Annual Report
2008

GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 393)


JEANSWEST®
眞維斯

OUR CORE BUSINESS

Retail, export and manufacture of casual wear apparel

OUR VISION

To become a market leader in casual wear apparel retailing
and
to be one of the best casual wear apparel suppliers

OUR MISSION

Focused on our customers, we endeavour to provide quality products and services with added value. We strive after:

- customer satisfaction;
- staff development;
- reasonable equity return; and
- growth with our business partners,

so as to benefit our community.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive
Dr. Charles Yeung, SBS, JP *(Chairman)*
Mr. Yeung Chun Fan *(Vice-chairman)*
Mr. Yeung Chun Ho
Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, JP
Ms. Cheung Wai Yee
Mr. Chan Wing Kan, Archie

Independent non-executive
Mr. Wong Man Kong, Peter, BBS, JP
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Mr. Chung Shui Ming, Timpson, GBS, JP

Non-executive
Dr. Lam Lee G.

COMPANY SECRETARY

Mr. Mui Sau Keung, Isaac

AUTHORISED REPRESENTATIVES

Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, JP

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton, HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
CALYON
Citibank, N.A.

WEBSITE

http://www.glorisun.com

STOCK CODE

393

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Glorious Sun Enterprises Limited (the "Company") will be held at Qin Han Room, 7th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 5 June 2009 at 3:30 p.m. for the following purposes:

(1) To receive and consider the financial statements and the reports of the directors and auditors for the year ended 31 December 2008.

(2) To declare the final dividend for the year ended 31 December 2008.

(3) To elect directors and to authorise the board of directors to fix the remuneration of directors.

(4) To appoint auditors and to authorise the board of directors to fix their remuneration.

(5) As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

(A) "THAT:

(I) subject to sub-paragraph (III) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(II) the approval in sub-paragraph (I) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(III) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in sub-paragraph (I) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined) or upon the exercise of rights of conversion or subscription under any securities which are convertible into shares of the Company or (b) the share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (c) any scrip dividend or similar

NOTICE OF ANNUAL GENERAL MEETING

arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed the aggregate of: (aa) 20 per cent. of the aggregate nominal amount of the issued share capital of the Company on the date of this resolution and (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution) and the said approval shall be limited accordingly; and

(IV) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(B) "THAT:

(I) subject to sub-paragraph (II) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase shares in the issued share capital of the Company be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

(II) the aggregate nominal amount of share capital of the Company which the Company is authorised to purchase pursuant to the approval in sub-paragraph (I) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

(III) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(C) **"THAT** the directors of the Company be and are hereby authorised to exercise the powers of the Company referred to in paragraph (I) of the resolution set out as resolution (5)(A) in the notice of the meeting of which this resolution forms a part in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (III) of such resolution."

(6) To transact any other ordinary business of the Company.

By Order of the Board

Mui Sau Keung, Isaac
Company Secretary

Hong Kong, 29 April 2009

Principal Place of Business:
38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.

2. A form of proxy for the meeting is enclosed. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's principal place of business at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournment thereof.

3. The register of members of the Company will be closed for the purposes of determining the entitlements to the proposed final dividend and the identity of members who are entitled to attend and vote at the meeting from Tuesday, 2 June 2009 to Friday, 5 June 2009, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 1 June 2009.

4. In relation to agenda item No. (3) in the Notice regarding election of directors, in accordance with bye-law 110(A) of the Company's Bye-laws, Dr. Charles Yeung, SBS, JP, shall not be subject to retirement by rotation. However, in view of good corporate governance practices and in compliance of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Dr. Charles Yeung, SBS, JP will voluntarily retire from his office and will offer himself for re-election at the forthcoming annual general meeting of the Company. Mr. Yeung Chun Ho, Mr. Hui Chung Shing, Herman, JP and Mr. Chan Wing Kan, Archie will retire by rotation at the forthcoming annual general meeting of the Company pursuant to bye-law 110(A) of the Company's Bye-laws and, being eligible, offer themselves for re-election. Mr. Lau Hon Chuen, Ambrose, GBS, JP, Mr. Chung Shui Ming, Timpson, GBS, JP and Dr. Lam Lee G. will also retire at the forthcoming annual general meeting of the Company at which their terms of appointments will expire, and they are eligible for re-election.

5. The biographical details and length of service with the Company of all the directors who stand for re-election at the forthcoming annual general meeting are set out in the "Directors' and senior management's biographies" section in this annual report.

6. The amount of emoluments paid for the year ended 31 December 2008 to each of the directors who stand for re-election at the forthcoming annual general meeting is set out in note 8 to the financial statements in this annual report and the basis of determining such emoluments is set out in the "Emolument policy" section in this annual report.

7. Other biographical details of each of the directors who stand for re-election at the forthcoming annual general meeting are set out below to enable shareholders to make an informed decision on their re-elections. Save for the information set out in this paragraph 7 and in paragraphs 4 to 6 above, there is no information to be disclosed pursuant to any requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of shareholders in respect of the directors who stand for re-election at the forthcoming annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING

7.1 Dr. Yeung Chun Kam, SBS, JP, alias Charles Yeung, aged 62, is the Chairman and an executive director of the Company, a brother of Mr. Yeung Chun Fan and Mr. Yeung Chun Ho. Dr. Charles Yeung, SBS, JP's interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at 23 April 2009, being the latest practicable date prior to the printing of the Notice (the "latest practicable date"). In the past three years, Dr. Charles Yeung, SBS, JP was a director of I.T Limited.

Dr. Charles Yeung, SBS, JP was a director of (i) Generra Sportswear Company, Inc., a company incorporated in Washington, USA (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited, a company incorporated in Hong Kong and (iii) Generra Production Corporation, a corporation incorporated in Washington, USA). These three companies were involved in design, manufacture and sale of the Generra Sportswear lines. At all material time Dr. Charles Yeung, SBS, JP had no duty in the day-to-day operations of Generra Sportswear Company, Inc. On 2 July 1992, Chapter 11 proceedings were instituted and Generra Sportswear Company, Inc. was administratively dissolved in 1995, Generra Sportswear (HK) Limited was dissolved on 13 September 2002 and Generra Production Corporation was dissolved in 1994, respectively. So far, no allegation has been made against Dr. Charles Yeung, SBS, JP in Generra Sportswear Company, Inc. for fraud, negligence or any conduct of dishonesty.

7.2 Mr. Yeung Chun Ho, aged 64, is an executive director of the Company, a brother of Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan. Mr. Yeung Chun Ho's interest in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at the latest practicable date.

7.3 Mr. Hui Chung Shing, Herman, JP aged 58, is an executive director of the Company and his interest in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at the latest practicable date.

Mr. Hui was a non-executive director of (i) Generra Sportswear Company, Inc. (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited and (iii) Generra Production Corporation). These three companies had been dissolved as disclosed in paragraph 7.1 above. At all material time Mr. Hui had no duty in the day-to-day operations of Generra Sportswear Company, Inc. and so far, no allegation has been made against Mr. Hui in that company for fraud, negligence or any conduct of dishonesty.

7.4 Mr. Chan Wing Kan, Archie, aged 62, is an executive director of the Company. Mr. Chan was a non-executive director of (i) Generra Sportswear Company, Inc. (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited and (iii) Generra Production Corporation). These three companies had been dissolved as disclosed in paragraph 7.1 above. At all material time Mr. Chan had no duty in the day-to-day operations of Generra Sportswear Company, Inc. and so far, no allegation has been made against Mr. Chan in that company for fraud, negligence or any conduct of dishonesty. Mr. Chan does not have any interest in the shares of the Company.

NOTICE OF ANNUAL GENERAL MEETING

7.5 Mr. Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 61, is an independent non-executive director of the Company. Mr. Lau is also a director of Franshion Properties (China) Limited, Guangzhou Investment Company Limited, GZI Transport Limited, Qin Jia Yuan Media Services Company Limited, The Hong Kong Parkview Group Limited, Wing Hang Bank, Limited and Brightoil Petroleum (Holdings) Limited. In the past three years, Mr. Lau was a director of Beijing Enterprises Holdings Limited. Mr. Lau's interest in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at the latest practicable date.

7.6 Mr. Chung Shui Ming, Timpson, GBS, JP, aged 57, is an independent non-executive director of the Company. Mr. Chung is also a director of Miramar Hotel and Investment Company, Limited, Nine Dragons Paper (Holdings) Limited and China Unicom (Hong Kong) Limited. In the past three years, Mr. Chung was a director of Tai Shing International (Holdings) Limited, China Netcom Group Corporation (Hong Kong) Limited (delisted on 15 October 2008) and Cinda International Holdings Limited (formerly Hantec Investment Holdings Limited). Mr. Chung does not have any interest in the shares of the Company.

7.7 Dr. Lam Lee G., aged 49, is a non-executive director of the Company. Dr. Lam is also a director of Hutchison Harbour Ring Limited, Capital Strategic Investment Limited, Mingyuan Medicare Development Company Limited, Vongroup Limited, Far East Holdings International Limited, Finet Group Limited, SW Kingsway Capital Holdings Limited, Mei Ah Entertainment Group Limited, China.com Inc., Rowsley Ltd., Asia-Pacific Strategic Investments Limited and Ban Joo & Company Limited. In the past three years, Dr. Lam was a director of True Corporation Public Company Limited, Telecard Limited, Timeless Software Limited, Pearl Oriental Innovation Limited, China Cyber Port (International) Company Limited and Chia Tai Enterprises International Limited.

Dr. Lam was a non-executive director of a Singapore incorporated private company with limited liability, Pandora Interactive Studio Pte. Ltd. ("Pandora") between 1 August 2001 and 21 December 2001, and a director of a Hong Kong incorporated private company with limited liability, i-STT Hong Kong Limited ("i-STT") between 15 December 1999 and 27 October 2004. Pandora was involved in digital animation support services and i-STT was involved in Internet related services. Pandora was voluntarily wound up by its shareholders on 14 June 2002 and is almost completed, the amount involved being about S$1.25 million. i-STT was in creditors' voluntary liquidation on 12 September 2001 and was subsequently completed, the amount involved being about HK$100 million.

Dr. Lam does not have any interest in the shares of the Company.

8. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions to be voted at the forthcoming annual general meeting of the Company will be taken by way of poll. The results of the poll will be published in accordance with the Listing Rules on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.glorisun.com) respectively.

CHAIRMAN'S STATEMENT

GROUP RESULTS

The intensification of US sub-prime crisis in 2007 triggered off the global financial tsunami in the year under review. In this financial catastrophe, financial systems in the Euro Region and US nearly slipped over the edge. "Credit Crunch" pulled down the stock markets and assets price drastically. Global economic development was thus trapped into recession. Under such tough environment, the Group still managed to grow its core business healthily. Operating profit from core business amounted to HK$396,815,000 (2007: HK$356,011,000) representing a year-on-year increase of 11.46%. It was attributed to the Management's strict adherence to the principle of prudent financial management and the strategy of focusing on retail business development. The current problems of soaring production costs and weakening of demand in export markets had been mitigated by the scaling down of the Group's production facilities in the past few years including the closure of those non-profitable overseas factories with no future prospect. In the period, "Credit Crunch" had not much of a direct impact to the Group and the adverse effect of the sluggish export markets was immaterial as it represented 15.73% of the Group's consolidated sales. In the period, retail operations, the Group's core business was still in the up-trend with turnover growth in double digits. As the Group has strategic holding of 9% equity in I.T Limited, a special provision of HK$214,396,000 had been made by reason of marking its I.T stock holding to its market price. Apart from this, the Group did not have any other financial asset investments and thus no provision had to be made.

In the year under review, the Group's overall financial position remained solid with inventory kept at healthy level. As at 31 December 2008, the Group's consolidated net cash was HK$902,474,000 (2007: HK$1,016,564,000). During the financial year, the Group's consolidated sales rose to HK$5,573,751,000 (2007: HK$4,783,880,000) and the profit before net gains on disposal and liquidation of investments and impairment loss on an available-for-sale investment amounted to HK$396,815,000 (2007: HK$356,011,000) representing an increase of 16.51% and 11.46% respectively. The net profit attributable to shareholders after those special items for this financial year was HK$84,718,000 (2007: HK$515,749,000) representing a drop of 83.57%.

CHAIRMAN'S STATEMENT

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK13.11 cents (2007: HK12.24 cents) per share for the year ended 31 December 2008 at the forthcoming annual general meeting to be held on Friday, 5 June 2009. The final dividend amounting to HK$138,889,000, if approved by the shareholders, are expected to be paid on or around Monday, 15 June 2009 to those shareholders whose names appear on the register of members of the Company on Friday, 5 June 2009. No special dividend (2007: HK10.00 cents) for the year ended 31 December 2008 is proposed.

REVIEW OF BUSINESSES

Retailing

In the financial year, the retail market in the Mainland was quite complicated. In the first part of the year, retail sentiment was still resilient despite the major natural disasters and the surge of operational costs. In the second half of the year, the financial tsunami dismayed the market and intensified the pressure as competitors dumped their inventory in the market with aggressive markdowns. In Australia and New Zealand, the weakening of the local currencies pushed up the cost of goods sold. Notwithstanding the above, the Group managed to maintain its margin and increase its market share, which was reflected in its double-digit growth of its turnover. In the period, the days of inventory turnover was maintained at healthy level.

The Group's retail network has stretched out from Mainland China and Australia to New Zealand, Hong Kong, Macau, the Middle East as well as Vietnam. There were a total of 2,321 retail shops at year end 2008 (2007: 1,940), of which 1,126 (2007: 920) were operated under franchise arrangements. For the financial year under review, the Group's aggregate sales from its retail operations amounted to HK$4,449,461,000 (2007: HK$3,627,826,000), representing a year-on-year increase of 22.65%. Contribution from its retail operations to the Group's consolidated sales had increased to 79.83% from 75.83% recorded in the corresponding period in the previous year.

CHAIRMAN'S STATEMENT

1. The PRC

i. *Jeanswest*

The brand name "Jeanswest" remained the Group's flagship business in Mainland China. Although the snowstorm severely hit the southern part of the Mainland at the beginning of the year under review and the disastrous earthquake devastated the Wenchuan county of Sichuan province on 12 May, the Group did not suffer much from the direct impacts of these natural disasters. The overall retail sentiment though was affected to a certain extent. In the later part of the year, especially in the fourth quarter, the retail market was hit by the global financial tsunami and became sluggish. Competitors wanted to lower their inventory levels and dumped their products in the market by substantial mark-downs. Thanks to the effort and resources deployed by the Management in recent years in up-lifting the front store services and up-grading the co-ordination system in operations especially in the supply chain management, Jeanswest could adjust its marketing strategy to cope with the challenges in such a tough market situation. Attributed also to Jeanswest brand image and its product design which were well received by the market, the Group's retail business could still perform satisfactorily. In the period, Jeanswest was awarded various prizes including "The Most Competitive Brand in Casual Wears", "2007 Top 10 Innovative Apparel Brands in Marketing", "The Most Valuable Top 500 Asian Brands" and "2007/2008 The Most Popular Apparel Brand in The PRC".

In the year under review, turnover of PRC retails lifted by 28.94% to HK$3,335,253,000 (2007: HK$2,586,631,000), representing 59.84% of the Group's consolidated sales. As at 31 December 2008, Jeanswest operated 2,008 stores (2007: 1,667) covering 250 cities in the Mainland, among which 1,069 (2007: 899) were under franchise arrangements.

ii. *Quiksilver Glorious Sun*

In the period under review, Quiksilver Glorious Sun continued to grow after it turned profitable in the previous year. The total number of directly managed stores increased to 36 from the previous 33. Stores under franchise arrangements also expanded to 25 from 15 in this year. The shop layouts of all the new stores were in line with the latest design concept of Quiksilver shops in Europe and US. Quiksilver Glorious Sun retail network in the Mainland extended from Shanghai and Beijing to Suzhou, Hangzhou, Wenzhou, Wuxi and Ningbo. Total turnover in the year under review surpassed the level of HK$200 millions representing an increase of more than 30% when compared with the previous year.

CHAIRMAN'S STATEMENT

2. Australia and New Zealand

In the year under review, the retail markets in New Zealand and Australia were not buoyant. The depreciation of the local currencies further pushed up the product costs. Retailers were confronted with a tough environment. Attributed to the popular Jeanswest brand name and the agile marketing strategy adopted by the front line management, Jeanswest was able to keep the growth momentum in local dollar terms and out-performed its peers.

For the financial year, sales in Australia and New Zealand markets amounted to HK$1,114,208,000 (2007: HK$1,041,195,000) translating into a 7.01% year-on-year increase. As at the end of 2008, Jeanswest operated a network of 226 stores (2007: 225) in Australia and New Zealand, among which 6 (2007: 6) were under franchise arrangements.

3. Overseas Franchise Operations

In the period, Jeanswest extended 26 chain-stores to the Middle East and Vietnam, all of which were under franchise arrangements. Although its operation scale at the present stage was insignificant, the market responses were nonetheless encouraging.

Export

For all exporters, the year under review was a very difficult one. In the first half of the year, the Group's export to US market was waning while production costs were ever increasing. Margin was thus under enormous pressure. The global financial tsunami in the second half of the year made the situation even worse. In the period, sales from export operations contributed only 15.73% of the Group's consolidated sales. Thus the negative impact on the Group's overall results was still controllable.

For the financial year, the Group's sales from exports amounted to HK$876,690,000 (2007: HK$938,193,000), slipped 6.56% from last year.

CHAIRMAN'S STATEMENT

Other Businesses

Trading of fabric remained the principal activity of the Group's other businesses, which contributed aggregate sales of HK$247,600,000 (2007: HK$217,861,000), representing a growth of 13.65% year-on-year.

FINANCIAL POSITION

The Group's financial position remained solid. As mentioned earlier, the Group's net cash and inventory level were kept at healthy level in the year under review. In 2008, the Group had entered into foreign currency forward contracts to hedge its exposure to foreign currency risks in respect of the Australian dollars.

HUMAN RESOURCES

As at 31 December 2008, the Group employed about 30,000 employees (2007: 30,000). The Group offered competitive remuneration packages to them. In addition, bonus and share options may be granted based on the Group's results and individual performance from time to time.

SOCIAL RESPONSIBILITY

The Group is a firm believer that a business organization should take up social responsibilities while pursuing profit enhancement. Adhering to stringent environmental protection policies and regulations, the Group also made direct contributions to the society. During the financial year, a series of charity sales were held in Jeanswest stores as our participation in the relief activities to help those affected by the earthquake in Sichuan province. Jeanswest University Students Sponsorship in the year under review had financed 1,488 university students to complete their college education. The Group also enthusiastically participated the activities of Race to Feed 2008 organized by Heifer International, and Jeanswest Hope Teachers Program to provide teaching staff to those under developed area in the PRC. In the period, Jeanswest was named "The 2008 Pioneer of Promotion of Livelihood in China" and granted with the "2008 Chinese Charity Award".

CHAIRMAN'S STATEMENT

PROSPECTS

Under the influence of the current financial tsunami, most of the governments endeavor in launching out multifarious stimulus packages to mitigate losses and to jump-start their respective economies. Looking forward to the ensuing year, the management expects a difficult year ahead. The development strategy for the year of 2009 reflects the cautious and prudent attitude of the Management with the objective of steering the Group away from high risks by focusing on its core business. In the Mainland, the economic developments being bolstered by the four trillion RMB stimulus package by the PRC Government may be not so bumpy in the ensuing year. The "Credit Crunch" has already been eased. However, uncertainty still prevails, retail sentiment inevitably cannot be expected as good as last year. Therefore, the Management commits to achieving the same target as the previous year.

The Australian and New Zealand operations will focus on brand building and further improvement in inventory management and in marketing versatility hoping to out-perform the peers. Regarding the export businesses, the Management will endeavor in cost control and efficiency up-lift to enhance the competitiveness. The Group is looking for better performance once the market begins to recover from the present tough environment.

Barring unforeseen circumstances, the Management has confidence that the Group will continue to bring reasonable returns to its shareholders in 2009.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to the shareholders for their support, and to the Management and staff for their dedicated efforts.

Dr. Charles Yeung, SBS, JP
Chairman

Hong Kong, 22 April 2009


JEANSWEST®
真維斯

Group Business Structure

Glorious Sun Enterprises Ltd.

Glorious Sun Enterprises (BVI) Ltd. (holding company)

Jeanswest (BVI) Ltd.
(holding company)

~ Apparel Wholesale & Retailing (Jeanswest) ~
Mainland China
Australia New Zealand

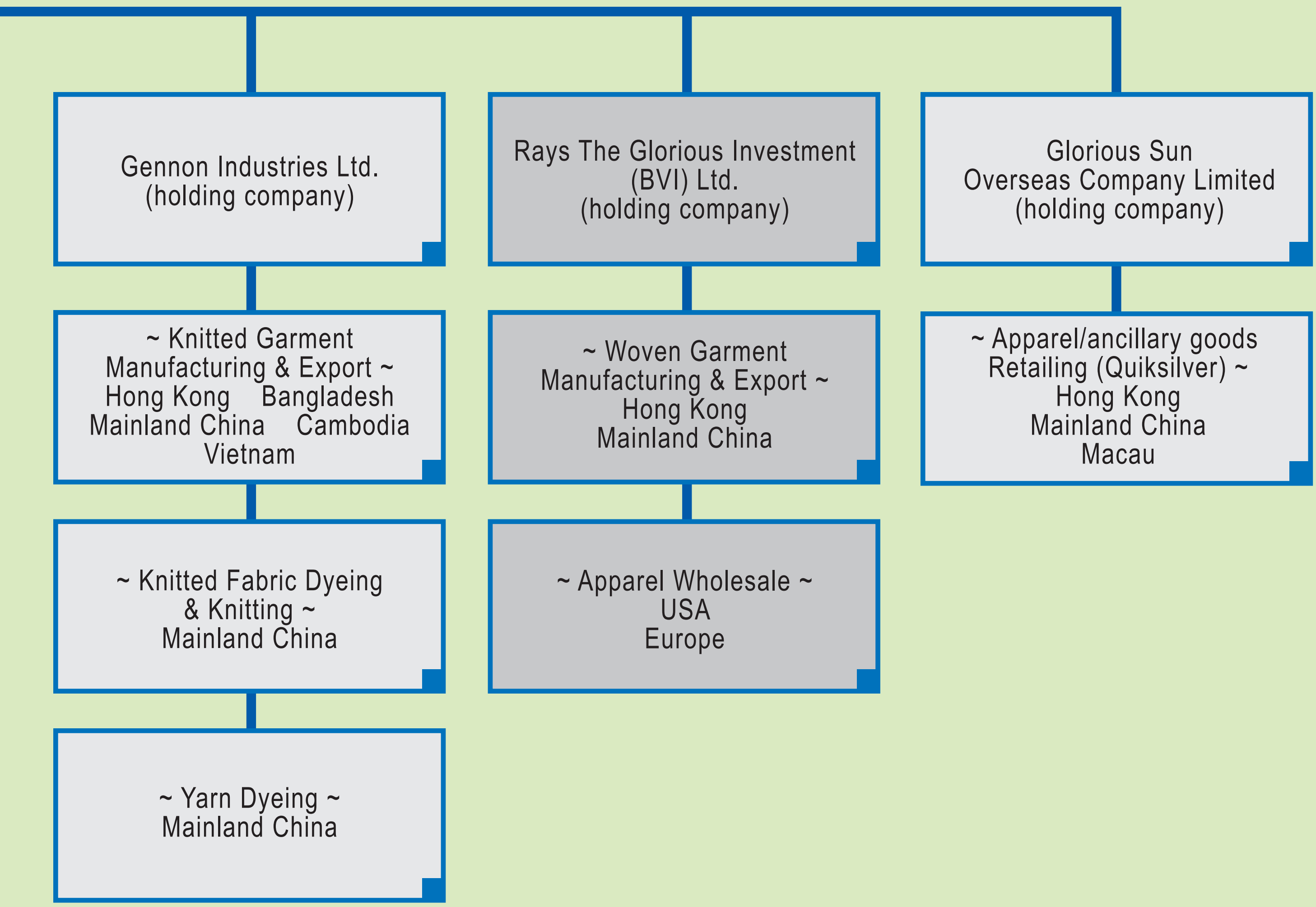
~ Woolen Wear Manufacturing ~
Mainland China

~ Shops Decoration ~
Mainland China

Glorious Sun Industries (BVI) Ltd.
(holding company)

~ Woven Garment Manufacturing & Export ~
Hong Kong Bangladesh
Mainland China

~ Woven Fabric Dyeing ~
Mainland China


Gennon Industries Ltd.
(holding company)
~ Knitted Garment Manufacturing & Export ~
Hong Kong Bangladesh
Mainland China Cambodia
Vietnam
~ Knitted Fabric Dyeing & Knitting ~
Mainland China
~ Yarn Dyeing ~
Mainland China
Rays The Glorious Investment (BVI) Ltd.
(holding company)
~ Woven Garment Manufacturing & Export ~
Hong Kong
Mainland China
~ Apparel Wholesale ~
USA
Europe
Glorious Sun Overseas Company Limited
(holding company)
~ Apparel/ancillary goods Retailing (Quiksilver) ~
Hong Kong
Mainland China
Macau

Retail Networks In China

Total no. of shops :	Mainand China	2,047
	Hong Kong	20
	Macau	2
	Total	2,069

Retail Network
In Australia And New Zealand

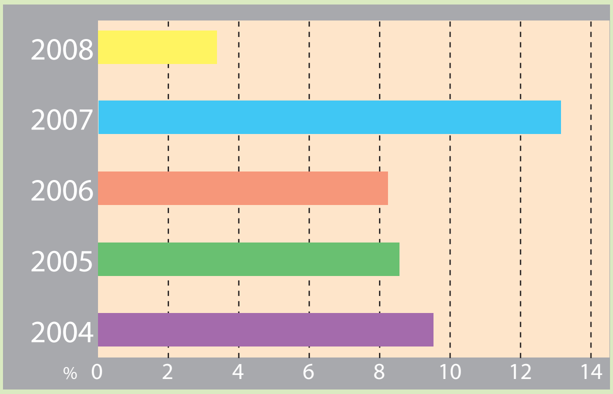
Total no. of shops : 226

FINANCIAL HIGHLIGHTS

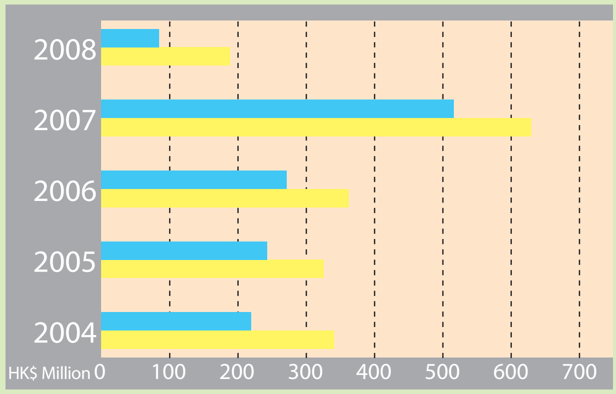
	2008	2007	2006	2005	2004
Revenue (HK$'000)	**5,573,751**	4,783,880	4,397,359	3,802,398	3,583,751
Increase in revenue in percentage	**16.51%**	8.79%	15.65%	6.10%	8.26%
Revenue analysis:					
1. Retail					
a. Mainland China (HK$'000)	**3,335,253**	2,586,631	2,050,979	1,716,268	1,477,645
b. Australia & New Zealand (HK$'000)	**1,114,208**	1,041,195	867,787	776,221	800,014
2. Export (HK$'000)	**876,690**	938,193	1,254,136	1,148,110	1,144,528
3. Others (HK$'000)	**247,600**	217,861	224,457	161,799	161,564
Operating margin (%)	**3.38%**	13.16%	8.24%	8.57%	9.52%
Profit attributable to ordinary equity holders of the Company (HK$'000)	**84,718**	515,749	271,582	242,809	219,193
Increase/(Decrease) in profit attributable to ordinary equity holders of the Company in percentage	**(83.57%)**	89.91%	11.85%	10.77%	32.97%
Equity attributable to ordinary equity holders of the Company (HK$'000)	**1,842,592**	2,057,833	1,723,002	1,663,138	1,470,253
Working capital (HK$'000)	**789,848**	856,151	819,758	936,572	939,877
Total liabilities to equity ratio	**1.22**	0.93	1.07	0.96	0.96
Net cash/(bank borrowings) to equity ratio	**0.49**	0.49	0.42	0.62	0.76
Current ratio	**1.36**	1.45	1.45	1.59	1.68
Inventory turnover (days)	**55**	50	51	54	57
Return on total assets (%)	**2.00%**	12.55%	7.32%	7.12%	7.24%
Return on equity (%)	**4.60%**	25.06%	15.76%	14.60%	14.91%
Return on sales (%)	**1.52%**	10.78%	6.18%	6.39%	6.12%
Earnings per share (HK cents)					
Basic	**8.00**	48.72	25.79	23.80	21.91
Diluted	**8.00**	48.51	25.60	23.35	21.59
Dividend per share (HK cents)	**13.11**	25.79	25.44	23.80	13.20

FINANCIAL HIGHLIGHTS

OPERATING MARGIN
(AFTER FINANCE COSTS)



OPERATING PROFIT AND PROFIT ATTRIBUTABLE
TO ORDINARY EQUITY HOLDERS OF THE COMPANY

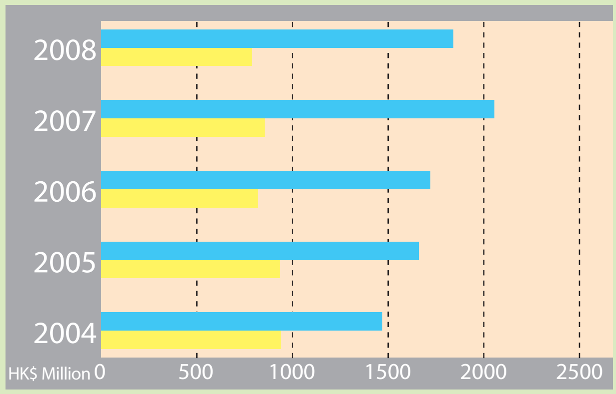


Profit attributable to ordinary equity holders of the Company
Operating profit (after finance costs)

BASIC EARNINGS PER SHARE AND
DIVIDEND PER SHARE

Dividend per share
Basic earnings per share

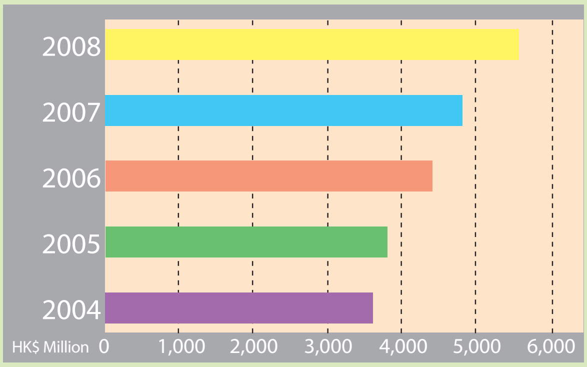
WORKING CAPITAL AND EQUITY ATTRIBUTABLE
TO ORDINARY EQUITY HOLDERS OF THE COMPANY



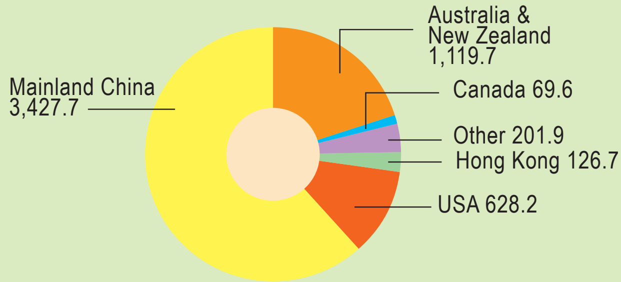
Equity attrbutable to ordinary equity holders of the Company
Working capital

FINANCIAL HIGHLIGHTS

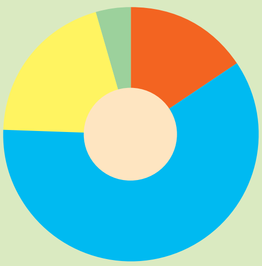
REVENUE (HK$ Million)



REVENUE BY GEOGRAPHICAL LOCATIONS (HK$ Million)

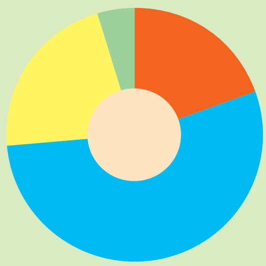


TURNOVER BY ACTIVITIES (HK$ Million)



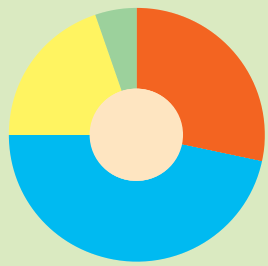
2008

Export	876.7
Retail - Mainland China	3,335.3
Retail - Australia & New Zealand	1,114.2
Other	247.6



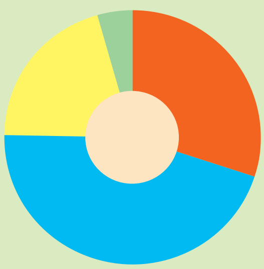
2007

Export	938.2
Retail - Mainland China	2,586.6
Retail - Australia & New Zealand	1,041.2
Other	217.9



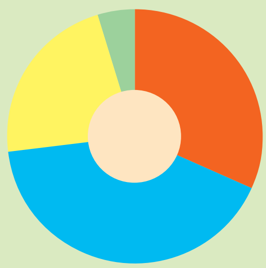
2006

Export	1,254.1
Retail - Mainland China	2,051.0
Retail - Australia & New Zealand	867.8
Other	224.5



2005

Export	1,148.1
Retail - Mainland China	1,716.3
Retail - Australia & New Zealand	776.2
Other	161.8



2004

Export	1,144.5
Retail - Mainland China	1,477.7
Retail - Australia & New Zealand	800.0
Other	161.6

OPERATION HIGHLIGHTS

Year ended 31 December 2008

RETAIL OPERATION HIGHLIGHTS

	2008	2007	2006	2005	2004
Net sales for the Year (HK$'000)	**4,449,461**	3,627,826	2,918,766	2,492,489	2,277,659
Mainland China	**3,335,253**	2,586,631	2,050,979	1,716,268	1,477,645
Australia & New Zealand	**1,114,208**	1,041,195	867,787	776,221	800,014
Retail floor area of directly managed shops (sq.ft.)	**1,355,104**	1,116,724	967,358	826,783	729,153
Mainland China	**1,069,945**	859,421	715,278	615,065	522,709
Australia & New Zealand	**285,159**	257,303	252,080	211,718	206,444
Number of sales persons	**9,888**	8,837	7,708	6,800	6,440
Mainland China	**8,396**	7,343	6,219	5,527	5,167
Australia & New Zealand	**1,492**	1,494	1,489	1,273	1,273
Number of employees	**11,937**	10,641	9,188	8,187	7,819
Mainland China	**10,324**	9,013	7,576	6,794	6,417
Australia & New Zealand	**1,613**	1,628	1,612	1,393	1,402
Number of directly managed shops	**1,159**	987	871	779	744
Mainland China	**939**	768	657	595	565
Australia & New Zealand	**220**	219	214	184	179
Number of franchised shops	**1,075**	905	723	573	423
Mainland China	**1,069**	899	717	567	417
Australia & New Zealand	**6**	6	6	6	6
Total number of retail shops	**2,234**	1,892	1,594	1,352	1,167
Mainland China	**2,008**	1,667	1,374	1,162	982
Australia & New Zealand	**226**	225	220	190	185

The above highlights are related to "Jeanswest" networks only.

OPERATION HIGHLIGHTS

Year ended 31 December 2008

GARMENT MANUFACTURING HIGHLIGHTS

	2008	2007	2006	2005	2004
Sales for the year (including sales to retail operation) (HK$'000)	**1,794,233**	1,527,795	1,752,342	1,619,295	1,709,528
Monthly capacity at year ended (dozens)	**272,000**	317,000	365,000	409,000	437,000
Production floor area (sq.ft.)	**1,442,000**	2,028,000	2,174,000	2,279,000	2,172,000
Number of workers	**11,900**	14,600	17,800	21,600	22,200
Percentage of sales to:					
Group	**38.78%**	37.58%	27.68%	32.94%	32.12%
Third parties	**61.22%**	62.42%	72.32%	67.06%	67.88%
USA	**35.01%**	51.19%	59.30%	54.04%	55.79%
Canada	**3.88%**	3.99%	8.85%	4.56%	4.89%
Others	**22.33%**	7.24%	4.17%	8.46%	7.20%

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high standard of corporate governance and has applied the principles of the Code Provisions as set out in the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Throughout the year ended 31 December 2008 (the “year under review”), the Company has complied with the Code Provisions set out in the CG Code, except for the deviation from code provision A.4.2 in respect of the rotation of directors. Explanations for such non-compliance are provided in this report.

BOARD OF DIRECTORS

The Board is committed to making decisions in the best interests of both the Company and its shareholders. The Board’s primary responsibilities are to formulate the Company’s long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board.

In addition, the Board has also established Board Committees and has delegated to these Board Committees various responsibilities set out in their terms of reference respectively.

The Board currently comprises eleven Directors, whose biographical details are set out in the “Directors’ and senior management’s biographies” section in the Report of the Directors. Seven of the Directors are executive, three are independent non-executive and one is non-executive.

The members of the Board are:

Executive

Dr. Charles Yeung, SBS, JP	*(Chairman)*
Mr. Yeung Chun Fan	*(Vice-chairman)*
Mr. Yeung Chun Ho	
Mr. Pau Sze Kee, Jackson	
Mr. Hui Chung Shing, Herman, JP	
Ms. Cheung Wai Yee	
Mr. Chan Wing Kan, Archie	

Independent non-executive

Mr. Wong Man Kong, Peter, BBS, JP
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Mr. Chung Shui Ming, Timpson, GBS, JP

Non-executive

Dr. Lam Lee G.

The relationship among the members of the Board is disclosed under the “Directors’ and senior management’s biographies” section in the Report of the Directors.

CORPORATE GOVERNANCE REPORT

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and are performed by Dr. Charles Yeung, SBS, JP and the General Manager of the Group, Mr. Yeung Chun Fan, respectively. Their respective responsibilities are clearly defined and are set out in writing. Mr. Yeung Chun Fan is also the Vice-chairman of the Board.

The Chairman takes the lead in formulating and setting Group strategies and policies in conjunction with the Board; oversees the function of the Board and encourages and facilitates constructive relations between executive and non-executive Directors.

The General Manager, supported by other Board members and the senior management, is responsible for overseeing the Group's business operation, implementing the strategies laid down by the Board and managing day-to-day operation.

INDEPENDENCE

Each independent non-executive Director has given the Company an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers such Directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has not established a nomination committee pursuant to the Recommended Best Practices of the CG Code. The Board is responsible for reviewing its size, structure and composition (including the skills, knowledge and experience) of the members of the Board from time to time as appropriate to ensure that the Board has a balance of expertise, skills, knowledge and experience appropriate for the business of the Company. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering any appointment of its own members.

The Board recommended the appointments of the Directors standing for re-election at the forthcoming annual general meeting of the Company which is to be held on 5 June 2009.

All the non-executive Director and independent non-executive Directors are appointed for a specific term of two years and are required to retire and eligible for re-election at the annual general meeting of the Company in the year of expiry of the term.

Under the code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE REPORT

In accordance with bye-law 110(A) of the Bye-laws of the Company, Dr. Charles Yeung, SBS, JP, the executive Chairman of the Board, shall not be subject to retirement by rotation. The Board considers that this deviation is well-founded as Dr. Charles Yeung, SBS, JP, being the founder of the Group, has a wealth of experience which is essential to the Board and helps the continued stability of the Company's business. Hence, he is eligible for being the Chairman of the Board during his lifetime and need not be subject to retirement by rotation. However, in view of good corporate governance practices, at the forthcoming annual general meeting of the Company, Dr. Charles Yeung, SBS, JP, will voluntarily retire from his office and will offer himself for re-election notwithstanding that he is not required to do so by the Company's Bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MEETINGS AND ATTENDANCE

The Board met on four occasions during the year under review. The attendance of individual Directors at the Board meetings and the two Board Committees (the Audit Committee and the Remuneration Committee) meetings is set out in the table below:

	Meetings Attended/Held		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive			
Dr. Charles Yeung, SBS, JP	4/4		
Mr. Yeung Chun Fan	4/4		
Mr. Yeung Chun Ho	3/4		
Mr. Pau Sze Kee, Jackson	4/4		
Mr. Hui Chung Shing, Herman, JP	4/4		
Ms. Cheung Wai Yee	3/4		
Mr. Chan Wing Kan, Archie	4/4		
Independent non-executive			
Mr. Wong Man Kong, Peter, BBS, JP	4/4	0/2	1/1
Mr. Lau Hon Chuen, Ambrose, GBS, JP	4/4	2/2	
Mr. Chung Shui Ming, Timpson, GBS, JP	3/4	2/2	1/1
Non-executive			
Dr. Lam Lee G.	4/4	2/2	

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established Audit Committee and Remuneration Committee in accordance with the CG Code to oversee particular aspects of the Company's affairs. All or a majority of the members of the Committees are independent non-executive Directors. The Board Committees have clear written terms of reference and have to report to the Board on their decisions and recommendations.

The Audit Committee

The Audit Committee has been established since 1998. Currently it comprises three independent non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, GBS, JP (Committee Chairman), Mr. Wong Man Kong, Peter, BBS, JP and Mr. Chung Shui Ming, Timpson, GBS, JP, and the non-executive Director, Dr. Lam Lee G. Written terms of reference of the Audit Committee were formulated and revised from time to time in order to comply with the Code Provisions of the CG Code.

The main responsibilities of the Audit Committee are to review the accounting principles and practices adopted by the Group and to review the effectiveness of the financial reporting process and internal control system of the Group.

The Audit Committee held two meetings during the year under review. The work of the Audit Committee in 2008 included the following:

- review of the 2007 annual results announcement and financial statements
- review of the 2008 interim results announcement
- review of the internal audit reports and risks assessment report, all prepared by the internal audit department of the Company
- review of continuing connected transactions for the year 2007 and for the six months ended 30 June 2008
- review of tenancy agreement/lease of continuing connected transaction nature entered into by the Group in 2008
- approval of the terms of engagement and the remuneration of external auditors
- discussion with the external auditors on any issues arising from their audits

CORPORATE GOVERNANCE REPORT

The Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Wong Man Kong, Peter, BBS, JP (Committee Chairman) and Mr. Chung Shui Ming, Timpson, GBS, JP. Written terms of reference of the Remuneration Committee were formulated in accordance with the Code Provision of the CG Code.

The main responsibilities of the Remuneration Committee are to review and endorse the remuneration policy of the Directors and senior management and to make recommendations to the Board for the remuneration of the Directors and senior management. The Remuneration Committee ensures that no Director is involved in deciding his/her own remuneration.

During the year under review, the Remuneration Committee held one meeting at which the 2008 bonuses for the executive Directors and senior management were discussed and approved.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transaction as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code throughout the year under review.

EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted dealing rules based on the Model Code (the "Dealing Rules") governing securities transaction by the employees of the Group who are likely to be in possession of unpublished price-sensitive information in relation to the Group. These employees have been individually notified and provided with a copy of the Dealing Rules.

FINANCIAL STATEMENTS

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. The Board is not aware of any material uncertainties relating to the events or condition that might cast doubt upon the Company's ability to continue as a going concern. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to the regulators.

The responsibilities of the external auditors with respect to the financial reporting are set out in the Independent Auditors' Report contained in this Annual Report.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board recognizes its responsibility for and is committed to maintaining a sound and effective internal control system for the Group so as to safeguard the assets of the Group and the interests of the shareholders. Qualified personnel from management of different levels within the Group are delegated to maintain and monitor the system.

The internal audit department plays a major role in reviewing and evaluating the internal control of the Group and its effectiveness. During the year under review, the annual review work of the internal audit had covered all major business units of the Group and all material control areas including financial, operational and compliance controls as well as risk management function. Risks identification and evaluation have become regular and ongoing processes during the courses of internal audit work. No material control failure or significant areas of concern which might affect shareholders' interests were found. The results of the reviews, and reports have been considered by the Audit Committee. The Board is of the view that the existing internal control system is reasonably effective and adequate to the Group.

AUDITORS' REMUNERATION

The fees in respect of audit and non-audit services provided to the Group by the external auditors of the Company, Ernst & Young, for the year ended 31 December 2008 amounted to approximately HK$5,050,000 and HK$340,000 respectively. The non-audit services included tax matters, review and other reporting services.

COMMUNICATIONS WITH SHAREHOLDERS

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communications between its shareholders and the Board. At the Company's 2008 annual general meeting, the Chairman of the Board, the Chairman of the Audit Committee and the Chairman of the Remuneration Committee were present to answer shareholders' questions.

The Company has also maintained a website at http://www.glorisun.com which enables shareholders, investors and the general public to have access to the information of the Company.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company's subsidiaries are engaged in the retailing, export and production of casual wear. The principal activities of the Group have not significantly changed during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 144.

An interim dividend of HK4.00 cents per ordinary share was paid on 6 October 2008. The directors recommended the payment of a final dividend of HK13.11 cents per ordinary share in respect of the year, to shareholders on the register of members on 5 June 2009. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 145 and 146 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year are set out in note 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company's reserves available for distribution, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$627,967,000, of which HK$138,889,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$384,521,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$5,249,000.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive
Dr. Charles Yeung, SBS, JP *(Chairman)*
Mr. Yeung Chun Fan *(Vice-chairman)*
Mr. Yeung Chun Ho
Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, JP
Ms. Cheung Wai Yee
Mr. Chan Wing Kan, Archie

Independent non-executive
Mr. Wong Man Kong, Peter, BBS, JP
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Mr. Chung Shui Ming, Timpson, GBS, JP

Non-executive
Dr. Lam Lee G.

REPORT OF THE DIRECTORS

DIRECTORS *(CONTINUED)*

In accordance with bye-law 110(A) of the Company's Bye-laws, Dr. Charles Yeung, SBS, JP, the executive Chairman of the Board of Director of the Company, shall not be subject to retirement by rotation. However, in view of good corporate governance practices and in compliance of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Dr. Charles Yeung, SBS, JP will retire from his office and will offer himself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 110(A) of the Company's Bye-laws, Mr. Yeung Chun Ho, Mr. Hui Chung Shing, Herman, JP and Mr. Chan Wing Kan, Archie will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. Lau Hon Chuen, Ambrose, GBS, JP, Mr. Chung Shui Ming, Timpson, GBS, JP and Dr. Lam Lee G. will also retire at the forthcoming annual general meeting at which their term of appointments will expire, and they are eligible for re-election.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 42 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2008, the interests or short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Name of director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Long position				
Dr. Charles Yeung, SBS, JP	(i) Interest of controlled corporations	538,228,000	554,228,000 (1) & (2)	52.315
	(ii) Joint interest	16,000,000		
Mr. Yeung Chun Fan	(i) Beneficial owner	1,000,000	561,958,000 (1), (2) & (4)	53.044
	(ii) Interest of controlled corporations	538,228,000		
	(iii) Joint interest	16,000,000		
	(iv) Interest of spouse	6,730,000		
Mr. Yeung Chun Ho	Interest of a controlled corporation	27,430,000	27,430,000 (3)	2.589
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.884
Mr. Hui Chung Shing, Herman, JP	Beneficial owner	6,250,000	6,250,000	0.590
Ms. Cheung Wai Yee	(i) Beneficial owner	6,730,000	561,958,000 (1), (2) & (4)	53.044
	(ii) Interest of spouse	555,228,000		
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	956,000	956,000	0.090
Short position				
Dr. Charles Yeung, SBS, JP	Interest of a controlled corporation	4,000,000	4,000,000 (5)	0.378
Mr. Yeung Chun Fan	Interest of a controlled corporation	4,000,000	4,000,000 (5) & (6)	0.378
Ms. Cheung Wai Yee	Interest of spouse	4,000,000	4,000,000 (6)	0.378

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES *(CONTINUED)*

Notes:

(1) 396,988,000 shares were held by Glorious Sun Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan), 138,540,000 shares were held by Advancetex Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan) and 2,700,000 shares were held by G. S. Strategic Investment Limited (the entire issued voting share capital of which was held as to 50% by each of Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan).

(2) 16,000,000 shares were held by Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan jointly.

(3) 27,430,000 shares were held by Unicom Consultants Limited, a company wholly owned by Mr. Yeung Chun Ho.

(4) Ms. Cheung Wai Yee is the spouse of Mr. Yeung Chun Fan. 6,730,000 shares related to the same block of shares held by Ms. Cheung Wai Yee and 538,228,000 shares related to the same block of shares held by three companies controlled by Mr. Yeung Chun Fan.

(5) 4,000,000 shares were held by Glorious Sun Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan).

(6) 4,000,000 shares related to the same block of shares held by a company controlled by Mr. Yeung Chun Fan.

Save as disclosed above, as at 31 December 2008, none of the directors of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

Particulars of the share options granted to the directors and employees of the Company are set out in note 35 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive Directors

Dr. YEUNG Chun Kam, SBS, JP, alias Charles YEUNG, aged 62, is the founder and Chairman of the Group. He is responsible for the Group's business strategies. Dr. Yeung has over 35 years of experience in the garment industry. He was an awardee of the "Young Industrialist Award of Hong Kong" in 1991 and was conferred an honorary doctorate degree by the China Textile University in 1993 and an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2002. Dr. Yeung is a Member of the National Committee of the Chinese People's Political Consultative Conference, the Vice-president of China Association of Enterprises with Foreign Investment and a Vice-chairman of The Chinese General Chamber of Commerce. Dr. Yeung is also an advisory professor of the East China University and the Tianjin Polytechnic University and a visiting professor of the Xi'an Polytechnic University in Mainland China. Dr. Yeung is a director and a shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are the substantial shareholders of the Company (as disclosed in the section headed "Substantial Shareholders" in this report).

Mr. YEUNG Chun Fan, aged 56, is the Vice-chairman and General Manager of the Group which he joined in 1975. He has over 30 years of experience in the garment industry. Mr. Yeung is an Honorary Fellow Member of the Hong Kong Institution of Textile and Apparel, the President of The Federation of Hong Kong Garment Manufacturers, an advisory professor of the Nanjiang University, the East China University and the Qingdao University. Mr. Yeung is a Member of the Standing Committee of the Hebei Committee of The Political Consultative Conference and a Vice-president of the China National Garment Association. Mr. Yeung is responsible for the Group's overall business operations. He is a brother of Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Ho. Mr. Yeung is a director and a shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are the substantial shareholders of the Company (as disclosed in the section headed "Substantial Shareholders" in this report).

Mr. YEUNG Chun Ho, aged 64, joined the Group in 1979 and is a Deputy General Manager of the Group. Mr. Yeung has over 30 years of experience in the garment industry. He is responsible for the Group's weaving and dyeing operations. Mr. Yeung is a brother of Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan.

Mr. PAU Sze Kee, Jackson, aged 57, joined the Group in 1987 and is a Deputy General Manager of the Group. Mr. Pau graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. Before joining the Group, he had worked in several financial institutions and a listed trading company in the United Kingdom for more than 10 years. He is responsible for the Group's retail operations in Australasia and the Middle East.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES *(CONTINUED)*

Executive Directors *(continued)*

Mr. HUI Chung Shing, Herman, JP, aged 58, is responsible for the strategic planning and legal matters of the Group. Mr. Hui graduated from the University of Hong Kong with a bachelor's degree in Laws. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has also been admitted as a solicitor of the Supreme Court of England and Wales and as a solicitor and barrister of the Supreme Court of Victoria, Australia. Before joining the Group in 1995, Mr. Hui was the Group's external legal advisor.

Ms. CHEUNG Wai Yee, aged 57, joined the Group in 1975 and is responsible for the Group's woven apparel manufacturing and export sales operations as well as assisting in the development of retail business in the Mainland China. Ms. Cheung is the wife of Mr. Yeung Chun Fan.

Mr. CHAN Wing Kan, Archie, aged 62, has been the Group's business consultant in the past. Mr. Chan graduated from the University of New South Wales, Australia with a bachelor's degree in Commerce. He is a Member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Mr. Chan has extensive experience in corporate investment and management. He is responsible for the business development of the Group.

Independent Non-Executive Directors

Mr. WONG Man Kong, Peter, BBS, JP, aged 60, has been an Independent Non-executive Director of the Company since August 1996. Mr. Wong is a graduate of the University of California at Berkeley in USA with a bachelor of science degree in Mechanical Engineering (Naval Architecture) and was an awardee of the "Young Industrialist Award of Hong Kong" in 1988. Mr. Wong is the Chairman of M.K. Corporation Ltd., a Director of Hong Kong Ferry (Holdings) Co. Ltd., China Travel International Investment Hong Kong Limited, Sun Hung Kai & Co. Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Group Holdings Limited and the Chairman of North West Development Ltd. He is a Deputy of the 11th National People's Congress of the PRC, an Executive Vice Chairman of Hong Kong Pei Hua Education Association, a Vice Chairman of Chamber of Tourism, All-China Federation of Industry & Commerce and a Director of Ji Nan University. He holds title of Honorary Professor in Lanzhou University and The Central University for Nationalities.

Mr. LAU Hon Chuen, GBS, JP, alias Ambrose LAU, aged 61, has been an Independent Non-executive Director of the Company since March 1997. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr. Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is currently an Independent Non-executive Director of Franshion Properties (China) Limited, Guangzhou Investment Company Limited, GZI Transport Limited, Qin Jia Yuan Media Services Company Limited, The Hong Kong Parkview Group Limited, Wing Hang Bank, Limited and Brightoil Petroleum (Holdings) Limited. He is also a Director of Bank of China Group Insurance Company

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES *(CONTINUED)*

Independent Non-Executive Directors *(continued)*

Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr. Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Mr. CHUNG Shui Ming, Timpson, GBS, JP, aged 57, has been an Independent Non-executive Director of the Company since September 2004. Mr. Chung holds a Master of Business Administration Degree and is a Fellow Member of the Hong Kong Institute of Certified Public Accountants. Currently he is an Independent Non-executive Director of Miramar Hotel and Investment Company, Limited, Nine Dragons Paper (Holdings) Limited and China Unicom (Hong Kong) Limited. He is also a Member of National Committee of the 11th Chinese People's Political Consultative Conference.

Non-Executive Director

Dr. LAM Lee G., aged 49, has been a Non-executive Director of the Company since September 2004. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the United Kingdom, a PCLL in law (and has completed the Bar Course) from the City University of Hong Kong, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 26 years of multinational general management, corporate governance, investment banking, and direct investment experience. He is the Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves as an independent or non-executive director of several publicly-listed companies in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr. Lam is a Member of the Jilin Province Committee of the Chinese People's Political Consultative Committee (CPPCC), a Member of the Hong Kong Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the Young Presidents' Organization, a Fellow of the Hong Kong Institute of Directors and a Member of its Corporate Governance Committee, a Member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, and a Visiting Professor at the School of Economics & Management of Tsinghua University in Beijing.

Senior Management

Mr. CHOW Hing Ping, aged 60, joined the Group in 1979 and is a Deputy General Manager of the Group. Mr. Chow is responsible for the administration and financial matters of the production and retail operations of the Group in Hong Kong and the Mainland China.

Mr. FUNG Hing Keng, aged 59, joined the Group in 1978 and is a Deputy General Manager of the Group. Mr. Fung has over 35 years of experience in the garment industry. He is responsible for the woven apparel manufacturing operations in the Mainland China and assists in the development of the retail operations in the same area.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES *(CONTINUED)*

Senior Management *(continued)*

Mr. LEE Fung Tai, aged 61, joined the Group in 1983 and is the head of the knitwear division of the Group responsible for production. Mr. Lee has over 35 years of experience in the garment industry. He is a substantial shareholder of the companies under the knitwear division.

Mr. LI Fung Lok, aged 59, joined the Group in 1983 and is the head of the knitwear division of the Group responsible for administration and export sales. Mr. Li has over 35 years of experience in the garment industry. Mr. Li is a substantial shareholder of the companies under the knitwear division.

Ms. CHEUNG Man Yee, Carmen, aged 58, joined the Group in 1982 and is responsible for the Group's product development and marketing operations. Ms. Cheung graduated from the University of Hawaii in USA with a bachelor's degree in Arts. Prior to joining the Group, she was the manager of the sales and purchase department in one of the largest department stores in USA. Ms. Cheung is the sister of Ms. Cheung Wai Yee.

Mr. Stephen John YOUNANE, aged 43, is the Chief Executive Officer for the Group's Retail Operations of Jeanswest Australia, New Zealand and the Middle East Franchise Operation. Before joining the Group in 2007, Mr. Younane's previous retail experience spanned more than 20 years, working for various retail companies of renowned international brands both in Australia and the United States.

Mr. LAI Man Sum, alias Sam LAI, aged 47, joined the Group in 1991 and is the Chief Accountant of the Group. Mr. Lai graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. He is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and a Member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Lai worked for an international accounting firm and a garment company for many years.

Mr. MUI Sau Keung, alias Isaac MUI, aged 46, joined the Group in 1993. He was appointed as the Company Secretary with effect from December 2005. Mr. Mui graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. He is a member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Mui worked in various companies in Hong Kong responsible for finance, personnel and administrative functions.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the register required to be kept by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than directors of the Company) had disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Name of shareholder	Capacity	Number of shares held	Percentage of issued share capital (%)
Long position			
Glorious Sun Holdings (BVI) Limited	Beneficial owner	396,988,000	37.472
Advancetex Holdings (BVI) Limited	Beneficial owner	138,540,000	13.077
Matthews International Capital Management, LLC	Investment manager	74,693,000	7.050
Commonwealth Bank of Australia	Interest of controlled corporations	76,027,100[(1)]	7.176
Dr. Jens Alfred Karl Ehrhardt	Investment manager	53,172,000[(2)]	5.019
Dr. Jens Ehrhardt Kapital AG	Investment manager	53,172,000[(2)]	5.019
DJE Investment S.A.	Investment manager	53,172,000[(2)]	5.019
Short position			
Glorious Sun Holdings (BVI) Limited	Beneficial owner	4,000,000	0.378

Notes:

(1) 76,027,100 shares were held by various wholly-owned subsidiaries of Commonwealth Bank of Australia.

(2) 53,172,000 shares were held by DJE Investment S.A. which was 81% controlled by Dr. Jens Ehrhardt Kapital AG, and Dr. Jens Ehrhardt Kapital AG was 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS *(CONTINUED)*

Save as disclosed above, no other parties (other than directors of the Company) disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2008.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

	Notes	**2008** **HK$'000**	2007 HK$'000
Rental expenses paid to:	(i)		
Golden Sunshine Enterprises Limited		**1,923**	3,498
Houtex Investments Limited		**318**	874
G. S. (Yeungs) Limited		**750**	727
Gantin Limited		**312**	298
Harbour Guide Limited		**2,733**	2,478
Rank Profit Industries Limited		**2,468**	–
Gloryear Management Limited		**281**	276
		8,785	8,151
Management fees paid to:	(ii)		
Golden Sunshine Enterprises Limited		**443**	849
G. S. Property Management Limited		**69**	190
Rank Profit Industries Limited		**800**	–
		1,312	1,039

Notes:

(i) The rental expenses were charged with reference to the prevailing open market rentals.

(ii) The management fees were charged according to the management services agreement signed between the parties having regard to the cost of services provided.

All of the above companies are controlled by (1) Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan or (2) Mr. Yeung Chun Fan and Ms. Cheung Wai Yee, all are directors of the Company.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

The independent non-executive directors of the Company have reviewed and confirmed that all the above transactions with the related companies are in the ordinary and usual course of the Group's business, and that in their opinion, they are on terms that are fair and reasonable so far as the shareholders of the Company are concerned, and in accordance with the terms of the agreements governing the transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

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

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

EMOLUMENT POLICY

The remuneration committee reviews the emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has applied the principles of the Code Provisions as set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. Details are set out in the Corporate Governance Report on page 23 to 28.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dr. Charles Yeung, SBS, JP
Chairman

Hong Kong
22 April 2009


JEANSWEST
真維斯

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

TO THE SHAREHOLDERS OF
GLORIOUS SUN ENTERPRISES LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Glorious Sun Enterprises Limited set out on pages 44 to 144, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated summary 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our 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.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY *(CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 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 Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

22 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	**5,573,751**	4,783,880
Cost of sales		**(3,201,205)**	(2,716,523)
Gross profit		**2,372,546**	2,067,357
Other income and gains	5	**206,855**	212,187
Selling and distribution costs		**(1,492,676)**	(1,234,587)
Administrative expenses		**(643,202)**	(622,211)
Other expenses		**(30,792)**	(50,140)
Finance costs	6	**(15,916)**	(16,595)
		396,815	356,011
Gains on disposal and liquidation of investments, net	7	**6,231**	273,391
Impairment loss on an available-for-sale investment		**(214,396)**	–
OPERATING PROFIT		**188,650**	629,402
Share of profits and losses of:			
Jointly-controlled entities		**(5,139)**	(720)
Associates		**8,897**	9,707
PROFIT BEFORE TAX	7	**192,408**	638,389
Tax	10	**(94,386)**	(85,114)
PROFIT FOR THE YEAR		**98,022**	553,275
Attributable to:			
Ordinary equity holders of the Company	11	**84,718**	515,749
Minority interests		**13,304**	37,526
		98,022	553,275
DIVIDENDS	12	**181,266**	274,220
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13	**HK cents**	HK cents
Basic		**8.00**	48.72
Diluted		**8.00**	48.51

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**917,081**	777,291
Investment properties	15	**51,111**	40,367
Prepaid land lease payments	16	**18,937**	17,863
Goodwill	17	**30,388**	38,612
Interests in jointly-controlled entities	19	**2,997**	18,706
Interests in associates	20	**124,922**	127,498
Available-for-sale investment	21	**49,871**	298,200
Financial asset at fair value through profit or loss	22	**–**	24,511
Deposit paid for purchase of a property		**11,430**	–
Deferred tax assets	33	**14,369**	18,434
Total non-current assets		**1,221,106**	1,361,482
CURRENT ASSETS			
Inventories	23	**844,223**	657,681
Trade and bills receivables	24	**522,602**	437,372
Prepayments, deposits and other receivables		**368,106**	278,868
Derivative financial instruments	25	**6,004**	6,736
Due from related companies	26	**3,609**	1,567
Financial asset at fair value through profit or loss	22	**23,337**	–
Equity investments at fair value through profit or loss	27	**–**	81,475
Pledged deposits	28	**3,388**	4,337
Cash and cash equivalents	28	**1,233,538**	1,280,776
Total current assets		**3,004,807**	2,748,812
CURRENT LIABILITIES			
Trade and bills payables	29	**706,293**	556,302
Other payables and accruals		**803,707**	757,821
Interest-bearing bank and other borrowings	30	**333,499**	267,447
Tax payable		**371,460**	311,091
Total current liabilities		**2,214,959**	1,892,661
NET CURRENT ASSETS		**789,848**	856,151
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,010,954**	2,217,633

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**953**	1,102
Long term loans from minority shareholders	32	**9,400**	9,400
Deferred tax liabilities	33	**19,512**	374
Total non-current liabilities		**29,865**	10,876
Net assets		**1,981,089**	2,206,757
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	34	**105,941**	105,941
Reserves	36	**1,597,762**	1,716,279
Proposed dividends	12	**138,889**	235,613
		1,842,592	2,057,833
Minority interests	36	**138,497**	148,924
Total equity		**1,981,089**	2,206,757

Charles Yeung, SBS, JP
Director

Yeung Chun Fan
Director

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
Total equity attributable to ordinary equity holders of the Company at beginning of year		**2,057,833**	1,723,002
Fair value gain on revaluation of land and buildings	36	**66,429**	3,670
Change in fair value of an available-for-sale investment	36	**(248,329)**	33,933
Impairment loss on an available-for-sale investment charged to the income statement	36	**214,396**	–
Deferred tax arising from the net fair value gain on revaluation of land and buildings	36	**(15,803)**	–
Exchange differences on translation of the financial statements of overseas entities	36	**(37,005)**	43,649
Reserves released on disposal of jointly-controlled entities	36	**(5,578)**	–
Reserves released on liquidation of jointly-controlled entities	36	**3,217**	–
Reserves released on liquidation of an associate	36	**631**	–
Equity-settled share option arrangement	36	**73**	–
Net gains/(losses) not recognised in the consolidated income statement		**(21,969)**	81,252
Profit for the year attributable to ordinary equity holders of the Company	36	**84,718**	515,749
Issue of new shares	34	**–**	455
Premium on issue of new shares, net	36	**–**	10,583
Dividends paid		**(277,990)**	(273,208)
		(193,272)	253,579
Total equity attributable to ordinary equity holders of the Company at end of year		**1,842,592**	2,057,833

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**192,408**	638,389
Adjustments for:			
Finance costs	6	**15,916**	16,595
Share of profits and losses of jointly-controlled entities and associates		**(3,758)**	(8,987)
Interest income	5	**(28,647)**	(35,376)
Change in fair values of investment properties	5	**(4,824)**	(2,421)
Fair value (gains)/losses, net:			
Financial asset at fair value through profit or loss	7	**1,174**	(1,171)
Equity investments at fair value through profit or loss	7	**–**	8,240
Derivative financial instruments – transactions not qualifying as hedges	5	**(6,501)**	(12,038)
(Gains)/losses on disposal and liquidation of investments, net:			
Gain on disposal of equity investments	7	**(13,383)**	(5,172)
Gain on disposal of a subsidiary	7	**–**	(2,533)
Gain on disposal of an associate	7	**–**	(265,686)
Loss on liquidation of an associate	7	**631**	–
Loss on disposal of jointly-controlled entities	7	**1,930**	–
Loss on liquidation of jointly-controlled entities	7	**4,591**	–
Depreciation	7	**184,370**	163,013
Recognition of prepaid land lease payments	7	**477**	403
Reversal of revaluation deficit on buildings	7	**(3,844)**	–
Impairment of goodwill	7	**3,990**	–
Impairment of trade receivables	7	**5,098**	–
Loss on disposal/write-off of items of property, plant and equipment	7	**12,544**	9,826
Write-down of inventories to net realisable value	7	**28,936**	10,202
Impairment/(reversal of impairment) of items of property, plant and equipment	7	**1,720**	(747)
Reversal of provision for loans to associates	5	**–**	(11,791)
Equity-settled share option expense	7	**73**	–
Impairment of an available-for-sale investment	21	**214,396**	–
Effect of foreign exchange rate changes, net		**(15,405)**	1,311
Operating profit before working capital changes		**591,892**	502,057

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Operating profit before working capital changes		**591,892**	502,057
Decrease in amounts due from jointly-controlled entities		**793**	732
Increase/(decrease) in amounts due to jointly-controlled entities		**(15,487)**	1,572
Increase in amounts due from associates		**(4,390)**	(546)
Increase in amounts due to associates		**4,986**	1,522
Increase in inventories		**(215,478)**	(67,877)
Decrease/(increase) in trade and bills receivables		**(90,328)**	99,133
Increase in prepayments, deposits and other receivables		**(89,164)**	(21,096)
Increase in amounts due from related companies		**(2,042)**	(843)
Increase in equity investments at fair value through profit or loss		**(227,273)**	(11,050)
Decrease in derivative financial instruments		**7,233**	10,622
Increase in trade and bills payables		**149,991**	18,481
Increase in other payables and accruals		**45,886**	101,673
Cash generated from operations		**156,619**	634,380
Interest received	5	**28,647**	35,376
Interest paid	6	**(15,894)**	(16,547)
Interest element on finance lease rental payments	6	**(22)**	(48)
Dividend received from jointly-controlled entities		**–**	3,481
Dividend received from associates		**11,943**	31,326
Proceeds from disposal of equity investments		**322,131**	106,773
Hong Kong profits tax refunded/(paid)		**579**	(19,661)
Overseas taxes paid		**(43,971)**	(45,536)
Net cash inflow from operating activities		**460,032**	729,544

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Net cash inflow from operating activities		**460,032**	729,544
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(233,619)**	(214,433)
Deposit paid for purchase of a property		**(11,430)**	–
Purchases of an investment property	15	**–**	(15,765)
Proceeds from disposal of items of property, plant and equipment		**1,717**	24,631
Proceeds from disposal of jointly-controlled entities		**20,800**	–
Disposal of a subsidiary	37	**–**	11,702
Investment in an associate		**–**	(30,000)
Proceeds from disposal of an associate		**–**	15,428
Increase in a financial asset at fair value through profit or loss		**–**	(23,340)
Repayment of loans to associates		**125**	89,312
Decrease in pledged deposits		**949**	17,447
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**(40,053)**	155,201
Net cash inflow/(outflow) from investing activities		**(261,511)**	30,183
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	34	**–**	11,059
Share issue expenses	34	**–**	(21)
Drawdown of new bank loans		**287,679**	220,270
Drawdown of other loan		**395**	2,143
Repayment of bank loans		**(267,280)**	(288,189)
Capital element of finance lease rental payments		**(747)**	(950)
Capital contributed by minority shareholders		**2,778**	–
Dividends paid		**(277,990)**	(273,208)
Dividends paid to minority shareholders		**(42,521)**	(41,972)
Increase/(decrease) in trust receipt loans		**29,531**	(3,770)
Net cash outflow from financing activities		**(268,155)**	(374,638)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(69,634)**	385,089

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

Year ended 31 December 2008

	Notes	**2008 HK$'000**	2007 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(69,634)**	385,089
Cash and cash equivalents at beginning of year		**1,251,073**	846,544
Effect of foreign exchange rate changes, net		**(29,581)**	19,440
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,151,858**	1,251,073
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**566,035**	572,723
Non-pledged time deposits with original maturity of less than three months when acquired		**624,773**	705,376
Bank overdrafts	30	**(38,950)**	(27,026)
		1,151,858	1,251,073

BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSET			
Interest in a subsidiary	18	**678,224**	948,360
CURRENT ASSETS			
Other receivables		**244**	511
Cash and cash equivalents	28	**440,134**	276,662
Total current assets		**440,378**	277,173
CURRENT LIABILITY			
Other payables and accruals		**173**	161
NET CURRENT ASSETS		**440,205**	277,012
Net assets		**1,118,429**	1,225,372
EQUITY			
Issued capital	34	**105,941**	105,941
Reserves	36	**873,599**	883,818
Proposed dividends	12	**138,889**	235,613
Total equity		**1,118,429**	1,225,372

Charles Yeung, SBS, JP
Director

Yeung Chun Fan
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2008

1. CORPORATE INFORMATION

Glorious Sun Enterprises Limited is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong.

During the year, the Group engaged in the retailing, export and production of casual wear.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings and certain financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives* [5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [6]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 *Effective for annual periods beginning on or after 1 January 2009*
2 *Effective for annual periods beginning on or after 1 July 2009*
3 *Effective for annual periods beginning on or after 1 July 2008*
4 *Effective for annual periods beginning on or after 1 October 2008*
5 *Effective for annual periods ending on or after 30 June 2009*
6 *Effective for transfers of assets from customers received on or after 1 July 2009*
* *Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.*

Among the above new and revised HKFRSs, the following may be relevant to the Group's operations and financial statements upon becoming effective:

(a) HKFRS 1 and HKAS 27 Amendments "Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*"

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The Group expects to adopt the HKAS 27 Amendment from 1 January 2009. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

(b) HKFRS 3 (Revised) "*Business Combinations*" and HKAS 27 (Revised) "*Consolidated and Separate Financial Statements*"

The revised HKFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

(c) HKFRS 8 "*Operating Segments*"

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

(d) HKAS 1 (Revised) "*Presentation of Financial Statements*"

The revised HKAS 1 introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

(e) HK(IFRIC)-Int 13 "*Customer Loyalty Programmes*"

This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Joint ventures *(continued)*

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Associates *(continued)*

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Goodwill *(continued)*

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 (continued)

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

Goodwill previously eliminated against consolidated retained profits

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets other than goodwill

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets other than goodwill *(continued)*

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Buildings	1.67% – 5% or over the terms of the leases, whichever is shorter
Leasehold improvements	20% – 25% or over the terms of the leases, whichever is shorter
Plant and machinery	10% – 25%
Furniture, fixtures and office equipment	10% – 33%
Motor vehicles	20% – 30%

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation *(continued)*

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

Construction in progress represents buildings and office premises under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction incurred during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

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

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

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

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognised in the income statement as “Other income” in accordance with the policies set out for “Revenue recognition” below. Losses arising from the impairment of such investments are recognised in the income statement as “Impairment loss on an available-for-sale investment” and are transferred from the available-for-sale investment revaluation reserve.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same and a discounted cash flow analysis.

Impairment of financial assets

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for an available-for-sale equity investment when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

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

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

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risk associated with foreign currency fluctuation. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Derivative financial instruments and hedging *(continued)*

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out and weighted average bases, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to the completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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

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

Revenue recognition

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

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

(b) from the rendering of sub-contracting and management services, when the services have been rendered;

(c) from the rendering of decoration and renovation services, when such services have been performed;

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

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

(f) dividend income, when the shareholders' right to receive payment has been established.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payment transactions *(continued)*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 35 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payment transactions *(continued)*

The financial impact of share options granted to employees on or before 7 November 2002 under the share incentive plan is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or the balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share. The excess of exercise price of the share options over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Other employee benefits

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' relevant salaries and allowances and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operated two defined contribution retirement benefits schemes for certain employees, the assets of which are held separately from those of the Group in independently administered funds. Under one of the schemes, contributions payable by the employers and employees were suspended in January 1994, but the administrator continues to manage and invest the assets of the scheme and to make payments to employees in accordance with the rules of the scheme. Under the other scheme, contributions were made based on a percentage of the eligible employees' salaries and were charged to the income statement as they became payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amounts of forfeited contributions. This scheme is still operating after 1 December 2000.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Dividends

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(continued)*

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was HK$30,388,000 (2007: HK$38,612,000). More details are given in note 17.

Provision for inventories

Management reviews the aging analysis of inventories of the Group at each balance sheet date, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The assessment of the provision amount required involves management judgments and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which such estimate has been changed. In addition, physical count on all inventories is carried out on a periodical basis in order to determine whether provision need to be made in respect of any obsolete inventories identified. The Group carries out an inventory review at each balance sheet date and makes provision against obsolete and slow-moving items. Management reassesses the estimation on each balance sheet date. The directors of the Company are satisfied that sufficient provision for obsolete and slow-moving inventories has been made in the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2008 was HK$51,111,000 (2007: HK$40,367,000). More details are given in note 15.

Impairment of an available-for-sale investment

The Group recognises fair value movements in its available-for-sale investment in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2008, an impairment losses of HK$214,396,000 has been recognised for the available-for-sale asset (2007: Nil). The carrying amount of the available-for-sale asset was HK$49,871,000 (2007: HK$298,200,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2008

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the "retail operations" segment engages in the retailing of casual wear;

(b) the "export operations" segment manufactures and exports apparel; and

(c) the "others" segment comprises, principally, the trading of fabric and other businesses.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There were no intersegment sales and transfers during the year (2007: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2008

4. SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Group

	Retail operations		Export operations		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**4,449,461**	3,627,826	**876,690**	938,193	**247,600**	217,861	**5,573,751**	4,783,880
Other income and gains	**41,554**	44,776	**61,280**	67,522	**25,075**	20,208	**127,909**	132,506
Total	**4,491,015**	3,672,602	**937,970**	1,005,715	**272,675**	238,069	**5,701,660**	4,916,386
Segment results	**346,493**	279,479	**40,858**	61,981	**5,107**	8,960	**392,458**	350,420
Interest income and unallocated revenue							**78,946**	79,681
Unallocated expenses							**(58,673)**	(57,495)
Finance costs							**(15,916)**	(16,595)
Gains on disposal and liquidation of investments, net							**6,231**	273,391
Impairment loss on an available-for-sale investment							**(214,396)**	–
Share of profits and losses of:								
Jointly-controlled entities	**–**	–	**(139)**	(739)	**(5,000)**	19	**(5,139)**	(720)
Associates	**–**	(5,743)	**8,897**	15,450	**–**	–	**8,897**	9,707
Profit before tax							**192,408**	638,389
Tax							**(94,386)**	(85,114)
Profit for the year							**98,022**	553,275
Assets and liabilities								
Segment assets	**1,395,718**	1,078,011	**461,314**	411,579	**526,261**	489,141	**2,383,293**	1,978,731
Interests in jointly-controlled entities	**–**	–	**2,997**	(4,113)	**–**	22,819	**2,997**	18,706
Interests in associates	**1,138**	1,534	**123,784**	125,964	**–**	–	**124,922**	127,498
Unallocated assets							**1,714,701**	1,985,359
Total assets							**4,225,913**	4,110,294
Segment liabilities	**847,787**	715,482	**261,830**	223,905	**356,940**	313,816	**1,466,557**	1,253,203
Unallocated liabilities							**778,267**	650,334
Total liabilities							**2,244,824**	1,903,537

NOTES TO FINANCIAL STATEMENTS

31 December 2008

4. SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments *(continued)*

Group

	Retail operations		Export operations		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:								
Depreciation and amortisation	**113,171**	93,781	**8,414**	14,483	**63,262**	55,152	**184,847**	163,416
Impairment/(reversal of impairment) of items of property, plant and equipment recognised in the income statement	**1,720**	(292)	**–**	(455)	**–**	–	**1,720**	(747)
Change in fair values of investment properties	**–**	–	**500**	(400)	**–**	–	**500**	(400)
Other non-cash expenses/(income)	**45,977**	(305)	**4**	2,277	**(167)**	2,249	**45,814**	4,221
Capital expenditure	**148,507**	126,797	**4,648**	19,401	**80,713**	69,090	**233,868**	215,288

NOTES TO FINANCIAL STATEMENTS

31 December 2008

4. SEGMENT INFORMATION *(CONTINUED)*

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Year ended 31 December 2008

	Mainland China HK$'000	Hong Kong HK$'000	United States of America ("U.S.A.") HK$'000	Australia and New Zealand HK$'000	Canada HK$'000	Others HK$'000	Con-solidated HK$'000
Segment revenue:							
Sales to external customers	**3,427,721**	**126,680**	**628,234**	**1,119,656**	**69,568**	**201,892**	**5,573,751**
Other segment information:							
Segment assets	**1,707,726**	**61,524**	**278,398**	**216,478**	**–**	**119,167**	**2,383,293**
Capital expenditure	**172,480**	**20,611**	**–**	**38,864**	**–**	**1,913**	**233,868**

Year ended 31 December 2007

	Mainland China HK$'000	Hong Kong HK$'000	United States of America ("U.S.A.") HK$'000	Australia and New Zealand HK$'000	Canada HK$'000	Others HK$'000	Con-solidated HK$'000
Segment revenue:							
Sales to external customers	2,642,498	108,477	782,102	1,069,371	60,974	120,458	4,783,880
Other segment information:							
Segment assets	1,331,606	44,685	211,109	264,610	–	126,721	1,978,731
Capital expenditure	142,851	2,577	–	51,668	–	18,192	215,288

NOTES TO FINANCIAL STATEMENTS

31 December 2008

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Revenue		
Retailing of casual wear	**4,449,461**	3,627,825
Export of apparel	**876,690**	938,193
Trading of fabric and other businesses	**247,600**	217,862
	5,573,751	4,783,880
Other income		
Bank interest income	**28,647**	35,376
Services and sub-contracting fee income	**38,758**	34,083
Other sales income	**1,210**	3,123
Commission and management fee income	**5,006**	6,291
Decoration and renovation income	**11,947**	16,471
Gross rental income	**5,747**	4,120
Sales of quota	**–**	18,929
Dividend income	**9,122**	753
Reversal of provision for loans to associates	**–**	11,791
Others	**32,431**	27,753
	132,868	158,690
Gains		
Fair value gains on investment properties	**4,824**	2,421
Foreign exchange differences, net	**56,060**	27,607
Fair value gains, net:		
Derivative financial instruments – transactions not qualifying as hedges	**6,501**	12,038
Financial asset at fair value through profit or loss	**–**	1,171
Others	**6,602**	10,260
	73,987	53,497
	206,855	212,187

NOTES TO FINANCIAL STATEMENTS

31 December 2008

6. FINANCE COSTS

	Group 2008 HK$'000	Group 2007 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**15,894**	16,547
Interest on finance leases	**22**	48
	15,916	16,595

7. PROFIT BEFORE TAX

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

	Notes	Group 2008 HK$'000	Group 2007 HK$'000
Cost of inventories sold*		**3,201,205**	2,716,523
Depreciation	14	**184,370**	163,013
Recognition of prepaid land lease payments	16	**477**	403
Minimum lease payments under operating leases in respect of land and buildings		**717,182**	582,331
Auditors' remuneration		**8,303**	7,673
Employee benefits expenses (including directors' remuneration (note 8)):			
Wages and salaries		**923,006**	794,000
Equity-settled share option expense		**73**	–
Pension scheme contributions		**21,276**	19,900
Less: Forfeited contributions		**(33)**	(138)
Net pension scheme contributions**		**21,243**	19,762
Total employee benefits expenses		**944,322**	813,762
Impairment/(reversal of impairment) of items of property, plant and equipment	14	**1,720**	(747)
Loss on disposal/write-off of items of property, plant and equipment		**12,544**	9,826
Reversal of revaluation deficit on buildings		**(3,844)**	–
Fair value (gains)/losses, net:			
Equity investments at fair value through profit or loss#		**–**	8,240
Financial asset at fair value through profit or loss		**1,174**	(1,171)

NOTES TO FINANCIAL STATEMENTS

31 December 2008

7. PROFIT BEFORE TAX *(CONTINUED)*

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
(Gains)/losses on disposal and liquidation of investments, net:			
Gain on disposal of equity investments		**(13,383)**	(5,172)
Gain on disposal of a subsidiary	37	**–**	(2,533)
Gain on disposal of an associate		**–**	(265,686)
Loss on liquidation of an associate		**631**	–
Loss on disposal of jointly-controlled entities		**1,930**	–
Loss on liquidation of jointly-controlled entities		**4,591**	–
		(6,231)	(273,391)
Impairment of goodwill#	17	**3,990**	–
Impairment of trade receivables#	24	**5,098**	–
Write-down of inventories to net realisable value*		**28,936**	10,202
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**384**	495

* *The cost of inventories sold and the cost of sales include the write-down of inventories to net realisable value of HK$28,936,000 (2007: HK$10,202,000).*

** *As at 31 December 2008, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2007: Nil).*

\# *These items are included in "Other expenses" on the face of the consolidated income statement.*

NOTES TO FINANCIAL STATEMENTS

31 December 2008

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Fees	**480**	460
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**8,400**	8,217
Discretionary bonuses	**11,525**	10,544
Pension scheme contributions	**317**	330
	20,242	19,091
	20,722	19,551

(a) Independent non-executive directors

The fees paid and payable to independent non-executive directors during the year were as follows:

	2008	2007
	HK$'000	HK$'000
Mr. Wong Man Kong, Peter, BBS, JP	**120**	115
Mr. Lau Hon Chuen, Ambrose, GBS, JP	**120**	115
Mr. Chung Shui Ming, Timpson, GBS, JP	**120**	115
	360	345

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2008

8. DIRECTORS' REMUNERATION *(CONTINUED)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Dr. Charles Yeung, SBS, JP	**–**	**72**	**1,760**	**4**	**1,836**
Mr. Yeung Chun Fan	**–**	**1,878**	**3,709**	**54**	**5,641**
Mr. Yeung Chun Ho	**–**	**1,229**	**428**	**61**	**1,718**
Mr. Pau Sze Kee, Jackson	**–**	**1,981**	**2,817**	**84**	**4,882**
Mr. Hui Chung Shing, Herman, JP	**–**	**1,200**	**467**	**60**	**1,727**
Ms. Cheung Wai Yee	**–**	**840**	**2,094**	**42**	**2,976**
Mr. Chan Wing Kan, Archie	**–**	**1,200**	**250**	**12**	**1,462**
	–	**8,400**	**11,525**	**317**	**20,242**
Non-executive director:					
Dr. Lam Lee G.	**120**	**–**	**–**	**–**	**120**
	120	**8,400**	**11,525**	**317**	**20,362**
2007					
Executive directors:					
Dr. Charles Yeung, SBS, JP	–	72	1,723	3	1,798
Mr. Yeung Chun Fan	–	1,814	4,011	51	5,876
Mr. Yeung Chun Ho	–	1,159	374	58	1,591
Mr. Pau Sze Kee, Jackson	–	1,878	2,756	80	4,714
Mr. Hui Chung Shing, Herman, JP	–	1,200	466	60	1,726
Ms. Cheung Wai Yee	–	756	1,214	38	2,008
Mr. Chan Wing Kan, Archie	–	1,000	–	12	1,012
Mr. Teo Heng Kee, Peter	–	338	–	28	366
	–	8,217	10,544	330	19,091
Non-executive director:					
Dr. Lam Lee G.	115	–	–	–	115
	115	8,217	10,544	330	19,206

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2008

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2007: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2007: three) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**5,169**	4,100
Discretionary bonuses	**4,834**	4,348
Pension scheme contributions	**448**	796
	10,451	9,244

The number of non-director, highest paid employees whose remuneration fell within the following bands is as set out below:

	Number of employees	
	2008	2007
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**2**	1
	3	3

NOTES TO FINANCIAL STATEMENTS

31 December 2008

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008 HK$'000	2007 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**6,308**	14,288
Overprovision in prior years	**(914)**	(113)
Current – Elsewhere		
Charge for the year	**90,930**	70,383
Overprovision in prior years	**(3,509)**	–
Deferred (note 33)	**1,571**	556
Total tax charge for the year	**94,386**	85,114

NOTES TO FINANCIAL STATEMENTS

31 December 2008

10. TAX *(CONTINUED)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate and a reconciliation of the applicable rate (i.e., the Hong Kong statutory tax rate) to the Groups' effective tax rate, are as follows:

	Group			
	2008		2007	
	HK$'000	**%**	HK$'000	%
Profit before tax	**192,408**		638,389	
Tax at the statutory tax rate	**31,747**	**16.5**	111,718	17.5
Higher tax rates of other countries	**33,237**	**17.3**	29,635	4.6
Adjustments in respect of current tax of previous periods	**(4,423)**	**(2.3)**	(113)	–
Profits and losses attributable to jointly-controlled entities and associates	**(620)**	**(0.3)**	(1,573)	(0.2)
Income not subject to tax	**(40,985)**	**(21.3)**	(73,980)	(11.6)
Expenses not deductible for tax	**57,458**	**29.9**	13,099	2.0
Tax losses utilised from previous periods	**(814)**	**(0.4)**	(2,230)	(0.3)
Tax losses not recognised	**16,870**	**8.7**	6,277	1.0
Others	**1,916**	**1.0**	2,281	0.3
Tax charge at the Group's effective rate	**94,386**	**49.1**	85,114	13.3

Under the income tax law of the People's Republic of China (the "PRC"), companies with operations in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% on the taxable income.

The tax rate applicable to subsidiaries incorporated and operating in Australia and New Zealand is 30%. Provision for Australian and New Zealand income tax has been made on the estimated assessable profits arising in Australia and New Zealand for the year.

There is no share of tax credit/expense attributable to jointly-controlled entities during the year (2007: Nil). The share of tax expense attributable to associates during the year amounting to HK$8,769,000 (2007: HK$7,401,000) is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

11. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2008 includes a profit of HK$170,974,000 (2007: HK$357,292,000), which has been dealt with in the financial statements of the Company (note 36).

12. DIVIDENDS

	2008 **HK$'000**	2007 HK$'000
Interim – HK4.00 cents (2007: HK3.55 cents) per ordinary share (note 36)	**42,377**	37,609
Underaccrual of final dividend of previous year (note 36)	**–**	998
	42,377	38,607
Proposed final – HK13.11 cents (2007: HK12.24 cents) per ordinary share (note 36)	**138,889**	129,672
Proposed special – Nil (2007: HK10.00 cents) per ordinary share (note 36)	**–**	105,941
	181,266	274,220

The proposed final for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(CONTINUED)*

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

	2008 **HK$'000**	2007 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**84,718**	515,749

	Number of shares	
	2008 **'000**	2007 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,059,414**	1,058,530
Effect of dilution – weighted average number of ordinary shares:		
Share options	**19**	4,680
	1,059,433	1,063,210

NOTES TO FINANCIAL STATEMENTS

31 December 2008

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2008							
At 31 December 2007 and at 1 January 2008:							
Cost or valuation	266,216	363,835	537,375	415,086	49,134	6	1,631,652
Accumulated depreciation and impairment	(16,178)	(178,210)	(357,727)	(267,677)	(34,569)	–	(854,361)
Net carrying amount	250,038	185,625	179,648	147,409	14,565	6	777,291
At 1 January 2008, net of accumulated depreciation and impairment	250,038	185,625	179,648	147,409	14,565	6	777,291
Additions	21,866	103,749	26,805	59,561	6,222	15,665	233,868
Disposals/write-off	–	(10,468)	(102)	(3,404)	(287)	–	(14,261)
Surplus on revaluation	78,478	–	–	–	–	–	78,478
Depreciation provided during the year	(10,080)	(70,748)	(45,510)	(53,311)	(4,721)	–	(184,370)
Impairment during the year	–	–	(1,720)	–	–	–	(1,720)
Transfer from construction in progress	14,898	–	–	–	–	(14,898)	–
Transfer to investment properties (note 15)	(2,643)	–	–	–	–	–	(2,643)
Exchange realignment	15,890	15,813	12,479	(14,054)	309	1	30,438
At 31 December 2008, net of accumulated depreciation and impairment	368,447	223,971	171,600	136,201	16,088	774	917,081
At 31 December 2008:							
Cost or valuation	368,447	462,190	587,348	370,795	48,885	774	1,838,439
Accumulated depreciation and impairment	–	(238,219)	(415,748)	(234,594)	(32,797)	–	(921,358)
Net carrying amount	368,447	223,971	171,600	136,201	16,088	774	917,081
Analysis of cost or valuation:							
At cost	–	462,190	587,348	370,795	48,885	774	1,469,992
At valuation	368,447	–	–	–	–	–	368,447
	368,447	462,190	587,348	370,795	48,885	774	1,838,439

NOTES TO FINANCIAL STATEMENTS

31 December 2008

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2007							
At 1 January 2007:							
Cost or valuation	228,472	316,111	532,205	360,610	47,411	1,834	1,486,643
Accumulated depreciation and impairment	(7,187)	(143,885)	(332,918)	(231,398)	(34,169)	–	(749,557)
Net carrying amount	221,285	172,226	199,287	129,212	13,242	1,834	737,086
At 1 January 2007, net of accumulated depreciation and impairment	221,285	172,226	199,287	129,212	13,242	1,834	737,086
Additions	39,792	71,848	30,020	62,136	5,911	5,581	215,288
Disposals/write-off	(670)	(16,826)	(8,961)	(6,707)	(1,293)	–	(34,457)
Disposal of a subsidiary (note 37)	(12,976)	(238)	(434)	(261)	(51)	–	(13,960)
Surplus on revaluation	5,244	–	–	–	–	–	5,244
Depreciation provided during the year	(8,792)	(53,833)	(47,807)	(48,655)	(3,926)	–	(163,013)
Reversal of impairment	–	109	–	638	–	–	747
Transfers	–	7,488	(221)	221	–	(7,488)	–
Exchange realignment	6,155	4,851	7,764	10,825	682	79	30,356
At 31 December 2007, net of accumulated depreciation and impairment	250,038	185,625	179,648	147,409	14,565	6	777,291
At 31 December 2007:							
Cost or valuation	266,216	363,835	537,375	415,086	49,134	6	1,631,652
Accumulated depreciation and impairment	(16,178)	(178,210)	(357,727)	(267,677)	(34,569)	–	(854,361)
Net carrying amount	250,038	185,625	179,648	147,409	14,565	6	777,291
Analysis of cost or valuation:							
At cost	–	363,835	537,375	415,086	49,134	6	1,365,436
At valuation	266,216	–	–	–	–	–	266,216
	266,216	363,835	537,375	415,086	49,134	6	1,631,652

NOTES TO FINANCIAL STATEMENTS

31 December 2008

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The net book value of the Group's property, plant and equipment held under finance leases at 31 December 2008, amounted to HK$1,403,000 (2007: HK$1,853,000).

In the prior year, the Group disposed of a subsidiary. The buildings of the subsidiary were revalued by Al-Amin Architect & Engineers Consultants, independent professionally qualified valuers, at an open market value of HK$12,976,000 based on their existing use before the subsidiary was disposed of during that year. A revaluation surplus of HK$3,670,000 resulting from the valuation had been credited to the Group's asset revaluation reserve and it was transferred to retained earnings upon the disposal of the subsidiary.

At 31 December 2008, the Group's buildings were revalued individually by DTZ Debenham Tie Leung Limited, S.F. Ahmed & Co and PT Saptasentra Jasa Pradana, independent professionally qualified valuers, at an aggregate open market value of HK$266,216,000 based on their existing use. Reversal of revaluation deficit of HK$3,844,000 and net revaluation surplus, net of minority interests of HK$66,429,000 resulting from the above valuations, have been credited to the income statement and asset revaluation reserve, respectively.

Had these buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$271,003,000.

The Group's buildings included above are held under the following lease terms:

	Hong Kong	**Elsewhere**	**Total**
	HK$'000	HK$'000	HK$'000
Long term leases	–	53,520	53,520
Medium term leases	7,000	307,927	314,927
	7,000	361,447	368,447

At 31 December 2008, certain of the Group's buildings with a net book value of HK$60,000,000 (2007: HK$46,438,000) and plant and machinery with a net book value of HK$3,811,000 (2007: HK$4,451,000), were pledged to secure banking facilities granted to the Group (note 30).

NOTES TO FINANCIAL STATEMENTS

31 December 2008

15. INVESTMENT PROPERTIES

	Group 2008 HK$'000	Group 2007 HK$'000
Carrying amount at 1 January	**40,367**	21,433
Addition	**–**	15,765
Net profit from a fair value adjustment	**4,824**	2,421
Transfer from owner-occupied property (note 14)	**2,643**	–
Exchange realignment	**3,277**	748
Carrying amount at 31 December	**51,111**	40,367

The Group's investment properties are held under the following lease terms:

	Group 2008 HK$'000	Group 2007 HK$'000
Hong Kong – medium term leases	**3,000**	3,500
Mainland China – medium term leases	**48,111**	36,867
	51,111	40,367

The Group's investment properties were revalued on 31 December 2008 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$51,111,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 40(a) to the financial statements.

At 31 December 2008, certain of the Group's investment properties with a value of HK$48,111,000 (2007: HK$20,000,000) were pledged to secure banking facilities granted to the Group (note 30).

NOTES TO FINANCIAL STATEMENTS

31 December 2008

15. INVESTMENT PROPERTIES *(CONTINUED)*

The particulars of the Group's investment properties are as follows:

Location	Use	Tenure	Attributable interest of the Group (%)
Workshop Nos.1, 2, 3 and 5 10th Floor, International Trade Centre No. 11 Sha Tsui Road Tsuen Wan New Territories, Hong Kong	Industrial	Medium term lease	60
Level 1, 2 and 3 No. 012-014 Huangxing Middle Road Furong District Changsha Hunan Province, PRC	Commercial	Medium term lease	100
中國重慶市渝中區八一路 218號平街第一層2號	Commercial	Medium term lease	100

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 January	**18,266**	17,937
Recognised during the year	**(477)**	(403)
Exchange realignment	**1,625**	732
Carrying amount at 31 December	**19,414**	18,266
Current portion included in prepayments, deposits and other receivables	**(477)**	(403)
Non-current portion	**18,937**	17,863

The leasehold land is held under a medium lease and is situated in Mainland China.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

17. GOODWILL

	Group 2008 HK$'000	Group 2007 HK$'000
At 1 January:		
Cost and net carrying amount	**38,612**	38,612
Cost at 1 January	**38,612**	38,612
Impairment during the year (note 7)	**(3,990)**	–
Exchange realignment	**(4,234)**	–
At 31 December	**30,388**	38,612
At 31 December:		
Cost	**33,891**	38,612
Accumulated impairment	**(3,503)**	–
Net carrying amount	**30,388**	38,612

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001 to remain eliminated against consolidated retained profits.

The amount of goodwill remaining in consolidated retained profits as at 31 December 2008, arising from the acquisition of subsidiaries, jointly-controlled entities and associates prior to the adoption of SSAP 30 in 2001, was HK$2,429,000 (2007: HK$2,429,000). The amount of goodwill is stated at its cost less impairment.

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the retail operations cash-generating unit, which is a reportable segment, for impairment testing.

The recoverable amount of the retail operations cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 9.2% and cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% which is the same as the long term average growth rate of the retail operations in New Zealand. Senior management believes that this growth rate is justified, given the Group's past experience in New Zealand.

NOTES TO FINANCIAL STATEMENTS

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17. GOODWILL *(CONTINUED)*

Impairment testing of goodwill *(continued)*

During the year ended 31 December 2008, an impairment loss of HK$3,990,000 (2007: Nil) has been recognised in the income statement for the goodwill attributable to the Group's retail operations as the senior management of the Group believes that the recoverable amount of the relevant business unit is less than the carrying amount with reference to the business valuation.

Key assumptions were used in the value in use calculation of the retail operations cash-generating unit for 31 December 2008 and 31 December 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the retail operations in New Zealand.

18. INTEREST IN A SUBSIDIARY

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**377,717**	377,717
Due from a subsidiary	**300,507**	570,643
	678,224	948,360

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiary. Particulars of the Company's principal subsidiaries are set out in note 45 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2008 HK$'000	2007 HK$'000
Share of net assets	**8,650**	47,413
Due from jointly-controlled entities	**–**	793
Due to jointly-controlled entities	**(5,653)**	(21,140)
	2,997	27,066
Provision for impairment	**–**	(8,360)
	2,997	18,706

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal jointly-controlled entities are as follows:

Name	Registered capital	Place of registration	Percentage of equity attributable to the Group* 2008	2007	Principal activities
湖北長進制衣有限公司	US$1,200,000	Mainland China	**–**	30	Manufacturing of apparel
Nanjing Jiangda Clothes Co., Ltd.	US$1,500,000	Mainland China	**45**	45	Manufacturing of apparel
Mingshi Dyeing Factory Co., Ltd.	US$8,100,000	Mainland China	**–**	40	Provision of dyeing services
Hubei Xian Garment Mfg. Co., Ltd.	US$728,300	Mainland China	**–**	15.1	Manufacturing of apparel

All jointly-controlled entities are held indirectly through subsidiaries.

All the above jointly-controlled entities are not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

* *The percentages of voting power and profit sharing are the same as the percentage of equity attributable to the Group.*

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19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(CONTINUED)*

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

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2008	2007
	HK$'000	HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**12,199**	65,361
Non-current assets	**4,737**	24,327
Current liabilities	**(8,286)**	(42,275)
Net assets	**8,650**	47,413
Share of the jointly-controlled entities' results:		
Revenue	**141,426**	190,334
Other income	**204**	1,126
	141,630	191,460
Total expenses	**(146,769)**	(192,180)
Loss after tax	**(5,139)**	(720)

NOTES TO FINANCIAL STATEMENTS

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20. INTERESTS IN ASSOCIATES

	Group 2008 HK$'000	Group 2007 HK$'000
Share of net assets	**122,021**	123,876
Due from associates	**6,274**	1,884
Due to associates	**(9,508)**	(4,522)
Loans to associates	**52,495**	52,620
	171,282	173,858
Provision for loans to associates	**(46,360)**	(46,360)
	124,922	127,498

The balances with associates and the loans to associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are as follows:

Name	Nominal value of issued and paid-up capital	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group 2008	Percentage of ownership interest attributable to the Group 2007	Principal activities
Goodyear Investment, LLC	Ordinary shares of US$10,000	U.S.A.	**35**	35	Property holding
RTG Garments Manufacturing (HK) Limited	Ordinary shares of HK$1,000,000	Hong Kong	**50**	50	Manufacturing of apparel
Quiksilver Glorious Sun JV Limited	Ordinary shares of HK$10,000	Hong Kong	**50**	50	Retail of apparel

All associates are held indirectly through subsidiaries.

All the above associates are not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

NOTES TO FINANCIAL STATEMENTS

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20. INTERESTS IN ASSOCIATES *(CONTINUED)*

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

The Group has discontinued the recognition of its share of losses from Quiksilver Glorious Sun JV Limited because the unrecognised cumulative share of losses exceeded the Group's interest in it. The Group's unrecognised share of profit for the current year and the cumulative losses were HK$1,551,000 (2007: HK$205,000) and HK$6,471,000 (2007: HK$8,022,000), respectively.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts/financial statements:

	2008	2007
	HK$'000	HK$'000
Assets	**701,242**	747,884
Liabilities	**(487,707)**	(533,744)
Revenues	**1,001,494**	1,024,929
Profit	**20,897**	31,308

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21. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2008	2007
	HK$'000	HK$'000
Hong Kong listed equity investment, at fair value	**49,871**	298,200

The above investment in equity security was designated as an available-for-sale financial asset and has no fixed maturity date or coupon rate.

The fair value of the listed equity investment is based on quoted market price.

There has been a significant decline in the market value of the listed equity investment during the year. The directors consider that such a decline indicates that the listed equity investment has been impaired. An impairment loss of HK$214,396,000 was removed from equity and recognised in the income statement during the year. In the prior year, a gross gain of the available-for-sale investment of HK$33,933,000 was recognised directly in equity.

22. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Unlisted investment at fair value – Non-current	**–**	24,511
Unlisted investment at fair value – Current	**23,337**	–

The unlisted investment was designated at fair value through profit or loss upon initial recognition.

At 31 December 2008, the Group's unlisted investment with a carrying value of HK$23,337,000 (2007: HK$24,511,000) was pledged to secure general banking facilities granted to the Group (note 30).

NOTES TO FINANCIAL STATEMENTS

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23. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**68,742**	91,312
Work in progress	**118,530**	105,349
Finished goods	**656,951**	461,020
	844,223	657,681

At 31 December 2008, the Group's inventories amounting to HK$59,778,000 (2007: HK$80,763,000) were pledged as security for the Group's bank loans, as further detailed in note 30 to the financial statements.

24. TRADE AND BILLS RECEIVABLES

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**323,980**	283,857
Bills receivable	**203,720**	153,515
Impairment	**(5,098)**	–
	522,602	437,372

The Group allows an average credit period of 45 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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24. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

The bills receivable aged less than four months at the balance sheet date. An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of impairment, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current	**226,770**	197,820
Less than 4 months	**79,068**	67,000
4 to 6 months	**10,077**	12,703
Over 6 months	**2,967**	6,334
	318,882	283,857

The movements in provision for impairment of trade receivables are as follows:

	2008
	HK$'000
At 1 January	–
Impairment losses recognised (note 7)	5,098
	5,098

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$5,098,000 (2007: Nil) with a carrying amount of HK$5,098,000 (2007: Nil). The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**226,770**	197,820
Less than 6 months past due	**89,145**	79,703
Due more than 6 months	**2,967**	6,334
	318,882	283,857

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

24. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Derivative financial assets		
– Forward currency contracts	**6,004**	6,736

During the year, the Group has entered into various forward currency contracts to manage its foreign currency risk exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to HK$6,501,000 (2007: HK$12,038,000) were credited to the income statement during the year.

26. DUE FROM RELATED COMPANIES

Particulars of the amounts due from related companies disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group

Name	**Balance at 31 December 2008** HK$'000	**Maximum amount outstanding during the year** HK$'000	**Balance at 1 January 2008** HK$'000
G.S. Property Management Limited	247	289	289
Golden Sunshine Enterprises Limited	177	177	172
Harbour Guide Limited	173	173	64
Gloryear Management Limited	1,089	1,102	1,042
Rank Profit Industries Limited	1,923	1,923	–
	3,609		1,567

All of the above companies are controlled by Dr. Charles Yeung, SBS, JP, and Mr. Yeung Chun Fan, both are directors of the Company.

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26. DUE FROM RELATED COMPANIES *(CONTINUED)*

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from related companies approximate to their fair values.

27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Hong Kong listed equity investments, at market value	**–**	81,475

The above equity investments at 31 December 2007 were classified as held for trading.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2008	2007	**2008**	2007
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**566,035**	572,723	**8,412**	718
Time deposits		**670,891**	712,390	**431,722**	275,944
		1,236,926	1,285,113	**440,134**	276,662
Less: Time deposits pledged for bank overdrafts and long term bank loan facilities	30	**(3,388)**	(4,337)	**–**	–
Cash and cash equivalents		**1,233,538**	1,280,776	**440,134**	276,662

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$387,085,000 (2007: HK$372,848,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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29. TRADE AND BILLS PAYABLES

The trade and bills payables include trade payables of HK$632,016,000 (2007: HK$519,751,000). An aged analysis of the trade payables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Less than 4 months	**621,955**	507,449
4 to 6 months	**6,286**	6,029
Over 6 months	**3,775**	6,273
	632,016	519,751

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group – 2008

	Effective interest rate (%)	**Maturity**	**HK$'000**
Current			
Finance lease payables (note 31)	4.25 – 7.9	2009	676
Bank overdrafts – unsecured	Prime – Prime+0.5	On demand	19,493
Bank overdrafts – secured	11.75	On demand	19,457
Bank loans – secured	HIBOR+0.75	2009	114,956
Other loan – unsecured	0.55	2009	2,728
Advances from banks as consideration for the discounted bills – secured	HIBOR+0.75	2009	76,586
Trust receipt loans – secured	HIBOR+0.75	2009	99,603
			333,499
Non-current			
Finance lease payables (note 31)	4.25 – 7.9	2010 – 2012	372
Bank loans – secured	12.75	2011	581
			953
			334,452

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30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(CONTINUED)*

Group – 2007

	Effective interest rate (%)	Maturity	HK$'000
Current			
Finance lease payables (note 31)	2.75 – 6.8	2008	508
Bank overdrafts – unsecured	Prime – Prime+0.5	On demand	14,461
Bank overdrafts – secured	10.25	On demand	12,565
Bank loans – unsecured	HIBOR+1	2008	20,000
Bank loans – secured	HIBOR+ 0.875 – 11.25	2008	70,336
Other loan – unsecured	0.55	2008	2,143
Advances from banks as consideration for the discounted bills – secured	HIBOR+0.875	2008	77,362
Trust receipt loans – secured	HIBOR+0.75	2008	70,072
			267,447
Non-current			
Finance lease payables (note 31)	2.75 – 6.8	2009 – 2011	1,102
			268,549

NOTES TO FINANCIAL STATEMENTS

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30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(CONTINUED)*

	Group	
	2008	2007
	HK$'000	HK$'000
Analysed into:		
Bank and other loans, trust receipt loans and overdrafts repayable:		
Within one year or on demand	**332,823**	266,939
In the second year	**317**	–
In the third to fifth years, inclusive	**264**	–
	333,404	266,939
Finance leases repayable:		
Within one year or on demand	**676**	508
In the second year	**211**	1,025
In the third to fifth years, inclusive	**161**	77
	1,048	1,610
	334,452	268,549

Notes:

(a) Certain of the Group's bank overdrafts, trust receipt loans and bank loans are secured by:

(i) mortgages over certain of the Group's buildings which had an aggregate carrying value at the balance sheet date of HK$60,000,000 (2007: HK$46,438,000);

(ii) mortgages over certain of the Group's plant and machinery which had an aggregate carrying value at the balance sheet date of HK$3,811,000 (2007: HK$4,451,000);

(iii) mortgages over the Group's investment properties which had an aggregate carrying value at the balance sheet date of HK$48,111,000 (2007: HK$20,000,000);

(iv) the Group's unlisted investment at the balance sheet date of HK$23,337,000 (2007: HK$24,511,000);

(v) certain bank deposits at the balance sheet date of HK$3,388,000 (2007: HK$4,337,000); and

(vi) floating charges over certain of the Group's inventories with an aggregate carrying amount at the balance sheet date of HK$59,778,000 (2007: HK$80,763,000).

NOTES TO FINANCIAL STATEMENTS

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30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(CONTINUED)*

Notes: (continued)

(b) All interest-bearing bank and finance leases are denominated in the functional currency of the entity to which they relate.

Other interest rate information:

	Group			
	2008		2007	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	**HK$'000**	HK$'000	HK$'000
Finance lease payables	**1,048**	**–**	1,610	–
Bank overdrafts – unsecured	**–**	**19,493**	19	14,442
Bank overdrafts – secured	**19,457**	**–**	12,565	–
Bank loans – unsecured	**–**	**–**	–	20,000
Bank loans – secured	**898**	**114,639**	40	70,296
Other loan – unsecured	**2,728**	**–**	2,143	–
Advances from banks as consideration for the discounted bills – secured	**–**	**76,586**	–	77,362
Trust receipt loans – secured	**–**	**99,603**	–	70,072

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31. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and motor vehicles for its manufacturing process and business purposes. These leases are classified as finance leases and have remaining lease terms ranging from two to five years.

At 31 December 2008, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2008 HK$'000	Minimum lease payments 2007 HK$'000	**Present value of minimum lease payments 2008 HK$'000**	Present value of minimum lease payments 2007 HK$'000
Amounts payable:				
Within one year	**760**	596	**676**	508
In the second year	**270**	1,122	**211**	1,025
In the third to fifth years, inclusive	**177**	94	**161**	77
Total minimum finance lease payments	**1,207**	1,812	**1,048**	1,610
Future finance charges	**(159)**	(202)		
Total net finance lease payables	**1,048**	1,610		
Portion classified as current liabilities (note 30)	**(676)**	(508)		
Non-current portion (note 30)	**372**	1,102		

32. LONG TERM LOANS FROM MINORITY SHAREHOLDERS

The long term loans from minority shareholders are unsecured, interest-free and are repayable beyond one year.

NOTES TO FINANCIAL STATEMENTS

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33. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group

	Provisions 2008 HK$'000	Provisions 2007 HK$'000
At 1 January	**18,434**	16,966
Deferred tax credited/(charged) to the income statement during the year (note 10)	**351**	(445)
Exchange differences	**(4,416)**	1,913
Gross deferred tax assets recognised in the consolidated balance sheet at 31 December	**14,369**	18,434

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation 2008 HK$'000	Revaluation of properties 2008 HK$'000	Total 2008 HK$'000	Depreciation allowance in excess of related depreciation 2007 HK$'000
At 1 January	**374**	**–**	**374**	269
Deferred tax charged to the income statement during the year (note 10)	**–**	**1,922**	**1,922**	111
Deferred tax debited to equity during the year	**–**	**17,232**	**17,232**	–
Exchange differences	**(16)**	**–**	**(16)**	(6)
Gross deferred tax liabilities recognised in the consolidated balance sheet at 31 December	**358**	**19,154**	**19,512**	374

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33. DEFERRED TAX *(CONTINUED)*

The Group has tax losses arising in Hong Kong of HK$28,801,000 (2007: HK$23,503,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and jointly-controlled entities established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly-controlled entities in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$119,703,000 at 31 December 2008 (2007: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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34. SHARE CAPITAL

Shares

	Number of ordinary shares		Company	
	2008	2007	**2008**	2007
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**6,000,000**	6,000,000	**600,000**	600,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**1,059,414**	1,059,414	**105,941**	105,941

In the prior year, the subscription rights attaching to 1,856,000, 94,000 and 2,600,000 share options were exercised at the subscription prices of HK$1.800, HK$2.564 and HK$2.876 per share, respectively (note 35), resulting in the issue of 4,550,000 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$11,059,000.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	**Issued share capital**	**Share premium account**	**Total**
	'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	1,054,864	105,486	373,938	479,424
Share options exercised	4,550	455	10,604	11,059
	1,059,414	105,941	384,542	490,483
Share issue expenses	–	–	(21)	(21)
At 31 December 2007, 1 January 2008 and 31 December 2008	1,059,414	105,941	384,521	490,462

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35. SHARE OPTION SCHEMES

On 1 September 2005, the shareholders of the Company approved the termination (to the effect that the Company can no longer grant any further options) of the share option scheme adopted by the Company on 2 September 1996 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme").

(a) Old Scheme

The Old Scheme was adopted by the Company on 2 September 1996. The purpose of the Old Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Old Scheme include the executive directors and other full-time employees of the Group.

All options granted under the Old Scheme expired in 2007 and no share options were outstanding as at 31 December 2007 and 31 December 2008 under the Old Scheme.

NOTES TO FINANCIAL STATEMENTS

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35. SHARE OPTION SCHEMES *(CONTINUED)*

(a) Old Scheme *(continued)*

The movements of the share options under the Old Scheme are as follows:

	Number of shares subject to options					Share options			Price of Company's share***	
Category of participant	At 1 January 2007 '000	During the year of 2007 Exercised '000	Lapsed '000	Cancelled '000	At 31 December 2007, 1 January 2008 and 31 December 2008 '000	Date of grant*	Exercise period	Subscription price** HK$	Immediately before the exercise date HK$	At exercise date of share options HK$
Employees										
In aggregate	2,600	(2,600)	–	–	–	16/06/1997	15/06/2000 to 14/06/2007	2.876	3.965	3.977
	11,476	(94)	(11,382)	–	–	30/08/1997	16/09/1997 to 29/08/2007	2.564	3.896	3.868
	5,604	(1,856)	(3,748)	–	–	31/10/1997	31/10/1997 to 30/10/2007	1.800	3.654	3.658
	19,680	(4,550)	(15,130)	–	–					

Notes to the share options under the Old Scheme:

* *The vesting period of the share options is from the date of grant until the commencement of the exercise period.*

** *The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

*** *The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the options were exercised.*

NOTES TO FINANCIAL STATEMENTS

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35. SHARE OPTION SCHEMES *(CONTINUED)*

(b) New Scheme

The New Scheme was adopted by the Company on 1 September 2005. Unless otherwise terminated or amended, the New Scheme will remain in force for 10 years from the date of adoption.

The purpose of the New Scheme is to attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to employees, officers and directors of the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders.

Pursuant to the New Scheme, the maximum number of shares in respect of which options may be granted must not in aggregate exceed 10% of the shares in issue at the date of approval of the New Scheme. The maximum number of shares issuable under share options to each eligible participant in the New Scheme in any 12-month period is limited to 1% of the ordinary shares of the Company in issue.

The subscription price of the share options is determinable by the board of directors, but shall not be less than whichever is the highest of (i) the closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing prices of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the ordinary share of the Company.

During the year, 2,000,000 share options were granted and outstanding as at 31 December 2008. The subscription price of the options is HK$3.31 per share vesting on 23 September 2010 and the options have an exercise period from 1 October 2010 to 22 September 2018. The closing price of the Company's shares at the date of grant was HK$3.15 per share. The subscription price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

35. SHARE OPTION SCHEMES *(CONTINUED)*

(b) New Scheme *(continued)*

The fair value of the share options granted during the year was HK$580,000 (HK$0.29 each) of which the Group recognised a share option expense of HK$73,000 (2007: Nil) during the year ended 31 December 2008.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2008
Dividend yield (%)	8.33
Expected volatility (%)	31
Historical volatility (%)	31
Risk-free interest rate (%)	2.048
Expected life of options (year)	2.022
Weighted average share price (HK$)	3.15

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 2,000,000 share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,000,000 additional ordinary shares of the Company and additional share capital of HK$200,000 and share premium of HK$6,420,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 2,000,000 share options outstanding under the New Scheme, which represented approximately 0.2% of the Company's shares in issue as at that date.

NOTES TO FINANCIAL STATEMENTS

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36. RESERVES

Group

	Notes	Attributable to ordinary equity holders of the Company								Minority interests
		Share premium account	Contributed surplus	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve note (i)	Non-distributable reserves note (ii)	Retained profits	Total	
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007		373,938	115,551	21,054	–	(6,007)	6,820	871,559	1,382,915	145,232
Exchange realignment on translation of overseas subsidiaries, jointly-controlled entities and associates		–	–	–	–	43,649	–	–	43,649	9,330
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	(41,972)
Fair value gain on revaluation of land and buildings	14	–	–	3,670	–	–	–	–	3,670	1,574
Change in fair value of an available-for-sale investment	21	–	–	–	33,933	–	–	–	33,933	–
Revaluation reserve released on disposal		–	–	(81)	–	–	–	81	–	–
Profit for the year		–	–	–	–	–	–	515,749	515,749	37,526
Issue of shares	34	10,604	–	–	–	–	–	–	10,604	–
Share issue expenses	34	(21)	–	–	–	–	–	–	(21)	–
Disposal of a subsidiary	37	–	–	(5,652)	–	5	–	5,647	–	(2,766)
Disposal of an associate		–	–	–	–	(3,272)	(23)	3,295	–	–
Underaccrual of final 2006 dividend	12	–	–	–	–	–	–	(998)	(998)	–
Interim 2007 dividend	12	–	–	–	–	–	–	(37,609)	(37,609)	–
Proposed final 2007 dividend	12	–	–	–	–	–	–	(129,672)	(129,672)	–
Proposed special 2007 dividend	12	–	–	–	–	–	–	(105,941)	(105,941)	–
At 31 December 2007		384,521	115,551	18,991	33,933	34,375	6,797	1,122,111	1,716,279	148,924

NOTES TO FINANCIAL STATEMENTS

31 December 2008

36. RESERVES *(CONTINUED)*

Group

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve note (i) HK$'000	Non-distributable reserves note (ii) HK$'000	Retained profits note (ii) HK$'000	Total HK$'000	Minority interests HK$'000
		Attributable to ordinary equity holders of the Company									
At 31 December 2007 and at 1 January 2008		384,521	115,551	–	18,991	33,933	34,375	6,797	1,122,111	1,716,279	148,924
Exchange realignment on translation of overseas subsidiaries, jointly-controlled entities and associates		–	–	–	–	–	(37,005)	–	–	(37,005)	9,236
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	(42,521)
Capital contributed by minority shareholders		–	–	–	–	–	–	–	–	–	2,778
Fair value gain on revaluation of land and buildings	14	–	–	–	66,429	–	–	–	–	66,429	8,205
Deferred tax arising from the net fair value gain on revaluation of land and buildings		–	–	–	(15,803)	–	–	–	–	(15,803)	(1,429)
Change in fair value of an available-for-sale investment		–	–	–	–	(248,329)	–	–	–	(248,329)	–
Impairment loss on an available-for-sale investment charged to the income statement	21	–	–	–	–	214,396	–	–	–	214,396	–
Profit for the year		–	–	–	–	–	–	–	84,718	84,718	13,304
Transfer from retained profits		–	–	–	–	–	–	700	(700)	–	–
Reserves released on disposal of jointly-controlled entities		–	–	–	–	–	(1,141)	(4,437)	–	(5,578)	–
Reserves released on liquidation of jointly-controlled entities		–	–	–	–	–	3,864	(647)	–	3,217	–
Reserves released on liquidation of an associate		–	(1,649)	–	–	–	2,280	–	–	631	–
Equity-settled share option arrangement	35	–	–	73	–	–	–	–	–	73	–
Interim 2008 dividend	12	–	–	–	–	–	–	–	(42,377)	(42,377)	–
Proposed final 2008 dividend	12	–	–	–	–	–	–	–	(138,889)	(138,889)	–
At 31 December 2008		384,521	113,902	73	69,617	–	2,373	2,413	1,024,863	1,597,762	138,497

Notes:

(i) Included in the exchange fluctuation reserve is an amount of HK$1,845,000 (2007: exchange gains of HK$40,396,000), representing the net exchange losses arising on the translation of loans to overseas subsidiaries that are not repayable in the foreseeable future and, in the opinion of the directors, are part of the Company's net investments in the subsidiaries.

(ii) Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries and jointly-controlled entities in Mainland China has been transferred to non-distributable reserves, which are restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

36. RESERVES *(CONTINUED)*

The Group's contributed surplus represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1996.

Company

	Notes	**Share premium account** HK$'000	**Contributed surplus** HK$'000	**Share option reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2007		373,938	377,567	–	38,658	790,163
Issue of shares		10,604	–	–	–	10,604
Share issue expenses		(21)	–	–	–	(21)
Profit for the year	11	–	–	–	357,292	357,292
Underaccrual of final 2006 dividend	12	–	–	–	(998)	(998)
Interim 2007 dividend	12	–	–	–	(37,609)	(37,609)
Proposed final 2007 dividend	12	–	–	–	(129,672)	(129,672)
Proposed special 2007 dividend	12	–	–	–	(105,941)	(105,941)
At 31 December 2007 and at 1 January 2008		384,521	377,567	–	121,730	883,818
Profit for the year	11	–	–	–	170,974	170,974
Equity-settled share option arrangement	35	–	–	73	–	73
Interim 2008 dividend	12	–	–	–	(42,377)	(42,377)
Proposed final 2008 dividend	12	–	–	–	(138,889)	(138,889)
At 31 December 2008		384,521	377,567	73	111,438	873,599

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

36. RESERVES *(CONTINUED)*

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

37. DISPOSAL OF A SUBSIDIARY

	Notes	**2008** **HK$'000**	2007 HK$'000
Net assets disposed of:			
Property, plant and equipment	14	–	13,960
Inventories		–	9,307
Cash and bank balances		–	2,667
Trade receivables		–	12,365
Prepayments and other receivables		–	699
Trade payables		–	(14,384)
Accruals and other payables		–	(10,012)
Bank overdraft		–	(5,383)
Minority interests	36	–	(2,766)
		–	6,453
Gain on disposal of a subsidiary	7	–	2,533
		–	8,986
Satisfied by:			
Cash		–	8,986

NOTES TO FINANCIAL STATEMENTS

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37. DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2008	2007
	HK$'000	HK$'000
Cash consideration	–	8,986
Cash and bank balances disposed of	–	(2,667)
Bank overdraft disposed of	–	5,383
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	11,702

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$249,000 (2007: HK$855,000).

(b) Disposal of an associate

In the prior year, the Group disposed of an investment in an associate for a total consideration of HK$80,000,000 and shares in I.T. Limited amounting to HK$264,267,000. HK$63,500,000 of the cash consideration was apportioned for the settlement of loans advanced to the associate while the remaining cash balance of HK$16,500,000 was apportioned for the disposal of shares in the associate.

NOTES TO FINANCIAL STATEMENTS

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39. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank guarantees provided for facilities granted to subsidiaries	**–**	–	**665,181**	721,547
Extent of the guaranteed facilities utilised by subsidiaries	**–**	–	**7,811**	9,925

(b) In the prior year, one of the Company's wholly-owned subsidiaries and two 50.4% owned subsidiaries (collectively "the Subsidiaries") were under investigation by the Hong Kong Inland Revenue Department (the "IRD") regarding previous years' tax computations and the Subsidiaries were requested by the IRD for additional taxes. In the prior year, the Subsidiaries were found by the District Court liable to pay the Commissioner of the IRD HK$115,111,000 (of which HK$60,414,000 is attributable to the equity holders of the Company), being a portion of the above additional taxes. The investigation and hence, the additional assessments by the IRD are under vigorous objection by the Subsidiaries and are not yet finalised.

Managements of the Subsidiaries believe that the previous years' tax computations were prepared on a proper basis and the Subsidiaries have reasonable grounds to defend against the additional tax assessments. Should the IRD's final assessments be finally held against the Subsidiaries and should the Subsidiaries be required to pay additional taxes, the directors of the Company, based on the currently available information, believe that the amount of additional taxes to be shared by the Group would not have any material adverse impact on the financial position of the Group. In the opinion of the directors of the Company, the Group has made an appropriate tax provision in the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

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40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from two to five years. The terms of the lease generally also require the tenants to pay security deposits.

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**5,001**	4,483
In the second to fifth years, inclusive	**7,984**	11,447
	12,985	15,930

(b) As lessee

The Group leases certain of its plant and machinery, retail stores and office properties under operating lease arrangements, with leases negotiated for terms ranging from three to six years.

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**497,837**	436,635
In the second to fifth years, inclusive	**926,174**	788,691
After five years	**206,636**	166,925
	1,630,647	1,392,251

NOTES TO FINANCIAL STATEMENTS

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41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2008	2007
	HK$'000	HK$'000
Contracted, but not provided for:		
Construction in progress	**27,010**	6,397
Authorised, but not contracted for:		
Construction in progress	**10,117**	5,712
	37,127	12,109

At the balance sheet date, the Company had no significant commitments.

42. RELATED PARTY TRANSACTIONS

(a) In addition to the connected transactions disclosed in the report of the directors, which were also related party transactions, the Group had the following material transactions with related parties during the year:

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
Processing charges paid to jointly-controlled entities	(i)	**1,959**	115,147
Sales of goods to associates	(ii)	**3,396**	344
Purchases of goods from associates	(iii)	**27,037**	–

Notes:

(i) The processing charges were calculated at the costs incurred by the jointly-controlled entities plus a mark-up agreed between the parties.

(ii) The sales of goods to the associates were made according to the published prices and conditions offered to the major customers of the Group.

(iii) The purchases of goods from associates were made according to terms and conditions comparable to those offered to other customers of the associates.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

42. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Outstanding balances with related parties:

(i) As disclosed in the consolidated balance sheet, the Group had outstanding receivables from its related companies of HK$3,609,000 (2007: HK$1,567,000), as at the balance sheet date. The receivables are unsecured, interest-free and have no fixed terms of repayment.

(ii) Details of the Group's loans to associates and amounts due from/to associates as at the balance sheet date are included in note 20 to the financial statements, and details of the Group's amounts due from/to its jointly-controlled entities are included in note 19 to the financial statements.

(iii) Details of the Group's long term loans from its minority shareholders are included in note 32 to the financial statements.

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

	2008	2007
	HK$'000	HK$'000
Short term employee benefits	**34,478**	31,565
Post-employment benefit	**703**	699
Total compensation paid to key management personnel	**35,181**	32,264

Further details of directors' emoluments are included in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group – 2008

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Due from/loans to associates, net of impairment	–	12,409	–	12,409
Available-for-sale investment	–	–	49,871	49,871
Trade and bills receivables	–	522,602	–	522,602
Financial assets included in prepayments, deposits and other receivables	–	188,621	–	188,621
Derivative financial instruments	6,004	–	–	6,004
Due from related companies	–	3,609	–	3,609
Financial asset at fair value through profit or loss	23,337	–	–	23,337
Pledged deposits	–	3,388	–	3,388
Cash and cash equivalents	–	1,233,538	–	1,233,538
	29,341	1,964,167	49,871	2,043,379

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Due to a jointly-controlled entity	5,653
Due to associates	9,508
Trade and bills payables	706,293
Financial liabilities included in other payables and accruals	264,382
Interest-bearing bank and other borrowings	334,452
Long term loans from minority shareholders	9,400
	1,329,688

NOTES TO FINANCIAL STATEMENTS

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43. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

Group – 2007

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Due from jointly-controlled entities	–	793	–	793
Due from/loans to associates, net of impairment	–	8,144	–	8,144
Available-for-sale investment	–	–	298,200	298,200
Trade and bills receivables	–	437,372	–	437,372
Financial assets included in prepayments, deposits and other receivables	–	140,196	–	140,196
Derivative financial instruments	6,736	–	–	6,736
Due from related companies	–	1,567	–	1,567
Equity investments at fair value through profit or loss	81,475	–	–	81,475
Financial asset at fair value through profit or loss	24,511	–	–	24,511
Pledged deposits	–	4,337	–	4,337
Cash and cash equivalents	–	1,280,776	–	1,280,776
	112,722	1,873,185	298,200	2,284,107

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Due to jointly-controlled entities	21,140
Due to associates	4,522
Trade and bills payables	556,302
Financial liabilities included in other payables and accruals	290,008
Interest-bearing bank and other borrowings	268,549
Long term loans from minority shareholders	9,400
	1,149,921

NOTES TO FINANCIAL STATEMENTS

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43. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

Company

Financial assets

	Loans and receivables	
	2008	2007
	HK$'000	HK$'000
Due from a subsidiary	**300,507**	570,643
Financial assets included in prepayments, deposits and other receivables	**244**	511
Cash and cash equivalents	**440,134**	276,662
	740,885	847,816

Financial liabilities

	Financial liabilities at amortised cost	
	2008	2007
	HK$'000	HK$'000
Financial liabilities included in other payables and accruals	**173**	161

NOTES TO FINANCIAL STATEMENTS

31 December 2008

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and interest-bearing bank borrowings with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

For floating-rate borrowings, assuming the amount of liability outstanding as at the balance sheet date was outstanding for the whole year, a 50 basis-point increase/decrease in interest rates at 31 December 2008 and 2007 would have decreased/increased the Group's profit before tax by HK$1,552,000 and HK$1,261,000, respectively. The sensitivity to interest rate used is considered reasonable, with all other variables held constant.

Cash at banks earns interest at floating rates based on daily bank deposit rates. A 50 basis-point increase/decrease in interest rates at 31 December 2008 and 2007 would have increased/decreased the Group's profit before tax by HK$2,805,000 and HK$2,842,000, respectively. The sensitivity to interest rate used is considered reasonable, with all other variables held constant.

Foreign currency risk

The Group manages its foreign currency risk with trading policies and close monitoring of adherence to such policies. The Group has transactional currency exposures arising from sales and purchases by operating units in currencies other than the units' functional currency, mostly in United States dollars. As the Hong Kong dollar are pegged to United States dollar, the Group does not anticipate significant movement in the exchange rate. The Group monitors the foreign exchange rate risk on an ongoing basis, and the Group also enters into forward contracts to hedge the foreign currency risk.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, an available-for-sale financial asset, amounts due from associates and a jointly-controlled entity, other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 24 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both of its financial instruments and financial assets (for example, trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance leases. The Group's policy is to match the maturity of borrowings with expected cash inflow from the relevant assets acquired to ensure proper funding.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group

	2008				
	On demand	**Less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Due to a jointly-controlled entity	–	5,653	–	–	5,653
Due to associates	3,500	6,008	–	–	9,508
Finance lease payables	–	760	447	–	1,207
Interest-bearing bank and other borrowings	38,950	294,799	649	–	334,398
Trade and bills payables	–	706,293	–	–	706,293
Other payables	–	264,382	–	–	264,382
Long term loans from minority shareholders	–	–	–	9,400	9,400
	42,450	1,277,895	1,096	9,400	1,330,841

Group

	2007				
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Due to jointly-controlled entities	–	21,140	–	–	21,140
Due to associates	3,000	1,522	–	–	4,522
Finance lease payables	–	596	1,216	–	1,812
Interest-bearing bank and other borrowings	27,026	242,234	–	–	269,260
Trade and bills payables	–	556,302	–	–	556,302
Other payables	–	290,008	–	–	290,008
Long term loans from minority shareholders	–	–	–	9,400	9,400
	30,026	1,111,802	1,216	9,400	1,152,444

NOTES TO FINANCIAL STATEMENTS

31 December 2008

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk *(continued)*

Company

	Less than 12 months	
	2008	2007
	HK$'000	HK$'000
Other payables	**173**	161

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from its available-for-sale investment (note 21) as at 31 December 2008. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the balance sheet date.

The Hong Kong Hang Seng Index at the close of business of the nearest trading day in the year to the balance sheet date and its respective highest and lowest points during the year were as follows:

	31 December 2008	**High/low 2008**	31 December 2007	High/low 2007
Hong Kong – Hang Seng Index	**14,387**	**27,854/10,676**	27,812	31,638/18,664

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale equity investment the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Equity price risk *(continued)*

	Carrying amount of equity investments HK$'000	Increase/ decrease in profit before tax HK$'000	Increase/ decrease in equity HK$'000
2008			
Investments listed in:			
Hong Kong			
– Available-for-sale	49,871	–	4,987
2007			
Investments listed in:			
Hong Kong			
– Available-for-sale	298,200	–	29,820
– At fair value through profit or loss	81,475	8,148	8,148

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain a healthy capital ratio in order to support its business and to enhance shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and business strategies. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, raise and repay debts or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2007.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is total borrowings to total shareholders' equity. Total borrowings include interest-bearing bank and other borrowings and long term loans from minority shareholders. Total shareholders' equity comprises all components of equity attributable to the ordinary equity holders of the Company. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the balance sheet dates were as follows:

Group

	2008 **HK$'000**	2007 HK$'000
Interest-bearing bank and other borrowings (note 30)	**334,452**	268,549
Long term loans from minority shareholders	**9,400**	9,400
Total borrowings	**343,852**	277,949
Total shareholders' equity	**1,842,592**	2,057,833
Gearing ratio	**18.7%**	13.5%

NOTES TO FINANCIAL STATEMENTS

31 December 2008

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2008	2007	
Glorious Sun Enterprises (BVI) Limited*	British Virgin Islands/ Hong Kong	US$200	**100**	100	Investment holding
Jeanswest (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Jeanswest International (L) Limited	Malaysia/ Hong Kong	US$1	**100**	100	Investment holding
Glorious Sun Licensing (L) Limited	Malaysia/ Hong Kong	US$1	**100**	100	Holding of trademarks
Jeanswest Investments (Australia) Pty. Ltd.	Australia	A$12,002,202	**100**	100	Investment holding
Jeanswest Wholesale Pty. Ltd.	Australia	A$2	**100**	100	Trading of apparel

NOTES TO FINANCIAL STATEMENTS

31 December 2008

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2008	2007	Principal activities
Jeanswest Corporation Pty. Ltd.	Australia	A$11,000,000 Ordinary A$1,000,000 A class shares	**100**	100	Retail of apparel in Australia
Goldpromise Limited	British Virgin Islands/ Hong Kong	US$2 Ordinary	**100**	100	Investment holding
Jeanswest Corporation (New Zealand) Limited	New Zealand	NZ$1,191,264 Ordinary	**100**	100	Retail of apparel in New Zealand
Jeanswest International (H.K.) Limited	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	**100**	100	Retail of apparel in Mainland China
Advancetex Investment Limited	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	**100**	100	Retail of apparel in Mainland China
Glorious Sun Industries (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2008

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2008	2007	Principal activities
The Glorious Sun Fashion Garment Manufactory (H.K.) Limited	Hong Kong	HK$2,600,000 Ordinary	**100**	100	Trading of apparel
Pacific Potential Trading Company Limited	Hong Kong	HK$200,000 Ordinary	**100**	100	Provision of agency services
Advancetex International Trading (HK) Company Limited	Hong Kong	HK$6,000,000 Ordinary	**100**	100	Trading and production of apparel
Gold Treasure Investment Limited	Hong Kong	HK$2 Ordinary	**100**	100	Provision of production management services
Advancetex Fashion Garment Mfy. (Hui Zhou) Limited**	Mainland China	US$6,128,000	**100**	100	Manufacturing of apparel
真維斯服飾(中國)有限公司**	Mainland China	US$7,000,000	**100**	100	Manufacturing and trading of apparel
Glorious Sunshine Textiles Company Limited	Hong Kong	HK$10,000,000 Ordinary	**100**	100	Import and distribution of textile products

NOTES TO FINANCIAL STATEMENTS

31 December 2008

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2008	2007	Principal activities
Gennon Industries Limited	Hong Kong	HK$10,000 Ordinary	**100**	100	Investment holding
大進貿易(惠州)有限公司**	Mainland China	HK$500,000	**100**	100	Trading of apparel
Chapman International Macao Commercial Offshore Limited	Macau	MOP100,000	**50.4**	50.4	Trading of apparel
Main Pui Investments Limited	Hong Kong	HK$1,460,000 Ordinary	**50.4**	50.4	Property holding and provision of management services
Shamoli Garments Limited#	Bangladesh	Tk10,000,000 Ordinary	**35.3##**	35.3	Manufacturing of apparel
Gennon (Cambodia) Garment Manufacturing Ltd.#	Cambodia	US$500,000 Ordinary	**50.4**	50.4	Manufacturing of apparel
惠州新安制衣廠有限公司***	Mainland China	HK$5,000,000	**48.4##**	48.4	Manufacturing of apparel
Dongguan Ming Hoi Dyeing & Finishing Factory Co., Ltd.**	Mainland China	HK$195,230,000 paid up to HK$194,895,600	**50.4**	50.4	Provision of dyeing and knitting services

NOTES TO FINANCIAL STATEMENTS

31 December 2008

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2008	2007	Principal activities
Rays The Glorious Investment (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Full Yuen Investments Limited	Hong Kong	HK$2 Ordinary	**100**	100	Investment holding
Shijiazhuang Changhong Building Decoration Engineering Co., Ltd.***	Mainland China	US$2,100,000	**65**	65	Provision of interior decoration and renovation services
Taizhou Famebish Apparel Co. Ltd.***	Mainland China	US$100,000	**60**	60	Manufacturing of apparel

* *Directly held by the Company.*

** *Registered as wholly-foreign-owned enterprises under PRC law.*

*** *Registered as Sino-foreign equity joint ventures under PRC law.*

Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

Subsidiaries of a non-wholly-owned subsidiary of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

46. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation. The directors consider that such reclassifications will allow a more appropriate presentation of the Group's state of affairs and better reflect the nature of the transactions.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2009.

FINANCIAL SUMMARY

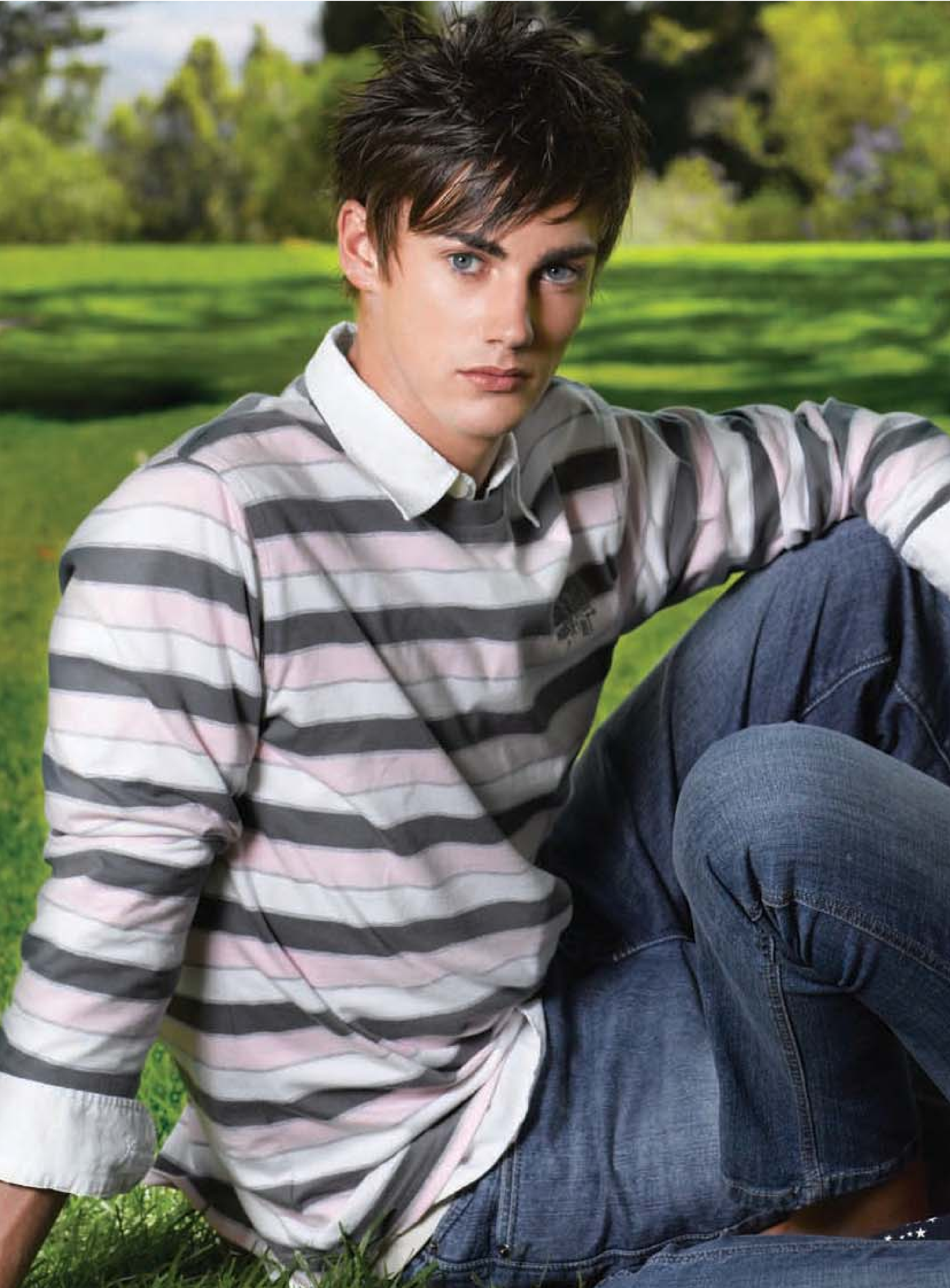
A summary of the published results of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**5,573,751**	4,783,880	4,397,359	3,802,398	3,583,751
Operating profit from core business	**396,815**	356,011	355,219	325,872	341,825
Gains/(losses) on disposal and liquidation of investments, net	**6,231**	273,391	7,075	–	(714)
Impairment loss on an available-for-sale investment	**(214,396)**	–	–	–	–
Operating profit	**188,650**	629,402	362,294	325,872	341,111
Share of profits and losses of jointly-controlled entities and associates	**3,758**	8,987	28,950	45,059	21,828
Profit before tax	**192,408**	638,389	391,244	370,931	362,939
Tax	**(94,386)**	(85,114)	(77,586)	(79,446)	(90,196)
Profit for the year	**98,022**	553,275	313,658	291,485	272,743
Attributable to:					
Ordinary equity holders of the Company	**84,718**	515,749	271,582	242,809	219,193
Minority interests	**13,304**	37,526	42,076	48,676	53,550
	98,022	553,275	313,658	291,485	272,743

FINANCIAL SUMMARY

A summary of the published assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

	2008 **HK$'000**	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Property, plant and equipment	**917,081**	777,291	737,086	622,163	497,356
Investment properties	**51,111**	40,367	21,433	2,500	1,900
Prepaid land lease payments	**18,937**	17,863	17,510	17,209	17,618
Goodwill	**30,388**	38,612	38,612	–	–
Interests in jointly-controlled entities and associates	**127,919**	146,204	227,209	235,674	186,247
Available-for-sale investment	**49,871**	298,200	–	–	–
Financial asset at fair value through profit or loss	**–**	24,511	–	–	–
Deposit paid for purchase of a property	**11,430**	–	–	–	–
Deferred tax assets	**14,369**	18,434	16,966	14,525	11,887
Current assets	**3,004,807**	2,748,812	2,653,179	2,519,866	2,313,783
TOTAL ASSETS	**4,225,913**	4,110,294	3,711,995	3,411,937	3,028,791
Current liabilities	**2,214,959**	1,892,661	1,833,421	1,583,294	1,373,906
Interest-bearing bank and other borrowings (non-current portion)	**953**	1,102	671	6,004	25,061
Long term loans from minority shareholders	**9,400**	9,400	9,400	9,400	9,400
Deferred tax liabilities	**19,512**	374	269	411	1,057
TOTAL LIABILITIES	**2,244,824**	1,903,537	1,843,761	1,599,109	1,409,424
NET ASSETS	**1,981,089**	2,206,757	1,868,234	1,812,828	1,619,367
MINORITY INTERESTS	**138,497**	148,924	145,232	149,690	149,114

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