the year	50,644	25,650
Under-provision in prior year	901	-
Paid during the year	(12,707)	(41,892)
Balance at end of year	40,053	1,215

10. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB 4,203 thousand (2007: loss of RMB 5,503 thousand) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2008 RMB'000	2007 RMB'000
Amount of consolidated profit/(loss) attributable to equity shareholders dealt with in the Company's financial statements	4,203	(5,503)
Final dividends from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	320,000	499,000
Company's profit for the year (Note 28 (b))	324,203	493,497

11. Dividends

(a) Dividends payable to the equity shareholders of the Company attributable to the year

	2008 RMB'000	2007 RMB'000
Interim dividend approved and paid of RMB 0.21 (2007: RMB 0.16) per share	117,796	89,135
Special interim dividend approved and paid of RMB nil (2007: RMB 0.5) per share	-	279,327
Final dividend proposed after the balance sheet date of RMB nil (2007: RMB 0.27) per share	-	150,857
	117,796	519,319

Pursuant to a board resolution dated 26 August 2008, the Company approved the payment of an interim dividend of RMB 0.21 per share. A difference of RMB 35 thousand between the interim dividend proposed in the interim report for the six months ended 30 June 2008 and the amount eventually paid represents the additional dividends distributed to the holders of shares which were issued upon the exercise of share options during the period from the date the interim report was authorised for issue and the closing date of the register of members based on which interim dividends were actually paid.

(b) Dividends payable to the equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2008 RMB'000	2007 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB 0.27 (2007: RMB 0.17) per share	150,971	94,118

In respect of the final dividend approved and paid for the year ended 31 December 2007, a difference of RMB 114 thousand between the final dividend proposed in the 2007 annual report and the amount eventually approved and paid during the year represents the additional dividend distributed to the holders of shares which were issued upon the exercise of share options during the period from the date the 2007 annual report was authorised for issue and the closing date of the register of members based on which the final dividends for the year ended 31 December 2007 were actually paid.

12. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB 421,685 thousand (2007: RMB 396,866 thousand) and the weighted average of 560,273,478 (2007: 554,484,741) ordinary shares in issue during the year.

(i) Weighted average number of ordinary shares

	2008 Number of shares	2007 Number of shares
Issued ordinary shares at 1 January	558,728,124	548,844,296
Effect of share options exercised (note 29)	1,545,354	5,640,445
Weighted average number of ordinary shares at 31 December	560,273,478	554,484,741

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company of RMB 421,685 thousand (2007: RMB 396,866 thousand) and the weighted average number of 565,678,013 (2007: 567,813,096) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's share option scheme.

(c) Weighted average number of ordinary shares (diluted)

	2008 Number of shares	2007 Number of shares
Weighted average number of ordinary shares at 31 December	560,273,478	554,484,741
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 29)	5,404,535	13,328,355
Weighted average number of ordinary shares (diluted) at 31 December	565,678,013	567,813,096

(Expressed in thousands of Renminbi Yuan, except share and per share data)

13. Directors' remuneration

Director's remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Director's fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Share-based payments RMB'000	Total 2008 RMB'000
Executive Directors					
Mr. Edward Han Kiat Tan	-	833	-	-	833
Mr. Alfred Kai Tai Chan	-	833	-	-	833
Mr. Pierre Frank Bourque	-	722	-	49	771
Non-Executive directors					
Ms. Julie Ann Enfield	-	-	-	-	-
Mr. Rodney Ray Cone *	-	-	-	-	-
Ms. Valarie Fong Wei Lynn *	-	-	-	-	-
Ms. Lara Magno Lai *	-	-	-	-	-
	-	2,388	-	49	2,437

	Director's fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Share-based payments RMB'000	Total 2007 RMB'000
Executive Directors					
Mr. Edward Han Kiat Tan	-	228	-	-	228
Mr. Alfred Kai Tai Chan	-	228	-	-	228
Mr. Pierre Frank Bourque	-	799	-	90	889
Non-Executive directors					
Ms. Julie Ann Enfield	-	-	-	-	-
Mr. Rodney Ray Cone *	-	-	-	-	-
Ms. Valarie Fong Wei Lynn *	-	-	-	-	-
Ms. Lara Magno Lai *	-	-	-	-	-
	-	1,255	-	90	1,345

* independent non-executive directors

(a) The above emoluments include the value of share options granted to certain directors under the Company's share option scheme as estimated at the date of grant. The details of these benefits in kind are disclosed under the paragraph "Share Option Scheme" section in the Report of the Directors and note 29.

(b) No bonuses were paid or payable as at 31 December 2008 and 2007 by the Group to the directors which were discretionary or based on the Group's or any member of the Group's performance.

(c) Save as disclosed above, no directors' remuneration has been paid or is payable by the Group for the year ended 31 December 2008.

14. Individuals with highest emoluments

Of the five individuals with the highest emoluments, none of them (2007: one) is a director whose remuneration is disclosed in note 13. The aggregate of the emoluments in respect of the five (2007: four) individuals are as follows:

	2008 RMB'000	*2007 RMB'000*
Basic salaries, allowances and other benefits	5,375	2,296
Discretionary bonuses	-	-
Share-based payments	1,113	1,828
Contributions to retirement benefit scheme	-	-
	6,488	4,124

The emoluments of the five (2007: four) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	*2007 Number of individuals*
RMB Nil – RMB 1,000,000	2	2
RMB 1,000,001 – RMB 1,500,000	1	1
RMB 1,500,001 – RMB 2,000,000	2	1
	5	4

During the relevant period, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 2008 and 2007.

Name of party	Relationship
Ports International Enterprises Limited	Ultimate parent company
CFS International Inc.	Immediate parent company
Ports International Retail Corporation	Fellow subsidiary company
Ports International Group Limited(formerly known as PIHK Limited)	Fellow subsidiary company
Ports 1961 (New York) Incorporated	Fellow subsidiary company
PCD Stores (Group) Limited and its subsidiaries	Fellow subsidiary company

The Group also has a related party relationship with its directors and senior officers.

Particulars of significant transactions between the Group and the above related parties for the years ended 31 December 2008 and 2007 are as follows:

(a) Transactions with parent companies and fellow subsidiaries

	2008	*2007*
	RMB'000	*RMB'000*
Sales of goods to:		
Ports International Retail Corporation	17,018	22,352
Interest-free advances to:		
Ports International Enterprises Limited	48,447	18,363
Ports International Retail Corporation	20,609	-
Repayment of interest-free advances from:		
Ports International Enterprises Limited	64,506	-
Ports International Retail Corporation	20,609	-
Expenditure paid on behalf of the Group by:		
Ports International Group Limited	7,722	539
Ports International Retail Corporation	8,360	5,114
CFS International Inc.	1,038	-
Expenses re-imbursement made by the Group to:		
Ports International Group Limited	7,722	539
Ports International Retail Corporation	8,360	5,114
CFS International Inc.	1,038	-
Rental fee charged by:		
PCD Stores (Group) Limited and its subsidiaries (i)	17,716	12,857

(i) The Group leased a number of concession counters located within the shopping arcades in the PRC owned by certain subsidiaries of PCD Stores (Group) Limited. The Group's sales made in these concession counters totalling RMB 111,410 thousand in 2008 (2007: RMB 66,351 thousand) were collected by these shopping arcades first and settlement between the Group and the shopping arcades in respect of these concession sales was made net of the lease rental payable to the shopping arcades.

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(Expressed in thousands of Renminbi Yuan, except share and per share data)

(b) Transactions with key management personnel

	2008	*2007*
	RMB'000	*RMB'000*
Short-term employee benefits	2,388	1,255
Equity compensation benefits	49	90
	2,437	1,345

Total remuneration is included in "personnel expenses" (see note 7).

(c) Contribution to defined contribution retirement plans

Details of post-employment benefit plan for the Group's employees are disclosed in note 7.

At 31 December 2008 and 31 December 2007, there was no material outstanding contribution to post-employment benefit plans.

16. Lease prepayments

	The Group	
	2008	2007
	RMB'000	RMB'000
Cost		
Balance at beginning of year	7,865	7,865
Addition	-	-
Disposals	(3,104)	-
Balance at end of year	4,761	7,865
Accumulated amortisation		
Balance at beginning of year	(1,311)	(1,138)
Amortisation charge for the year	(173)	(173)
Disposals	495	-
Balance at end of year	(989)	(1,311)
Net book value		
At end of year	3,772	6,554

The lease prepayments of the Group represented rentals prepaid in obtaining land use rights in the PRC for periods between 20 to 50 years.

In December 2008, the Group entered into a sales and lease back arrangement with an independent third party in respect of certain plant and buildings together with the land on which those plant and buildings were located, details of which are set out in note 17.

(Expressed in thousands of Renminbi Yuan, except share and per share data)

17. Property, plant and equipment

The Group

	Buildings RMB'000	Plant and machinery RMB'000	Fixtures, fitting and other fixed assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost					
Balance at 1 January 2007	86,567	28,204	127,014	1,308	243,093
Acquisitions	3,612	3,926	39,781	7,601	54,920
Transfer from construction in progress	1,943	-	5,516	(7,459)	-
Disposals	-	(627)	(5,840)	-	(6,467)
Balance at 31 December 2007	92,122	31,503	166,471	1,450	291,546
Balance at 1 January 2008	92,122	31,503	166,471	1,450	291,546
Acquisitions	-	3,003	58,740	18,694	80,437
Transfer from construction in progress	-	-	7,915	(7,915)	-
Disposals	(36,114)	(2,238)	(9,150)	-	(47,502)
Balance at 31 December 2008	56,008	32,268	223,976	12,229	324,481
Depreciation					
Balance at 1 January 2007	9,945	10,383	68,373	-	88,701
Depreciation charge for year	5,506	2,443	37,206	-	45,155
Disposals	-	(565)	(5,322)	-	(5,887)
Balance at 31 December 2007	15,451	12,261	100,257	-	127,969
Balance at 1 January 2008	15,451	12,261	100,257	-	127,969
Depreciation charge for year	5,482	2,445	40,235	-	48,162
Disposals	(7,786)	(1,919)	(8,808)	-	(18,513)
Balance at 31 December 2008	13,147	12,787	131,684	-	157,618
Net book value					
At 31 December 2008	42,861	19,481	92,292	12,229	166,863
At 31 December 2007	76,671	19,242	66,214	1,450	163,577

All of the buildings owned by the Group are located in the PRC on land under medium term leases.

As at 31 December 2008, the net book value of a building held under a finance lease arrangement of the Group amounted to RMB 2,872 thousand (2007: RMB 3,144 thousand).

In December 2008, the Group entered into a sales agreement ("the Sales Agreement") with a third party company owned by the local government in the PRC ("the Buyer") to dispose of certain plant and buildings together with the land on which those plant and buildings are located ("Relevant Assets") in the PRC with carrying amounts of approximately RMB31 million in total at a consideration of approximately RMB43 million, resulting in a gain on disposal of RMB12 million. The Group's management determined that the fair value of the Relevant Assets, as assessed by an independent third party valuer appointed by the Group, approximates their selling price as agreed with the Buyer at the date of disposal. Pursuant to the Sales Agreement, the Buyer also agrees to provide the Relevant Assets for use by the Group free of rental charge for a period not more than 6 months after the Group has completed its new manufacturing facilities in the PRC. The Group expects that the new manufacturing facilities in the PRC will be completed by the end of 2009.

18. Intangible assets

The Group

	Trademark RMB'000	*Exclusive license right RMB'000*	*Total RMB'000*
Cost:			
Balance at 1 January 2007	6,451	-	6,451
Addition	-	-	-
Balance at 31 December 2007	6,451	-	6,451
Balance at 1 January 2008	6,451	-	6,451
Addition	-	21,065	21,065
Balance at 31 December 2008	6,451	21,065	27,516
Accumulated amortisation:			
Balance at 1 January 2007	(6,451)	-	(6,451)
Charge for the year	-	-	-
Balance at 31 December 2007	(6,451)	-	(6,451)
Balance at 1 January 2008	(6,451)	-	(6,451)
Charge for the year	-	-	-
Balance at 31 December 2008	(6,451)	-	(6,451)
Net book value:			
At 31 December 2008	-	21,065	21,065
At 31 December 2007	-	-	-

During the year, the Group and Chinanow Associates Limited ("CNOW"), an independent third party, entered into an agreement ("the Agreement") to establish Ever Fit Assets Management Limited ("EFAM") to engage in the business relating to the Vivienne Tam brand within the PRC market. The Group and CNOW respectively hold 58% and 42% equity interests of EFAM. In connection with the establishment of EFAM, CNOW agrees to transfer to EFAM the ownership of, or prior to the completion of the legal registration process for the ownership transfer, agrees to grant to EFAM a sole and exclusive license to use and exploit, the intellectual property rights subsisting in Vivienne Tam brand for certain product categories in the PRC ("Intellectual Property Rights") at a consideration of approximately RMB 21,065 thousand. Pursuant to the Agreement, CNOW is granted a right to offer buying back from EFAM the Intellectual Property Rights (the "Offer") at a price determined by CNOW ("the Exit Price") if EFAM cannot achieve an initial public offering of its shares by 31 December 2014 or at a later date as agreed between the Group and CNOW, and the Group is given the right to choose, upon receiving the Offer from CNOW, either to sell the Intellectual Property Rights back to CNOW or purchase the equity interests of EFAM owned by CNOW at the Exit Price. If the Group selects selling the Intellectual Property Rights back to CNOW at the Exit Price, CNOW is obliged to transfer its entire equity interests over EFAM to the Group at a nominal value of USD 1 simultaneously. It was also agreed that the Exit Price shall not exceed the net profits of EFAM in the latest year prior to making the Offer multiplied by the then price earnings ratio of the Company. As at 31 December 2008, the legal registration for the ownership transfer of the Intellectual Property Rights was still in progress.

The exclusive license to use the Intellectual Property Rights is recognised as an intangible asset at the acquisition cost of RMB 21,065 thousand. Having considered the expected usage of the Intellectual Property Rights and the legal right to own and use the Intellectual Property Rights as conferred by the Agreement, the Group determined that the exclusive license right has an indefinite useful life. Accordingly, the cost of the exclusive license is not amortised but is reviewed for impairment annually. Based on the impairment assessment performed by the Group's management, no provision for impairment loss on the exclusive license is required as at 31 December 2008.

19. Deferred tax assets

Recognised deferred tax assets

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the year are as follows:

The Group

	Stock provision RMB'000	*Other creditors and accruals RMB'000*	*Others RMB'000*	*Total RMB'000*
At 1 January 2007	9,912	1,066	329	11,307
(Charged)/credited to the income statement for the year	(6,253)	(190)	203	(6,240)
At 31 December 2007	3,659	876	532	5,067
At 1 January 2008	3,659	876	532	5,067
Credited to the income statement for the year	8,331	1,119	72	9,522
At 31 December 2008	11,990	1,995	604	14,589

Unrecognised deferred tax asset

A deferred tax asset has not been recognised in respect of the following item:

	The Group	
	2008 RMB'000	*2007 RMB'000*
Tax losses of subsidiaries	10,128	6,814

A deferred tax asset has not been recognised in respect of the above item because it is not probable that sufficient future taxable profits will be available against which the subsidiaries can utilise the benefits therefrom.

20. Inventories

Inventories comprise:

	The Group	
	2008 RMB'000	*2007 RMB'000*
Raw materials	100,094	88,270
Work in progress	32,206	33,423
Finished goods	292,016	226,046
Goods in transit	1,277	1,494
	425,593	349,233

The analysis of the amount of inventories recognised as an expense is as follows:

	2008 RMB'000	*2007 RMB'000*
Cost of sales	346,581	386,677
Stock provision	45,164	47,428
	391,745	434,105

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(Expressed in thousands of Renminbi Yuan, except share and per share data)

21. Trade and other receivables, deposits and prepayments

(a) The Group

	2008 RMB'000	*2007 RMB'000*
Accounts receivable (note (i) below)	162,313	174,671
Amounts due from related companies (note 25)	78,342	44,983
Advances to suppliers	11,205	11,269
Other receivables, deposits and prepayments	62,783	79,775
	314,643	310,698

(i) An ageing analysis of accounts receivable is as follows:

	2008 RMB'000	*2007 RMB'000*
Current	137,960	148,949
Less than 1 month past due	19,855	10,628
1-3 months past due	4,343	11,530
Over 3 months but less than 12 months past due	155	3,564
Amounts past due	24,353	25,722
	162,313	174,671

Customers are normally granted credit terms of 0 to 90 days, depending on the credit worthiness of individual customers.

As at 31 December 2008, no impairment provision for loss of doubtful debts was made against the accounts receivable (2007: RMB nil). Receivables that were past due but not impaired related to a number of individual customers including wholesellers, retailers, owners of shopping arcades that have a good track record with the Group. Based on past experience, management believe that no impairment allowance is necessary in respect of these balances as they are considered fully recoverable.

Details of the Group's credit policy and credit risk exposure are set out in note 32(a).

(b) The Company

	2008 RMB'000	*2007 RMB'000*
Amounts due from subsidiaries	718,793	607,185
Amount due from a related company (note 25)	4	16,859
Other receivables, deposits and prepayments	3,318	6,942
	722,115	630,986

22. Fixed deposits with banks

Fixed deposits with banks on the consolidated balance sheet represent bank deposits that are over 3 months of maturity at acquisition. As at 31 December 2008, fixed deposits of RMB 282,837 thousand (2007: RMB 80,000 thousand) were pledged to banks as security for banking facilities granted.

(Expressed in thousands of Renminbi Yuan, except share and per share data)

23. Cash and cash equivalents

An analysis of the balance of cash and cash equivalents is set out below:

(a) The Group

	2008 RMB'000	2007 RMB'000
Cash at bank and on hand	192,078	138,694
Time deposits with banks	115,528	157,480
	307,606	296,174

(b) The Company

	2008 RMB'000	2007 RMB'000
Cash at bank and on hand	2,624	14,527
Time deposits with banks	-	14,046
	2,624	28,573

Time deposits with banks included in cash and cash equivalents are within three months of maturity at acquisition.

24. Trade payables, other payables and accruals

(a) The Group

	2008 RMB'000	2007 RMB'000
Bills payable	-	251
Accounts payable (note (i) below)	93,615	73,625
Other creditors and accruals	137,474	109,028
	231,089	182,904

(i) An ageing analysis of accounts payable is as follows:

	2008 RMB'000	2007 RMB'000
Due within 1 month or on demand	55,732	43,881
Due after 1 month but within 3 months	25,286	20,264
Due after 3 months but within 6 months	11,559	9,258
Due after 6 months but within 12 months	1,038	222
	93,615	73,625

(b) The Company

	2008 RMB'000	2007 RMB'000
Other creditors and accruals	2,827	1,399
Amounts due to subsidiaries	123,183	199,767
	126,010	201,166

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

25. Amounts due from related companies

	The Group		The Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Ports International Retail Corporation	32,130	19,357	4	-
Ports International Enterprises Limited	1,597	18,363	-	16,859
PCD Stores (Group) Limited and its subsidiaries	44,615	7,263	-	-
	78,342	44,983	4	16,859

The amounts due from related companies are unsecured, interest free and repayable on demand.

26. Interest-bearing borrowings

	The Group		The Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Bank loans - secured	268,980	70,230	70,552	-
Bank loans - unsecured	238,113	177,916	61,733	65,548
	507,093	248,146	132,285	65,548

The bank loans of the Group and Company have maturity terms of three months to six months and carry fixed interest rate during the borrowing period.

As at 31 December 2008, the banking facilities of the Group and the Company were secured by certain subsidiaries' fixed deposits of RMB 282,837 thousand (2007: RMB 80,000 thousand) and RMB 70,552 thousand (2007: nil) respectively, placed with banks located in the PRC and Hong Kong. Such banking facilities of the Group and the Company amounted to HK$ 305,000 thousand (2007: HK$ 75,000 thousand) and HK$ 80,000 thousand (2007: HK$ 80,000 thousand) respectively, which were fully utilised as at 31 December 2008.

27. Share capital

(i) Authorised and issued share capital

	The Group and the Company			
	2008		2007	
	Number of shares	Amount HK$'000	Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.0025 each	3,600,000,000	9,000	3,600,000,000	9,000
	3,600,000,000	9,000	3,600,000,000	9,000
Issued and fully paid:				
At the beginning of the year	558,728,124	1,397	548,844,296	1,372
Shares issued under share option scheme	2,206,264	5	9,883,828	25
At the end of the year	560,934,388	1,402	558,728,124	1,397
		RMB'000 equivalent		RMB'000 equivalent
		1,486		1,481

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

All ordinary shares, rank equally with regard to the Company's residual assets.

(ii) Shares issued under share option scheme

In 2008, 2,206,264 ordinary shares of HK$ 0.0025 each of the Company were issued for a total cash consideration of HK$ 22,407 thousand (equivalent to RMB 20,197 thousand) before the related issue expenses as certain share options were exercised by the holders pursuant to the share option scheme adopted by the Company. Details of the share option scheme are disclosed under the paragraph "Share Option Scheme" section in the Report of the Directors and note 29.

28. Reserves

(a) The Group

	Capital reserve - staff share options issued (undistributable) RMB'000	Capital reserve RMB'000	Share premium RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interest RMB'000	Total reserves RMB'000
Balance at 1 January 2007	12,560	63,159	333,670	88,147	9,868	404,901	912,305	-	912,305
Dividend declared	-	-	-	-	-	(462,580)	(462,580)	-	(462,580)
Shares issued under share option scheme	(10,973)	-	73,862	-	-	-	62,889	-	62,889
Equity settled share-based transactions	18,077	-	-	-	-	-	18,077	-	18,077
Profit for the year	-	-	-	-	-	396,866	396,866	-	396,866
Transfer to reserve	-	-	-	13,597	-	(13,597)	-	-	-
Balance at 31 December 2007	19,664	63,159	407,532	101,744	9,868	325,590	927,557	-	927,557
Balance at 1 January 2008	19,664	63,159	407,532	101,744	9,868	325,590	927,557	-	927,557
Dividend declared	-	-	-	-	-	(268,767)	(268,767)	-	(268,767)
Shares issued under share option scheme	(4,918)	-	25,110	-	-	-	20,192	-	20,192
Equity settled share-based transactions	9,782	-	-	-	-	-	9,782	-	9,782
Capital contribution from minority shareholder	-	-	-	-	-	-	-	3	3
Profit/(loss) for the year	-	-	-	-	-	421,685	421,685	(3)	421,682
Transfer to reserve	-	-	-	48,066	-	(48,066)	-	-	-
Balance at 31 December 2008	24,528	63,159	432,642	149,810	9,868	430,442	1,110,449	-	1,110,449

Shares issued under share option scheme:

In 2008, options were exercised to subscribe for 2,206,264 ordinary shares of HK$0.0025 each of the Company at a total consideration of HK$ 22,407 thousand (equivalent to RMB 20,197 thousand), of which HK$ 6 thousand (equivalent to RMB 5 thousand) was credited to share capital. The excess of the consideration over the nominal value of the shares, amounting to RMB 20,192 thousand was credited to the share premium account. RMB 4,918 thousand has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(l)(iii).

PRC statutory reserves:

Transfers from retained earnings to PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

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(i) General reserve fund

The subsidiaries in the PRC are required to transfer at least 10% of their profit after taxation, as determined under the PRC accounting regulations, to the general reserve fund until the reserve balance reaches 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The general reserve fund can be used to make good losses and convert into share capital by the issue of new shares to shareholders in proportion to their existing equity holdings.

(ii) Enterprise expansion fund

The transfers from retained earnings to the enterprise expansion fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries and were approved by the respective boards of directors.

The enterprise expansion fund can be used to convert into share capital, to acquire fixed assets and to increase current assets.

(b) The Company

	Capital reserve-staff share options issued (undistributable) RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2007	12,560	333,670	151,259	(32,204)	465,285
Dividend declared	-	-	-	(462,580)	(462,580)
Shares issued under share option scheme	(10,973)	73,862	-	-	62,889
Equity settled share-based transactions	18,077	-	-	-	18,077
Net profit for the year	-	-	-	493,497	493,497
Balance at 31 December 2007	19,664	407,532	151,259	(1,287)	577,168
Balance at 1 January 2008	19,664	407,532	151,259	(1,287)	577,168
Dividend declared	-	-	-	(268,767)	(268,767)
Shares issued under share option scheme	(4,918)	25,110	-	-	20,192
Equity settled share-based transactions	9,782	-	-	-	9,782
Net profit for the year	-	-	-	324,203	324,203
Balance at 31 December 2008	24,528	432,642	151,259	54,149	662,578

(i) Share premium

Under the Companies Act 1981 of Bermuda (as amended), the share premium account is distributable in the form of fully paid bonus shares.

(Expressed in thousands of Renminbi Yuan, except share and per share data)

(ii) Contributed surplus

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Distributable reserves

In the opinion of the directors, the aggregate amount of reserves available for distribution to shareholders of the Company at 31 December 2008 was RMB 205,408 thousand (2007: RMB 149,972 thousand).

29. Equity settled share-based transactions

The Company adopted a share option scheme pursuant to the resolutions of the shareholders of the Company passed on 14 October 2003 whereby the Company may grant options to any Qualified Person (as defined in the Share Option Scheme) for subscription of shares in the capital of the Company upon and subject to the terms of the Share Option Scheme. Pursuant to the Share Option Scheme, the options are exercisable in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period commencing on the date upon which the offer for the grant of options is made but shall expire on the date immediately preceding the tenth anniversary of the date of offer.

On 3 November 2003, under the terms of the Share Option Scheme, the Company granted 3,500,000 share options to certain employees and directors of the Group to subscribe for 3,500,000 ordinary shares at an exercise price of HK$10.50 per share. As a result of the shares subdivision effected in November 2004, the share options were adjusted to enable employees and directors to subscribe for 14,000,000 ordinary shares at an exercise price of HK$2.625 per share. The options vest as to one-third on each of the first, second and third anniversary dates of the offer.

On 1 September 2006, under the terms of the Share Option Scheme, the Company granted an additional 16,000,000 share options to certain employees and directors of the Group to subscribe for 16,000,000 ordinary shares at an exercise price of HK$11.68 per share. The options vest as to one-third on each of the first, second and third anniversary dates of the offer.

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares involved in the options	Vesting conditions	Contractual life of options
Options granted to directors:			
- on 3 November 2003	300,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
- on 1 September 2006	80,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
Options granted to employees:			
- on 3 November 2003	13,700,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
- on 1 September 2006	15,920,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
Total share options	30,000,000		

(b) The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Weighted average exercise price	*Number of shares involved in the options*	*Weighted average exercise price*	*Number of shares involved in the options*
Outstanding at beginning of year	HK$10.115	14,086,434	HK$8.652	24,038,240
Exercised	HK$10.156	(2,206,264)	HK$6.547	(9,883,828)
Cancelled	HK$11.680	(52,324)	HK$11.680	(67,978)
Outstanding at end of year	HK$10.100	11,827,846	HK$10.115	14,086,434
Exercisable at the end of year	HK$8.827	6,551,169	HK$5.327	3,470,784

The options outstanding at 31 December 2008 have an exercise price in the range of HK$2.625 to HK$11.68 and a weighted average contractual life of 6.77 years (2007: 8.18 years).

During the year ended 31 December 2008, the employees of the Group exercised options relating to the share options granted on 3 November 2003 and 1 September 2006 to subscribe 291,304 ordinary shares (2007: 5,503,018) and 1,834,960 ordinary shares (2007: 4,280,810) respectively. In addition, one (2007: one) of the Company's directors exercised options relating to the share option granted on 3 November 2003 to subscribe 80,000 (2007: 100,000) ordinary shares of the Company.

Details of share options exercised during the year ended 31 December 2008 are as follows:

Grant date	Exercise price	Weighted average closing price per share of the share options exercised	Proceeds received	Number of shares involved in the options
3 November 2003	HK$2.625	HK$25.44	HK$974,673	371,304
1 September 2006	HK$11.68	HK$24.91	HK$21,432,333	1,834,960

(c) Fair value of shares involved in the options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the black-scholes model as required by IFRS 2. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the model.

Fair value of shares involved in the options and assumptions

	Granted in 2006	*Granted in 2003*
Fair value at grant date	HK$38,421,909	HK$12,400,000
Share price	HK$11.68	HK$3.45
Exercise price	HK$11.68	HK$2.625
Expected volatility	40.12%	32%
Option life	10 years	10 years
Expected dividends	2.07%	2.66%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes Rate)	3.774%~3.967%	3.885%

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

30. Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of debt-to-equity ratio and gearing ratio, calculated as interest-bearing borrowings over equity. For this purpose the Group defines debt and equity as total liabilities and total equity respectively.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the debt-to-equity ratio and gearing ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions and in compliance with financial covenants imposed by the bankers. In order to maintain or adjust the ratios, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing.

The debt-to-equity ratio and gearing ratio at 31 December 2008 and 2007 was as follows:

	Note	*The Group* 2008 RMB'000	2007 RMB'000	*The Company* 2008 RMB'000	2007 RMB'000
Trade payables, other payables and accruals	24	231,089	182,904	126,010	201,166
Interest-bearing borrowings	26	507,093	248,146	132,285	65,548
Current taxation	9(c)	40,053	1,215	-	-
Total liabilities		778,235	432,265	258,295	266,714
Total equity		1,111,935	929,038	664,064	578,649
Debt-to-equity ratio		70%	47%	39%	46%
Gearing ratio		46%	27%	20%	11%

The bank loan facilities utilised by the Group are subject to the fulfilment of financial covenants including but not limited to the maintenance of consolidated total equity over a specified amount and the Group's gearing ratio below a specified level. The draw down facilities would become payable on demand should the Group be unable to maintain these ratios. The Group regularly monitors its compliance with these covenants. As at 31 December 2008, none of the required covenants had been breached.

31. Investments in subsidiaries

	The Company 2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	152,397	152,397
Fair value of guarantee issued in favour of subsidiaries	2,083	-
Cumulative fair value of share options granted to employees of subsidiaries	43,140	33,407
	197,620	185,804

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are subsidiaries as defined under note 1(c) and have been consolidated into the consolidated financial statements.

Name of subsidiary	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up share/ authorised capital *(in thousands)*	Paid-up/ registered capital *(in thousands)*	Principal activities
Ports Asia Holdings Limited	British Virgin Islands	100	-	USD11/ USD50	-	Sales of garments and investment holding
Ports International Marketing Ltd.	British Virgin Islands	100	-	USD0.1/ USD0.1	-	Sales of garments
Smythe Trading Company Limited	Samoa Islands	99.9	0.1	USD1/ USD1,000	-	Sales of garments
Ports Asia Holding (Hong Kong) Limited	Hong Kong	100	-	HK$10/ HK$10	-	Investment holding
Ports 1961 Macau Limited	Macau	-	100	MOP25/ MOP25	-	Sales of garments
Ports Retail (H.K.) Limited	Hong Kong	-	100	HK$1/ HK$10	-	Sales of garments
Etac Fashion (Xiamen) Co., Ltd. (i)	PRC	-	100	-	HK$237,000/ HK$237,000	Manufacturing and sales of garments
Xiamen Xiangyu Ports Trading Co., Ltd. (i)	PRC	-	100	-	USD2,020/ USD2,020	Sales of garments
Ports International (Beijing) Co., Ltd. (i)	PRC	-	100	-	USD1,850/ USD1,850	Manufacturing and sales of garments
Ports International Marketing (Xiamen) Ltd. (i)	PRC	-	100	-	USD14,100/ USD14,100	Manufacturing and sales of garments
Century Ports Apparel (Xiamen) Ltd. (i)	PRC	-	100	-	USD374/ USD374	Manufacturing and sales of garments
Ports Fashion (Xiamen) Ltd. (i)	PRC	-	100	-	RMB133,000/ RMB133,000	Manufacturing and sales of garments
Ports International Retail Concepts Limited	British Virgin Islands	100	-	USD0.001/ USD0.001	-	Investment holding
Ever Fit Assets Management Limited	British Virgin Islands	-	58	USD0.95/ USD0.95	-	Investment holding
PVT HK Limited	Hong Kong	-	58	HK$0.001/ HK$0.001	-	Investment holding
Vivienne Tam Fashion (Xiamen) Ltd. (i)	PRC	-	58	-	HKD 1,500/ HKD 10,000	Manufacturing and sales of garments
Evercorp Trading Limited	British Virgin Islands	-	100	USD0.001/ USD0.001	-	Dormant

Note:

(i) All the subsidiaries incorporated in the PRC are wholly foreign-owned enterprises, except for Ports International Marketing (Xiamen) Ltd., which is a Sino-foreign equity joint venture.

32. Financial Instruments

Exposure to credit, interest rate, liquidity and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

More than 60 percent of the Group's customers have been transacting with the Group for at least 2 years, and losses have occurred infrequently. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of trade and other receivables in the balance sheet. The Group does not provide any other guarantees which would expose the Group to credit risk. No single customer of the Group accounted for greater than 10% of the Group's revenue.

(b) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk, and fair value interest rate risk respectively. The Group normally borrowed short-term bank loans which have short-term maturity ranging from 1-6 months and carries fixed rates in order to limit its exposure to interest rate risk.

As at 31 December 2008, the interest-bearing borrowings of the Group and the Company amounted to RMB 507,093 thousand (2007: RMB 248,146 thousand) and RMB 132,285 thousand (2007: RMB 65,548 thousand) respectively, which carries fixed interest rates ranging from 2.70% to 5.45% and 2.74% to 5.45% respectively (2007: 3.95% to 4.67% and 4.15% to 4.59% respectively).

(c) Foreign currency risk

The Group is exposed to currency risks primarily through sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States Dollars, Euros and Hong Kong Dollars.

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

In respect of trade and other receivables, trade and other payables and borrowings held in a currency other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate where necessary to address short-term imbalances.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi Yuan, except share and per share data)

(i) Exposure to currency risk

The Group

	As at 31 December 2008		
	United States Dollars '000	Hong Kong Dollars '000	Euro '000
Trade and other receivables	8,654	3,762	2,960
Cash and cash equivalents	3,878	18,531	165
Trade and other payables	(2,829)	(7,064)	(615)
Interest-bearing borrowings	-	(575,000)	-
Overall net exposure	9,703	(559,771)	2,510

	As at 31 December 2007		
	United States Dollars '000	Hong Kong Dollars '000	Euro '000
Trade and other receivables	5,923	27,328	3,468
Cash and cash equivalents	4,154	37,657	955
Trade and other payables	(3,178)	(3,196)	(537)
Interest-bearing borrowings	-	(265,000)	-
Overall net exposure	6,899	(203,211)	3,886

The Company

	As at 31 December 2008	
	United States Dollars '000	Hong Kong Dollars '000
Trade and other receivables	5,713	5,969
Cash and cash equivalents	293	664
Trade and other payables	(5,696)	(8,484)
Interest-bearing borrowings	-	(150,000)
Overall net exposure	310	(151,851)

	As at 31 December 2007	
	United States Dollars '000	Hong Kong Dollars '000
Trade and other receivables	184	27,231
Cash and cash equivalents	168	29,160
Trade and other payables	(5,447)	(37,321)
Overall net exposure	(5,095)	19,070

(Expressed in thousands of Renminbi Yuan, except share and per share data)

(ii) Sensitivity analysis

The following table indicates the approximate increase/(decrease) in the Group's profit for the year in response to 5% strengthening/weakening of Renminbi against the foreign currencies to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	2008 RMB'000	2007 RMB'000
United States Dollars		
- 5% strengthening of RMB	(2,719)	(1,986)
- 5% weakening of RMB	2,719	1,986
Euros		
- 5% strengthening of RMB	(994)	(1,762)
- 5% weakening of RMB	994	1,762
Hong Kong Dollars		
- 5% strengthening of RMB	20,240	7,997
- 5% weakening of RMB	(20,240)	(7,997)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rate had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instrument in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(d) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group's and the Company's financial liabilities, including interest-bearing borrowings and trade and other payables, as at 31 December 2008 and 31 December 2007 are required to be settled within 1 year or on demand based on the contractual terms entered with the counterparties. The carrying amounts of these financial liabilities as at the respective balance sheet dates represent the total contractual undiscounted cash flows for settling these financial liabilities within next year. At the balance sheet dates, the Group and the Company do not have any derivative financial liabilities.

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2008 because of the short maturities of all these financial instruments.

33. Commitments

(a) Operating lease commitments

Non-cancellable operating lease rentals for properties are payable as follows:

	The Group	
	2008 *RMB'000*	*2007* *RMB'000*
Less than one year	80,174	51,664
Between one and five years	139,800	101,657
More than five years	6,399	2,930
	226,373	156,251

The leases run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. In addition to the minimum rental payments disclosed above, the Group has a commitment to pay rent of a proportion of turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

(b) Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2008 and 2007 but not provided for in the consolidated financial statements were as follows:

	The Group	
	2008 *RMB'000*	*2007* *RMB'000*
Contracted for	-	1,877
Authorised but not contracted for	263,500	66,500
	263,500	68,377

34. Contingent liabilities

	The Company	
	2008 *RMB'000*	*2007* *RMB'000*
Guarantees issued to banks in favour of subsidiaries	374,808	182,598
Guarantees issued to a third party in favour of a subsidiary	14,043	-
	388,851	182,598

The Company provides corporate guarantees to banks in respect of certain bank loans facilities utilised by the subsidiaries and corporate guarantee to a third party in respect of exclusive license right payable of a subsidiary. The Company closely monitors the conditions that are subject to the guarantees to identify whether it is probable that a loss has occurred. At 31 December 2008, it is not probable that the Company will be required to make payments under the guarantees, thus no liability has been accrued in the Company's balance sheet for a loss related to the Company's obligation under the guarantees arrangement.

35. Accounting estimates and judgements

Notes 19, 29, 32 and 34 contain information about significant areas of estimation uncertainty and critical judgements in applying accounting policies of deferred taxes on unutilised tax losses, measurement of share-based payments, valuation of financial instruments and contingencies respectively that have the most significant effect on the amounts recognised in the financial statements. Other key sources of estimation uncertainty are as follows:

(Expressed in thousands of Renminbi Yuan, except share and per share data)

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. Management will reassess the estimations at each balance sheet date.

36. Immediate and ultimate controlling party

As at 31 December 2008, the directors consider the immediate parent and ultimate controlling party of the Group to be CFS International Inc. and Ports International Enterprises Limited respectively, which are incorporated in Canada and British Virgin Islands respectively.

37. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2008

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment on what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

The following developments may result in new or amended disclosures in the financial statements:

	Effective for accounting period beginning on or after unless specified
IFRIC 13, Customer loyalty programmes	1 July 2008
IFRS 8, Operating segments	1 January 2009
Revised IAS 1, Presentation of financial statements	1 January 2009
Revised IAS 23, Borrowing costs	1 January 2009
Amendments to IFRS 2, Share-based payment-Vesting conditions and cancellations	1 January 2009
Amendments to IAS 32, Financial instruments:Presentation and IAS 1, Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation	1 January 2009
Amendments to IFRS 7, Financial Instruments: Disclosures - Improving disclosures about financial instruments	1 January 2009
Improvements to IFRSs	1 January 2009 or 1 July 2009
Revised IFRS 3, Business combinations	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Revised IAS 27, Consolidated and separate financial statements	1 July 2009

INFORMATION FOR INVESTORS

Shareholder's Calendar

Close of Register
27 May 2009 to 2 June 2009, both days inclusive

Annual General Meeting
Tuesday, 2 June 2009 at 9:30 a.m.

LISTING INFORMATION

Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited

Stock Code

The Stock Exchange of Hong Kong Limited: 589
Bloomberg: 589 HK
Reuters: 0589.HK

Price History

2008	PER SHARE		
MONTH	High (HK$)	Low (HK$)	Total Volume
January	31.50	21.70	34,769,248
February	24.75	21.25	21,108,513
March	28.00	15.26	27,302,923
April	26.00	19.80	35,724,067
May	26.10	23.60	20,695,897
June	24.40	19.86	22,551,505
July	22.50	18.88	35,460,668
August	23.80	18.86	34,637,736
September	20.30	11.50	47,581,404
October	14.38	6.63	68,218,439
November	10.00	5.95	41,550,406
December	10.76	7.50	30,747,686
2009			
January	9.99	6.90	18,766,107
February	9.09	7.32	27,340,254
March	11.00	7.39	35,634,204

Dividends per share

Interim Dividend: RMB0.21 per share
Paid on: 31 October 2008

Board of Directors

Edward Han Kiat Tan*, *Chairman*
Alfred Kai Tan Chan*, *Chief Executive & Managing Director*
Pierre Frank Bourque*, *Executive Vice President*
Julie Ann Enfield, *Non-executive Director*
Rodney Ray Cone, *Independent Non-executive Director*
Valarie Wei Lynn Fong, *Independent Non-executive Director*
Lara Magno Lai, *Independent Non-executive Director*
** Executive Director*

Company Secretary

Irene Fung Mei Wong

Compliance Officer

Valarie Wei Lynn Fong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Bankers

Hong Kong & Shanghai Banking Corporation Limited, Xiamen Branch
Ground Floor, The Bank Centre
189 Xiahe Road
Xiamen Fujian PRC

Bank of China (Hong Kong) Limited
International Finance Centre Branch
One Harbour View Street
Central Hong Kong

Principal Place of Business in Hong Kong

Suite 102, Sunbeam Center
27 Shing Yip Street
Kwun Tong
Kowloon, Hong Kong

Auditors

KPMG
8th Floor, Prince's Building
10 Chater Road
Central Hong Kong

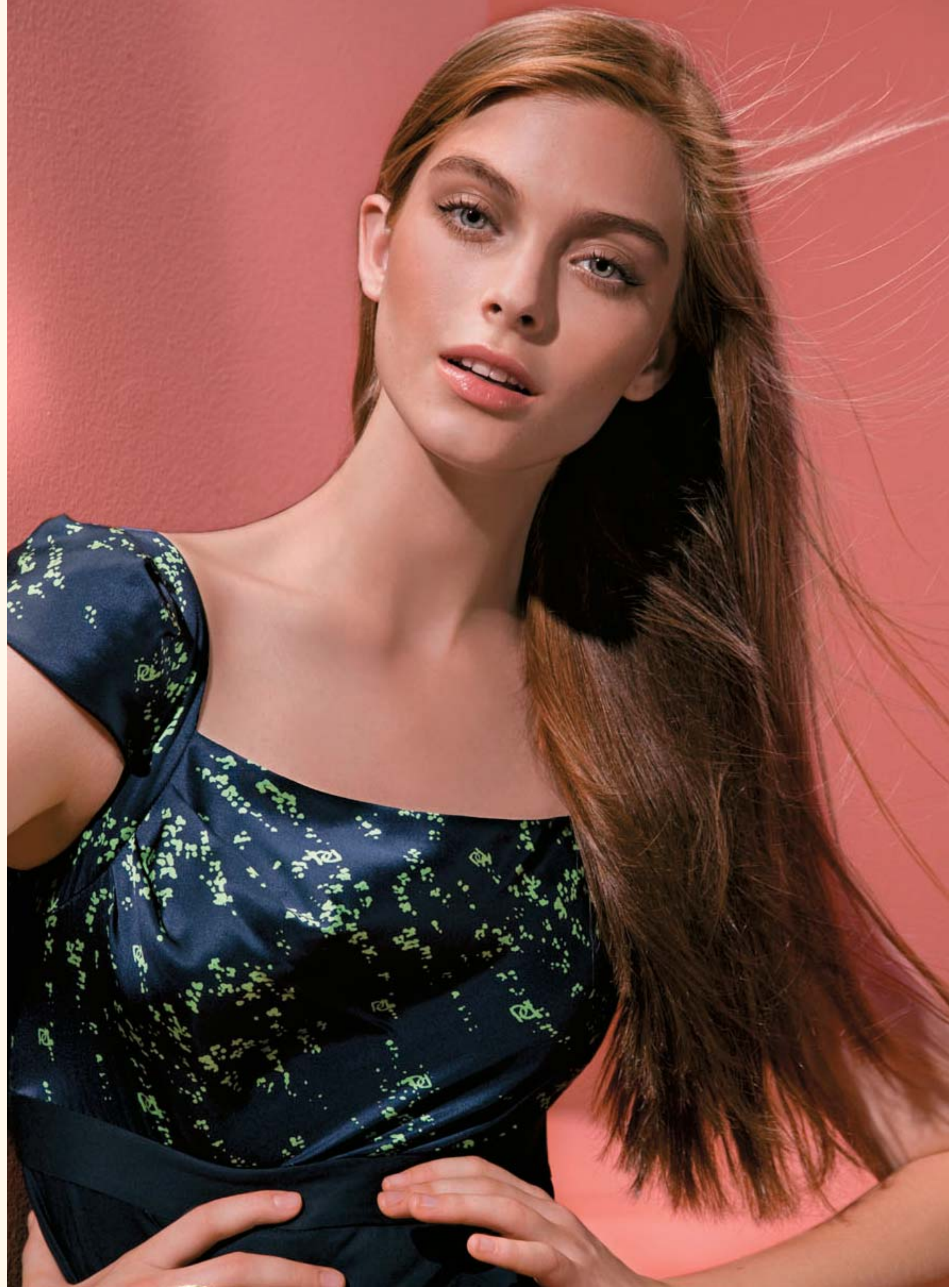
Corporate Counsel

Norton Rose
38th Floor, Jardine House
One Connaught Place
Central Hong Kong

Registrar & Transfer Offices

Principal:
Reid Management Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Hong Kong Branch:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Center
183 Queen's Road East
Hong Kong

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