PORTS 1961

PORTS DESIGN LIMITED

(Stock code: 0589)

ANNUAL REPORT 2009

2009

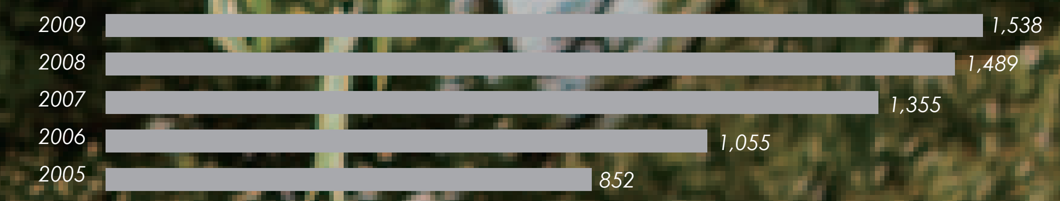
CONTENTS

FINANCIAL HIGHLIGHTS

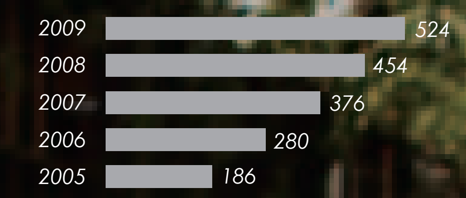
Five-Year Statistics
(Financial figures are expressed in Renminbi ("RMB") million)

	For the year ended 31 December				
	2009	*2008*	*2007*	*2006*	*2005*
Results					
Turnover	1,538	1,489	1,355	1,055	852
Profit from operations	524	454	376	280	186
Profit attributable to shareholders	468	422	397	254	165
Assets and liabilities					
Non-current assets	315	206	175	172	154
Current assets	2,173	1,684	1,186	968	758
Current liabilities	1,123	778	432	226	152
Net current assets	1,050	906	754	742	606
Total assets less current liabilities	1,365	1,112	929	914	760
Non-current liabilities	7	-	-	-	-
Shareholders' Equity	1,358	1,112	929	914	760

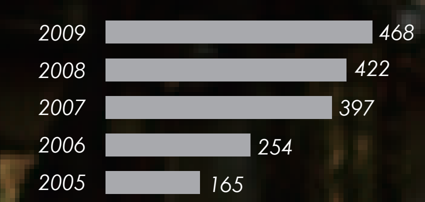
Turnover
(RMB millions)



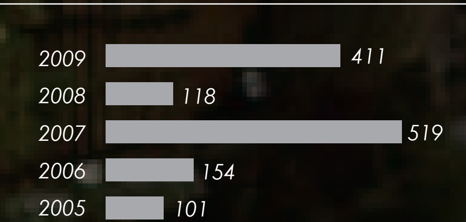
Profit from
Operations
(RMB millions)



Profit Attributable
to Shareholders
(RMB millions)



Dividend History*
(RMB millions)



** The figure illustrates dividends declared for the period indicated, not actual dividends paid during the period indicated. The total amount of dividends declared for the year ended 31 December 2009 of RMB411.2 million is calculated on the basis of the declaration of an interim dividend of RMB0.24 per share, special interim dividend of RMB0.25 per share and final dividend of RMB0.24 per share, which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.*

HIGHLIGHTS FROM 2009

PORTS DESIGN LIMITED ("Ports" or the "Company") maintained top and bottom line growth throughout 2009. Turnover increased 3.3% from RMB1.49 billion in the year ended 31 December 2008 ("FY2008") to RMB1.54 billion in the year ended 31 December 2009 ("FY2009").

RETAIL SEGMENT growth continued to surpass the Company's export-driven OEM and Others segments in FY2009, resulting in the higher margin Retail segment to account a greater portion to the Company's total turnover and net profit. Turnover from the Retail segment increased 10.0%, from RMB1.29 billion in FY2008 to RMB1.42 billion in FY2009. Retail segment gross profit margin rose from 83.7% in FY2008 to 85.9% in FY2009. As a result of this double-digit growth, the Retail segment accounted for 92.6% of the Company's total turnover in FY2009 compared to 86.9% contribution in FY2008.

PROFIT FROM OPERATIONS for the Company increased from RMB453.8 million in FY2008 to RMB523.6 million in FY2009, representing an increase of 15.4%. The Group's operating margin (i.e. profit from operations) expressed as a percentage of turnover, increased from 30.5% in FY2008 to 34.0% in FY2009.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS for the Company increased from RMB421.7 million in FY2008 to RMB468.3 million in FY2009, representing an increase of 11.1%. The Company's net profit margin increased from 28.3% in FY2008 to 30.4% in FY2009 due to the increasing contribution from the higher margin Retail segment.

FINANCIAL STRENGTH of the Group continued during 2009, and the Group continues to enjoy a strong financial position, and generate strong cash inflow from operating activities. The Company remains in a net cash position with debt of RMB734.1 million and had cash, cash equivalents and time deposits with banks of RMB1.46 billion as at 31 December 2009 compared to RMB943.6 million as at the same time last year.

CHAIRMAN'S STATEMENT

At the beginning of the year, with the weak global economy lingering on from 2008, Management anticipated difficult retail operating conditions in the PRC to continue. Management therefore adopted a conservative approach both in terms of revenue growth and expense management. Despite very challenging global trading conditions that negatively affected our OEM and Others businesses, retail and market conditions within China showed improvement as the year progressed. Ports Design Limited, together with its subsidiaries (the "Group"), is pleased to end FY2009 with a double-digit revenue growth in Retail segment, which help to contribute to an increase in the profit from operations of 15.4%, an overall profit increase of 12.5% before taxes, and 11.1% after taxes.

The second half of 2009 showed a continual recovery from the first half. This trend demonstrates that the PRC economy has to some extent over the years shifted from a mostly export driven economy to an economy where domestic consumption is growing in importance. The Group recognizes this important trend, and is taking meaningful steps to reap the long term benefit of this for our shareholders. The upgrading of the PORTS retail network and the building of a multi-brand luxury retail portfolio are tangible steps to tap into the growing affluence of the PRC consumers. The Group continues to believe that the high end market in China will be the most rewarding position for our brands, and will generate the best long term return for our shareholders.

The Retail segment maintained its positive trend of stable turnover and improving same-store-sales growth throughout FY2009. The Retail segment recorded revenue of RMB1.42 billion, an increase of 10.0% from FY2008. The Retail gross profit margin rose to 85.9% in FY2009 (FY2008: 83.7%) due to an increase in the average retail selling price ("ARSP") and further economies of scale. Retail segment continued to increase its contribution to the Group's overall turnover – currently accounting for 92.6%, compared to 86.9% in FY2008. With the weak demand from the U.S. and E.E.C. economies, turnover of OEM and Others segments continued a declining trend, resulting in decreases of 31.0% and 55.0% respectively compared to FY2008.

From a brand building perspective, 2009 indeed was a very exciting year. The PORTS menswear business, which has historically trailed the womenswear business for years, has seen strong improvements in retail sales in 2009. For the first time, a survey conducted by the world renowned menswear magazine, Gentleman's Quarterly in 2009, showed that PORTS had earned a place among the top ten luxury menswear brands most desired by Chinese men.

PORTS presented its Spring / Summer 2010 ladies collection at the Mercedes-Benz New York Fashion Week in September 2009. This collection was inspired by 1930's Haute Couture and the culture of Japan, showcasing pieces with textures made up of organic materials and simple structures. The brand's visibility and influence in the media continue to improve globally as well as in China, with impressive editorial coverage in both Chinese and international fashion publications such as Elle, Vogue and Harpers Bazaar. The impeccable quality and design of our products has brought increasing recognition among international celebrities, including the recent Oscar Best Actress winner, Sandra Bullock.

The Retail segment maintained stable turnover growth for 2009. Same-store-sales growth demonstrated an improving trend during the year, and this has continued through the first quarter of 2010. During 2009, Management implemented a modest ARSP increase of 7%, which helped to further improve our Retail gross profit margin. Continue to move the brand further upmarket remains as part of the Company's strategy. At the same time, management has recognized the entry of more international brands into the PRC market, and therefore responded with a variety of measures, amongst which the most important one was making a conscious decision to speed up the upgrading of our retail distribution network (both in terms of quality of store location, as well as quality of store design and decoration). As at 31 December 2009, the store count was 356. The Management expects the retail network upgrading exercise to be mostly completed by year end 2010, and anticipates being able to report more robust growth in store count in 2011 and beyond. PORTS continues to dominate the upscale womenswear apparel market in China, and with the recent improvement seen in the PORTS menswear business, the Management sees opportunities across the entire product spectrum for the Company.

The BMW Lifestyle brand continues its good progress and Management expects to further develop and launch non-apparel products such as watches and accessories in 2010. The success of the auto brand in the lifestyle business has been mutually rewarding both for BMW and the Group. Recognizing the value that the lifestyle business has contributed to BMW brand building in China, BMW AG in Munich rewarded the Group with a lower royalty rate upon the renewal of the licensing agreement in 2009. The success of the BMW Lifestyle business resulted in offers from other luxury auto brands to partner together for the Chinese market. In the first quarter of 2009, the Group decided to partner with Ferrari as we believe the strong brand appeal of Ferrari will lead to a further expansion of the market that BMW Lifestyle currently targets and serves. Ferrari retail stores are expected to be rolled out in China starting in 2010.

While the Group's core strategy remains unchanged, certain tactical adjustments were made. The Group maintained steady progress on its multi-brand portfolio strategy approach. In order to manage this growth, a new business unit "Licensed Brands Division" ("LBD") was formed in 2009. LBD currently manages six brands – BMW Lifestyle, Armani, Vivienne Tam, MaxMara, Ferrari and Versace. Management expects the contribution of the LBD will be able to offset the decline in the export driven OEM business. Despite the excitement drummed up by the new brands, Management will remain conservative in the initial roll out. Stringent standards will be applied when monitoring and measuring the progress achieved by these new brands and a full scale roll out plan will only be considered when the brands have proven to deliver strong financial returns.

The Directors remain pleased that the Group's overall corporate strategy has proven effective and is being well executed by the Management team and the employees. The Group is largely maintaining its salary freeze policy as well as its new hire program. Given the somewhat uncertain global macroeconomic environment, the Board has set up policies at the start of the year which emphasized cash conservation and strict costs control. Discipline has resulted in the accumulation of over RMB1.46 billion in cash at the end of the year, ensuring the Group was prepared for any prolonged economic slump if the financial crisis persisted. Profit from operations for 2009, a true measure of the Management's effort, increased by 15.4% to RMB523.6 million over 2008. To reward our employees and further incentivize them for future performance, new stock options were granted to our employees during the third quarter of 2009, resulting in non-cash share option expense charge of RMB34.6 million. The Board believes strongly in this program, and would like to thank our employees for their contribution and hard work during this challenging period.

Looking forward to 2010

During the first quarter of 2010, the retail industry in PRC enjoyed a sustained recovery and consumer sentiment remained on a high note for the celebration of Chinese New Year in February despite rather extreme cold weather conditions. With the strong market position enjoyed by our brands, the Management remains cautiously optimistic about 2010.

The Group remains committed to build retail businesses in the PRC and to gain market share by continuously moving PORTS and BMW Lifestyle brands further up-market, improving product offerings, merchandising, and customer service. The Management seeks to improve our operating margins through increased retail store efficiency, enhanced merchandising discipline and improved working capital management. There were 13 factory outlet mall stores in 2009 and Management expects an additional two outlet stores in 2010. Therefore, subject to the availability of quality outlet stores, the Group expects the increase in the number of outlet stores will continue at a steady pace, aiming that sale of aged inventory through this channel can eventually contribute up to approximately 5% of Retail turnover in the years to come.

The visibility regarding the economy and consumer behavior remains limited but we expect the economic recovery to continue in the first half of the year. The Group is on track and the Ports brand is ideally positioned in the market place to capitalize on this opportunity. Management aims to increase ARSP by roughly 5% for the first half of this year. Within the Retail segment, LBD will continue to vigilantly monitor the performance of new brands, and at the same time looking out for new opportunities.

The Group expects turnover for OEM and Others segments to continue experiencing declining rates as it is expected that demand from the affected economies will not pick up. However, margins are expected to remain stable across both segments as Management remains selective in accepting orders.

The Group expects to move into its new headquarter facility by the end of the first half. The Management is optimistic that this consolidation will help improve productivity and the increase in manufacturing capacity will support and improve economies of scale. However, the old factory will not be decommissioned until the new factory is 100% fully operational.

For 2010, the Group expects the effective income tax rate to increase slightly from the current level of 10%. The Directors remains optimistic and with a strong cash position, the Directors have recommended a final dividend of RMB0.24 per share to our shareholders. With the interim and special interim dividends declared and final dividend recommended for 2009, the Group is committed to improving long term returns to our shareholders.

Edward Han Kiat Tan

Chairman
30 March 2010
Xiamen, China

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

Turnover

Turnover of the Group increased from RMB1.49 billion in FY2008 to RMB1.54 billion in FY2009, representing an increase of 3.3%. Turnover comprises three different segments: Retail, OEM, and Others. In FY2009, the Retail segment continued to maintain its strong contribution to the overall turnover; growing from 86.9% in FY2008, to 92.6% of the total Group's turnover in FY2009.

Retail turnover

Retail turnover increased from RMB1.29 billion in FY2008 to RMB1.42 billion in FY2009, representing an increase of 10.0%. The increase was contributed by a combination of increases in volume of units sold and ARSP, outweighing the possible effect of a decrease in the number of retail stores. In FY2009, the Group accelerated the upgrade the quality of our retail distribution network in China, in effort to strengthen the high-end positioning of our PORTS and BMW Lifestyle brands. As China has become the most important market for luxury brands in the global market. Management believes it is important to only maintain stores that are only in line with the brand position of PORTS or BMW Lifestyle.

This overall corporate strategy to move upmarket has proven effective, resulting in higher sales per store and better gross profit margin for the Group. The marketing program is well executed, enabling the Group to achieve price increases without reduction in volume, despite a challenging operating environment in 2009. For the first time, the popularity of the PORTS brand, mainly known for ladies wear, have spilt over to the menswear segment. A survey conducted by GQ Magazine (Gentlemen's Quarterly) in December 2009 placed PORTS among the top ten most popular luxury menswear brands for men in China. This will open up a new channel of growth for the Group. The Management believes that, given the popularity of our brands together the upward trend in the domestic consumption market in China, Retail turnover will continue to flourish. With discipline and in-depth knowledge about the PRC market, the Group is in a good position to reap the long term benefit in this important market.

As at 31 December 2009, Retail segment remained as the key turnover contributor, accounting for 92.6% of the Group's turnover, increasing from 86.9% in FY2008. As at 31 December 2009, the Group operated 356 retail stores in the Mainland China, Hong Kong and Macau.

OEM turnover

OEM turnover decreased from RMB109.2 million in FY2008 to RMB75.4 million in FY2009, representing a decrease of 31.0%, bringing down OEM segment's contribution to the Group's turnover from 7.3% in FY2008 to 4.9% in FY2009. The continued growth of Retail segment played a role in contributing to the decline, however, the effect was further multiplied by the weak and declining demand from the U.S. and the European export markets. With an unclear outlook for the export markets, the Management anticipates a similar trend for the OEM segment in 2010.

Others turnover

Others turnover decreased by approximately 55.0%, from RMB85.1 million in FY2008 to RMB38.3 million in FY2009. Others turnover comprises of BMW Lifestyle apparel exports to BMW AG in Germany, and wholesales exports of PORTS branded apparel. With the European and US economies still weak, the Management anticipates that the contribution of Others turnover to the Group's total turnover will continue to decline in 2010.

Cost of Sales

Cost of sales declined from RMB346.6 million in FY2008 to RMB283.1 million in FY2009, representing a decrease of 18.3%. This decline is primarily contributed by the significant decrease in the OEM segment sales. Although the Retail segment sales rose, the cost of sales for the Retail segment declined due to the benefits of economies of scale and other operational improvements. Cost of sales as a percentage of turnover decreased by 4.9% to 18.4% in FY2009 (FY2008: 23.3%).

Gross Profit

Gross profit increased from RMB1.14 billion in FY2008 to RMB1.25 billion in FY2009, representing an increase of 9.9%. Gross profit margin also rose from 76.7% in FY2008 to 81.6% in FY2009. The improvement in gross profit margin was driven predominantly by the increasing contribution of Retail gross profit.

Retail Gross Profit

Retail gross profit increased by 12.9% from RMB1.08 billion in FY2008 to RMB1.22 billion in FY2009, accounting for the Group's 97.5% gross profit. Retail gross profit margin increased from 83.7% to 85.9% over the same period. With the ability to command higher ARSP, the increase in Retail gross profit margin was mainly due to the higher ARSP and the increase in contributions from the higher margin outlet mall retail sales.

OEM Gross Profit

OEM gross profit decreased from RMB17.9 million in FY2008 to RMB15.7 million in FY2009, representing a decrease of 12.3%. Gross profit margin for the OEM segment rose from 16.4% in FY2008 to 20.9% in FY2009. The increase in gross profit margin was mainly due to the Value Added Tax ("VAT") rebates offered by the PRC government for the export industry and cost savings from competitive sourcing. The Management does not expect the grant of the VAT rebates from the government to continue in 2010 and expects margins to remain stable as the Management will be selective in accepting OEM orders.

Others Gross Profit

Others gross profit decreased from RMB40.3 million in FY2008 to RMB15.5 million in FY2009, representing a decrease of 61.5%. Gross profit margin declined from 47.4% in FY2008 to 40.4% in FY2009. This decrease in gross profit margin was mainly due to fewer BMW Lifestyle apparel export orders from BMW AG in Germany, as well as the decline in the value of Euro, which is the currency used for the export to the EEC countries. While faced with difficult operating environment and uncertain timing of the market recovery, customers continued to rationalise orders. The Management expects the weak trend to continue in the foreseeable future.

Operating Expenses

Operating expenses increased from RMB714.3 million in FY2008 to RMB779.5 million in FY2009, representing an increase of 9.1%. Operating expenses have generally increased in accordance with the growth of the retail business. Expenses consist of distribution expenses, administrative expenses and other operating expenses.

Distribution costs

Distribution costs increased from RMB618.9 million in FY2008 to RMB657.9 million in FY2009, representing an increase of 6.3% (FY2008: 19.8%). The increase was due to increases in rental payments, salaries and benefits, and depreciation charges. Rental charges increased from RMB327.5 million in FY2008 to RMB352.1 million in FY2009, representing an increase of 7.5%, as a result of an increase in retail segment turnover. Rental as a percentage of Retail turnover maintained stable at 24.7% in FY2009 (FY2008: 25.3%). Salaries and benefits to retail sales staff increased from RMB120.4 million in FY2008 to RMB131.2 million in FY2009, representing an increase of 9.0%. Salaries and benefits as a percentage of Retail turnover declined to 9.2% in FY2009 (FY2008: 9.3%). Depreciation charges increased from RMB38.1 million in FY2008 to RMB47.8 million in FY2009, representing an increase of 25.7%, as a result of increased investments in manufacturing, distribution facilities and retail outlets.

Administrative expenses

Administrative expenses increased from RMB47.9 million in FY2008 to RMB57.0 million in FY2009, representing an increase of 19.2% (FY2008: 7.1%). This increase was principally due to increases in salaries and benefits. Salaries and benefits increased from RMB24.8 million in FY2008 to RMB 40.7 million in FY2009, representing an increase of 64.1%. The increase was mainly due to the impact from the increase on the amortization expense related to our Share Option Scheme. In FY2009, salaries and benefits for administrative staff as a percentage of total turnover maintained stable at 2.6% (FY2008: 1.9%). The Management granted new share options to employees during the third quarter of 2009, resulting in non-cash charge of RMB34.6 million to the employee share option expense for 2009. The Management believes that the Share Option Scheme is an integral part of the Group's employee retention strategy and will yield long term benefits to the Group.

Other operating expenses

Other operating expenses increased from RMB47.5 million in FY2008 to RMB64.6 million in FY2009, representing an increase of 36.0%. The increase was mainly due to the impact from the increase on the stock provision made related to our inventory position. Stock provision rose by 43.0%, from RMB45.2 million in FY2008 to RMB64.6 million in FY2009. In FY2009, the stock provision made as a percentage of Retail turnover rose to 4.5% (FY2008: 3.5%).

Other revenue

Strong brand position led to improvement in royalty income from the PORTS Eyewear collection licensee. The incentives offered by department stores operators and landlords also have improved significantly, resulting in increases of design and decoration income, from RMB4.0 million in FY2008 to RMB 7.3 million in FY2009, representing an increase of 81.7%. The significant contribution of the Group to the local economy in Xiamen also resulted in Government incentive subsidies of RMB25.2 million during 2009.

Net finance costs/income

With the decline in the overall interest rate, the interest income have declined from RMB10.0 million in FY2008 to a loss of RMB1.9 million in FY2009. The unexpected strengthening of the United States dollars ("US$") dollar vs Renminbi ("RMB") have also resulted in the reversal of exchange income. From a gain of RMB 6.7 million in FY2008, the Group has an exchange loss RMB1.4 million in FY2009. The Group has over RMB1.46 billion of cash, cash equivalents and deposit. The Management believes that the exchange rate fluctuation at year end 2009 is temporary, and continued to believe in the long term appreciation potential of the RMB, and therefore, have decided to continue to hold the cash balances as term deposits in RMB in China.

Profit from operations

As a result of the increase in turnover, and the economies of scale derived from the growth of the Group's operations, the Group's profit from operations increased from RMB453.8 million in FY2008 to RMB523.6 million in FY2009, representing an increase of 15.4%. The Group's operating margin (i.e. profit from operations expressed as a percentage of turnover), increased from 30.5% in FY2008 to 34.0% in FY2009.

Income tax

The Group's effective income tax rate increased from 9.1% of profit before tax in FY2008 to 10.2% of profit before tax in FY2009, resulting in an actual increase of RMB11.4 million in FY2009.

Profit attributable to shareholders

As a result of the factors discussed above, the Group's profit attributable to shareholders increased from RMB421.7 million in FY2008 to RMB468.3 million in FY2009, representing an increase of 11.1%. The Group's net profit margin increased from 28.3% in FY2008 to 30.4% in FY2009 due to the increasing contribution from the higher margin Retail segment.

Financial Position, Liquidity and Gearing Ratio

The Group continues to enjoy a strong financial position, with significant cash reserves being generated from normal business operations. As at 31 December 2009, the Group had approximately RMB1.46 billion in cash, cash equivalents and time deposits, an increase of 54.6%, compared to RMB943.6 million as at 31 December 2008. The Group also had access to significant bank loans and overdraft facilities and as at 31 December 2009, the Group had interest-bearing borrowings of RMB734.1 million. Net cash inflows from operating activities increased from RMB444.2 million in FY2008 to RMB539.6 million in FY2009, representing an increase of 21.5%. As at 31 December 2009, the Group's gearing ratio was 53.8% based on outstanding bank debt and total equity of approximately RMB1.36 billion (FY2008: 45.6%). As at 31 December 2009, the current ratio was 1.93 based on current assets of RMB2.17 billion and current liabilities of RMB1.12 billion.

Acquisitions and Disposal of subsidiaries and associate companies

The Group did not engage in any material acquisitions or disposals of any subsidiaries or associated companies during the reporting period.

Currency Risk Management

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

Capital Commitments and Contingent Liabilities

As at 31 December 2009, the Group had capital commitments of RMB191.0 million (compared to RMB263.5 million as at 31 December 2008), of which RMB141.0 million was authorized but not contracted for (compared to RMB263.5 million as at 31 December 2008). These capital commitments were mainly attributable to the construction of the new manufacturing facility. As at 31 December 2009, the Company had contingent liabilities of RMB616.1 million.

Capital Structure of the Group

The Group requires working capital to support its manufacturing, Retail, OEM and Others operations. As at 31 December 2009, the Group had cash, cash equivalents and time deposits of approximately RMB1.46 billion, denominated principally in RMB, US$, HK$ and Euros. The Directors believe that the cash balances and net cash inflow from operating activities are sufficient to support the operating activities of the Group.

Major Customers and Suppliers

During FY2009, the Group purchased approximately 13% and 22% of its goods and services from its largest supplier and five largest suppliers respectively. The percentages of turnover attributable to the Group's largest customer and its five largest customers combined were roughly 3% and 12% respectively. None of the Directors, their associates or shareholders (which to the best knowledge of the Directors own more than 5% of the Group's share capital) were interested at any time in the year in the above suppliers or customers.

Charges on Assets

As at 31 December 2009, the Group had not charged any of its assets.

Human Resources

As at 31 December 2009, the Group had approximately 5,150 employees. Total personnel expenses, comprised of wages, salaries, and benefits, amounted to RMB255.2 million in FY2009, compared with RMB233.8 million in FY2008, representing an increase of 9.1%. In FY2009, total personnel expenses as a percentage of the Group's turnover maintained stable at 16.6% (FY2008: 15.9%).

The Group is committed to fostering a safe and comfortable workplace and a corporate culture that emphasizes training and career development opportunities and rewards employees for performance. A competitive remuneration scheme, a safe and comfortable work environment, and a merit-based advancement program provide incentives for employees to excel in their respective areas of responsibility. The multicultural environment within at the Group also provides a unique opportunity for employees from all over the world to perform and excel in their respective disciplines, enabling exchange of best practices in all aspects. In addition, as an extra incentive to the contribution made by employees, the Board approved the granting of 24,324,000 share options in July 2009.

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

During the twelve months ended 31 December 2009, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, any of the Company's listed securities.

CORPORATE GOVERNANCE

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

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

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

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

The Board and senior management

The Board is responsible for protecting and maximizing long-term shareholder value. As of 31 December 2009, the Company had seven Directors on its Board, including the Chairman and two other executive Directors. Of the remaining four non-executive Directors, three are independent. Details of the Directors and senior management set out on pages 32 to 33 of this report.

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

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

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

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

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

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

The Board meets regularly and no less than four times a year. During the course of FY2009, the Board held five board meetings. All Directors understand their duty to represent the interests of shareholders and each Director has attended meetings as regularly as possible. When a Director is unable to attend a meeting, the Chairman and/or the Chief Executive Officer briefs him/her fully on the content and results of the Board meeting. Pursuant to the bye-laws of the Company, all Directors shall retire by rotation in the forthcoming annual general meeting and all, being eligible, offer themselves for re-election.

Directors Responsibility

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

Annual Report and Accounts

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

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

Directors' Securities Transactions

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

Remuneration of Directors

In FY2009, the remuneration of Directors and senior management was determined by the Board with reference to the performance and profitability of the Group as well as remuneration benchmarks from other companies in the high-end retail industry and the prevailing market conditions. Details of the remuneration and emoluments awarded can be found on pages 59 to 60.

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

Nomination of Directors

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

Auditors' remuneration

The amount of fees charged by the Company's auditors in respect of their audit and non-audit services is disclosed in the notes to the financial statements of the Company. The Audit Committee is responsible for approving the remuneration and terms of engagement of the external auditors and for making recommendations to the Board regarding any non-audit services to be provided to the Company by the external auditors. In FY2009, the fees paid to the Company's auditors were primarily for audit services as no significant non-audit service assignments have been undertaken by them.

Audit Committee

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

The Audit Committee is responsible for monitoring the integrity of financial statements of the Company. In addition to the review of financial information of the Company, the Committee's other primary duties are monitoring the relationship with the Company's external auditors and overseeing the Company's financial reporting system, internal control and risk management procedures. With respect to the Group's results for FY2009, the Audit Committee has reviewed with senior management and the external auditors their respective audit findings, the accounting principles and practices adopted by the Group and the internal control, risk management and financial reporting matters.

Internal controls and risk management

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

Internal Control Environment

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

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

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

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

Review of Internal Controls

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

Model Code for Securities Transactions by Directors

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

Code on Corporate Governance Practices

In the opinion of the Directors, the Company was in compliance with the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout FY2009.

Board Meetings

The number of full Board and Committee meetings attended by each Director during the FY2009 is as follows:

	Scheduled Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings
Alfred Kai Tai Chan, Executive Director	4/5	0/0	2/2
Edward Han Kiat Tan, Executive Director	5/5	n/a	n/a
Pierre Frank Bourque, Executive Director	5/5	n/a	n/a
Julie Ann Enfield, Non-executive Director	4/5	n/a	n/a
Rodney Ray Cone, Independent non-executive Director	4/5	0/0	2/2
Valarie Wei Lynn Fong, Independent non-executive Director	4/5	n/a	2/2
Lara Magno Lai, Independent non-executive Director	3/5	0/0	1/2

REPORT OF THE DIRECTORS

The Directors submit their annual report together with the audited financial results of PORTS DESIGN LIMITED ("Ports" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2009.

Principal Activities

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

Major Customers & Suppliers

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

Financial Results & Appropriations

The results of the Group for FY2009 are set out in the consolidated statement of comprehensive income on page 37.

An interim dividend of RMB0.24 per share, amounting to RMB135.0 million in total, was paid to shareholders during FY2009. The Board recommends the payment of a final dividend of RMB0.24 per share, amounting to approximately RMB135.3 million in total, to be paid to shareholders on the register of members (pending shareholders approval at the forthcoming annual general meeting). This final dividend, together with the interim dividend and special interim dividend payment, amounts to approximately RMB411.2 million in total. The remaining profits for FY2009 were retained by the Group.

Transfer to Reserves

The Group transferred approximately RMB1.8 million from its profit attributable to equity shareholders to its reserves in FY2009, compared with RMB48.1 million in FY2008. Details of transfers to reserves are outlined in the consolidated statement of changes in equity on page 42.

Group Financial Summary

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

Share Capital

Details of the movements in share capital of the Company are set out on page 69.

Fixed Assets

During FY2009, the Group acquired fixed assets of approximately RMB142.0 million, compared with RMB80.4 million during FY2008. Details of the fixed asset acquisitions are outlined on page 62.

Directors

The Directors of Ports during the year were:

Executive Directors

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

Non-Executive Directors

Ms. Julie Ann Enfield

Independent Non-Executive Directors

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

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

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

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

Directors' Service Contracts

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

Directors' and Executive Officer's Interests

As at 31 December 2009, the interests or short positions of each Director or executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

	Personal Interest	Corporate Interest [3]	Total interest [3]	Percentage of total issued Shares
Mr. Edward Han Kiat Tan (Note 1)	250,000(L) [2]	229,281,819 (L)	229,531,819 (L)	40.71% (L)
		52,394,000 (S)	52,394,000 (S)	9.29% (S)
Mr. Alfred Kai Tai Chan (Note 1)	250,000(L) [2]	229,281,819 (L)	229,531,819 (L)	40.71% (L)
		52,394,000 (S)	52,394,000 (S)	9.29% (S)
Mr. Pierre Frank Bourque	130,000 (L) [2]	0	130,000 (L)	0.02% (L)
Ms. Julie Ann Enfield	0	0	0	0
Mr. Rodney Ray Cone	110,000 (L) [2]	0	110,000 (L)	0.02% (L)
Ms. Valarie Wei Lynn Fong	110,000 (L) [2]	0	110,000 (L)	0.02% (L)
Ms. Lara Magno Lai	50,000 (L) [2]	0	50,000 (L)	< 0.01% (L)

Notes:

1. *Mr. Tan and Mr. Chan own the 50% shares of Ports International Enterprises Limited ("PIEL") respectively. PIEL also holds a short position of 52,394,000 Shares. 229,281,819 Shares are owned by CFS International Inc., a direct subsidiary of PIEL. Mr. Tan and Mr. Chan are deemed to be interested in 40.71% of the issued share capital of the Company by virtue of their respective interests in PIEL pursuant to Part XV of the SFO.*

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

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

(ii) Share Options

	Number of outstanding share options	Percentage of issued share capital
Mr. Edward Han Kiat Tan	250,000	< 0.04%
Mr. Alfred Kai Tai Chan	250,000	< 0.04%
Mr. Pierre Frank Bourque	130,000	< 0.02%
Mr. Rodney Ray Cone	110,000	< 0.02%
Ms. Valarie Wei Lynn Fong	110,000	< 0.02%
Ms. Lara Magno Lai	50,000	< 0.01%

As at 31 December 2009, other than the holdings disclosed above, none of the Directors or executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

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

2. The participants of the Scheme are (i) any employee of the Company, any of its subsidiaries or any entity in which any member of the Group holds an equity interest ("Invested Entity"), including any executive director of the Company, any of its subsidiaries or any Invested Entity; (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to any member of the Group or any Invested Entity.

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

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

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

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

7. The Scheme shall be valid and effective for a period of 10 years commencing on 3 November 2003 for the initial share option grant, 1 September 2006 for the second share option grant and 14 July 2009 for the subsequent share option grant, respectively.

Details of the share options outstanding as at 31 December 2009 under the Scheme were as follows:

First Share options granted on 3 November 2003

	Options held at 1/1/2009	Options granted during the period	Options exercised during the period[2]	Options lapsed during the period	Exercise Price per option (HK$)[1]	Options held at 12/31/2009	Grant Date	Exercisable from	Exercisable until
Mr. Edward Han Kiat Tan	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Alfred Kai Tai Chan	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Pierre Frank Bourque	0	0	0	0	N/A	0	N/A	N/A	N/A
Ms. Julie Ann Enfield	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Rodney Ray Cone	60,000	0	0	0	2.625	60,000	Nov-3-2003	Nov-3-2003	Nov-2-2013
Ms. Valarie Wei Lynn Fong	60,000	0	0	0	2.625	60,000	Nov-3-2003	Nov-3-2003	Nov-2-2013
Ms. Lara Magno Lai	0	0	0	0	N/A	0	N/A	N/A	N/A
Continuous contract employees	1,943,918	0	1,297,439	0	2.625	646.479	Nov-3-2003	Nov-3-2003	Nov-2-2013

Second Share option granted on 1 September 2006

	Options held at 1/1/2009	Options granted during the period	Options exercised during the period[2]	Options lapsed during the period	Exercise Price per option (HK$)[1]	Options held at 12/31/2009	Grant Date	Exercisable from	Exercisable until
Mr. Edward Han Kiat Tan	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Alfred Kai Tai Chan	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Pierre Frank Bourque	80,000	0	0	0	11.68	80,000	Sep-1-2006	Sep-1-2006	Aug-31-2016
Ms. Julie Ann Enfield	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Rodney Ray Cone	0	0	0	0	N/A	0	N/A	N/A	N/A
Ms. Valarie Wei Lynn Fong	0	0	0	0	N/A	0	N/A	N/A	N/A
Ms. Lara Magno Lai	0	0	0	0	N/A	0	N/A	N/A	N/A
Continuous contract employees	9,683,928	0	1,537,759	41,389	11.68	8,104,780	Sep-1-2006	Sep-1-2006	Aug-31-2016

Third Share option granted on 14 July 2009

	Options held at 1/1/2009	Options granted during the period	Options exercised during the period[2]	Options lapsed during the period	Exercise Price per option (HK$)[1]	Options held at 12/31/2009	Grant Date	Exercisable from	Exercisable until
Mr. Edward Han Kiat Tan	0	250,000	0	0	17.32	250,000	Jul-14-2009	Jul-14-2009	Jul-13-2019
Mr. Alfred Kai Tai Chan	0	250,000	0	0	17.32	250,000	Jul-14-2009	Jul-14-2009	Jul-13-2019
Mr. Pierre Frank Bourque	0	50,000	0	0	17.32	50,000	Jul-14-2009	Jul-14-2009	Jul-13-2019
Ms. Julie Ann Enfield	0	0	0	0	N/A	0	N/A	N/A	N/A
Mr. Rodney Ray Cone	0	50,000	0	0	17.32	50,000	Jul-14-2009	Jul-14-2009	Jul-13-2019
Ms. Valarie Wei Lynn Fong	0	50,000	0	0	17.32	50,000	Jul-14-2009	Jul-14-2009	Jul-13-2019
Ms. Lara Magno Lai	0	50,000	0	0	17.32	50,000	Jul-14-2009	Jul-14-2009	Jul-13-2019
Continuous contract employees	0	23,624,000	0	51,450	17.32	23,572,550	Jul-14-2009	Jul-14-2009	Jul-13-2019

Notes:

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

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

Subject to the terms of the Share Option Scheme, the options shall only be exercisable in respect of such part thereof that have been vested in accordance with the following manner:

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

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

Substantial Shareholders

The Company has been notified that, as at 31 December 2009, persons (other than directors or executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Names of shareholders	*Capacity*	*Number of Shares*	*Total number of Shares held*	*Percentage of issued share capital*
(a) Substantial shareholders				
CFS International Inc.[1]	Beneficial Owner	229,281,819	229,281,819	40.67%
Ports International Enterprises Limited[1]	Interest of Controlled Corporation	229,281,819 (L)	229,281,819 (L)	40.67%(L)
	Beneficial Owner	52,394,000 (S)	52,394,000 (S)	9.29%(S)
(b) Other persons				
JP Morgan Chase & Co	Investment Manager	56,833,373 (L)	56,833,373 (L)	10.08%
		850,000 (S)	850,000 (S)	0.15%
		36,216,373 (LP)	36,216,373 (LP)	6.42%
Tetrad Ventures Pte. Limited	Beneficial Owner	16,227,181	16,227,181	2.88%
GIC Special Investments Pte. Ltd.	Interest of Controlled Corporation	16,227,181	16,227,181	2.88%
Government of Singapore Investment Corp. Pte. Ltd.	Interest of Controlled Corporation	16,227,181	16,227,181	2.88%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Interest of Controlled Corporation	16,227,181	16,227,181	2.88%
Minister for Finance (Incorporated), Singapore	Interest of Controlled Corporation	16,227,181	16,227,181	2.88%

Notes:

1. *PIEL is deemed to be interested in the 229,281,819 Shares held by CFS by virtue of PIEL's interest in CFS. Please also see Note 1 on page 24.*

2. *(L) - Long Position, (S) - Short Position and (LP)-Lending Pool.*

Save as disclosed above, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares of the Company as at 31 December 2009 as recorded in the register required to be kept under section 336 of the SFO.

Directors' Interest in Contracts of Significance

There were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, during FY2009.

Purchase, Sale or Redemption of Group's Listed Securities

During FY2009, the Company did not redeem, and neither the Company nor any of its subsidiaries purchased or sold, any of the Company's listed securities.

Pre-emptive Rights

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

Properties

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

Retirement Scheme

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

Continuing Connected Transactions

The Group has sold ladies and men's fashion garments and accessories and other merchandise or products branded with the PORTS INTERNATIONAL and PORTS 1961 brands ("PORTS Products") to Ports International Retail Corporation ("PIRC"), a wholly-owned subsidiary of CFS International Inc., which resells them in Europe and North America. These transactions constitute "continuing connected transactions" for the purpose of the Listing Rules. The Group supplies PORTS products to PIRC on a contract basis, with each contract specifying the quantity to be sold, the price and the date of delivery ("the Sales Transactions"). Pursuant to Rule 14A.35 of the Listing Rules, the Company and PIRC on 1 November 2006 entered into an agreement for the supply of PORTS Products to PIRC and its affiliated companies ("the Old Master Agreement"). The Old Master Agreement commenced on 1 November 2006 and ended on 31 December 2008. Upon expiration, the parties entered into negotiation for renewal and subsequently entered in to a new master agreement for the Sales Transactions on 1 September 2009, for a period of 3 years from 1 January 2009 and expiring on 31 December 2011 ("New Master Agreement").

The Directors estimated that the aggregate annual value of sales under the New Master Agreement would not exceed RMB20,000,000, RMB21,000,000 and RMB22,050,000 for each of the three financial years ending 31 December 2011. During FY2009, the total value of the Sales Transactions and other items was RMB14,937,000 and did not exceed the revised annual cap.

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

It was expected that the rental fees to be paid by our Group to the PCD group pursuant to the Master Concessionaire Agreement for the remainder of the financial year ending 31 December 2007 and each of the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 will not exceed RMB 2.0 million, RMB19.0 million, RMB24.0 million respectively and RMB16.0 million for six months ending 30 June 2010 when the term of the Master Concessionaire Agreement ends. During FY2009, the total rent paid by the Group to the PCD group was RMB21.09 million and falls within the annual cap.

The independent non-executive Directors of the Company have reviewed the two continuing connected transactions made during FY2009 and have confirmed that:

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

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

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

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

Pledging of shares by controlling shareholders

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

Corporate Governance

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

Use of Proceeds

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

Auditors

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

Statement of Sufficiency of Public Interest

As at 30 March 2010, based on the information publicly available to the Company and within the knowledge of the Directors, 59.3% of the Shares were publicly held.

On Behalf of the Board
Edward Han Kiat Tan
Chairman

30 March 2010
Xiamen, China

CORPORATE SOCIAL RESPONSIBILITY

The Group strives to maintain and promote its Corporate Social Responsibility strategy. Our standards have constantly evolved through the years to meet the complexities of today's business world and the challenges of a global society.

Community Initiatives

- We continued to support local charities in the PRC by making corporate clothing donations.

Supply Chain

- The Group fully abides with the principles outlined in the UN Global Compact. Apart from setting high standards amongst our own employees, we only select to partner with suppliers that are able to meet our same standards and share the same respect for those principles. We also further require our suppliers to only engage sub-contractors of the same caliber. Random checks have been conducted during FY2009 to ensure the compliance thereto, and going into 2010, we intend to increase the frequency of the checks our suppliers and sub-contractor, reiterating our emphasis accordingly.

Health and Safety

- Through regular safety checks, training and emergency evacuation fire drills for our staff, we promote and highlight health and safety awareness within the workplace. At the same time, the Group regularly checks all hardware and equipment, ensuring they are all properly functioning and are safe for our staff members to operate.
- The Group also works to foster a better work-life balance. Various afterwork sports or leisure activities are arranged, which employees can participate at minimal or no cost, allowing our staff to be healthy both mentally and physically.

Working Environment

- Group believes that its continued success depends on the contribution of each and every individual in the organization. As such, the Company is committed to treating our employees with fairness and respect. We believe in co-operation, teamwork, and trust. We hire on the basis of ability and merit, and reward and promote on the basis of performance.
- Group also recognizes the critical importance of continued professional and personal development. As such, the Group invests heavily in a comprehensive staff training and development program that focuses not only on basic sales and service training, but also includes other programs designed to address our people's personal and professional development needs.

The Environment

- Energy conservation and environmental protection are long term commitments, therefore, the Group considers it important to promote this philosophy to its employees.
- Through our continued monitoring of our packaging reuse, waste paper and fabric recycling procedures, we will continue to look for new ways to reduce wastage and conserve energy and other natural resources. Our commitment to the environment is further demonstrated by the eco-friendly designs that we had incorporated into the Group's new all-in-one headquarters that will unveil in the second quarter of 2010.

SENIOR MANAGEMENT & DIRECTORS

Executive Directors

Tan, Han Kiat Edward, aged 67, is the Chairman of the Company and a founder of the Group. Mr. Tan has more than 35 years experience in the textile, garment and trading business. Mr. Tan is responsible for setting the general direction of the Group. Mr. Tan has extensive experience in carrying out business in both Canada and the PRC. Mr. Tan is the elder brother of Mr. Chan. Mr. Tan is also an executive director of PCD Stores (Group) Limited ("PCD"), a company listed in the main board of Hong Kong Stock Exchange.

Chan, Kai Tai Alfred, aged 62, is the Chief Executive Officer and Managing Director of the Company, and a founder of the Group. Mr. Chan is the younger brother of Mr. Tan. Mr. Chan has over 20 years experience in the garment and fashion industry in North America and Asia. He was nominated as one of the 200 top Chief Executive Officers in Canada by the Financial Post of Canada in 1992. He is responsible for the overall management and operations of the Group. Mr. Chan graduated from McGill University in Canada with a Bachelor of Science degree in Physics in 1970 and a Masters degree in Electrical Engineering in 1972. Mr. Chan is also the Chairman and an executive director of PCD.

Bourque, Pierre Frank, aged 62, is the Executive Vice President of the Company. Mr. Bourque has over 20 years experience in the garment and fashion industry with knowledge of inventory management, inventory quality control, marketing, merchandising and sales. Mr. Bourque joined the Ports International Canadian operations in 1997 and was the vice president of CFS in the same year. Mr. Bourque joined the Group in August 2002.

Non-Executive Directors

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

Enfield, Julie Ann, aged 53, is a full time writer and also part time lecturer at Ryerson University in Toronto. Ms. Enfield was employed by CFS in its public relations department from August 2002 to July 2005. She also holds certain share options which may convert into 10,000 shares in CFS. CFS currently has approximately over 36 million shares in issue. Ms. Enfield holds a degree in Journalism from Ryerson University in Toronto, Canada. Ms. Enfield joined the Group in September 2005.

Independent Non-Executive Directors

Cone, Rodney Ray, aged 49, is an independent non-executive Director and a member and the chairman of the audit committee of the Company. Mr. Cone graduated from the Wharton School, the University of Pennsylvania with a Master of Business Administration degree in 1993. Mr. Cone was a general manager of Healthcare Asia (Taiwan) Ltd. from 1993 to 1996. Mr. Cone is currently an independent businessman operating in Hong Kong, Taiwan and the PRC. Mr. Cone joined the Group in October 2002.

Fong, Wei Lynn Valarie, aged 36, is an independent non-executive Director and a member of the audit committee of the Company. Ms. Fong graduated from Australian National University in 1995 with a Bachelor of Commerce degree. Ms. Fong was an accountant with Ernst & Young, Hong Kong from 1996 to 1998. Ms. Fong is a member of the Australian Society of Certified Public Accountants. Ms. Fong is currently an art dealer at Contrasts Gallery, Hong Kong where she is responsible for purchases of art pieces for private clients, organising exhibitions and events, coordinating public relations and marketing events and preparing production schedules and budgets. Ms. Fong joined the Group in August 2002.

Lai, Lara Magno, aged 39, is the vice president of education for Sky Media Pte. Ltd. Ms. Lai graduated from the University of London's Institute of Education with a Master's Degree in Media Studies. Ms Lai was part of the pioneering team that created the SKYTUTOR e-learning program in 1995, and was instrumental in securing Sky Media's position as the only e-education content provider for the pilot Singapore ONE national broadband infrastructure project. Her exemplary work in the field of e-education has helped Sky Media Pte. Ltd. to secure numerous awards and grants under the National Innovation and Development Scheme. Ms. Lai joined the group in March 2004.

Senior Management

Wong, Fung Mei Irene, aged 57, is the company secretary of the Company. Miss Wong is an associate member of the Institute of Chartered Secretaries and Administrators, fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Hong Kong Institute of Certified Public Accountants. She is also a practicing Certified Public Accountant in Hong Kong and has been practicing for over 20 years. Miss Wong joined the Company in September 2003.

He, Kun, aged 39, is the financial controller of the Group. He is responsible for budget control and financial reporting. He completed a professional accounting degree in 1992, and a Master of Business Administration in 2004, at Xiamen University in The PRC. He joined the Group in 1992.

Fiona Cibani, aged 44, is the creative director of the Company. She is responsible for the overall artistic direction of the Group, and directs a team of designers and assistant designers in the creation of the Group's products, which include clothing and accessories. Fiona Cibani joined the Group in 1989.

Zheng Kai Mei, aged 40, is the manager of the information technology department. He is responsible for the day-to-day operations of the Group's information and technology services. Mr. Zheng graduated from Dalian Maritime University, China in 1990. Mr. Zheng joined the Group in 1993.

Chen, Xi Fan, aged 40, is the manager of merchandising. Ms. Chen is responsible for the ordering of merchandise for the Group, as well as the development of the BMW Lifestyle export business to BMW dealers worldwide. Ms. Chen graduated from Fuzhou University, China in 1991, with a Bachelor of Arts degree. Ms. Chen joined the Group in 1992.

Chen, Michelle, aged 41, is the marketing director of the Group. Ms. Chen is responsible for the advertising and marketing activities of the Group's Ports retail business. She graduated from Xiamen University, China in 1991 majoring in International Journalism and a Master of Business Administration in 2005, at Paris ESSEC Business School Luxury Brand Management Program. Ms. Chen first joined the Group in 1997 and left in 2004, she rejoined the Group in 2006.

PORTS DESIGN LIMITED

(Stock Code: 589)

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

(Prepared under International Financial Reporting Standards)

KPMG

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

We have audited the consolidated financial statements of Ports Design Limited (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 78, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

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

30 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009
(Expressed in thousands of Renminbi Yuan, except share and per share data)

	Note	*2009 RMB'000*	*2008 RMB'000*
Turnover	3,4	1,538,090	1,488,615
Cost of sales		(283,133)	(346,581)
Gross profit		1,254,957	1,142,034
Other revenue	5	45,782	13,976
Other net income	5	2,438	12,037
Distribution costs		(657,921)	(618,936)
Administrative expenses		(57,032)	(47,863)
Other operating expenses	6	(64,581)	(47,498)
Profit from operations		523,643	453,750
Finance income		13,080	23,234
Finance costs		(14,990)	(13,279)
Net finance (costs)/income	8(a)	(1,910)	9,955
Profit before taxation	8	521,733	463,705
Income tax	9(a)	(53,446)	(42,023)
Profit for the year		468,287	421,682
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		468,287	421,682
Profit attributable to:			
Equity shareholders of the Company	10	468,287	421,685
Non-controlling interests		-	(3)
Profit for the year		468,287	421,682
Total comprehensive income attributable to:			
Equity shareholders of the Company		468,287	421,685
Non-controlling interests		-	(3)
Total comprehensive income for the year		468,287	421,682
Earnings per share (RMB)			
-Basic	11	0.83	0.75
-Diluted	11	0.83	0.75

The notes on pages 43 to 78 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(b).

CONSOLIDATED BALANCE SHEET
at 31 December 2009
(Expressed in thousands of Renminbi Yuan)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Lease prepayments	15	3,527	3,772
Property, plant and equipment	16	262,080	166,863
Intangible assets	17	21,065	21,065
Deferred tax assets	18(b)	28,490	14,589
		315,162	206,289
Current assets			
Inventories	19	448,479	425,593
Trade and other receivables, deposits and prepayments	20(a)	265,333	314,643
Fixed deposits with banks	21	665,524	636,039
Cash and cash equivalents	22	793,821	307,606
		2,173,157	1,683,881
Current liabilities			
Trade payables, other payables and accruals	23(a)	369,685	231,089
Interest-bearing borrowings	25	734,117	507,093
Current taxation	18(a)	19,916	40,053
		1,123,718	778,235
Net current assets		1,049,439	905,646
Total assets less current liabilities		1,364,601	1,111,935
Non-current liabilities			
Deferred tax liabilities	18(b)	6,845	-
		6,845	-
Net assets		1,357,756	1,111,935
Capital and reserves			
Share capital	26(c)	1,492	1,486
Reserves		1,356,264	1,110,449
Total equity attributable to equity shareholders of the company		1,357,756	1,111,935
Non-controlling interests		-	-
Total equity		1,357,756	1,111,935

Approved and authorised for issue by the board of directors on 30 March 2010.

Alfred Kai Tai Chan
Chief Executive Officer

Pierre Frank Bourque
Executive Vice President

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

BALANCE SHEET
at 31 December 2009
(Expressed in thousands of Renminbi Yuan)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Investments in subsidiaries	29	235,483	197,620
		235,483	197,620
Current assets			
Trade and other receivables, deposits and prepayments	20(b)	788,187	722,115
Cash and cash equivalents	22	17,019	2,624
		805,206	724,739
Current liabilities			
Trade payables, other payables and accruals	23(b)	220,904	126,010
Interest-bearing borrowings	25	132,075	132,285
		352,979	258,295
Net current assets		452,227	466,444
Total assets less current liabilities		687,710	664,064
Capital and reserves	26		
Share capital		1,492	1,486
Reserves		686,218	662,578
Total equity		687,710	664,064

Approved and authorised for issue by the board of directors on 30 March 2010.

Alfred Kai Tai Chan
Chief Executive Officer

Pierre Frank Bourque
Executive Vice President

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

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2009
(Expressed in thousands of Renminbi Yuan)

	Note	*2009* *RMB'000*	*2008* *RMB'000*
Net cash generated from operating activities	(a)	539,597	444,172
Cash flow from investing activities			
Interest received		16,913	11,003
Acquisition of property, plant and equipment		(142,252)	(75,964)
Acquisition of intangible assets		-	(7,012)
Proceeds from disposal of property, plant and equipment		6,083	39,995
Proceeds from disposal of land use rights		136	3,640
Increase in fixed deposits with banks		(29,485)	(406,039)
Net cash used in investing activities		(148,605)	(434,377)
Cash flow from financing activities			
Interest expense paid		(15,670)	(8,743)
Proceeds from interest-bearing borrowings		630,816	295,333
Repayment of interest-bearing borrowings		(403,792)	(36,386)
Dividends paid to equity shareholders of the Company		(134,954)	(268,767)
Proceeds from shares issued under share option scheme		18,823	20,197
Capital contribution from a non-controlling shareholder		-	3
Net cash generated from financing activities		95,223	1,637
Net increase in cash and cash equivalents		486,215	11,432
Cash and cash equivalents at 1 January		307,606	296,174
Cash and cash equivalents at 31 December		793,821	307,606

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

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2009
(Expressed in thousands of Renminbi Yuan)

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

	Note	*2009* *RMB'000*	*2008* *RMB'000*
Profit before taxation		521,733	463,705
Adjustments for:			
Depreciation of property, plant and equipment	8(b)	43,177	48,162
Amortisation of lease prepayments	8(b)	109	173
Gain on disposal of property, plant and equipment	5(b)	(2,438)	(11,006)
Gain on disposal of land use rights		-	(1,031)
Equity-settled share-based payment expenses	7	34,607	9,782
Interest expense	8(a)	12,395	12,026
Interest income	8(a)	(13,080)	(16,538)
Operating profit before changes in working capital		596,503	505,273
Increase in inventories		(22,886)	(76,360)
(Increase)/decrease in accounts receivable		(14,353)	12,358
Decrease/(increase) in amounts due from related companies		66,131	(33,359)
Decrease in advances to suppliers		582	64
(Increase)/decrease in other receivables, deposits and prepayments		(4,685)	19,247
(Decrease)/increase in accounts payable		(38,745)	15,266
Increase in other creditors and accruals		37,689	14,390
Cash generated from operations		620,236	456,879
Income tax paid		(80,639)	(12,707)
Net cash generated from operating activities		539,597	444,172

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009
(Expressed in thousands of Renminbi Yuan)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Capital reserve - staff shares options issued (undistributable) RMB'000	Capital reserve RMB'000	Share premium RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2008		1,481	19,664	63,159	407,532	101,744	9,868	325,590	929,038	-	929,038
Dividends to equity holders	26(b)	-	-	-	-	-	-	(268,767)	(268,767)	-	(268,767)
Shares issued under share option scheme	26(c) (ii)	5	(4,918)	-	25,110	-	-	-	20,197	-	20,197
Equity settled share-based transactions	7	-	9,782	-	-	-	-	-	9,782	-	9,782
Capital contribution from a non-controlling shareholder		-	-	-	-	-	-	-	-	3	3
Total comprehensive income for the year		-	-	-	-	-	-	421,685	421,685	(3)	421,682
Transfer to reserve		-	-	-	-	48,066	-	(48,066)	-	-	-
Balance at 31 December 2008		1,486	24,528	63,159	432,642	149,810	9,868	430,442	1,111,935	-	1,111,935
Balance at 1 January 2009		1,486	24,528	63,159	432,642	149,810	9,868	430,442	1,111,935	-	1,111,935
Dividends to equity holders	26(b)	-	-	-	-	-	-	(275,896)	(275,896)	-	(275,896)
Shares issued under share option scheme	26(c) (ii)	6	(5,392)	-	24,209	-	-	-	18,823	-	18,823
Equity settled share-based transactions	7	-	34,607	-	-	-	-	-	34,607	-	34,607
Total comprehensive income for the year		-	-	-	-	-	-	468,287	468,287	-	468,287
Transfer to reserve		-	-	-	-	1,807	-	(1,807)	-	-	-
Balance at 31 December 2009		1,492	53,743	63,159	456,851	151,617	9,868	621,026	1,357,756	-	1,357,756

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

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi Yuan)

1. Significant accounting policies

Ports Design Limited (the "Company") is a company incorporated in Bermuda with limited liability. The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

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

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

Information about judgements made by management in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and significant areas of estimation uncertainty are discussed in note 33.

(c) Subsidiaries and non-controlling interests

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

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

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

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

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

(d) Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(s)).

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

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

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

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

(e) Intangible assets

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

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

Both the period and method of amortisation are reviewed annually.

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

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of leased assets

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

(ii) Assets acquired under finance leases

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

(iii) Operating leases charges

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

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

(iv) Lease prepayments

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

(g) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries: see note 1(g)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract;
- it becoming probable that the debtor will enter bankruptcy; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets; and
- investments in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi Yuan)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(g)(i) and (ii)).

(h) Inventories

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

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

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

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

(i) Trade and other receivables

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

(j) Cash and cash equivalents

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

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

(m) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Other provisions and contingent liabilities

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

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

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the costs of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payment

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

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiary in the Company's balance sheet which is eliminated on consolidation.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

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

(ii) Services rendered

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

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(q) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(r) Translation of foreign currencies

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

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

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

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

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

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

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

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

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

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

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

(u) Dividends

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

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(w) Earnings per share

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

2. Changes in accounting policies

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRIC 13 Customer Loyalty Programmes
- IFRS 8 Operating segments
- IAS 1 Presentation of financial statements (2007)
- Amendments to IFRS 7 Financial instruments: Disclosures - improving disclosures about financial instruments
- Improvements to IFRSs (2008)
- Amendments to IAS 27 Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate
- IAS 23 Borrowing costs (2007)
- Amendments to IFRS 2 Share-based payment - vesting conditions and cancellations

The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. The amendments had no material impact on the Group's financial statements.

The amendments to IFRS 2 and Interpretation IFRIC 13 have had no material impact on the Group's financial statements as the amendments and interpretation are consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the Group's financial statements.

The impact of the remainder of these developments is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, notwithstanding that the reportable segments identified by the Group in accordance with IFRS 8 are the same as those of prior periods. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of the adoption of IAS 1 Presentation of Financial Statements (2007), the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in the Group's financial statements. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

- As a result of the adoption of IAS 23 (2007), the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the prospective adoption of IAS 23 Borrowing Costs (2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on assets, profit or earnings per share during the year.

3. Turnover

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

The Group's customer base is diversified and the Group does not have any single customer with whom transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities are disclosed in note 4 to these financial statements.

4. Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments.

- Retail: this segment primarily derives revenue from retail sales in the People's Republic of China ("the PRC"). The products are either sourced externally or are manufactured in the Group's manufacturing facilities located in the PRC. Individual retail shops are identified as operating segments and have been aggregated to form this reportable segment as they have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

- OEM: this segment exports merchandise to retailers and customers in North America, Europe and Asia. The manufacture of OEM merchandise is outsourced and is branded under brands requested by the OEM customers.

(a) Segment results and assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets represent inventories only.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is gross profit less selling and distribution costs directly attributable to the segment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

(Expressed in thousands of Renminbi Yuan)

	Retail		OEM		Others(i)		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	1,424,391	1,294,340	75,370	109,174	38,329	85,101	1,538,090	1,488,615
Reportable segment revenue	1,424,391	1,294,340	75,370	109,174	38,329	85,101	1,538,090	1,488,615
Reportable segment profit	733,142	641,375	15,724	17,918	15,489	40,306	764,355	699,599
Distribution expenses	490,602	442,435	-	-	-	-	490,602	442,435
Reportable segment assets	439,448	418,214	5,010	4,035	4,021	3,344	448,479	425,593

(i) Revenue from segments below the quantitative thresholds are mainly attributable to two operating segments of the Group. Those segments include export sales and wholesales. None of those segments met any of the quantitative thresholds for determining reportable segments.

(b) Reconciliations of reportable segment revenues, profit and assets

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	1,499,761	1,403,514
Other revenue	38,329	85,101
Consolidated turnover	1,538,090	1,488,615

	2009	2008
	RMB'000	RMB'000
Profit		
Reportable segment profit	748,866	659,293
Other profit	15,489	40,306
	764,355	699,599
Other revenue and other net income	48,220	26,013
Distribution costs	(167,319)	(176,501)
Administrative expenses	(57,032)	(47,863)
Other operating expenses	(64,581)	(47,498)
Net finance (costs)/income	(1,910)	9,955
Consolidated profit before taxation	521,733	463,705

	2009	2008
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	444,458	422,249
Other assets	4,021	3,344
	448,479	425,593
Non-current assets	315,162	206,289
Trade and other receivables, deposits and prepayments	265,333	314,643
Fixed deposits with banks	665,524	636,039
Cash and cash equivalents	793,821	307,606
Consolidated total assets	2,488,319	1,890,170

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments and intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of lease prepayments and property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets.

The Group's business is mainly based and operated in the Mainland China.

	Revenues from external customers		*Specified non-current assets*	
	2009	*2008*	*2009*	*2008*
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*
the Mainland China	1,396,637	1,269,919	263,175	174,978
Others	141,453	218,696	23,497	16,722
	1,538,090	1,488,615	286,672	191,700

5. Other revenue and other net income

(a) Other revenue

	2009	2008
	RMB'000	*RMB'000*
Liaison service income	1,512	1,466
Royalty income	5,000	4,856
Design and decoration income	7,311	4,024
Insurance compensation	1,099	1,533
Government subsidies	25,200	-
Others	5,660	2,097
	45,782	13,976

The Group received unconditional subsidies of RMB 25,200 thousand for the year ended 31 December 2009 (2008: nil) from local government authorities in Xiamen, Mainland China as an incentive for the Group's contribution to that city. These subsidies were recorded as other revenue as there were no specific expenses required to be incurred by the Group to obtain them.

(b) Other net income

	2009	2008
	RMB'000	*RMB'000*
Net gain on sale of property, plant and equipment	2,438	11,006
Net gain on sale of land use rights	-	1,031
	2,438	12,037

6. Other operating expenses

	2009	2008
	RMB'000	*RMB'000*
Stock provision	64,581	45,164
Others	-	2,334
	64,581	47,498

(Expressed in thousands of Renminbi Yuan)

7. Personnel expenses

	2009 RMB'000	2008 RMB'000
Wages, salaries and staff benefits	215,577	218,979
Contributions to defined contribution retirement plan	5,020	5,052
Equity-settled share-based payment expenses (note 27)	34,607	9,782
	255,204	233,813

The Group participates in a defined contribution plan managed by the local government authorities of Xiamen whereby the Group is required to contribute to the plan. The applicable rates of contribution are either 6% (2008: 6%) of the minimum salary level of employees in Xiamen or 14% (2008: 14%) of the higher of the average salary of employees in Xiamen and the individual basic salary of the Group's employees subject to a cap of monthly income of RMB 3 thousand. The Group has no obligation for the payment of retirement benefits other than the contributions described above.

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

8. Profit before taxation

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

(a) Net finance costs/(income)

	2009 RMB'000	2008 RMB'000
Interest income from bank deposits	(13,080)	(16,538)
Net foreign exchange gain	-	(6,696)
Finance income	(13,080)	(23,234)
Interest expense on bank loans repayable within five years	13,473	12,026
Less: interest expense capitalised into property, plant and equipment*	(1,078)	-
Interest expense, net	12,395	12,026
Net foreign exchange loss	1,442	-
Others	1,153	1,253
Finance costs	14,990	13,279
Net finance costs/(income)	1,910	(9,955)

* The borrowing costs have been capitalised at a weighted average interest rate of 2.03% per annum (2008: nil).

(b) Other items

	2009 RMB'000	2008 RMB'000
Depreciation		
- owned fixed assets	42,905	47,890
- leased fixed assets	272	272
	43,177	48,162
Operating leases charges in respect of properties		
- minimum lease payments	84,510	80,782
- contingent rents	267,587	246,717
	352,097	327,499
Auditors' remuneration - audit services	1,877	2,040
Amortisation- lease prepayments	109	173
Cost of inventories# (note 19)	347,714	391,745

#Cost of inventories includes RMB 82,438 thousand (2008: RMB 96,902 thousand) relating to personnel expenses, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 7 for each type of these expenses.

9. Income tax in the consolidated statement of comprehensive income

(a) Taxation in the consolidated statement of comprehensive income represents:

	2009 RMB'000	2008 RMB'000
Current tax – PRC Income Tax		
Provision for the year	60,502	50,644
Under-provision in respect of prior years	-	901
	60,502	51,545
Deferred tax		
Origination and reversal of temporary differences	(7,056)	(9,522)
	53,446	42,023

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

(ii) No provision for Hong Kong Profits tax has been made during the years ended 31 December 2009 and 2008 as the subsidiaries in Hong Kong did not earn any assessable income for Hong Kong Profits tax purposes.

(iii) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rates and regulations of the PRC.

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

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

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2009 RMB'000	2008 RMB'000
Profit from ordinary activities before taxation	521,733	463,705
Computed tax using the Group's applicable tax rate at 25% (2008: 25%)	130,433	115,926
Rate differential	3,935	1,540
Tax holiday enjoyed by certain PRC subsidiaries	(96,510)	(83,869)
Tax effect of non-deductible expenses net of non-taxable income	3,754	3,815
Deferred tax asset not recognised	4,989	3,710
Deferred tax liabilities on the expected profits distribution by the Group's PRC subsidiaries	6,845	-
Under-provision in prior year	-	901
Actual tax expense	53,446	42,023

10. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB 1,459 thousand (2008: profit of RMB 4,203 thousand) which has been dealt with in the financial statements of the Company.

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

	2009 RMB'000	*2008 RMB'000*
Amount of consolidated (loss)/profit attributable to equity shareholders dealt with in the Company's financial statements	(1,459)	4,203
Final dividends from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	247,571	320,000
Company's profit for the year (Note 26 (a))	246,112	324,203

Details of dividends paid and payable to equity shareholders of the Company are set out in note 26(b).

11. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB 468,287 thousand (2008: RMB 421,685 thousand) and the weighted average of 561,785,951 (2008: 560,273,478) ordinary shares in issue during the year.

(i) Weighted average number of ordinary shares

	2009 Number of shares	*2008 Number of shares*
Issued ordinary shares at 1 January	560,934,388	558,728,124
Effect of share options exercised (note 26(c) (ii))	851,563	1,545,354
Weighted average number of ordinary shares for the year ended 31 December	561,785,951	560,273,478

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company of RMB 468,287 thousand (2008: RMB 421,685 thousand) and the weighted average number of 561,785,951 (2008: 565,678,013) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's share option scheme.

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

	2009 Number of shares	*2008 Number of shares*
Weighted average number of ordinary shares for the year ended 31 December	561,785,951	560,273,478
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 27)	-	5,404,535
Weighted average number of ordinary shares (diluted) for the year ended 31 December	561,785,951	565,678,013

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In computing diluted earnings per share for the year ended 31 December 2009, there is no dilutive effect of outstanding share options of 33,223,809 because the number of ordinary shares deemed to be issued upon the exercise of the share options is less than the ordinary shares that would have been issued at the average market price of the Company's ordinary shares during the period. As a result, the calculation of diluted earnings per share does not assume exercise of share options for the year ended 31 December 2009.

12. Directors' remuneration

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

	Director's fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Share-based payments RMB'000	Total 2009 RMB'000
Chairman					
Mr. Edward Tan Han Kiat	-	833	-	320	1,153
Executive Directors					
Mr. Alfred Chan Kai Tai	-	833	-	320	1,153
Mr. Pierre Frank Bourque	-	710	-	81	791
Non-Executive directors					
Ms. Julie Ann Enfield	-	228	-	-	228
Mr. Rodney Ray Cone *	-	-	-	64	64
Ms. Valarie Fong Wei Lynn *	-	-	-	64	64
Ms. Lara Magno Lai *	-	-	-	64	64
	-	2,604	-	913	3,517

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

* independent non-executive directors

(a) The above emoluments include the value of share options granted to certain directors under the Company's Share Option Scheme as estimated at the date of grant. The details of these benefits in kind are disclosed under the paragraph "Share Option Scheme" section in the Report of the Directors and note 27.

(Expressed in thousands of Renminbi Yuan)

(b) No bonuses were paid or payable as at 31 December 2009 and 2008 by the Group to the directors which were discretionary or based on the Group's or any member of the Group's performance.

(c) Save as disclosed above, no directors' remuneration has been paid or is payable by the Group for the year ended 31 December 2009.

13. Individuals with highest emoluments

Of the five individuals with the highest emoluments, none of them (2008: none) is a director whose remuneration is disclosed in note 12. The aggregate of the emoluments in respect of the five (2008: five) individuals are as follows:

	2009 RMB'000	*2008 RMB'000*
Basic salaries, allowances and other benefits	3,947	5,375
Discretionary bonuses	-	-
Share-based payments	12,116	1,113
Contributions to retirement benefit scheme	-	-
	16,063	6,488

The emoluments of the five (2008: five) individuals with the highest emoluments are within the following bands:

	2009 Number of individuals	*2008 Number of individuals*
RMB Nil – RMB 1,000,000	-	2
RMB 1,000,001 – RMB 1,500,000	1	1
RMB 1,500,001 – RMB 2,000,000	1	2
RMB 2,000,001 – RMB 2,500,000	1	-
RMB 4,000,001 – RMB 4,500,000	1	-
RMB 6,500,001 – RMB 7,000,000	1	-
	5	5

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

14. Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 2009 and 2008.

Name of party	**Relationship**
Ports International Enterprises Limited	Ultimate parent company
CFS International Inc.	Immediate parent company
Ports International Retail Corporation	Fellow subsidiary company
Ports International Group Limited	Fellow subsidiary company
PCD Stores (Group) Limited and its subsidiaries	Fellow subsidiary company

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

Particulars of significant transactions between the Group and the above related parties for the years ended 31 December 2009 and 2008 are as follows:

(a) Transactions with parent companies and fellow subsidiaries

	2009 RMB'000	*2008 RMB'000*
Sales of goods to:		
Ports International Retail Corporation	14,937	17,018
Interest-free advances to:		
Ports International Enterprises Limited	252,290	48,447
Ports International Retail Corporation	6,342	20,609
Repayment of interest-free advances from:		
Ports International Enterprises Limited	252,172	64,506
Ports International Retail Corporation	38,207	20,609
Expenditure paid by the Group on behalf of / (paid on behalf of the Group by):		
Ports International Group Limited	440	(7,722)
Ports International Retail Corporation	5,923	(8,360)
CFS International Inc.	567	(1,038)
Expenses re-imbursement from / (to):		
Ports International Group Limited	440	(7,722)
Ports International Retail Corporation	5,923	(8,360)
CFS International Inc.	567	(1,038)
Rental fee charged by:		
PCD Stores (Group) Limited and its subsidiaries (i)	21,090	17,716

(i) The Group leased a number of concession counters located within shopping arcades in the PRC owned by certain subsidiaries of PCD Stores (Group) Limited. The Group's sales made in these concession counters totaling RMB 92,718 thousand in 2009 (2008: RMB 111,410 thousand) were collected by these shopping arcades first and settlement between the Group and the shopping arcades in respect of these concession sales was made net of the lease rental payable to the shopping arcades.

(b) Transactions with key management personnel

	2009 RMB'000	*2008 RMB'000*
Short-term employee benefits	2,604	2,388
Equity compensation benefits	913	49
	3,517	2,437

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

(c) Contribution to defined contribution retirement plans

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

At 31 December 2009 and 31 December 2008, there was no material outstanding contribution to post-employment benefit plans.

15. Lease prepayments

	The Group 2009 RMB'000	2008 RMB'000
Cost		
Balance at beginning of year	4,761	7,865
Addition	-	-
Disposals	(515)	(3,104)
Balance at end of year	4,246	4,761
Accumulated amortisation		
Balance at beginning of year	(989)	(1,311)
Amortisation charge for the year	(109)	(173)
Disposals	379	495
Balance at end of year	(719)	(989)
Net book value		
At end of year	3,527	3,772

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

16. Property, plant and equipment

The Group

	Buildings RMB'000	Plant and machinery RMB'000	Fixtures, fittings and other fixed assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost					
Balance at 1 January 2008	92,122	31,503	166,471	1,450	291,546
Acquisitions	-	3,003	58,740	18,694	80,437
Transfer from construction in progress	-	-	7,915	(7,915)	-
Disposals	(36,114)	(2,238)	(9,150)	-	(47,502)
Balance at 31 December 2008	56,008	32,268	223,976	12,229	324,481
Balance at 1 January 2009	56,008	32,268	223,976	12,229	324,481
Acquisitions	-	305	31,555	110,179	142,039
Transfer from construction in progress	-	-	16,318	(16,318)	-
Disposals	(7,827)	(1,771)	(7,609)	-	(17,207)
Balance at 31 December 2009	48,181	30,802	264,240	106,090	449,313
Depreciation					
Balance at 1 January 2008	15,451	12,261	100,257	-	127,969
Depreciation charge for year	5,482	2,445	40,235	-	48,162
Disposals	(7,786)	(1,919)	(8,808)	-	(18,513)
Balance at 31 December 2008	13,147	12,787	131,684	-	157,618
Balance at 1 January 2009	13,147	12,787	131,684	-	157,618
Depreciation charge for year	3,823	2,526	36,828	-	43,177
Disposals	(5,041)	(1,595)	(6,926)	-	(13,562)
Balance at 31 December 2009	11,929	13,718	161,586	-	187,233
Net book value					
At 31 December 2009	36,252	17,084	102,654	106,090	262,080
At 31 December 2008	42,861	19,481	92,292	12,229	166,863

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

As at 31 December 2008, the net book value of a building held under a finance lease arrangement of the Group amounted to RMB 2,872 thousand. The building together with the land use right, on which the building was located, was sold during 2009 with a gain on disposal of RMB 3,297 thousand.

17. Intangible assets

The Group

	Trademark RMB'000	Exclusive license right RMB'000	Total RMB'000
Cost:			
Balance at 1 January 2008	6,451	-	6,451
Addition	-	21,065	21,065
Balance at 31 December 2008	6,451	21,065	27,516
Balance at 1 January 2009	6,451	21,065	27,516
Addition	-	-	-
Balance at 31 December 2009	6,451	21,065	27,516
Accumulated amortisation:			
Balance at 1 January 2008	(6,451)	-	(6,451)
Charge for the year	-	-	-
Balance at 31 December 2008	(6,451)	-	(6,451)
Balance at 1 January 2009	(6,451)	-	(6,451)
Charge for the year	-	-	-
Balance at 31 December 2009	(6,451)	-	(6,451)
Net book value:			
At 31 December 2009	-	21,065	21,065
At 31 December 2008	-	21,065	21,065

In 2008, the Group and Chinanow Associates Limited ("CNOW"), an independent third party, entered into an agreement ("the Agreement") to establish Ever Fit Assets Management Limited ("EFAM") to engage in the business relating to the Vivienne Tam brand within the PRC market. The Group and CNOW respectively hold 58% and 42% equity interests of EFAM. In connection with the establishment of EFAM, CNOW agreed to transfer to EFAM the ownership of, or prior to the completion of the legal registration process for the ownership transfer, agreed to grant to EFAM a sole and exclusive license to use and exploit, the intellectual property rights subsisting in Vivienne Tam brand for certain product categories in the PRC ("Intellectual Property Rights"). The amount payable to CNOW under the Agreement is approximately RMB 21,065 thousand, to be settled by 3 installments with the final installment of RMB 14,043 thousand to be payable upon the completion of the legal registration for the ownership transfer of the Intellectual Property Rights. During the year ended 31 December 2008, the Group made payment for the first and second installments totalling RMB 7,022 thousand to CNOW in accordance with the Agreement. As at 31 December 2009 and up to the date of issuance of these financial statements, the legal registration for the ownership transfer of the Intellectual Property Rights was not completed.

Pursuant to the Agreement, CNOW is granted a right to offer buying back from EFAM the Intellectual Property Rights (the "Offer") at a price determined by CNOW ("the Exit Price") if EFAM cannot achieve an initial public offering of its shares by 31 December 2014 or at a later date as agreed between the Group and CNOW, and the Group is given the right to choose, upon receiving the Offer from CNOW, either to sell the Intellectual Property Rights back to CNOW or purchase the equity interests of EFAM owned by CNOW at the Exit Price. If the Group selects selling the Intellectual Property Rights back to CNOW at the Exit Price, CNOW is obliged to transfer its entire equity interests over EFAM to the Group at a nominal value of USD 1 simultaneously. It was also agreed that the Exit Price shall not exceed the net profits of EFAM in the latest year prior to making the Offer multiplied by the then price earnings ratio of the Company.

(Expressed in thousands of Renminbi Yuan)

Having considered the expected usage of the Intellectual Property Rights and the legal right to own and use the Intellectual Property Rights as conferred by the Agreement, the Group determined that the exclusive license right has an indefinite useful life. Accordingly, the carrying value is not amortised but is reviewed for impairment annually. Based on the impairment assessment performed by the Group's management, no provision for impairment loss is required as at 31 December 2009.

During the year ended 31 December 2009, the Group received notification from CNOW alleging that the Group has been in breach of the Agreement, details of which are set out in note 32(b).

18. Income tax in the consolidated balance sheet represents:

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

	2009 *RMB'000*	*2008* *RMB'000*
Balance at beginning of year	40,053	1,215
Provision for income tax for the year	60,502	50,644
Under-provision in prior year	-	901
Paid during the year	(80,639)	(12,707)
Balance at end of year	19,916	40,053

(b) Deferred tax assets and liabilities recognised

(i) The Group

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

	Stock provision *RMB'000*	*Other creditors and accruals* *RMB'000*	*Undistributed profits of subsidiaries* *RMB'000*	*Others* *RMB'000*	*Total* *RMB'000*
At 1 January 2008	3,659	876	-	532	5,067
Credited to profit or loss	8,331	1,119	-	72	9,522
At 31 December 2008	11,990	1,995	-	604	14,589
At 1 January 2009	11,990	1,995	-	604	14,589
Credited/(charged) to profit or loss	12,652	1,332	(6,845)	(83)	7,056
At 31 December 2009	24,642	3,327	(6,845)	521	21,645

(ii) Reconciliation to the balance sheet

	The Group *2009* *RMB'000*	*2008* *RMB'000*
Net deferred tax asset recognised on the balance sheet	28,490	14,589
Net deferred tax liability recognised on the balance sheet	(6,845)	-
	21,645	14,589

(c) Deferred tax asset not recognised

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

	The Group *2009* *RMB'000*	*2008* *RMB'000*
Tax losses of subsidiaries	14,929	10,128

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

(d) Deferred tax liabilities not recognised

As at 31 December 2009, deferred tax liabilities of RMB 41,599 thousand (31 December 2008: 21,630 thousand) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned by the Group's subsidiaries in the PRC will not be distributed in the foreseeable future.

19. Inventories

Inventories comprise:

	The Group *2009* *RMB'000*	*2008* *RMB'000*
Raw materials	78,510	100,094
Work in progress	33,566	32,206
Finished goods	333,957	292,016
Goods in transit	2,446	1,277
	448,479	425,593

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

	2009 *RMB'000*	*2008* *RMB'000*
Cost of sales	283,133	346,581
Stock provision	64,581	45,164
	347,714	391,745

20. Trade and other receivables, deposits and prepayments

(a) The Group

	2009 *RMB'000*	*2008* *RMB'000*
Accounts receivable (note (i) below)	176,666	162,313
Amounts due from related companies (note 24)	12,211	78,342
Advances to suppliers	10,623	11,205
Other receivables, deposits and prepayments	65,833	62,783
	265,333	314,643

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

	2009 *RMB'000*	*2008* *RMB'000*
Current	140,243	137,960
Less than 1 month past due	24,175	19,855
1-3 months past due	10,131	4,343
Over 3 months but less than 12 months past due	2,117	155
Amounts past due	36,423	24,353
	176,666	162,313

(Expressed in thousands of Renminbi Yuan)

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

As at 31 December 2009, no impairment provision for loss of doubtful debts was made against the accounts receivable (2008: RMB nil). Receivables that were past due but not impaired related to a number of individual customers including wholesellers, retailers, owners of shopping arcades that have a good track record with the Group. Based on past experience, management believe that no impairment allowance is necessary in respect of these balances as they are considered fully recoverable.

Details of the Group's credit policy and credit risk exposure are set out in note 30(a).

(b) The Company

	2009	*2008*
	RMB'000	*RMB'000*
Amounts due from subsidiaries	786,844	718,793
Amount due from a related company (note 24)	-	4
Other receivables, deposits and prepayments	1,343	3,318
	788,187	722,115

21. Fixed deposits with banks

Fixed deposits with banks on the consolidated balance sheet represent bank deposits that are over 3 months of maturity at acquisition. As at 31 December 2009, fixed deposits of RMB 626,792 thousand (2008: RMB 282,837 thousand) were pledged to banks as security for banking facilities granted.

22. Cash and cash equivalents

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

	The Group		***The Company***	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	528,757	192,078	17,019	2,624
Time deposits with banks	265,064	115,528	-	-
	793,821	307,606	17,019	2,624

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

23. Trade payables, other payables and accruals

(a) The Group

	2009	*2008*
	RMB'000	*RMB'000*
Accounts payable (note (i) below)	53,580	93,615
Other creditors and accruals	175,163	137,474
Dividends payable to the equity shareholders of the Company	140,942	-
	369,685	231,089

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

	2009	*2008*
	RMB'000	*RMB'000*
Due within 1 month or on demand	32,553	55,732
Due after 1 month but within 3 months	14,820	25,286
Due after 3 months but within 6 months	5,140	11,559
Due after 6 months but within 12 months	1,067	1,038
	53,580	93,615

(b) The Company

	2009	*2008*
	RMB'000	*RMB'000*
Other creditors and accruals	1,789	2,827
Dividends payable to the equity shareholders of the Company	140,942	-
Amounts due to subsidiaries	78,173	123,183
	220,904	126,010

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

24. Amounts due from related companies

	The Group		***The Company***	
	2009	*2008*	*2009*	*2008*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ports International Retail Corporation	265	32,130	-	4
Ports International Enterprises Limited	1,715	1,597	-	-
PCD Stores (Group) Limited and its subsidiaries	10,231	44,615	-	-
	12,211	78,342	-	4

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

25. Interest-bearing borrowings

	The Group		***The Company***	
	2009	*2008*	*2009*	*2008*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans - secured	734,117	268,980	132,075	70,552
Bank loans - unsecured	-	238,113	-	61,733
	734,117	507,093	132,075	132,285

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

As at 31 December 2009, the banking facilities of the Group and the Company were secured by certain subsidiaries' fixed deposits of RMB 626,792 thousand (2008: RMB 282,837 thousand) and RMB 132,075 thousand (2008: RMB 70,552 thousand) respectively, placed with banks located in the PRC and Hong Kong. The Renminbi equivalent of such banking facilities of the Group and the Company amounted to RMB 810,060 thousand (2008: RMB 268,980 thousand) and RMB 132,075 thousand (2008: RMB 70,552 thousand) respectively, of which RMB 734,117 thousand (2008: RMB 268,980 thousand) and RMB 132,075 thousand (2008: RMB 70,552 thousand) were utilised as at 31 December 2009 respectively.

(Expressed in thousands of Renminbi Yuan)

26. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Capital reserve-staff share options issued (undistributable) RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2008		1,481	19,664	407,532	151,259	(1,287)	578,649
Dividend declared	26(b)	-	-	-	-	(268,767)	(268,767)
Shares issued under share option scheme	26(c)(ii)	5	(4,918)	25,110	-	-	20,197
Equity settled share-based transactions		-	9,782	-	-	-	9,782
Total comprehensive income for the year		-	-	-	-	324,203	324,203
Balance at 31 December 2008		1,486	24,528	432,642	151,259	54,149	664,064
Balance at 1 January 2009		1,486	24,528	432,642	151,259	54,149	664,064
Dividend declared	26(b)	-	-	-	-	(275,896)	(275,896)
Shares issued under share option scheme	26(c)(ii)	6	(5,392)	24,209	-	-	18,823
Equity settled share-based transactions		-	34,607	-	-	-	34,607
Total comprehensive income for the year		-	-	-	-	246,112	246,112
Balance at 31 December 2009		1,492	53,743	456,851	151,259	24,365	687,710

(b) Dividends

Dividends payable to the equity shareholders of the Company attributable to the year

	2009 RMB'000	*2008 RMB'000*
Interim dividend approved and paid of RMB 0.24 (2008: RMB 0.21) per share	134,954	117,796
Special interim dividend approved of RMB 0.25 (2008: RMB nil) per share	140,942	-
Final dividend proposed after the balance sheet date of RMB 0.24 (2008: RMB nil) per share	135,305	-
	411,201	117,796

Pursuant to a board resolution dated 27 August 2009, the Company approved the payment of an interim dividend of RMB 0.24 per share. A difference of RMB 301 thousand between the interim dividend proposed in the interim report for the six months ended 30 June 2009 and the amount eventually paid represents the additional dividends distributed to the holders of shares which were issued upon the exercise of share options during the period between the date the interim report was authorised for issue and the closing date of the register of members based on which interim dividends were actually paid.

Pursuant to a board resolution dated 8 December 2009, the Company approved a special interim dividend of RMB 0.25 per share, which was paid in January 2010.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2009 RMB'000	*2008 RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB nil (2008: RMB 0.27) per share	-	150,971

(c) Share capital

(i) Authorised and issued share capital

	The Group and the Company 2009 Number of shares	Amount HK$'000	2008 Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.0025 each	3,600,000,000	9,000	3,600,000,000	9,000
	3,600,000,000	9,000	3,600,000,000	9,000
Issued and fully paid:				
At the beginning of the year	560,934,388	1,402	558,728,124	1,397
Shares issued under share option scheme	2,835,198	7	2,206,264	5
At the end of the year	563,769,586	1,409	560,934,388	1,402
		RMB'000 equivalent		*RMB'000 equivalent*
		1,492		1,486

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

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

(ii) Shares issued under Share Option Scheme

During the year ended 31 December 2009, options were exercised to subscribe for 2,835,198 ordinary shares of HK$0.0025 each of the Company at a total consideration of HK$ 21,367 thousand (equivalent to RMB 18,823 thousand), of which HK$ 7 thousand (equivalent to RMB 6 thousand) was credited to share capital. The excess of the consideration over the nominal value of the shares, amounting to RMB 18,817 thousand, was credited to the share premium account. RMB 5,392 thousand has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(n)(ii).

(d) Nature and purpose of reserves

The Group

PRC statutory reserves

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

(i) General reserve fund

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

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

(ii) Enterprise expansion fund

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

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

The Company

(i) Share premium

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

(ii) Contributed surplus

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Also, in accordance with the Company's Bye-laws as adopted by a shareholders' resolution dated 14 October 2003, no dividend shall be paid otherwise than out of profit available for distribution.

(iii) Distributability of reserves

In the opinion of the directors, the aggregate amount of reserves available for distribution to shareholders of the Company at 31 December 2009 was RMB 24,365 thousand (2008: RMB 54,149 thousand).

27. Equity settled share-based transactions

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

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

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

On 14 July 2009, under the term of the Share Option Scheme, the Company granted an additional 24,324,000 share options to certain employees and directors of the Group to subscribe for 24,324,000 ordinary shares at an exercise price of HK$17.32 per share. The options vest as to one-third on each of the first, second and third anniversary dates of the offer.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi Yuan)

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

	Number of shares involved in the options	*Vesting conditions*	*Contractual life of options*
Options granted to directors:			
- on 3 November 2003	300,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
- on 1 September 2006	80,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
- on 14 July 2009	700,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
Options granted to employees:			
- on 3 November 2003	13,700,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
- on 1 September 2006	15,920,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
- on 14 July 2009	23,624,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
Total share options	54,324,000		

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

	2009		*2008*	
	Weighted average exercise price	*Number of shares involved in the options*	*Weighted average exercise price*	*Number of shares involved in the options*
Outstanding at beginning of year	HK$10.100	11,827,846	HK$10.115	14,086,434
Granted	HK$17.320	24,324,000	-	-
Exercised	HK$7.536	(2,835,198)	HK$10.156	(2,206,264)
Cancelled	HK$14.806	(92,839)	HK$11.680	(52,324)
Outstanding at end of year	HK$15.592	33,223,809	HK$10.100	11,827,846
Exercisable at the end of year	HK$10.905	8,951,259	HK$8.827	6,551,169

The options outstanding at 31 December 2009 have an exercise price in the range of HK$2.625 to HK$17.32 and a weighted average contractual life of 8.70 years (2008: 6.77 years).

During the year ended 31 December 2009, the employees of the Group exercised options relating to the share options granted on 3 November 2003 and 1 September 2006 to subscribe 1,297,439 ordinary shares (2008: 291,304) and 1,537,759 ordinary shares (2008: 1,834,960) respectively. In addition, none (2008: one) of the Company's directors exercised options to subscribe for any ordinary shares of the Company (2008:80,000).

Details of share options exercised during the year ended 31 December 2009 are as follows:

Grant date	*Exercise price*	*Weighted average closing price per share of the share options exercised*	*Proceeds received HK$'000*	*Number of shares involved in the options*
3 November 2003	HK$2.625	HK$19.00	3,406	1,297,439
1 September 2006	HK$11.68	HK$22.18	17,961	1,537,759

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

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

Fair value of shares involved in the options and assumptions

	Granted in 2009	Granted in 2006	Granted in 2003
Fair value at grant date (HK$'000)	HK$137,297	HK$38,422	HK$12,400
Share price	HK$17.32	HK$11.68	HK$3.45
Exercise price	HK$17.32	HK$11.68	HK$2.625
Expected volatility	64.333%~68.855%	40.12%	32%
Option life	10 years	10 years	10 years
Expected dividends	1.38%	2.07%	2.66%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes Rate)	0.090%~1.037%	3.774%~3.967%	3.885%

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

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

28. Capital management

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

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

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

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain the debt-to-equity ratio and gearing ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions and in compliance with financial covenants imposed by the bankers. In order to maintain or adjust the ratios, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing.

The debt-to-equity ratio and gearing ratio at 31 December 2009 and 2008 was as follows:

	Note	*The Group* 2009 RMB'000	2008 RMB'000	*The Company* 2009 RMB'000	2008 RMB'000
Current liabilities:					
Trade payables, other payables and accruals	23	369,685	231,089	220,904	126,010
Interest-bearing borrowings	25	734,117	507,093	132,075	132,285
Current taxation	18(a)	19,916	40,053	-	-
Total debt		1,123,718	778,235	352,979	258,295
Total equity		1,357,756	1,111,935	687,710	664,064
Debt-to-equity ratio		82%	70%	51%	39%
Gearing ratio		54%	46%	19%	20%

The bank loan facilities utilised by the Group are subject to the fulfilment of financial covenants including but not limited to the maintenance of consolidated total equity over a specified amount and the Group's gearing ratio below a specified level. The draw down facilities would become payable on demand should the Group be unable to maintain these ratios. The Group regularly monitors its compliance with these covenants. As at 31 December 2009, none of the required covenants had been breached.

29. Investments in subsidiaries

	The Company 2009 RMB'000	2008 RMB'000
Unlisted shares, at cost	152,397	152,397
Fair value of guarantee issued in favour of subsidiaries	5,513	2,083
Cumulative fair value of share options granted to employees of subsidiaries	77,573	43,140
	235,483	197,620

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi Yuan)

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

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

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

Note:

(i) All the subsidiaries incorporated in the PRC are wholly foreign-owned enterprises.

(Expressed in thousands of Renminbi Yuan)

30. Financial Instruments

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

(a) Credit risk

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

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

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

(b) Interest rate risk

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

As at 31 December 2009, the interest-bearing borrowings of the Group and the Company amounted to RMB 734,117 thousand (2008: RMB 507,093 thousand) and RMB 132,075 thousand (2008: RMB 132,285 thousand) respectively, which carries fixed interest rates ranging from 1.05% to 1.62% and 1.05% to 1.17% respectively (2008: from 2.70% to 5.45% and 2.74% to 5.45% respectively).

(c) Foreign currency risk

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

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

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

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

The Group

	As at 31 December 2009		
	United States Dollars RMB'000	Hong Kong Dollars RMB'000	Euro RMB'000
Trade and other receivables	33,226	12,038	4,125
Cash and cash equivalents	42,137	45,157	8,994
Trade and other payables	(12,475)	(88)	(5,477)
Interest-bearing borrowings	-	(734,117)	-
Overall net exposure	62,888	(677,010)	7,642

	As at 31 December 2008		
	United States Dollars RMB'000	Hong Kong Dollars RMB'000	Euro RMB'000
Trade and other receivables	59,147	3,318	28,591
Cash and cash equivalents	26,505	16,342	1,594
Trade and other payables	(19,335)	(6,230)	(5,940)
Interest-bearing borrowings	-	(507,093)	-
Overall net exposure	66,317	(493,663)	24,245

The Company

	As at 31 December 2009	
	United States Dollars RMB'000	Hong Kong Dollars RMB'000
Trade and other receivables	36,975	7,356
Cash and cash equivalents	1,905	15,092
Trade and other payables	(38,170)	-
Interest-bearing borrowings	-	(132,075)
Overall net exposure	710	(109,627)

	As at 31 December 2008	
	United States Dollars RMB'000	Hong Kong Dollars RMB'000
Trade and other receivables	39,046	5,264
Cash and cash equivalents	2,003	586
Trade and other payables	(38,930)	(7,482)
Interest-bearing borrowings	-	(132,285)
Overall net exposure	2,119	(133,917)

(ii) Sensitivity analysis

The following table indicates the instantaneous increase/(decrease) in the Group's profit after tax and consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

(Expressed in thousands of Renminbi Yuan)

	2009		2008	
	Increase/ (decrease) in the Group's profit after tax RMB'000	Increase/ (decrease) in consolidated equity RMB'000	Increase/ (decrease) in the Group's profit after tax RMB'000	Increase/ (decrease) in consolidated equity RMB'000
United States Dollars				
- 5% strengthening of RMB	(2,799)	(2,799)	(2,719)	(2,719)
- 5% weakening of RMB	2,799	2,799	2,719	2,719
Euros				
- 5% strengthening of RMB	(341)	(341)	(994)	(994)
- 5% weakening of RMB	341	341	994	994
Hong Kong Dollars				
- 5% strengthening of RMB	34,165	34,165	20,240	20,240
- 5% weakening of RMB	(34,165)	(34,165)	(20,240)	(20,240)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2008.

(d) Liquidity risk

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

The Group's and the Company's financial liabilities, including interest-bearing borrowings and trade and other payables, as at 31 December 2009 and 31 December 2008 are required to be settled within 1 year or on demand based on the contractual terms entered with the counterparties. Except for bank loans, the carrying amounts of all financial liabilities as at the respective balance sheet dates represent the total contractual undiscounted cash flows for settling these financial liabilities within next year. In respect of the Group's and the Company's bank loans of RMB 734,117 thousand and RMB 132,075 thousand respectively as at 31 December 2009, their total contractual undiscount cash outflow amounted to RMB 735,171 thousand and RMB 132,146 thousand respectively, which are to be paid within next year. At the balance sheet dates, the Group and the Company do not have any derivative financial liabilities.

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2009 because of the short maturities of all these financial instruments.

31. Commitments

(a) Operating lease commitments

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

	The Group	
	2009 *RMB'000*	*2008* *RMB'000*
Less than one year	87,306	80,174
Between one and five years	81,353	139,800
More than five years	3,407	6,399
	172,066	226,373

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

(b) Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2009 and 2008 but not provided for in the consolidated financial statements were as follows:

	The Group	
	2009 *RMB'000*	*2008* *MB'000*
Contracted for	50,000	-
Authorised but not contracted for	141,000	263,500
	191,000	263,500

32. Contingent liabilities

	The Company	
	2009 *RMB'000*	*2008* *RMB'000*
Guarantees issued to banks in favour of subsidiaries	602,042	374,808
Guarantees issued to a third party in favour of a subsidiary	14,043	14,043
	616,085	388,851

(a) Guarantees

The Company provides corporate guarantees to banks in respect of certain bank loans facilities utilised by the subsidiaries and corporate guarantee to a third party in respect of trademark use right payable of a subsidiary. The Company closely monitors the conditions that are subject to the guarantees to identify whether it is probable that a loss has occurred. At 31 December 2009, it is not probable that the Company will be required to make payments under the guarantees, thus no liability has been accrued in the Company's balance sheet for a loss related to the Company's obligation under the guarantees arrangement.

(b) Claims from CNOW

In respect of the license to use the Intellectual Property Rights as described in note 17, the Group has received notification from CNOW alleging that the Group has been in breach of the Agreement in certain respects, including payment of the consideration and certain conditions relating to the Group's operation of the Vivienne Tam brand.

(Expressed in thousands of Renminbi Yuan)

The directors, having taken legal advice, consider that the Group has complied with the terms of the Agreement, and accordingly no provision has been booked for this matter. The Group is seeking to resolve this matter with CNOW, however the ultimate outcome is uncertain.

33. Accounting estimates and judgements

Notes 18, 27, 30 and 32 contain information about significant areas of estimation uncertainty and critical judgements in applying accounting policies of deferred taxes on unutilised tax losses, measurement of share-based payments, valuation of financial instruments and contingencies respectively that have the most significant effect on the amounts recognised in the financial statements. Other key sources of estimation uncertainty are as follows:

(a) Depreciation

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

(b) Net realisable value of inventories

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

34 Subsequent event

After the balance sheet date, the directors proposed a final dividend on 30 March 2010. Further details are disclosed in note 26(b).

35. Immediate and ultimate controlling party

As at 31 December 2009, the directors consider the immediate parent and ultimate controlling party of the Group to be CFS International Inc. and Ports International Enterprises Limited respectively, which are incorporated in Canada and British Virgin Islands respectively.

36. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2009

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting period beginning on or after
IFRS 3 (Revised), Business combinations	1 July 2009
Amendments to IAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to IAS 39, Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
IFRIC 17, Distributions of non-cash assets to owners	1 July 2009
Improvements to IFRSs 2009	1 July 2009 or 1 January 2010

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

37. Comparative figures

As a result of the application of IAS 1 (revised 2007), *Presentation of financial statements,* and IFRS 8, *Operating segments,* certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

INFORMATION FOR INVESTORS

Shareholder's Calendar

Close of Register
25 May 2010 to 28 May 2010, both days inclusive

Annual General Meeting
Friday, 28 May 2010 at 9:30 a.m.

CORPORATE INFORMATION

Share Listing

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

Stock Code

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

Price History

2009	PER SHARE		
MONTH	High (HK$)	Low (HK$)	Total Volume
January	9.99	6.90	18,766,107
February	9.09	7.32	27,340,254
March	11.00	7.39	35,634,204
April	12.96	8.80	59,465,013
May	17.44	12.32	54,181,612
June	19.20	16.26	37,904,363
July	21.70	16.20	37,523,707
August	22.65	17.30	40,198,559
September	20.30	17.62	24,859,799
October	22.40	19.00	27,554,720
November	22.60	19.52	25,939,442
December	30.00	20.90	26,820,993
2010			
January	27.20	20.10	38,669,601
February	22.70	17.96	58,609,108
March	22.35	18.72	67,027,760

Dividends per share

Interim Dividend: RMB0.24 per share
Paid on: 15 December 2009
Special Interim Dividend: RMB0.25 per share
Paid on: 15 January 2010

Board of Directors

Edward Han Kiat Tan, Chairman*

Alfred Kai Tai Chan, Chief Executive & Managing Director*

Pierre Frank Bourque, Executive Vice President*

Julie Ann Enfield, Non-executive Director

Rodney Ray Cone, Independent Non-executive Director

Valarie Wei Lynn Fong, Independent Non-executive Director

Lara Magno Lai, Independent Non-executive Director

** Executive Director*

Company Secretary

Irene Fung Mei Wong

Compliance Officer

Valarie Wei Lynn Fong

Registered Office

Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda

Principal Bankers

Hong Kong & Shanghai Banking Corporation Limited, Xiamen Branch
Ground Floor, The Bank Centre
189 Xiahe Road
Xiamen Fujian PRC
Bank of China (Hong Kong) Limited
International Finance Centre Branch
One Harbour View Street
Central Hong Kong

Principal Place of Business in Hong Kong

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

Auditors

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

Corporate Counsel

Richards Butler (in association with Reed Smith LLP)
20th Floor, Alexandra House
16-20 Chater Road
Hong Kong

Registrar & Transfer Offices

Principal:
Appleby Management (Bermuda) Ltd
Argyle House
41-A Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong Branch:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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