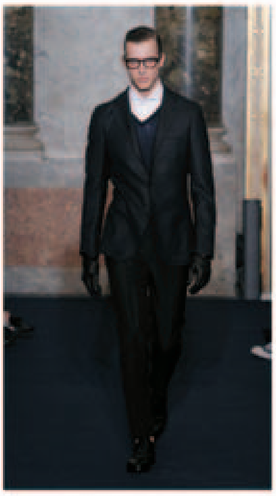
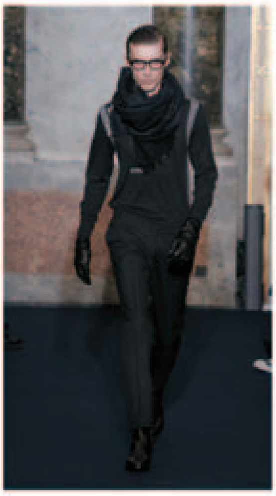
PORTS DESIGN LIMITED

(Stock code: 0589)

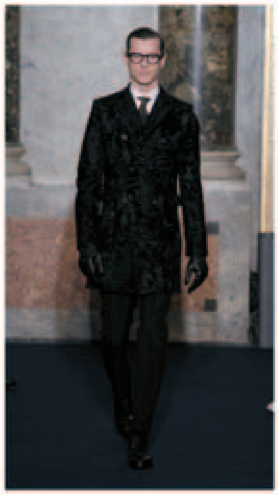
ANNUAL REPORT 2010

2010













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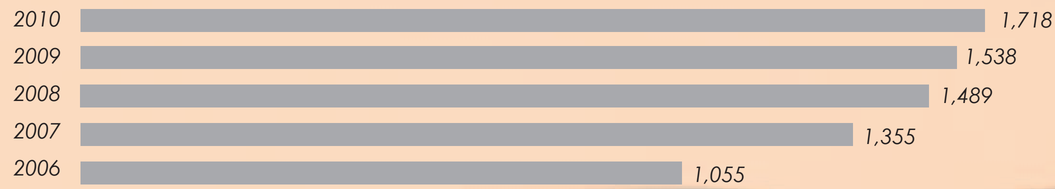
FINANCIAL HIGHLIGHTS

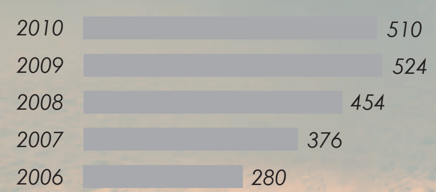
Five-Year Statistics
(Financial figures are expressed in Renminbi ("RMB") million)

	For the year ended 31 December				
	2010	2009	2008	2007	2006
Results					
Turnover	**1,718**	1,538	1,489	1,355	1,055
Profit from Operations	**510**	524	454	376	280
Profit attributable to shareholders	**473**	468	422	397	254
Assets and liabilities					
Non-current assets	**396**	315	206	175	172
Current assets	**1,871**	2,173	1,684	1,186	968
Current liabilities	**610**	1,123	778	432	226
Net current assets	**1,261**	1,050	906	754	742
Total assets less current liabilities	**1,657**	1,365	1,112	929	914
Non-current liabilities	**8**	7	—	—	—
Shareholders' Equity	**1,649**	1,358	1,112	929	914

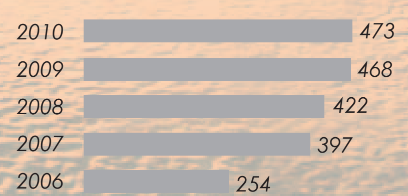
Turnover
(RMB millions)



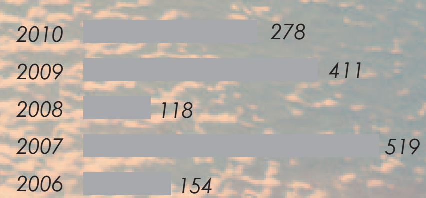
Profit from
Operations
(RMB millions)



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 2010 of RMB278.0 million assumes the declaration of an 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 2010

PORTS DESIGN LIMITED (the "Company") began the financial year by staying on course with the roadmap to ensure long term success of core PORTS brand. Under the Retail Network Repositioning Program which was started during late 2007 (the "Program"), the Company achieved its dual goals of balancing short-term financial gains with the strategic goal of moving the core brand further upmarket and maintained top and bottom line growth throughout 2010. Turnover increased 11.7% from RMB1.54 billion in the year ended 31 December 2009 ("FY2009") to RMB1.72 billion in the year ended 31 December 2010 ("FY2010").

RETAIL SEGMENT growth continued to exceed the Company's export-driven OEM and "Others" segments in FY2010, 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 10.1%, from RMB1.42 billion in FY2009 to RMB1.57 billion in FY2010. Retail segment gross profit was maintained at 85.3% in FY2010, despite rising labour costs and raw material price increases during 2010 (FY2009: 85.9%). As a result of this double-digit growth, the Retail segment accounted for 91.3% of the Company's total turnover in FY2010.

PROFIT FROM OPERATIONS for the Company fell from RMB523.6 million in FY2009 to RMB510.1 million in FY2010, representing a decline of 2.6%. The Group's operating margin (i.e. profit from operations expressed as a percentage of turnover), decreased from 34.0% in FY2009 to 29.7% in FY2010. The decline in profitability is mainly due to the increase in the non-cash charge of employees share option expenses, under cost of sales, distribution costs and administrative expenses.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS for the Company increased from RMB468.3 million in FY2009 to RMB473.1 million in FY2010, representing an increase of 1.0%.

FINANCIAL STRENGTH of the Group continued during 2010, and the Group continues to enjoy a strong financial position, and to generate strong cash inflow from operating activities. The Company remains in a net cash position with cash, cash equivalents, time deposits and pledged bank deposits of RMB1.01 billion as at 31 December 2010, a decline of 30.5%, compared to RMB1.46 billion as at 31 December 2009. The decline in cash is largely due to pay down of bank loan, from RMB734.1 million of bank borrowings in 2009, the bank loan was reduced to RMB355.8 million in 2010 and the cash dividend payment to shareholders also increased from RMB134.9 million in 2009 to RMB418.3 million in 2010, representing an increase of 210.0%.

CHAIRMAN'S STATEMENT

Against the backdrop of gradual macro economic recovery and strategic transition under the Retail Network Repositioning Program which was started in late 2007 (the "Program"), the Group began the financial year by staying firmly on course with the roadmap to ensure long term success of our core PORTS brand. The balancing of short-term financial gains with the strategic goal of moving our core brand further upmarket was achieved. The management believes this will help to ensure the Group to be able to deliver sustainable growth and profitability over the long run.

During the three and a half years taken to conclude the Program, the management's roadmap has been well executed and had proven effective at delivering its objective to consolidate the high-end positioning of our PORTS and BMW Lifestyle brands. In FY2010, the Group completed for the most part of the upgrade of our retail distribution network in China. As China has become one of the most important markets for luxury brands in the global market, the management believes it is imperative to showcase stores that are only in line with the brand position of PORTS or BMW Lifestyle. The Group can then resume the growth of store counts from 2011 onwards.

In this context, the management's consistency in the execution of the Program has ensured that the Group's strategic direction and operational performance was maintained at levels in line with the goal set up by the Board. Turnover of the Group increased from RMB1.54 billion in FY2009 to RMB1.72 billion in FY2010, representing an increase of 11.7%. The Group's retail segment continued to maintain its strong contribution to the Group's overall turnover. The Group's gross profit increased 8.4%, from RMB1.25 billion in FY2009 to RMB1.36 billion in FY2010. Operating profit declined by 2.6% to RMB510.1 million in FY2010, mainly due to the increase in the non-cash charge of employees share option expense and significant increases in the cost of raw materials during 2010. The Group's profit attributable to shareholders increased from RMB468.3 million in FY2009 to RMB473.1 million in FY2010, representing an increase of 1.0%.

The Group posted retail turnover of RMB1.57 billion for FY2010, a 10.1% increase compared with the same period in 2009. This sales increase was supported by a higher average selling price ("ASP") for the Fall 2010 collection and a strong double digit same store sales growth, despite a slight decline in the overall retail distribution network. The Group posted retail gross profit margin at 85.3% in FY2010. The ability to command higher ASP has enable the Group to maintain the retail gross profit margin at over 85%, despite significant increases in the cost of raw materials and labour during 2010. This show that as long as the Group remains successful and committed to manage the strong attributes of our core PORTS brand, the Group will continue to command the loyalty of the consumers and enjoy an above average return on equity.

Under the Program, the Group opened 65 new stores during 2010 and simultaneously closed 68 stores that the management considered as inconsistent with the positioning of either PORTS or BMW Lifestyle brands. That resulted in an increase of 24 stores in total store count from 30 June 2010 to 31 December 2010. The management is pleased to report that the Program is largely completed and anticipates total store count to resume growth in 2011.

From the PORTS brand building perspective, the second half of 2010 was another exciting year when the brand presented its Spring 2011 ladies collection at the Mercedes Benz Fashion Week in September 2010 at the Lincoln Centre in New York. This collection was titled "Essadi" — the pseudonym used by explorer Isabelle Eberhardt while journeying into Northern Africa in the 19th century, showcasing pieces which drew inspiration from the bare beauty of the desert, which was evident in the underlying neutral palette of white, cream and beige. The brand's iconic visibility and influence in the fashion media continue to grow globally as well as in China, with strong editorial coverage in both Chinese and international fashion publications such as *Elle, Harpers Bazaar* and *Vogue*. The PORTS brand has become a growing favourite among international celebrities, including the United States First Lady, Michelle Obama, who was spotted wearing PORTS 1961 aboard the Air Force One with President Obama on their visit to Indonesia.

The BMW Lifestyle brand continues to gain momentum with its foray into the non-apparel product segment which includes leather goods, eyewear and luxury timepieces. The BMW Lifestyle Timepiece Collection in PRC has been well received and management will continue to enhance its product lines and invest in the development to support its growth. On the backbone of the BMW Lifestyle brand experience, the management has opened a total of three Ferrari retail concept stores during the second half of 2010. At the same time, the management has opened a total of five Versace retail concept stores during the same period.

The Group is committed on its multi-brand portfolio strategy and the Licensed Brand Division ("LBD") continues to actively manage and identify quality international brands to be added to the Group's current brand portfolio. Currently, LBD is managing four brands — BMW Lifestyle, Armani, Versace and Ferrari. As management adheres to strict financial and operational standards with regard to the progress achieved by these new brands, the Group continues to exercise discretion concerning their retail rollout plan. This has resulted in the termination of the Vivienne Tam joint venture which was started in 2008 and the management reports that there will be minimal financial impact to the Group as most of the costs in connection with the launch of the brand have already been expensed during the last two years of the joint venture. This strategic approach highlights once again management's conservative stance to ensure that strong financial return is maintained and the Group preserves the flexibility to capture any potential business opportunities.

The Directors are pleased that the Group's overall corporate strategy has proven effective and is being well executed by the management team and the employees. As part of the Group's vital staff retention strategy to retain and reward management and employees, the Group's issue of the third batch of options under the 2003 Share Option Scheme (the "Scheme") during the third quarter of 2009 has resulted in a non-cash share option expense charge of RMB52.2 million in FY2010 versus RMB34.6 million during the same period in 2009, representing an increase of 50.7%. This has resulted in a significant increase in operating costs for the Group. The Directors believe that the adoption of the Scheme will have long term lasting positive impact to the Group. However, the management is committed to maintain focus on rigorous cost controls and will continuously review and seek opportunities for further improvements in operating efficiencies. With this strict financial discipline, the Group remains in a strong financial position with over RMB1.01 billion in cash, cash equivalents, time deposits and pledged bank deposits as at 31 December 2010, a decline of 30.5% compared to RMB1.46 billion during the same period in 2009. This decline in cash is largely due to pay down of bank loan, from RMB734.1 million of bank borrowings in 2009, the bank loan was reduced to RMB355.8 million in 2010 and the cash dividend payment to shareholders also increased from RMB134.9 million in 2009 to RMB418.3 million in 2010, representing an increase of 210.0%.

A LOOK FORWARD TO 2011

During the first quarter of 2011, the retail industry in PRC continued to enjoy a sustained recovery and consumer sentiments remained positive despite a growing inflationary environment. Management saw retail sales growth trends stronger to that of the second half of 2010. An increase of ASP roughly at 8% was implemented for the 2010 Fall Collection, which would be reflected in the first quarter sales performance for 2011.

Overall, the Group remains optimistic and will continue to open new stores and increase the total store count in 2011. The management is positive that the repositioned retail distribution network will enhance sales productivity and help the Group to attain a larger market share of the high end apparel segment in PRC. Management is pleased that the Program has successfully been concluded and targets to achieve a double digit growth in the store count for 2011.

The Group is expected to move into the new headquarter facility by the end of the first half of 2011. The management is positive that the consolidation will enhance productivity and raise manufacturing capacity which will aid the Group's future growth and allow it to continue to enjoy the benefits from the improved economy of scale.

The management is looking to launch P61, a young line which is expected to attract a broader consumer base and will help the Group to achieve goal to increase its market share in PRC. In addition, the Group has sets its eyes on the menswear market and has set up a large design studio in Milan, Italy for menswear in 2010 to enhance its design and development capability with a view to offering products that will cater for a growing global male audience. The management is pleased to report that the launch of PORTS 1961 Menswear Fall 2012 collection was presented in January 2011 during the Milan Fashion Week. The menswear fashion show was well received by the international media and was attended by many senior executives from top luxury department stores like Barneys, Neiman Marcus, Saks Fifth Avenue, Holt Renfrew and Lane Crawford. The Group is excited about the prospect of our menswear business and will be pushing forward to pursue and grow this segment of our business.

The Directors remain optimistic about the future of the Group's business and have recommended a final dividend of RMB0.24 per share to our shareholders. With the interim and final dividends declared for 2010, the Group remains committed to enhancing long term return to our shareholders.

Edward Han Kiat Tan

Chairman
30 March 2011
Xiamen, China

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

OVERALL PERFORMANCE

Turnover

Turnover of the Group increased from RMB1.54 billion in FY2009 to RMB1.72 billion in FY2010, representing an increase of 11.7%. Turnover comprises three different segments: Retail, OEM, and Others. In FY2010, the retail segment continued to maintain its strong contribution to the overall turnover, which accounted for 91.3% of the Group's total turnover in FY2010.

Retail turnover

Retail turnover increased from RMB1.42 billion in FY2009 to RMB1.57 billion in FY2010, representing an increase of 10.1%. The increase was contributed by a combination of increases in volume of units sold and average retail selling price ("ARSP"), and the offsetting of the effect of a decline in the number of retail stores. In FY2010, the Group completed for the most part of the upgrade of our retail distribution network in China. This is an effort to consolidate the high-end positioning of our PORTS and BMW Lifestyle brands. As at 31 December 2010, the Group operated 353 retail stores in the PRC, Hong Kong and Macau as compared to 356 retail stores at the end of 2009. As China has become one of the most important markets for luxury brands in the global market, the management believes it is imperative to showcase stores that are only in line with the brand position of PORTS or BMW Lifestyle. The Group can then resume the growth of store counts from 2011 onwards.

OEM turnover

OEM turnover increased from RMB75.4 million in FY2009 to RMB117.1 million in FY2010, representing an increase of 55.3%, bringing up OEM segment's contribution to the Group's turnover from 4.9% in FY2009 to 6.8% in FY2010. The recovery of the U.S. and European export markets played a role in contributing to the increase in 2010.

Others turnover

Others turnover comprises of BMW Lifestyle apparel exports to BMW AG in Germany, and wholesales exports of PORTS branded apparel. Others turnover decreased by approximately 14.9%, from RMB38.3 million in FY2009 to RMB32.6 million in FY2010. The decline was largely due to fewer BMW Lifestyle apparel export orders from BMW AG in Germany.

Cost of Sales

Cost of sales increased from RMB283.1 million in FY2009 to RMB358.3 million in FY2010, representing an increase of 26.6%. This rise was primarily contributed by the increase in the OEM segment sales. Although the OEM segment sales rose, the cost of sales for the OEM segment rose even higher due to a more competitive and higher sourcing costs in the PRC. Cost of sales as a percentage of turnover rose to 20.9% in FY2010 (FY2009: 18.4%).

Gross Profit

Gross profit increased from RMB1.25 billion in FY2009 to RMB1.36 billion in FY2010, representing an increase of 8.4%. Gross profit margin declined to 79.1% in FY2010 (FY2009: 81.6%). The decline in gross profit margin was driven predominantly by the impact of the low margin OEM segment which is seeing a recovery in business, as well as the significant increases in raw material prices, including wool, cashmere, and especially cotton. After trading at near-decade lows throughout most of the 2008/09 crop year, cotton prices have risen in 2009/10 to their highest levels in almost 15 years.

Retail Gross Profit

Retail gross profit increased by 9.3% from RMB1.22 billion in FY2009 to RMB1.34 billion in FY2010, accounting for the Group's 98.4% gross profit. The Group posted retail gross profit margin at 85.3% in FY2010 (FY2009: 85.9%). With the ability to command higher ARSP as well as the increase in contribution from the higher profit margin outlet mall retail sales, the Retail gross profit margin was maintained at over 85%, despite significant increases in the cost of raw materials during 2010.

OEM Gross Profit

OEM gross profit decreased from RMB15.7 million in FY2009 to RMB11.7 million in FY2010, representing a decrease of 25.9%. OEM gross profit margin fell significantly from 20.9% in FY2009 to 10.0% in FY2010. The decline in OEM gross profit margin was mainly due to higher sourcing costs.

Others Gross Profit

Others gross profit decreased from RMB15.5 million in FY2009 to RMB10.6 million in FY2010, representing a decrease of 31.5%. Others gross profit margin declined from 40.4% in FY2009 to 32.5% in FY2010. This decrease in others 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 countries in the European Economic Community ("EEC").

Operating Expenses

Operating expenses increased from RMB779.5 million in FY2009 to RMB879.6 million in FY2010, representing an increase of 12.8%. Operating expenses have generally increased in accordance with the growth of the retail business, except for rental charges, which declined by 1.3% as a percentage of retail turnover in 2010 versus 2009. Other operating expenses consist of distribution costs, administrative expenses was stable during 2010, except for advertising and promotional expenses, which reflect the Group's strategy to reposition the PORTS brand, and the additional cost in connection with the stock option plan. A more detailed breakdown is listed as follows:

Distribution costs

Distribution costs increased from RMB657.9 million in FY2009 to RMB733.0 million in FY2010, representing an increase of 11.4% (FY2009: 6.3%). The increase was due to increases in rental payments, salaries and benefits, depreciation charges and advertising costs. Distribution costs as a percentage of retail turnover was fairly stable at 46.7% in FY2010 (FY2009: 46.2%).

Rental charges increased from RMB352.1 million in FY2009 to RMB367.6 million in FY2010, representing an increase of 4.4% (FY2009: 7.5%). The increases in rental expenses is slower than the growth in retail sales, reflecting the strength of our core brands in the leasing market, and in the negotiation with department store operators.

Salaries and benefits to retail sales staff increased from RMB131.2 million in FY2009 to RMB149.6 million in FY2010, representing an increase of 14.0% (FY2009: 9.0%). Salaries and benefits as a percentage of retail turnover maintained stable at 9.5% in FY2010 (FY2009: 9.2%).

Store and mall expenses increased by 26.1%, from RMB47.6 million in FY2009 to RMB60.0 million in FY2010 as the Group continued the upgrading of existing department store concessions and mall locations.

Depreciation charges increased from RMB47.8 million in FY2009 to RMB55.4 million in FY2010, representing an increase of 15.8%, as a result of increased investments in distribution facilities and retail outlets.

Advertising costs increased by 23.0%, from RMB41.7 million in FY2009 to RMB51.4 million in FY2010, mainly due to the increased advertising rate as the economy recovered from the global financial crisis, as well as investments made in brand building during this period of transition. The advertisement costs as a percentage of retail revenue increased to 3.3% of retail turnover (FY2009: 2.9%), reflecting the Group's commitment to the repositioning and upgrade of our core brands.

Administrative expenses

Administrative expenses increased from RMB57.0 million in FY2009 to RMB73.7 million in FY2010, representing an increase of 29.3% (FY2009: 19.2%). This increase was principally attributed by increases in salaries and benefits (including share based payments).

Salaries and benefits for administrative staff, the single largest category of administrative expenses, increased from RMB40.7 million in FY2009 to RMB 55.6 million in FY2010, representing an increase of 36.8%. The increase was mainly due to the impact from the increase on the amortization expense related to the Scheme. In FY2010, salaries and benefits for administrative staff as a percentage of total turnover recorded a modest increase to 3.2% (FY2009: 2.6%). The Company granted new share options to employees during the third quarter of 2009, resulting in non-cash charge of RMB34.4 million to the employee share option expense in FY2010.

Other operating expenses

Other operating expenses increased from RMB64.6 million in FY2009 to RMB72.9 million in FY2010, representing an increase of 12.8%. The increase was mainly due to the impact from the increase on the stock provision made in relation to our inventory position, the only category of other operating expenses during 2010. In FY2010, the stock provision made as a percentage of retail turnover was maintained at 4.6% (FY2009: 4.5%).

Other Revenue and Other Net Income

Other revenue and other net income declined by 38.0%, from RMB48.2 million in FY2009 to RMB29.9 million in FY2010. The significant decline was largely due to the cessation of Government incentive subsidies during 2010, which was in the amount of RMB25.2 million in FY2009. Other revenue consisted mainly of income from the Group's sunglass license, store design and decoration services provided to third parties, including department stores that contained new PORTS concessions and commission fee from the OEM segment. These three categories of other revenue contributed to the trend of positive growth.

Royalty income from the Group's sunglass license rose by 17.4%, from RMB5.0 million in FY2009 to RMB5.9 million in FY2010.

The incentives offered by department stores operators and landlords improved, resulting in increases of design and decoration income, from RMB7.3 million in FY2009 to RMB 8.3 million in FY2010, representing an increase of 13.8%.

Net Finance Costs/Income

Net finance cost reversed from a loss of RMB1.9 million in FY2009 to an income of RMB22.6 million in FY2010. In FY2010, the Group reported an interest income of RMB16.5 million, representing an increase of 25.9% from RMB13.1 million in FY2009. The Group recorded an exchange gain of RMB11.3 million in FY2010 compared to a loss of RMB1.4 million in FY2009. This exchange gain was mainly related to the Hong Kong dollars ("HK$") denominated loan, which caused a net finance income gain due to the strengthening of RMB.

Profit from Operations

As a result of the factors discussed above, the Group's profit from operations fell from RMB523.6 million in FY2009 to RMB510.1 million in FY2010, representing a decline of 2.6%. The Group's operating margin (i.e. profit from operations expressed as a percentage of turnover), fell from 34.0% in FY2009 to 29.7% in FY2010 (1H2010: 28.8%). The decline in profitability is mainly due to the increase in the non-cash charge of employees share option expense, under cost of sales, distribution costs and administrative expenses, as well as other factors as discussed above.

Income Tax

The Group's income tax expense rose by 14.8% from RMB53.4 million in FY2009 to RMB61.3 million in FY2010, as the effective income tax rate increased from 10.2% of profit before tax in FY2009 to 11.5% of profit before tax in FY2010.

Profit attributable to shareholders

As a result of the factors discussed above, the Group's profit attributable to shareholders increased from RMB468.3 million in FY2009 to RMB473.1 million in FY2010, representing an increase of 1.0%.

Financial Position, Liquidity and Gearing Ratio

The Group continued to enjoy a strong financial position, with significant cash reserves being generated from ordinary business operations. As at 31 December 2010, the Group had approximately RMB1.01 billion in cash, cash equivalents, time deposits and pledged bank deposits, a decline of 30.5%, compared to RMB1.46 billion as at 31 December 2009. The decline in the cash is largely due to pay down of bank loan, from RMB734.1 million of bank borrowings in 2009, the bank loan was reduced to RMB355.8 million in 2010. The cash dividend payment to shareholders also increased from RMB134.9 million in 2009 to RMB418.3 million in 2010, representing an increase of 210.0%. Net cash inflows from operating activities decreased from RMB539.6 million in FY2009 to RMB435.2 million in FY2010, representing a decline of 19.3%. As at 31 December 2010, the Group's gearing ratio was 21.6% based on outstanding bank debt and total equity of approximately RMB1.65 billion (FY2009: 53.8%). As at 31 December 2010, the current ratio was 3.07 based on current assets of RMB1.87 billion and current liabilities of RMB609.7 million (FY2009: 1.93).

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 ordinary 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 2010, the Group had capital commitments of RMB211.1 million (compared to RMB191.0 million as at 31 December 2009), of which RMB163.5 million was authorized but not contracted for (compared to RMB141.0 million as at 31 December 2009). These capital commitments were mainly attributable to the construction of the new manufacturing facility. As at 31 December 2010, the Company had contingent liability of RMB304.7 million.

Capital Structure of the Group

The Group requires working capital to support its manufacturing, retail, OEM and others operations. As at 31 December 2010, the Group had approximately RMB1.01 billion in cash, cash equivalents, time deposits and pledged bank deposits 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 FY2010, the Group purchased approximately 13% and 27% 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 15% respectively. None of the Directors, their associates or shareholders of the Company (who to the best knowledge of the Directors own more than 5% of the Company's share capital) were interested at any time in the year 2010 in the above suppliers or customers.

Charges on Assets

As at 31 December 2010, the Group's bank deposits of RMB501.9 million were pledged to secure banking facilities and bank borrowings granted to the Group.

Human Resources

As at 31 December 2010, the Group had approximately 5,040 employees. Total personnel expenses, comprised of wages, salaries, and benefits, amounted to RMB300.7 million in FY2010, compared with RMB255.2 million in FY2009, representing an increase of 17.8%. In FY2010, total personnel expenses as a percentage of the Group's turnover was at 17.5% (FY2009: 16.6%).

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

During the twelve months ended 31 December 2010, 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 of the Group to maintain and monitor corporate governance compliance.

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

The Board and senior management

Board Composition

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors

Mr. Tan, Han Kiat Edward *(Chairman)*
Mr. Chan, Kai Tai Alfred *(Chief Executive Officer)*
Mr. Bourque, Pierre Frank

Non-executive Director

Ms. Enfield, Julie Ann

Independent non-executive Directors

Mr. Cone, Rodney Ray
Ms. Fong, Wei Lynn Valarie
Mr. Bromberger, Peter Nikolaus

Details of the Directors and senior management are set out on pages 34 to 35 of this report.

The Board is responsible for protecting and maximizing long-term shareholder value. As of 31 December 2010, 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 non-executive Directors. Therefore, the Company has complied with the requirement of Listing Rules in having at least three independent non-executive Directors.

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 the 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 is responsible for the management of the business and affairs of the Group and owes a fiduciary duty and statutory responsibility towards the Company. In particular, it formulates the Group's overall strategies and policies, determines the corporate and management targets, approves the budgets and business plans of the Group and monitors the operational and financial performance of the Group. The Board delegates day-to-day management of the business of the Group to the management of the relevant principal divisions.

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 calibre that their views carry significant weight in the Board's decision making process. The Board considers that there is reasonable balance between the executive Directors and non-executive Directors and has provided adequate checks and balances for safeguarding the interests of the shareholders and the Group. 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 has received from each independent non-executive Director a written annual confirmation of their independence and considers that 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.

During the course of FY2010, the Board held four Board meetings. Notice of at least fourteen days is served for regular Board meetings and reasonable notice is given for all other Board meetings. All Directors understand their duty to represent the interests of shareholders and each Director has attended meetings as regularly as possible. Directors are consulted and provided with an opportunity to include matters into the agenda for discussion at the Board meetings. A Director shall abstain from voting on any resolution if such Director or any of his/her associates have a material interest and shall not be counted in the quorum present at that Board meeting. All Directors have access to Board's papers and other materials either from the company secretary of the Company or the Chairman so that they are able to make informed decisions on matters placed before them. 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 38 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. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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 applicable accounting standards and the disclosure requirements of the Hong Kong Companies Ordinance.

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 have confirmed, following specific enquiry by the Company, that they have complied with the Model Code and the Securities Trading Policy in their securities transactions throughout the year. Directors' interests in the shares of the Company are set out on page 26 of this report.

Remuneration of Directors

In FY2010, 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 65 to 66 of this report.

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 Mr. Peter Nikolaus Bromberger 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 calibre and experience needed to develop and implement the Group's strategy. The Remuneration Committee is also responsible for the development and administration of fair and transparent procedures for setting policies on the remuneration of Directors and senior management of the Company and for determining their remuneration packages. Executive Directors, however, do not participate in the determination of their own remuneration. The Remuneration Committee held one meeting in the year 2010, at which the policy for the remuneration of the executive Directors and senior management, the performance of executive Directors and the terms of executive Directors' service contracts were considered.

Nomination of Directors

The Company does not have a Nomination Committee and new Directors are appointed to the Board by the existing Board. The Company follows a formal and transparent procedure for the appointment of new Directors to the Board and vacant seats are discussed at Board level and appropriate candidates are considered based on prior experience and qualifications. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

Auditors' remuneration

The amount of fees charged by the Company's auditors in respect of their audit and non-audit services is disclosed in the notes to the financial statements of the Company. The Audit Committee is responsible for approving the remuneration and terms of engagement of the external auditors and for making recommendations to the Board regarding any non-audit services to be provided to the Company by the external auditors. In FY2010, 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 Mr. Peter Nikolaus Bromberger, all of whom are independent non-executive Directors. 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 held two meetings in the year 2010.

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 include 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 FY2010, 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 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.

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout FY2010.

Board Meetings

The number of full Board and Committee meetings attended by each Director during the FY2010 is as follows:

	Scheduled Board Meetings	**Remuneration Committee Meetings**	**Audit Committee Meetings**
Alfred Kai Tai Chan, *Executive Director*	3/4	1/1	2/2
Edward Han Kiat Tan, *Executive Director*	3/4	n/a	n/a
Pierre Frank Bourque, *Executive Director*	3/4	n/a	n/a
Julie Ann Enfield, *Non-executive Director*	1/4	n/a	n/a
Rodney Ray Cone, *Independent non-executive Director*	2/4	1/1	2/2
Valarie Wei Lynn Fong, *Independent non-executive Director*	3/4	n/a	2/2
Peter Nikolaus Bromberger, *Independent non-executive Director*	2/4	n/a	1/2
Lara Magno Lai, *Independent non-executive Director*	1/4	1/1	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 2010.

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, Versace, Ferrari and Vivienne Tam.

Major Customers & Suppliers

An overview of the Group's major customers and suppliers is set out on page 15 of this report.

Financial Results & Appropriations

The results of the Group for FY2010 are set out in the consolidated statement of comprehensive income on page 39 of this report.

An interim dividend of RMB0.25 per share, amounting to RMB141.7 million in total, was paid to shareholders during FY2010. The Board recommends the payment of a final dividend of RMB0.24 per share, amounting to approximately RMB136.3 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, amounts to approximately RMB278.0 million in total. The remaining profits for FY2010 were retained by the Group.

Transfer to Reserves

The Group transferred approximately RMB1.4 million from its profit attributable to shareholders before dividends to its reserves in FY2010, compared with RMB1.8 million in FY2009. Details of transfers to reserves are outlined on page 44 of this report.

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 4 of this report.

Share Capital

Details of the movements in share capital of the Company are set out on page 79 of this report.

Fixed Assets

During FY2010, the Group acquired fixed assets of approximately RMB150.3 million, compared with RMB142.0 million during FY2009. Details of the fixed asset acquisitions are outlined on page 69 of this report.

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 Director

Ms. Julie Ann Enfield

Independent non-executive Directors

Mr. Rodney Ray Cone
Ms. Valarie Fong Wei Lynn
Mr. Peter Nikolaus Bromberger*
Ms. Lai, Lara Magno*

* Both Ms.Lai's retirement and Mr. Peter Nikolaus Bromberger's appointment were effective from 1 June 2010.

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 Peter Nikolaus Bromberger 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 34 to 35 of this report.

Directors' Service Contracts

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

Directors' and Chief Executives Officer's Interests

As at 31 December 2010, the interests or short positions of each Director or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

	Personal Interest	Corporate Interest[3]	Total interest[3]	Percentage of total issued Shares
Mr. Edward Han Kiat Tan *(Note 1)*	250,000(L)[2]	233,827,273(L)	234,077,273(L)	41.21%(L)
	0	52,394,000(S)	52,394,000(S)	9.22%(S)
Mr. Alfred Kai Tai Chan *(Note 1)*	250,000(L)[2]	233,827,273(L)	234,077,273(L)	41.21%(L)
	0	52,394,000(S)	52,394,000(S)	9.22%(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)
Mr. Peter Nikolaus Bromberger	0	0	0	0

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. 233,827,273 Shares are owned by CFS International Inc., a direct subsidiary of PIEL. Mr. Tan and Mr. Chan are deemed to be interested in 41.21% 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) 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**
Mr. Valarie Wei Lynn Fong	110,000	**<0.02**
Ms. Peter Nikolaus Bromberger	0	**0**

As at 31 December 2010, other than the holdings disclosed above, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

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

2. The participants of the Scheme are (i) any employee of the Company, any of its subsidiaries or any entity in which any member of the Group holds an equity interest ("Invested Entity"), including any executive director of the Company, 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 options granted under the Scheme shall be exercisable within 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 2010 under the Scheme were as follows:

First Share option granted on 3 November 2003

	Options held at 1/1/2010	Options granted during the period	Options exercised during the period (Note 1)	Options cancelled during the period	Exercise price per option (HK$)	Options held at 31/12/2010	Exercisable from	Exercisable until
Mr. Edward Han Kiat Tan	0	0	0	0	N/A	N/A	N/A	N/A
Mr. Alfred Kai Tai Chan	0	0	0	0	N/A	N/A	N/A	N/A
Mr. Pierre Frank Bourque	0	0	0	0	N/A	N/A	N/A	N/A
Ms. Julie Ann Enfield	0	0	0	0	N/A	N/A	N/A	N/A
Mr. Rodney Ray Cone	60,000	0	0	0	2.625	60,000	3 Nov 2003	2 Nov 2013
Ms. Valarie Wei Lynn Fong	60,000	0	0	0	2.625	60,000	3 Nov 2003	2 Nov 2013
Ms. Lara Magno Lai[2]	0	0	0	0	N/A	0	N/A	N/A
Mr. Peter Nikolaus Bromberger	0	0	0	0	N/A	0	N/A	N/A
Continuous contract employees	646,479	0	240,985	0	2.625	405,494	3 Nov 2003	2 Nov 2013

Second Share option granted on 1 September 2006

	Options held at 1/1/2010	Options granted during the period	Options exercised during the period (Note 1)	Options cancelled during the period	Exercise price per option (HK$)	Options held at 31/12/2010	Exercisable from	Exercisable until
Mr. Edward Han Kiat Tan	0	0	0	0	N/A	0	N/A	N/A
Mr. Alfred Kai Tai Chan	0	0	0	0	N/A	0	N/A	N/A
Mr. Pierre Frank Bourque	80,000	0	0	0	11.68	80,000	1 Sep 2006	31 Aug 2016
Ms. Julie Ann Enfield	0	0	0	0	N/A	0	N/A	N/A
Mr. Rodney Ray Cone	0	0	0	0	N/A	0	N/A	N/A
Ms. Valarie Wei Lynn Fong	0	0	0	0	N/A	0	N/A	N/A
Ms. Lara Magno Lai[2]	0	0	0	0	N/A	0	N/A	N/A
Mr. Peter Nikolaus Bromberger	0	0	0	0	N/A	0	N/A	N/A
Continuous contract employees	8,104,780	0	3,497,923	0	11.68	4,606,857	1 Sep 2006	31 Aug 2016

Third Share option granted on 14 July 2009

	Options held at 1/1/2010	Options granted during the period	Options exercised during the period (Note 1)	Options cancelled during the period	Exercise price per option (HK$)	Options held at 31/12/2010	Exercisable from	Exercisable until
Mr. Edward Han Kiat Tan	250,000	0	0	0	17.32	250,000	14 Jul 2009	13 Jul 2019
Mr. Alfred Kai Tai Chan	250,000	0	0	0	17.32	250,000	14 Jul 2009	13 Jul 2019
Mr. Pierre Frank Bourque	50,000	0	0	0	17.32	50,000	14 Jul 2009	13 Jul 2019
Ms. Julie Ann Enfield	0	0	0	0	N/A	0	N/A	N/A
Mr. Rodney Ray Cone	50,000	0	0	0	17.32	50,000	14 Jul 2009	13 Jul 2019
Ms. Valarie Wei Lynn Fong	50,000	0	0	0	17.32	50,000	14 Jul 2009	13 Jul 2019
Ms. Lara Magno Lai[2]	50,000	0	0	50,000	17.32	0	14 Jul 2009	13 Jul 2019
Mr. Peter Nikolaus Bromberger	0	0	0	0	N/A	0	N/A	N/A
Continuous contract employees	23,572,550	0	566,403	378,472	17.32	22,627,675	14 Jul 2009	13 Jul 2019

Notes:

1. *The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$22.34.*

2. *Ms. Lara Lai retired from the Board effective from 1 June 2010. The options granted under the Scheme were lapsed.*

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

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

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

Substantial Shareholders

The Company has been notified that, as at 31 December 2010, persons (other than directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

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	233,827,273(L)	233,827,273(L)	41.16%(L)
Ports International Enterprises Limited[1]	Interest of Controlled Corporation	233,827,273(L)	233,827,273(L)	41.16%(L)
	Beneficial Owner	52,394,000(S)	52,394,000(S)	9.22%(S)
(b) Other persons				
JP Morgan Chase & Co	Investment Manager	48,588,733(L)	48,588,733(L)	8.55%(L)
		900,000(S)	900,000(S)	0.16%(S)
		26,927,233(LP)	26,927,233(LP)	4.74%(LP)
Government of Singapore Investment Corp. Pte. Ltd.	Interest of Controlled Corporation	13,227,181(L)	13,227,181(L)	2.33%(L)
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Interest of Controlled Corporation	13,227,181(L)	13,227,181(L)	2.33%(L)
Minister for Finance (Incoporated)	Interest of Controlled Corporation	13,227,181(L)	13,227,181(L)	2.33%(L)
Tetrad Ventures Pte. Limited	Beneficial Owner	13,227,181(L)	13,227,181(L)	2.33%(L)

Notes:

1. *PIEL is deemed to be interested in the 233,827,273 Shares held by CFS by virtue of PIEL's interest in CFS. Please also see Note 1 on page 26.*

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 2010 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 FY2010.

Purchase, Sale or Redemption of Group's Listed Securities

During FY2010, 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 69 of this report.

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

(i) Continuing Connected Transactions with PIRC

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

On 4 September 2009, the Company announced that on 1 September 2009, the Company and PIRC entered into an agreement to renew the arrangement for the supply of PORTS Products to PIRC and its affiliated companies ("the New Master Agreement"). In view of the estimated growth in demand for the PORTS Products in North America and Europe, the Directors estimated that the aggregate value of Sales Transactions 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 2009, 2010 and 2011, respectively. During FY2010, the total value of the Sales Transactions was RMB21,448,720 which slightly exceeded the annual cap set for the year ending 31 December 2010 by RMB448,720. Pursuant to Rule 14A.36(1), the Company made an announcement on 21 February 2011 providing further details on the exceeding of annual cap for the FY 2010 to re-comply with the requirements under Rule 14A.35(3) of the Listing Rules.

(ii) Continuing Connected Transactions with PCD

In addition, pursuant to Rule 14A.35 of the Listing Rules, the Group has entered into an agreement with PCD Stores (Group) Limited ("PCD") on 5 December 2007, an indirect wholly owned subsidiary of PIEL, pursuant to the terms of which PCD will procure members of the PCD group to enter into concessionaire agreements with members of the Group ("Master Concessionaire Agreement"). Members of the PCD group will provide certain designated counters within their respective department stores located in the PRC to the Group for the sale of clothing, accessories, and apparel, and in consideration of which the Group will pay a rental fee to the respective members of the PCD group. These transactions constitute "continuing connected transactions" for the purpose of the Listing Rules. The Master Concessionaire Agreement commenced on 5 December 2007 and ends on 30 June 2010. On 29 November 2009, the Company and PCD entered into an agreement with substantially the same scope and terms of the Master Concessionaire Agreement ("the New Master Concessionaire Agreement"), which shall be valid until 31 December 2011. The Company made an announcement on 16 July 2010 ("the Announcement") re-confirming the terms of the New Master Concessionaire Agreement, which since the expiration of the Master Concessionaire Agreement has governed, and shall continue to govern the concessionaire arrangements between the Group and the PCD group until the end of the term (i.e. 31 December 2011). It was also disclosed under the Announcement that the Directors expected that the rental fees to be paid by the Group to the PCD group pursuant to the New Master Concessionaire Agreement for each of the financial years ending 31 December 2010 and 2011 would not exceed RMB40.8 million and RMB63.0 million respectively. Subsequently, the Company made an announcement on 27 July 2010 revising the proposed annual caps to RMB26.5 million and RMB33.9 million for each of the financial years ending 31 December 2010 and 2011, respectively in order to ensure that the independent shareholders' approval requirements under the then applicable Listing Rules were not triggered. During FY 2010, the total rent paid by the Group to the PCD group was RMB23,511,438 and did not exceed the annual cap set for the financial year ending 31 December 2010.

The independent non-executive Directors of the Company have reviewed the two continuing connected transactions made during FY2010 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 67 to 68 of this report.

Pledging of shares by controlling shareholders

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

Corporate Governance

The Group's principal corporate governance practices are outlined on pages 17 to 21 of this report.

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.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

On Behalf of the Board
Edward Han Kiat Tan
Chairman

30 March 2011
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 in a global society.

Community Initiatives

We continued to support local charities in the PRC by making corporate clothing and cash 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 FY2010 to ensure the compliance thereto, and going into 2011, we continue to maintain the frequency of checks on our suppliers and sub-contractors, 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 that they are all properly functioning and are safe for our staff members to operate.

The Group aims 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

The 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.

The 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 vital and continues 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 seek for new ways to reduce wastage and conserve energy and other natural resources. Our commitment to the environment is highlighted 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 2011.

SENIOR MANAGEMENT & DIRECTORS

Executive Directors

Tan, Han Kiat Edward, aged 68, is the Chairman of the Company and a founder of the Group. Mr. Tan has more than 35 years experience in the textile, garment and trading business. Mr. Tan is responsible for setting the general direction of the Group. Mr. Tan has extensive experience in carrying out business in both Canada and the PRC. Mr. Tan has been an executive director of CFS since 1989. Mr. Tan is the elder brother of Mr. Chan. Mr. Tan is also an executive director of PCD Stores (Group) Limited (“PCD”), a company whose shares are listed in the main board of Hong Kong Stock Exchange.

Chan, Kai Tai Alfred, aged 63, 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 30 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 Master degree in Electrical Engineering in 1972. Mr. Chan is also the chairman and executive director of PCD.

Bourque, Pierre Frank, aged 63, is the Executive Vice President of the Company. Mr. Bourque has over 30 years experience in the garment and fashion industry with extensive knowledge of inventory management, inventory quality control, marketing, merchandising and sales. Mr. Bourque joined the Ports International brand’s Canadian operations in 1997 and was appointed as the vice president of CFS International Inc. ("CFS") in the same year. Mr. Bourque joined the Group in August 2002.

Non-Executive Director

The non-executive Director of the Company is 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 54, is a non-executive Director of the Company. Ms. Enfield is also a full time writer and a former lecturer at Ryerson University in Toronto, Canada from 1997 to 2002. She was employed as a consultant of the public relations department of CFS from August 2002 to July 2005. Ms. Enfield currently holds certain share options granted by CFS, which may, upon full exercise, be converted into 10,000 shares in the capital of CFS. Ms. Enfield graduated from Ryerson University in Toronto, Canada with a Bachelor degree in Journalism in 1997. Ms. Enfield joined the Group in September 2005.

Independent Non-Executive Directors

Cone, Rodney Ray, aged 50, is an independent non-executive Director and the chairman of the audit committee of the Company. Mr. Cone graduated from the Wharton School, the University of Pennsylvania in the United States of America with a Master of Business Administration degree in 1993. Mr. Cone was the general manager of Healthcare Asia (Taiwan) Ltd. from 1993 to 1996. He 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 37, is an independent non-executive Director and a member of the audit committee of the Company. Ms. Fong graduated from Australian National University in Australia with a Bachelor of Commerce degree in 1995. Ms. Fong was an accountant with Ernst & Young, Hong Kong from 1996 to 1998. She is currently a member of the Australian Society of Certified Public Accountants. Ms. Fong is also currently an art dealer at Contrasts Gallery, Hong Kong where she is responsible for purchasing art pieces for private clients, organising exhibitions and events, coordinating public relations and marketing events and preparing production schedules and budgets for Contrasts Gallery. Ms. Fong joined the Group in August 2002.

Bromberger, Peter Nikolaus, aged 45, is an independent non-executive Director and a member of the audit committee of the Company. Mr. Bromberger graduated from Wirtschaftsakademie Hamburg in Germany with a Bachelor of Business Administration degree in 1994. Prior to that, He also attended various diplomas relating to Asian studies and Chinese language both in Germany and in Taiwan. Since 1996, Mr. Bromberger had moved to and resided in China. He has since then assumed various senior executive and financial roles as well as director's responsibilities within different organizations. He is currently the general manager of Speaker Electronic (Jia Shan) Co., Ltd. Mr. Bromberger joined the Group in April 2010.

Senior Management

Wong, Fung Mei Irene, aged 58, is the company secretary of the Company. Ms. Wong is an associate member of the Institute of Chartered Secretaries and Administrators, a 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 accounting for over 20 years. Ms. Wong joined the Group in September 2003.

He, Kun, aged 40, is the financial controller of the Group. He is responsible for budget control and financial reporting of the Group. He graduated from Xiamen University, China with a professional accounting degree in 1992, and a Master of Business Administration in 2004, respectively. Mr. He joined the Group in 1992.

Fiona Cibani, aged 45, is the creative director of the Company. Ms. Cibani 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. Ms. Cibani joined the Group in 1989.

Zheng Kai Mei, aged 41, is the manager of the information technology department of the Company. Mr. Zheng is responsible for the day-to-day operations of the Group's information and technology services. He was majored in computer information management and obtained a college diploma from Dalian Maritime University, China in 1990. Mr. Zheng joined the Group in 1993.

Chen, Xi Fan, aged 41, is the manager of merchandising of the Company. 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 with a Bachelor of Arts degree in 1991. Ms. Chen joined the Group in 1992.

Chen, Michelle, aged 42, 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 majoring in International Journalism in 1991 and from Paris ESSEC Business School Luxury Brand Management Program with a Master of Business Administration in 2005. Ms. Chen first joined the Group in 1997 and left in 2004, but then rejoined the Group in 2006.

PORTS DESIGN LIMITED

(Stock Code: 589)

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared under International Financial Reporting Standards)

Independent auditor's 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 (together the "Group") set out on pages 39 to 92, which comprise the consolidated and company balance sheets as at 31 December 2010, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with 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 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010
(Expressed in thousands of Renminbi Yuan, except share and per share data)

	Note	2010 RMB'000	2009 RMB'000
Turnover	3,4	**1,718,125**	1,538,090
Cost of sales		**(358,354)**	(283,133)
Gross profit		**1,359,771**	1,254,957
Other revenue	5	**18,199**	45,782
Other net income	5	**11,713**	2,438
Distribution costs		**(733,029)**	(657,921)
Administrative expenses		**(73,731)**	(57,032)
Other operating expenses	6	**(72,869)**	(64,581)
Profit from operations		**510,054**	523,643
Finance income		**27,756**	13,080
Finance costs		**(5,153)**	(14,990)
Net finance income/(costs)	8(a)	**22,603**	(1,910)
Profit before taxation	8	**532,657**	521,733
Income tax	9(a)	**(61,336)**	(53,446)
Profit for the year		**471,321**	468,287
Other comprehensive income for the year, net of income tax		**—**	—
Total comprehensive income for the year		**471,321**	468,287
Profit attributable to:			
Equity shareholders of the Company	10	**473,061**	468,287
Non-controlling interests		**(1,740)**	—
Profit for the year		**471,321**	468,287
Total comprehensive income attributable to:			
Equity shareholders of the Company		**473,061**	468,287
Non-controlling interests		**(1,740)**	—
Total comprehensive income for the year		**471,321**	468,287
Earnings per share (RMB)			
— Basic	11	**0.84**	0.83
— Diluted	11	**0.83**	0.83

The notes on pages 45 to 92 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 2010
(Expressed in thousands of Renminbi Yuan)

	Note	**2010** **RMB'000**	2009 RMB'000
Non-current assets			
Lease prepayments	*15*	**3,442**	3,527
Property, plant and equipment	*16*	**349,040**	262,080
Intangible assets	*17*	**—**	21,065
Deferred tax assets	*18(b)*	**43,174**	28,490
		395,656	315,162
Current assets			
Inventories	*19*	**544,860**	448,479
Trade and other receivables, deposits and prepayments	*20(a)*	**311,553**	265,333
Pledged bank deposits	*25*	**501,929**	626,792
Fixed deposits with banks	*21*	**164,938**	38,732
Cash and cash equivalents	*22*	**347,735**	793,821
		1,871,015	2,173,157
Current liabilities			
Trade payables, other payables and accruals	*23(a)*	**230,423**	369,685
Interest-bearing borrowings	*25*	**355,783**	734,117
Current taxation	*18(a)*	**23,473**	19,916
		609,679	1,123,718
Net current assets		**1,261,336**	1,049,439
Total assets less current liabilities		**1,656,992**	1,364,601
Non-current liabilities			
Deferred tax liabilities	*18(b)*	**8,423**	6,845
		8,423	6,845
Net assets		**1,648,569**	1,357,756
Capital and reserves			
Share capital	*26(c)*	**1,501**	1,492
Reserves		**1,647,068**	1,356,264
Total equity attributable to equity shareholders of the company		**1,648,569**	1,357,756
Non-controlling interests		**—**	—
Total equity		**1,648,569**	1,357,756

Approved and authorised for issue by the board of directors on 30 March 2011.

Alfred Kai Tai Chan
Chief Executive Officer

Pierre Frank Bourque
Executive Vice President

The notes on pages 45 to 92 form part of these financial statements.

BALANCE SHEET

at 31 December 2010
(Expressed in thousands of Renminbi Yuan)

	Note	**2010** **RMB'000**	2009 RMB'000
Non-current assets			
Investments in subsidiaries	29	**289,653**	235,483
		289,653	235,483
Current assets			
Trade and other receivables, deposits and prepayments	20(b)	**395,369**	788,187
Cash and cash equivalents	22	**8,216**	17,019
		403,585	805,206
Current liabilities			
Trade payables, other payables and accruals	23(b)	**11,662**	220,904
Interest-bearing borrowings	25	**51,054**	132,075
		62,716	352,979
Net current assets		**340,869**	452,227
Net assets		**630,522**	687,710
Capital and reserves	26		
Share capital		**1,501**	1,492
Reserves		**629,021**	686,218
Total equity		**630,522**	687,710

Approved and authorised for issue by the board of directors on 30 March 2011.

Alfred Kai Tai Chan
Chief Executive Officer

Pierre Frank Bourque
Executive Vice President

The notes on pages 45 to 92 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2010
(Expressed in thousands of Renminbi Yuan)

	Note	2010 RMB'000	2009 RMB'000
Net cash generated from operating activities	*(a)*	**435,210**	539,597
Cash flow from investing activities			
Interest received		**15,963**	16,913
Acquisition of property, plant and equipment		**(155,433)**	(142,252)
Proceeds from disposal of property, plant and equipment		**940**	6,083
Proceeds from disposal of land use rights		**—**	136
Proceeds from disposal of intangible assets, net of settlement of related payable		**16,676**	—
Decrease/(increase) in pledged bank deposits		**124,863**	(343,955)
(Increase)/decrease in fixed deposits with banks		**(126,206)**	314,470
Net cash used in investing activities		**(123,197)**	(148,605)
Cash flow from financing activities			
Interest expense paid		**(6,182)**	(15,670)
Proceeds from interest-bearing borrowings		**337,291**	630,816
Repayment of interest-bearing borrowings		**(715,625)**	(403,792)
Dividends paid to equity shareholders of the Company		**(418,277)**	(134,954)
Proceeds from shares issued under share option scheme		**44,694**	18,823
Net cash (used in)/generated from financing activities		**(758,099)**	95,223
Net (decrease)/increase in cash and cash equivalents		**(446,086)**	486,215
Cash and cash equivalents at 1 January		**793,821**	307,606
Cash and cash equivalents at 31 December		**347,735**	793,821

The notes on pages 45 to 92 form part of these financial statements.

(Expressed in thousands of Renminbi Yuan)

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

	Note	**2010** **RMB'000**	2009 RMB'000
Profit before taxation		**532,657**	521,733
Adjustments for:			
Depreciation of property, plant and equipment	8(b)	**62,381**	43,177
Amortisation of lease prepayments	8(b)	**85**	109
Gain on disposal of intangible asset	5(b)	**(11,713)**	—
Gain on disposal of property, plant and equipment	5(b)	**—**	(2,438)
Equity-settled share-based payment expenses	7	**52,156**	34,607
Interest expense	8(a)	**3,582**	12,395
Interest income	8(a)	**(16,464)**	(13,080)
Operating profit before changes in working capital		**622,684**	596,503
Increase in inventories		**(96,381)**	(22,886)
Decrease/(increase) in accounts receivable		**1,910**	(14,353)
(Increase)/decrease in amounts due from related companies		**(12,687)**	66,131
(Increase)/decrease in advances to suppliers		**(13,280)**	582
Increase in other receivables, deposits and prepayments		**(10,653)**	(4,685)
Increase/(decrease) in accounts payable		**43,407**	(38,745)
(Decrease)/increase in other creditors and accruals		**(28,905)**	37,689
Cash generated from operations		**506,095**	620,236
Income tax paid		**(70,885)**	(80,639)
Net cash generated from operating activities		**435,210**	539,597

The notes on pages 45 to 92 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010
(Expressed in thousands of Renminbi Yuan)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Capital reserve-staff share options issued (undis-tributable) 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 interest RMB'000	Total equity RMB'000
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
Balance at 1 January 2010		**1,492**	**53,743**	**63,159**	**456,851**	**151,617**	**9,868**	**621,026**	**1,357,756**	**—**	**1,357,756**
Dividends to equity holders	*26(b)*	**—**	**—**	**—**	**—**	**—**	**—**	**(277,358)**	**(277,358)**	**—**	**(277,358)**
Shares issued under share option scheme	*26(c)(ii)*	**9**	**(11,318)**	**—**	**56,003**	**—**	**—**	**—**	**44,694**	**—**	**44,694**
Equity settled share-based transactions	*7*	**—**	**52,156**	**—**	**—**	**—**	**—**	**—**	**52,156**	**—**	**52,156**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**473,061**	**473,061**	**(1,740)**	**471,321**
Acquisition of Non-controlling interest		**—**	**—**	**(1,740)**	**—**	**—**	**—**	**—**	**(1,740)**	**1,740**	**—**
Transfer upon liquidation of subsidiary	*26(d)*	**—**	**—**	**—**	**—**	**(98,346)**	**(9,868)**	**108,214**	**—**	**—**	**—**
Transfer to reserve		**—**	**—**	**—**	**—**	**1,363**	**—**	**(1,363)**	**—**	**—**	**—**
Balance at 31 December 2010		**1,501**	**94,581**	**61,419**	**512,854**	**54,634**	**—**	**923,580**	**1,648,569**	**—**	**1,648,569**

The notes on pages 45 to 92 form part of these financial statements.

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 as at and for the year ended 31 December 2010 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") issued 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.

1. Significant accounting policies *(continued)*

(c) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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 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

No depreciation is provided on construction in progress.

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.

1. Significant accounting policies *(continued)*

(e) Intangible assets

Intangible assets that are acquired by the Group are stated 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 leased to the Group

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 property, plant and equipment 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.

1. Significant accounting policies *(continued)*

(f) Leased assets *(continued)*

(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, such as default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; 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.

1. Significant accounting policies *(continued)*

(g) Impairment of assets *(continued)*

(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.

— Calculation of recoverable amount

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).

— Recognition of impairment losses

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.

— Reversal of impairment losses

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.

(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)).

1. Significant accounting policies *(continued)*

(h) Inventories

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

Cost 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. Except for financial guarantee liabilities measured in accordance with note 1(m)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1. **Significant accounting policies** *(continued)*

(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.

1. Significant accounting policies *(continued)*

(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 payments

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.

1. **Significant accounting policies** *(continued)*

(o) Income tax *(continued)*

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.

1. **Significant accounting policies** *(continued)*

(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 risks 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.

1. Significant accounting policies *(continued)*

(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; or

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

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

(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 data for its ordinary shares. Basic earnings per share 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 earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2. Changes in accounting policies

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation 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:

- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary*
- Improvements to IFRSs (2009)

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

The amendment introduced by the *Improvements to IFRSs (2009)* omnibus standard in respect of IAS 17, *Leases*, has had no material impact on the Group's financial statements as the classification of the Group's interests in leasehold land as operating leases continues to be appropriate.

As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

The impact of the remainder of these developments in respect of the revisions to IFRS 3, IAS 27, and IFRS 5 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and the Group has not yet entered into relevant transactions which will be affected by these developments.

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.

(Expressed in thousands of Renminbi Yuan)

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.

	Retail		**OEM**		**Others(i)**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,568,421**	1,424,391	**117,073**	75,370	**32,631**	38,329	**1,718,125**	1,538,090
Reportable segment revenue	**1,568,421**	1,424,391	**117,073**	75,370	**32,631**	38,329	**1,718,125**	1,538,090
Reportable segment profit	**808,750**	733,142	**11,651**	15,724	**10,611**	15,489	**831,012**	764,355
Distribution costs	**528,759**	490,602	**—**	—	**—**	—	**528,759**	490,602
Reportable segment assets	**535,037**	439,448	**4,698**	5,010	**5,125**	4,021	**544,860**	448,479

(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.

(Expressed in thousands of Renminbi Yuan)

4. Segment reporting *(continued)*

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

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**1,685,494**	1,499,761
Other revenue	**32,631**	38,329
Consolidated turnover	**1,718,125**	1,538,090

	2010	2009
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**820,401**	748,866
Other profit	**10,611**	15,489
	831,012	764,355
Other revenue and other net income	**29,912**	48,220
Distribution costs	**(204,270)**	(167,319)
Administrative expenses	**(73,731)**	(57,032)
Other operating expenses	**(72,869)**	(64,581)
Net finance income/(costs)	**22,603**	(1,910)
Consolidated profit before taxation	**532,657**	521,733

	2010	2009
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**539,735**	444,458
Other inventory	**5,125**	4,021
Consolidated inventories	**544,860**	448,479
Non-current assets	**395,656**	315,162
Trade and other receivables, deposits and prepayments	**311,553**	265,333
Pledged bank deposits	**501,929**	626,792
Fixed deposits with banks	**164,938**	38,732
Cash and cash equivalents	**347,735**	793,821
Consolidated total assets	**2,266,671**	2,488,319

(Expressed in thousands of Renminbi Yuan)

4. Segment reporting *(continued)*

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's sales 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 Mainland China.

	Sales revenues from external customers		**Specified non-current assets**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**1,530,977**	1,396,637	**333,642**	263,175
Others	**187,148**	141,453	**18,840**	23,497
	1,718,125	1,538,090	**352,482**	286,672

5. Other revenue and other net income

(a) Other revenue

	2010	2009
	RMB'000	*RMB'000*
Liaison service income	**1,570**	1,512
Royalty income	**5,869**	5,000
Design and decoration income	**8,317**	7,311
Insurance compensation	**1,852**	1,099
Government subsidies	**-**	25,200
Others	**591**	5,660
	18,199	45,782

The Group received unconditional subsidies of RMB25,200 thousand for the year ended 31 December 2009 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

	2010	2009
	RMB'000	*RMB'000*
Net gain on sale of property, plant and equipment	**—**	2,438
Net gain on disposal of intangible assets and settlement of related payable (note 17)	**11,713**	—
	11,713	2,438

(Expressed in thousands of Renminbi Yuan)

6. Other operating expenses

	2010	2009
	RMB'000	*RMB'000*
Stock provision	**72,869**	64,581
	72,869	64,581

7. Personnel expenses

	2010	2009
	RMB'000	*RMB'000*
Wages, salaries and staff benefits	**243,066**	215,577
Contributions to defined contribution retirement plan	**5,522**	5,020
Equity-settled share-based payment expenses (note 27)	**52,156**	34,607
	300,744	255,204

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% (2009: 6%) of the minimum salary level of employees in Xiamen or 14% (2009: 14%) of employees' relevant income, subject to a cap of RMB9 thousand per month. The Group has no obligation for the payment of retirement benefits other than the contributions described above.

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

(Expressed in thousands of Renminbi Yuan)

8. Profit before taxation

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

(a) *Net finance (income)/costs*

	2010 **RMB'000**	2009 RMB'000
Interest income from bank deposits	**(16,464)**	(13,080)
Net foreign exchange gain	**(11,292)**	—
Finance income	**(27,756)**	(13,080)
Interest expense on bank loans repayable within five years	**5,220**	13,473
Less: interest expense capitalised into property, plant and equipment*	**(1,638)**	(1,078)
Interest expense, net	**3,582**	12,395
Net foreign exchange loss	**—**	1,442
Others	**1,571**	1,153
Finance costs	**5,153**	14,990
Net finance (income)/costs	**(22,603)**	1,910

* *The borrowing costs have been capitalised at a weighted average interest rate of 1.16% per annum (2009: 2.03%).*

(b) *Other items*

	2010 **RMB'000**	2009 RMB'000
Depreciation		
— owned property, plant and equipment	**62,381**	42,905
— leased property, plant and equipment	**—**	272
	62,381	43,177
Operating leases charges in respect of properties		
— minimum lease payments	**88,381**	84,510
— contingent rents	**279,209**	267,587
	367,590	352,097
Auditors' remuneration — audit services	**2,099**	1,877
Amortisation — lease prepayments	**85**	109
Cost of inventories[#] (note 19)	**431,223**	347,714

\# *Cost of inventories includes RMB85,068 thousand (2009: RMB82,438 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.*

(Expressed in thousands of Renminbi Yuan)

9. Income tax in the consolidated statement of comprehensive income

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

	2010	2009
	RMB'000	*RMB'000*
Current tax — PRC Income Tax		
Provision for the year	**67,597**	60,502
	67,597	60,502
Deferred tax		
Origination and reversal of temporary differences (note 18(b))	**(6,261)**	(7,056)
	61,336	53,446

(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 2010 and 2009 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 relevant 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%.

(Expressed in thousands of Renminbi Yuan)

9. Income tax in the consolidated statement of comprehensive income *(continued)*

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

	2010 *RMB'000*	2009 *RMB'000*
Profit from ordinary activities before taxation	**532,657**	521,733
Computed tax using the Group's applicable tax rate at 25% (2009: 25%)	**133,165**	130,433
Rate differential	**(4,606)**	3,935
Tax holiday enjoyed by certain PRC subsidiaries	**(91,356)**	(96,510)
Tax effect of non-deductible expenses net of non-taxable income	**11,561**	3,754
Deferred tax asset not recognised	**4,149**	4,989
Deferred withholding tax liabilities on the expected profits distribution by the Group's PRC subsidiaries	**8,423**	6,845
Actual tax expense	**61,336**	53,446

10. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB4,151 thousand (2009: loss of RMB1,459 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:

	2010 *RMB'000*	2009 *RMB'000*
Amount of consolidated profit/(loss) attributable to equity shareholders dealt with in the Company's financial statements	**4,151**	(1,459)
Final dividends from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	**119,169**	247,571
Company's profit for the year (Note 26 (a))	**123,320**	246,112

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

(Expressed in thousands of Renminbi Yuan)

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 RMB473,061 thousand (2009: RMB468,287 thousand) and the weighted average of 566,146,959 (2009: 561,785,951) ordinary shares in issue during the year.

(i) Weighted average number of ordinary shares

	2010 **_Number of shares_**	2009 *Number of shares*
Issued ordinary shares at 1 January	**563,769,586**	560,934,388
Effect of share options exercised (note 26(c)(ii))	**2,377,373**	851,563
Weighted average number of ordinary shares for the year ended 31 December	**566,146,959**	561,785,951

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB473,061 thousand (2009: RMB468,287 thousand) and the weighted average number of 571,052,226 (2009: 561,785,951) 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)

	2010 **_Number of shares_**	2009 *Number of shares*
Weighted average number of ordinary shares for the year ended 31 December	**566,146,959**	561,785,951
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 27)	**4,905,267**	—
Weighted average number of ordinary shares (diluted) for the year ended 31 December	**571,052,226**	561,785,951

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 was 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.

(Expressed in thousands of Renminbi Yuan)

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 2010** *RMB'000*
Chairman					
Mr. Edward Tan Han Kiat	**—**	**775**	**—**	**536**	**1,311**
Executive Directors					
Mr. Alfred Chan Kai Tai	**—**	**775**	**—**	**536**	**1,311**
Mr. Pierre Frank Bourque	**—**	**703**	**—**	**107**	**810**
Non-Executive directors					
Ms. Julie Ann Enfield	**—**	**251**	**—**	**—**	**251**
Mr. Rodney Ray Cone*	**—**	**—**	**—**	**107**	**107**
Ms. Valarie Fong Wei Lynn*	**—**	**—**	**—**	**107**	**107**
Ms. Lara Magno Lai*	**—**	**—**	**—**	**57**	**57**
Mr. Peter Nikolaus Bromberger*	**—**	**—**	**—**	**—**	**—**
	—	**2,504**	**—**	**1,450**	**3,954**

	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

*Note 1: *independent non-executive directors*

Note 2: Both Ms. Lai's retirement and Mr. Peter Nikolaus Bromberger's appointment are effective from 1 June 2010

(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.

(b) No bonuses were paid or payable as at 31 December 2010 and 2009 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 2010.

(Expressed in thousands of Renminbi Yuan)

13. Individuals with highest emoluments

Of the five individuals with the highest emoluments, none of them (2009: none) is a director whose remuneration is disclosed in note 12. The aggregate of the emoluments in respect of the five (2009: five) individuals are as follows:

	2010	2009
	RMB'000	*RMB'000*
Basic salaries, allowances and other benefits	**2,010**	3,947
Share-based payments	**19,834**	12,116
	21,844	16,063

The emoluments of the five (2009: five) individuals with the highest emoluments are within the following bands:

	2010	2009
	Number of individuals	Number of individuals
RMBNil – RMB1,000,000	**—**	—
RMB1,000,001 – RMB1,500,000	**—**	1
RMB1,500,001 – RMB2,000,000	**2**	1
RMB2,000,001 – RMB2,500,000	**1**	1
RMB4,000,001 – RMB4,500,000	**—**	1
RMB6,000,001 – RMB6,500,000	**1**	—
RMB6,500,001 – RMB7,000,000	**—**	1
RMB9,500,001 – RMB10,000,000	**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.

(Expressed in thousands of Renminbi Yuan)

14. Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 2010 and December 2009.

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 2010 and 2009 are as follows:

(a) Transactions with parent companies and fellow subsidiaries

	2010 *RMB'000*	2009 *RMB'000*
Sales of goods to:		
Ports International Retail Corporation	**21,449**	14,937
Interest-free advances to:		
Ports International Enterprises Limited	**90,294**	252,290
Ports International Retail Corporation	**3,324**	6,342
Repayment of interest-free advances from:		
Ports International Enterprises Limited	**92,009**	252,172
Ports International Retail Corporation	**609**	38,207
Expenditure paid by the Group on behalf of:		
Ports International Group Limited	**373**	440
Ports International Retail Corporation	**564**	5,923
CFS International Inc.	**—**	567
Expenses re-imbursement from:		
Ports International Group Limited	**373**	440
Ports International Retail Corporation	**564**	5,923
CFS International Inc.	**—**	567
Rental fee charged by:		
PCD Stores (Group) Limited and its subsidiaries (i)	**23,511**	21,090

(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 totalling RMB86,180 thousand in 2010 (2009: RMB92,718 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.

(Expressed in thousands of Renminbi Yuan)

14. Related party transactions *(continued)*

(b) Transactions with key management personnel

	2010	2009
	RMB'000	*RMB'000*
Short-term employee benefits	**2,504**	2,604
Equity compensation benefits	**1,450**	913
	3,954	3,517

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 2010 and 31 December 2009, there was no material outstanding contribution to post-employment benefit plans.

15. Lease prepayments

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Cost		
Balance at beginning of year	**4,246**	4,761
Addition	**—**	—
Disposals	**—**	(515)
Balance at end of year	**4,246**	4,246
Accumulated amortisation		
Balance at beginning of year	**(719)**	(989)
Amortisation charge for the year	**(85)**	(109)
Disposals	**—**	379
Balance at end of year	**(804)**	(719)
Net book value		
At end of year	**3,442**	3,527

The lease prepayments of the Group represented rentals prepaid in obtaining land use rights in the PRC for a period of 50 years.

(Expressed in thousands of Renminbi Yuan)

16. Property, plant and equipment

The Group

	Buildings	Plant and machinery	Fixtures, fittings and other fixed assets	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
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
Balance at 1 January 2010	48,181	30,802	264,240	106,090	449,313
Acquisitions	—	4,806	64,117	81,358	150,281
Transfer from construction in progress	—	—	6,169	(6,169)	—
Disposals	—	—	(22,688)	—	(22,688)
Balance at 31 December 2010	48,181	35,608	311,838	181,279	576,906
Depreciation					
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
Balance at 1 January 2010	11,929	13,718	161,586	—	187,233
Depreciation charge for year	3,752	2,407	56,222	—	62,381
Disposals	—	—	(21,748)	—	(21,748)
Balance at 31 December 2010	15,681	16,125	196,060	—	227,866
Net book value					
At 31 December 2010	32,500	19,483	115,778	181,279	349,040
At 31 December 2009	36,252	17,084	102,654	106,090	262,080

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

(Expressed in thousands of Renminbi Yuan)

17. Intangible assets

The Group

	Trademark *RMB'000*	**Exclusive license right** *RMB'000*	**Total** *RMB'000*
Cost:			
Balance at 1 January and 31 December 2009	6,451	21,065	27,516
Balance at 1 January 2010	6,451	21,065	27,516
Disposal	—	(21,065)	(21,065)
Balance at 31 December 2010	6,451	—	6,451
Accumulated amortisation:			
Balance at 1 January 2009	(6,451)	—	(6,451)
Charge for the year	—	—	—
Balance at 31 December 2009	(6,451)	—	(6,451)
Balance at 1 January 2010	(6,451)	—	(6,451)
Charge for the year	—	—	—
Balance at 31 December 2010	(6,451)	—	(6,451)
Net book value:			
At 31 December 2010	—	—	—
At 31 December 2009	—	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 held 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 was approximately RMB21,065 thousand, to be settled by 3 installments with the final installment to be payable upon the completion of the legal registration for the ownership transfer of the Intellectual Property Rights.

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.

(Expressed in thousands of Renminbi Yuan)

17. Intangible assets *(continued)*

Due to disagreement in respect of the execution of certain terms contained in the Agreement, the Group and CNOW entered into a Deed of Release and a Deed of Settlement ("Deeds") on 8th November 2010 to terminate the Agreement and agreed that all their respective obligations and liabilities contained in the Agreement were discharged. At the date of entering the deeds, amounts due to CNOW totalled RMB16,101 thousand. In addition, upon the execution and delivery of the Deeds, CNOW paid to the Group an amount of USD 2.5 million (equivalent to RMB16,677 thousand) and transferred to the Group its 42% equity interest in EFAM. EFAM assigned the Intellectual Property Rights to CNOW but is entitled to sell its inventories on hand relating to Vivienne Tam brand within 36 months.

As the fair value of the 42% equity interests in EFAM obtained from CNOW was close to zero, a gain of RMB11,713 thousand, being the difference between i) the amount of USD 2.5 million (equivalent to RMB16,677 thousand) received from CNOW and ii) the carrying value of Intellectual Property Rights net of the amounts due to CNOW on 8 November 2010, was recognized as other net income for the year ended 31 December 2010.

18. Income tax in the consolidated balance sheet represents:

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

	2010 ***RMB'000***	2009 *RMB'000*
Balance at beginning of year	**19,916**	40,053
Provision for income tax for the year	**67,597**	60,502
Transfer from deferred taxation	**6,845**	—
Paid during the year	**(70,885)**	(80,639)
Balance at end of year	**23,473**	19,916

(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 2009	11,990	1,995	—	604	14,589
Credited/(charged) to profit or loss (note 9 (a))	12,652	1,332	(6,845)	(83)	7,056
At 31 December 2009	24,642	3,327	(6,845)	521	21,645
At 1 January 2010	24,642	3,327	(6,845)	521	21,645
Transfer to current taxation	—	—	6,845	—	6,845
Credited/(charged) to profit or loss (note 9 (a))	16,126	(1,370)	(8,423)	(72)	6,261
At 31 December 2010	40,768	1,957	(8,423)	449	34,751

(Expressed in thousands of Renminbi Yuan)

18. Income tax in the consolidated balance sheet represents: *(continued)*

(b) Deferred tax assets and liabilities recognised *(continued)*

(ii) Reconciliation to the balance sheet

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Net deferred tax asset recognised on the balance sheet	**43,174**	28,490
Net deferred tax liability recognised on the balance sheet	**(8,423)**	(6,845)
	34,751	21,645

(c) Deferred tax asset not recognised

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

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Tax losses of subsidiaries	**19,073**	14,929

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

Pursuant to the New Tax Law, 10% withholding tax is levied on the foreign investor, (foreign investors which are registered in Hong Kong and meet certain requirements specified in the relevant tax regulations in the PRC may be entitled to a preferential 5% rate), in respect of dividend distributions arising from profit earned by a foreign investment enterprise in the PRC after 1 January 2008. As at 31 December 2010, deferred tax liabilities of RMB59,583 thousand (31 December 2009: RMB41,599 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 these profits earned by the Group's subsidiaries in the PRC will not be distributed in the foreseeable future.

(Expressed in thousands of Renminbi Yuan)

19. Inventories

Inventories comprise:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Raw materials	**100,196**	78,510
Work in progress	**35,864**	33,566
Finished goods	**405,836**	333,957
Goods in transit	**2,964**	2,446
	544,860	448,479

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

	2010	2009
	RMB'000	*RMB'000*
Cost of sales	**358,354**	283,133
Stock provision	**72,869**	64,581
	431,223	347,714

20. Trade and other receivables, deposits and prepayments

(a) The Group

	2010	2009
	RMB'000	*RMB'000*
Accounts receivable (note (i) below)	**174,756**	176,666
Amounts due from related companies (note 24)	**24,898**	12,211
Advances to suppliers	**33,948**	10,623
Other receivables, deposits and prepayments	**77,951**	65,833
	311,553	265,333

(Expressed in thousands of Renminbi Yuan)

20. Trade and other receivables, deposits and prepayments *(continued)*

(a) The Group *(continued)*

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

	2010	2009
	RMB'000	*RMB'000*
Current	**144,595**	140,243
Less than 1 month past due	**20,094**	24,175
1–3 months past due	**10,035**	10,131
Over 3 months but less than 12 months past due	**32**	2,117
Amounts past due	**30,161**	36,423
	174,756	176,666

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

As at 31 December 2010, no impairment provision for loss of doubtful debts was made against the accounts receivable (2009: RMBnil). 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

	2010	2009
	RMB'000	*RMB'000*
Amounts due from subsidiaries	**393,414**	786,844
Other receivables, deposits and prepayments	**1,955**	1,343
	395,369	788,187

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.

(Expressed in thousands of Renminbi Yuan)

22. Cash and cash equivalents

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand	**185,627**	528,757	**8,216**	17,019
Time deposits with banks	**162,108**	265,064	**—**	—
	347,735	793,821	**8,216**	17,019

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

	2010	2009
	RMB'000	*RMB'000*
Accounts payable (note (i) below)	**100,243**	53,580
Other creditors and accruals	**130,157**	175,163
Dividends payable to the equity shareholders of the Company	**23**	140,942
	230,423	369,685

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

	2010	2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**85,992**	32,553
Due after 1 month but within 3 months	**10,525**	14,820
Due after 3 months but within 6 months	**2,117**	5,140
Due after 6 months but within 12 months	**1,186**	1,067
Due after 1 year but within 2 years	**423**	—
	100,243	53,580

(Expressed in thousands of Renminbi Yuan)

23. Trade payables, other payables and accruals *(continued)*

(b) The Company

	2010	2009
	RMB'000	*RMB'000*
Other creditors and accruals	**1,991**	1,789
Dividends payable to the equity shareholders of the Company	**23**	140,942
Amounts due to subsidiaries	**9,648**	78,173
	11,662	220,904

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

24. Amounts due from related companies

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Ports International Retail Corporation	**2,980**	265
Ports International Enterprises Limited	**—**	1,715
PCD Stores (Group) Limited and its subsidiaries	**21,918**	10,231
	24,898	12,211

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

25. Interest-bearing borrowings

	The Group		**The Company**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans — secured	**355,783**	734,117	**51,054**	132,075
	355,783	734,117	**51,054**	132,075

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 2010, the banking facilities of the Group and the Company were secured by certain subsidiaries' fixed deposits of RMB501,929 thousand (2009: RMB626,792 thousand) and RMB51,054 thousand (2009: RMB132,075 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 RMB829,628 thousand (2009: RMB810,060 thousand) and RMB127,635 thousand (2009: RMB132,075 thousand) respectively, of which RMB355,783 thousand (2009: RMB734,117 thousand) and RMB51,054 thousand (2009: RMB132,075 thousand) were utilised as at 31 December 2010 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 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
Balance at 1 January 2010		**1,492**	**53,743**	**456,851**	**151,259**	**24,365**	**687,710**
Dividend declared	26(b)	**—**	**—**	**—**	**(141,681)**	**(135,677)**	**(277,358)**
Shares issued under share option scheme	26(c)(ii)	**9**	**(11,318)**	**56,003**	**—**	**—**	**44,694**
Equity settled share-based transactions		**—**	**52,156**	**—**	**—**	**—**	**52,156**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**123,320**	**123,320**
Balance at 31 December 2010		**1,501**	**94,581**	**512,854**	**9,578**	**12,008**	**630,522**

(b) Dividends

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

	2010 RMB'000	2009 RMB'000
Interim dividend approved and paid of RMB0.25 (2009: RMB0.24) per share	**141,681**	134,954
Special interim dividend approved of RMBnil (2009: RMB0.25) per share	**—**	140,942
Final dividend proposed after the balance sheet date of RMB0.24 (2009: RMB0.24) per share	**136,338**	135,305
	278,019	411,201

(Expressed in thousands of Renminbi Yuan)

26. Capital, reserves and dividends *(continued)*

(b) Dividends *(continued)*

Pursuant to a board resolution dated 26 August 2010, the Company approved the payment of an interim dividend of RMB0.25 per share. A difference of RMB176 thousand between the interim dividend proposed in the interim report for the six months ended 30 June 2010 and the amount eventually paid represents the additional dividends distributed to the holders of shares which were issued upon the exercise of share options 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.

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

	2010 ***RMB'000***	2009 *RMB'000*
Special interim dividend approved in the previous financial year and paid during the year of RMB0.25 per share (2009: RMBnil per share)	**140,942**	—
Final dividend in respect of the previous financial year, approved during the year, of RMB0.24 per share (2009: RMBnil per share)	**135,677**	—

Pursuant to a board resolution dated 30 March 2010, the Company approved 2009 final dividend of RMB0.24 per share. A difference of RMB372 thousand between the final dividend proposed in the 2009 annual report and the amount eventually approved and paid during the year represents the additional dividend distributed to the holders of shares which were issued upon the exercise of share options during the period from the date the 2009 annual report was authorised for issue and the closing date of the register of members based on which the final dividends for the year ended 31 December 2009 were actually paid.

(Expressed in thousands of Renminbi Yuan)

26. Capital, reserves and dividends *(continued)*

(c) Share capital

(i) Authorised and issued share capital

	The Group and the Company			
	2010		*2009*	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.0025 each	**3,600,000,000**	**9,000**	3,600,000,000	9,000
	3,600,000,000	**9,000**	3,600,000,000	9,000
Issued and fully paid:				
At the beginning of the year	**563,769,586**	**1,409**	560,934,388	1,402
Shares issued under share option scheme	**4,305,311**	**11**	2,835,198	7
At the end of the year	**568,074,897**	**1,420**	563,769,586	1,409
		***RMB'000* equivalent**		*RMB'000* equivalent
		1,501		1,492

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 2010, options were exercised to subscribe for 4,305,311 ordinary shares of HK$0.0025 each of the Company at a total consideration of HK$ 51,300 thousand (equivalent to RMB44,694 thousand), of which HK$11 thousand (equivalent to RMB9 thousand) was credited to share capital. The excess of the consideration over the nominal value of the shares, amounting to RMB44,685 thousand was credited to the share premium account. RMB11,318 thousand has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(n)(ii).

26. Capital, reserves and dividends *(continued)*

(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.

Pursuant to a shareholders' special resolution dated 1 June 2010, the Company's Bye-laws were amended so that dividends may be paid out of contributed surplus.

(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 2010 was RMB21,586 thousand (2009: RMB24,365 thousand).

(Expressed in thousands of Renminbi Yuan)

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.

(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		

(Expressed in thousands of Renminbi Yuan)

27. Equity settled share-based transactions *(continued)*

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

	2010		2009	
	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$15.592**	**33,223,809**	HK$10.100	11,827,846
Granted	**—**	**—**	HK$17.320	24,324,000
Exercised	**HK$11.915**	**(4,305,311)**	HK$7.536	(2,835,198)
Cancelled	**HK$17.320**	**(428,472)**	HK$14.806	(92,839)
Outstanding at end of year	**HK$16.123**	**28,490,026**	HK$15.592	33,223,809
Exercisable at the end of year	**HK$14.620**	**12,650,352**	HK$10.905	8,951,259

The options outstanding at 31 December 2010 have an exercise price in the range of HK$2.625 to HK$17.320 and a weighted average contractual life of 7.96 years (2009: 8.70 years).

During the year ended 31 December 2010, the employees of the Group exercised options relating to the share options granted on 3 November 2003, 1 September 2006 and 14 July 2009 to subscribe 240,985 ordinary shares (2009: 1,297,439), 3,497,923 ordinary shares (2009: 1,537,759) and 566,403 (2009: None) respectively. In addition, none (2009: none) of the Company's directors exercised options to subscribe for any ordinary shares of the Company (2009: none).

Details of share options exercised during the year ended 31 December 2010 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$22.12	633	240,985
1 September 2006	HK$11.68	HK$22.47	40,856	3,497,923
14 July 2009	HK$17.32	HK$21.67	9,811	566,403

(Expressed in thousands of Renminbi Yuan)

27. Equity settled share-based transactions *(continued)*

(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.

(Expressed in thousands of Renminbi Yuan)

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 2010, the Group's strategy, which was unchanged from 2009, 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 2010 and 2009 was as follows:

		The Group		**The Company**	
		2010	2009	**2010**	2009
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Current liabilities:					
Trade payables, other payables and accruals	23	**230,423**	369,685	**11,662**	220,904
Interest-bearing borrowings	25	**355,783**	734,117	**51,054**	132,075
Current taxation	18(a)	**23,473**	19,916	**—**	—
Total debt		**609,679**	1,123,718	**62,716**	352,979
Total equity		**1,648,569**	1,357,756	**630,522**	687,710
Debt-to-equity ratio		**37%**	82%	**10%**	51%
Gearing ratio		**22%**	54%	**8%**	19%

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 2010, none of the required covenants had been breached.

29. Investments in subsidiaries

	The Company	
	2010	2009
	RMB'000	*RMB'000*
Unlisted shares, at cost	**152,388**	152,397
Fair value of guarantee issued in favour of subsidiaries	**7,796**	5,513
Cumulative fair value of share options granted to employees of subsidiaries	**129,469**	77,573
	289,653	235,483

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$300/HK$300	—	Investment holding
Ports 1961 Macau Limited	Macau	—	100	MOP25/MOP25	—	Sales of garments
Ports Retail (H.K.) Limited	Hong Kong	—	100	HK$300/HK$300	—	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
Cpax Ltd. (formerly known as Century Ports Apparel (Xiamen) Ltd.) (i)	PRC	—	100	—	USD374/USD374	Manufacturing and sales of garments
Ports Fashion (Xiamen) Ltd. (i)	PRC	—	100	—	RMB322,000/ RMB322,000	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	—	100	USD0.95/ USD0.95	—	Investment holding
PVT HK Limited	Hong Kong	—	100	HK$0.001/ HK$0.001	—	Investment holding
Vivienne Tam Fashion (Xiamen) Ltd. (i)	PRC	—	100	—	HKD10,000/ HKD10,000	Manufacturing and sales of garments
Evercorp Trading Limited	British Virgin Islands	—	100	USD0.001/ USD0.001	—	Dormant

Note:

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

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 carry fixed rates in order to limit its exposure to interest rate risk.

As at 31 December 2010, the interest-bearing borrowings of the Group and the Company amounted to RMB355,783 thousand (2009: RMB734,117 thousand) and RMB51,054 thousand (2009: RMB132,075 thousand) respectively, which carry fixed interest rates ranging from 1.09% to 1.32% and 1.29% respectively (2009: from 1.05% to 1.62% and 1.05% to 1.17% 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 rates 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.

(Expressed in thousands of Renminbi Yuan)

30. Financial Instruments *(continued)*

(c) Foreign currency risk *(continued)*

(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 2010		
	United States Dollars *RMB'000*	**Hong Kong Dollars** *RMB'000*	**Euro** *RMB'000*
Trade and other receivables	**33,652**	**13,813**	**4,924**
Cash and cash equivalents	**47,936**	**148,980**	**11,983**
Trade and other payables	**(28,110)**	**(284)**	**(9,203)**
Interest-bearing borrowings	**—**	**(355,783)**	**—**
Overall net exposure	**53,478**	**(193,274)**	**7,704**

	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

(Expressed in thousands of Renminbi Yuan)

30. Financial Instruments *(continued)*

(c) Foreign currency risk *(continued)*

(i) Exposure to currency risk (continued)

The Company

	As at 31 December 2010	
	United States Dollars ***RMB'000***	**Hong Kong Dollars** ***RMB'000***
Trade and other receivables	**38,429**	**4,541**
Cash and cash equivalents	**1,176**	**7,019**
Trade and other payables	**—**	**—**
Interest-bearing borrowings	**—**	**(51,054)**
Overall net exposure	**39,605**	**(39,494)**

	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)

(Expressed in thousands of Renminbi Yuan)

30. Financial Instruments *(continued)*

(c) Foreign currency risk *(continued)*

(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.

	2010		2009	
	Increase/ (decrease) in the Group's profit after tax	**Increase/ (decrease) in consolidated equity**	Increase/ (decrease) in the Group's profit after tax	Increase/ (decrease) in consolidated equity
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
United States Dollars				
— 5% strengthening of RMB	**(2,032)**	**(2,032)**	(2,799)	(2,799)
— 5% weakening of RMB	**2,032**	**2,032**	2,799	2,799
Euros				
— 5% strengthening of RMB	**(293)**	**(293)**	(341)	(341)
— 5% weakening of RMB	**293**	**293**	341	341
Hong Kong Dollars				
— 5% strengthening of RMB	**11,614**	**11,614**	34,165	34,165
— 5% weakening of RMB	**(11,614)**	**(11,614)**	(34,165)	(34,165)

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 2009.

(Expressed in thousands of Renminbi Yuan)

30. Financial Instruments *(continued)*

(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 2010 and 31 December 2009 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 RMB355,783 thousand and RMB51,054 thousand respectively as at 31 December 2010, their total contractual undiscount cash outflow amounted to RMB356,527 thousand and RMB51,339 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 2009 and 2010 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	
	2010	2009
	RMB'000	*RMB'000*
Less than one year	**72,324**	87,306
Between one and five years	**64,947**	81,353
More than five years	**2,641**	3,407
	139,912	172,066

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.

(Expressed in thousands of Renminbi Yuan)

31. Commitments *(continued)*

(b) Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2010 and 2009 but not provided for in the consolidated financial statements were as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Contracted for	**47,563**	50,000
Authorised but not contracted for	**163,500**	141,000
	211,063	191,000

32. Contingent liabilities

	The Company	
	2010	2009
	RMB'000	*RMB'000*
Guarantees issued to banks in favour of subsidiaries	**304,729**	602,042
Guarantees issued to a third party in favour of a subsidiary	**—**	14,043
	304,729	616,085

The Company provides corporate guarantees to banks in respect of certain bank loans facilities utilised by the subsidiaries. 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 2010, 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.

(Expressed in thousands of Renminbi Yuan)

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 2011. Further details are disclosed in note 26(b).

35. Immediate and ultimate controlling party

As at 31 December 2010, 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 2010

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 2010 and which have not been adopted in these financial statements.

	Effective for accounting period beginning on or after
Revised IAS 24, Related party disclosures	1 January 2011
IFRS 9, Financial Instruments	1 January 2013
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Amendments to IAS 12, Income taxes	1 January 2012

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.

INFORMATION FOR INVESTORS

Shareholder's Calendar

Close of Register

24 May 2011 to 27 May 2011, both days inclusive

Annual General Meeting

Friday, 27 May 2011 at 9:30 a.m.

LISTING INFORMATION

Share Listing

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

Stock Code

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

Price History

2010	PER SHARE		
MONTH	High (HK$)	Low (HK$)	Total Volume
January	27.20	20.10	38,669,601
February	22.70	17.96	58,609,108
March	22.35	18.72	67,027,760
April	20.90	18.54	66,064,763
May	19.54	15.52	44,182,042
June	20.50	17.52	31,354,314
July	22.20	18.96	30,832,467
August	22.30	18.66	39,226,519
September	22.10	18.88	35,763,187
October	21.80	18.50	38,763,691
November	24.25	18.46	56,237,677
December	24.00	20.00	22,624,074
2011			
January	22.75	20.60	25,598,068
February	22.80	18.46	34,147,370
March	19.76	17.40	35,450,962

Dividends per share

Interim Dividend: RMB0.25 per share
Paid on: 20 December 2010

Board of Directors

Edward Han Kiat Tan*, *Chairman*

Alfred Kai Tan Chan*, *Chief Executive & Managing Director*

Pierre Frank Bourque*, *Executive Vice President*

Julie Ann Enfield, *Non-executive Director*

Rodney Ray Cone, *Independent Non-executive Director*

Valarie Wei Lynn Fong, *Independent Non-executive Director*

Peter Nikolaus Bromberger, *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
17M, Hopewell Center
183 Queen's Road East
Hong Kong

BMW Lifestyle

Sheer
Driving Pleasure