PORTS DESIGN LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 0589)

ANNUAL REPORT 2014

CONTENTS

CORPORATE PROFILE

PORTS DESIGN LIMITED (the "Company", together with its subsidiaries, the "Group") is a vertically integrated international fashion and luxury goods company with its own design, manufacture, wholesale and retail capabilities. It is primarily engaged in the wholesale and retail distribution of ladies' and men's fashion apparels and accessories such as shoes, handbags, eyewear, scarves and fragrances in China, the U.S., Canada and Europe, under the PORTS brand name. As at 31 December 2014, the Group operated 310 retail stores. The Group currently operates most of its business activities in the PRC market and is one of the leading international fashion companies in China.

The Group markets and sells its PORTS branded products in the PRC through concessions in major department stores, retail stores in upscale shopping arcades and stand-alone upscale retail stores which are located in over 60 cities in China, including, among others, Beijing, Shanghai, Chongqing, Shenzhen, Tianjin, Xi'an and Dalian.

The Group has also entered into various licensing and cooperation agreements with top tier international brands such as BMW Lifestyle, Armani and Versace, pursuant to which the Group has been granted with the right to sell their selected products in dedicated retail outlets operated by the Group in the PRC. In particular, Bayerische Motoren Werke AG ("BMW") has granted the Group the right to use the BMW trademark and BMW logo on BMW Lifestyle products that are manufactured by the Group; the right includes the license to design and manufacture products such as watches, sunglasses and leather goods. The right to market BMW Lifestyle products in China, other than in BMW car dealer showrooms, is exclusive to the Group during the term of the license.

The Group reports its business under "Retail" and "Others" segments. The Retail segment mainly comprises of the PORTS and BMW Lifestyle retail business. The "Others" segment comprises the OEM business (which exports merchandise under the brands requested by our OEM customers in North America, Europe and Asia), wholesale of PORTS branded merchandize including eyewear and export of BMW Lifestyle goods to North America and Europe.

CORPORATE INFORMATION

Directors

Executive Directors

Mr. Alfred Chan
(Chief Executive Officer)
Mr. Pierre Bourque
Mr. He Kun[1]

Non-executive Director

Mr. Ian Hylton[2]

Independent Non-executive Directors

Mr. Lin Tao
Mr. Zheng Wanhe
Mr. Antonio Gregorio

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Headquarter

No. 698, Qiaoying Road
Jimei District, Xiamen
China 361021

Principal Place of Business in Hong Kong

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

Company Secretary

Ms. Irene Wong

Authorized Representatives

Mr. Alfred Chan
Mr. Pierre Bourque

Audit Committee

Mr. Lin Tao *(Chairman)*
Mr. Zheng Wanhe
Mr. Antonio Gregorio

Remuneration Committee

Mr. Zheng Wanhe *(Chairman)*
Mr. Alfred Chan
Mr. Lin Tao

Nomination Committee

Mr. Alfred Chan (Chairman)
Mr. Lin Tao
Mr. Antonio Gregorio

Principal Share Registrar and Transfer Office

Appleby Management
(Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Share Registrar

Computershare
Hong Kong Investor
Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Hong Kong & Shanghai
Banking Corporation
Limited
Xiamen Branch
PRC

Bank of China (Hong Kong)
Limited
International Finance
Centre Branch
Hong Kong

Company Website

www.portsdesign.com

Stock Code

00589.HK

Notes:

1. *Mr. He Kun was appointed as executive Director with effect from 21 July 2014.*
2. *Mr. Ian Hylton resigned as non-executive Director with effect from 21 July 2014.*

FIVE-YEAR FINANCIAL SUMMARY

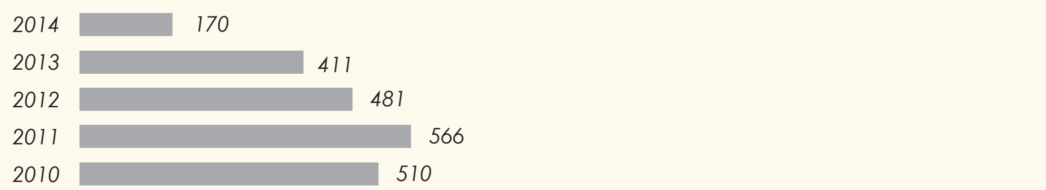
(Financial figures are expressed in Renminbi ("RMB") million)

	for the year ended 31 December				
	2014	2013	2012	2011	2010
Results					
Turnover	1,879	2,137	2,098	1,985	1,718
Profit from operations	170	411	481	566	510
Profit attributable to shareholders	73	293	351	430	473
Assets and liabilities					
Non-current assets	648	646	703	583	396
Current assets	2,401	2,383	2,318	2,580	2,007*
Current liabilities	871	975	1,087	1,312	746*
Net current assets	1,530	1,408	1,231	1,268	1,261
Total assets less current liabilities	2,177	2,054	1,933	1,851	1,657
Non-current liabilities	80	31	81	7	8
Shareholders' Equity	2,075	1,997	1,839	1,833	1,649

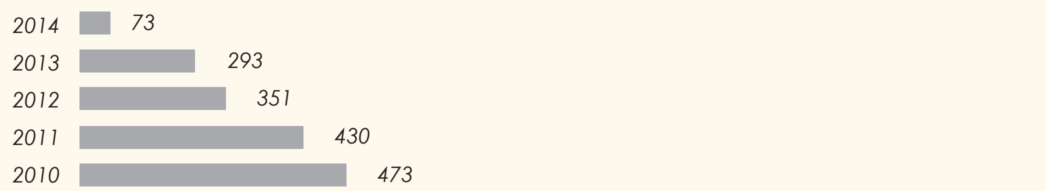
* *Restated*

Turnover
(RMB million)

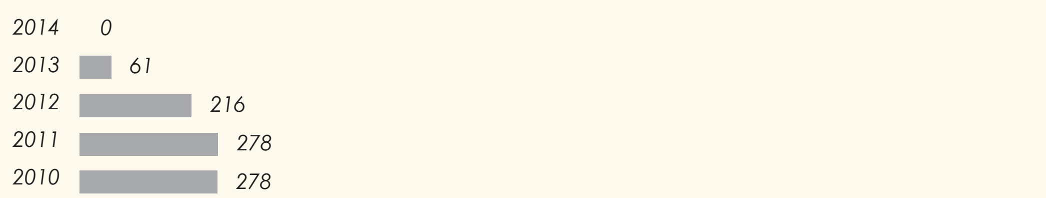
Profit from operations
(RMB million)



Profit Attributable to Shareholders
(RMB million)



Dividend History*
(RMB million)



* *The figure illustrates dividends declared for the period indicated, not actual dividends paid during the period indicated.*

No interim and final dividend was proposed for FY2014.

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

In 2014, the Group faced a very tough operational environment across the globe and there was no exception to China, which had enjoyed a long period of rapid economic growth in the past few years. Since the beginning of the year, the deceleration of the growth momentum of China has become apparent and the consensus among economists and the public is that such trend is continuing and may well extend in short to medium term. The on-going structural economic shifts and advocacy of frugality have caused an adverse impact on customer's sentiment, which curtails purchases particularly on the luxury and high-end merchandizes which our Group's principal business is focused on.

During such economic and industry downturn, the Group has proactively responded to the sluggish retail market by closely monitoring the cost of operations and rationalizing our retail store network, which involves the closure and consolidation of underperforming stores to enhance overall efficiency, as well as the opening of upscale retail stores at prominent locations to showcase our latest fashionable concept and design to our customers, with a view to offering them the most pleasant experience of shopping at the venue. The long awaited Canton Road store (Hong Kong) and Nanjing Xi Road store (Shanghai) have commenced their soft openings towards the end of 2014 and early 2015, respectively, representing a significant milestone to the development of our sales network in our recent history.

Meanwhile, the Group has also taken the initiative to build up and improve the e-commerce business channel, which is no doubt of growing importance to all retailers, regardless of whether you are distributing mid-priced, affordable luxury or luxury commodities. We are pleased to observe that the result at this fairly early stage is encouraging, with increasing traffic of our site and a high double digit sales growth as compared with the previous year. We are optimistic that we will be able to take full advantage of the fast growing trend in internet shopping in both foreseeable and long term future.

Apart from the continuing investment of our core "Ports 1961" label, which has proven its brand appeal to fashion icons, artists and customers all over the world, we are also looking to explore the creation of additional labels in the affordable luxury sector in light of the recent trend in the fashion industry. We believe that we shall be able to leverage our success and heritage of Ports 1961 to develop a broader selection of product categories for fashion lovers in different segments.

Looking ahead to 2015, the overall macroeconomic environment is expected to remain challenging and complicated. The adoption of quantitative easing by the European Central Bank and the Bank of Japan to stimulate their flagging economies, coupled with the speculation over the official interest rates of the Federal Reserve, may cause uncertainty over the investment or consumption appetite in the globe. On the local front, there are headwinds from the Chinese mainland's structural transition as well as the central government's encouragement of local spending to boost the economy. In any event, the local demand for luxury goods looks to remain relatively weak amid of the anti-extravagance policies of the central government and as such, our principal business may continue to suffer in immediate term despite our confidence over our brand appeal and the long term prospect of the luxury consumption sector in China.

The combination of the foregoing factors have prompted the management to conduct a serious review over the direction and strategy of the Group, taking into consideration of our experience and networks established in our over twenty years of history in doing business in China, during which we witnessed China's development from one of the fast growing developing countries to the second largest economy by nominal GDP. With the abundant financial resources of the Group, opportunities of potentials in different natures in China and most importantly, strong execution abilities and multiple expertise of our senior management, we consider that while the Group shall continue its endeavours to build and promote the core Ports brand as one of the leading fashion labels in the industry, we shall also utilize our resources to seize any appropriate and prospective opportunity in the market to generate a better yield to our shareholders. With the turmoil in the economy and retail environment in the immediate term in China, a more diversified scope of business will likely provide the Group with a more stable return resulting from multiple sources of revenues. In a difficult operational environment as we currently stand, we ought to approach and manage the situation with a more opened and innovative mentality, however, we must strictly adhere to our principle of prudent and cautious management which have brought us with success for so many years so that there is a right balance between enhancing return to our stakeholders on one hand and maintaining a solid financial position for the long term development and sustainability of the Group on the other hand.

It is indeed a very demanding moment for every member across the organization who render their efforts tirelessly to ensure that the Group is heading towards the right direction and operating in the best possible condition. I wish to take this opportunity to sincerely thank all my colleagues for their hard work and commitment. I am proud to work alongside them.

Alfred Chan
Chief Executive Officer

31 March 2015

Turnover

Turnover of the Group decreased from RMB2,137.1 million in FY2013 to RMB1,879.4 million in FY2014, representing a decrease of 12.1%. Turnover comprises two reportable segments: Retail and Others. Please refer to note 2(b) under section "Notes to the Financial Statements" for further details.

Retail Turnover

Retail turnover decreased from RMB1,970.1 million in FY2013 to RMB1,723.6 million in FY2014, representing a decrease of 12.5%. A weak consumption appetite across the luxury goods sector in the PRC attributed such reduction in sales. As at 31 December 2014, the Group operated 310 retail stores in the PRC, Hong Kong, the U.S. and Canada as compared with 352 retail stores as at 31 December 2013. We are consolidating and optimizing our store network in order to maintain a more commercially efficient network, with focus on the opening of upscale retail stores in prominent shopping areas and high-end shopping malls. The contribution from Retail segment to total turnover decreased from 92.2% in FY2013 to 91.7% in FY2014.

Others Turnover

Others turnover decreased by 6.7%, from RMB167.0 million in FY2013 to RMB155.8 million in FY2014. Such decrease was resulted from the decrease in income from wholesale business. The contribution from Others segment to total turnover increased from 7.8% in FY2013 to 8.3% in FY2014.

Gross Profit

Gross profit decreased from RMB1,735.2 million in FY2013 to RMB1,518.1 million in FY2014, representing a decrease of 12.5%. Gross profit margin slightly decreased to 80.8% in FY2014 (FY2013: 81.2%).

Retail Gross Profit

Retail gross profit decreased by 13.0% from RMB1,692.2 million in FY2013 to RMB1,472.4 million in FY2014. Retail gross profit margin slightly decreased to 85.4% in FY2014 (FY2013: 85.9%).

Others Gross Profit

Others gross profit increased from RMB43.0 million in FY2013 to RMB45.6 million in FY2014, representing an increase of 6.0%. The increase was attributable to the increase in gross profit margin of the OEM business which accounted for the largest portion of Others segment. Others gross profit margin increased from 25.8% in FY2013 to 29.3% in FY2014.

Other Revenue

Other revenue consisted of insurance compensation, design and decoration income, commission on liaison services as well as other income which may be recurrent or one-off in nature. Other revenue decreased by 29.7%, from RMB7.4 million in FY2013 to RMB5.2 million in FY2014 primarily attributable to the decreases in insurance compensation and commission on liaison services.

Operating Expenses

Operating expenses consisted of distribution costs, administrative expenses and other operating expenses. Operating expenses increased from RMB1,331.4 million in FY2013 to RMB1,351.9 million in FY2014, representing an increase of 1.5%. A more detailed breakdown is set out as follows:

Distribution costs

Distribution costs mainly comprised of rental charges, salaries and benefits, stores and mall expenses, depreciation charges and marketing expenses. Distribution costs increased from RMB1,050.8 million in FY2013 to RMB1,066.6 million in FY2014, representing an increase of 1.5% (FY2013 versus FY2012: 8.0%). Although expenses on salaries and benefits as well as depreciation charges were decreased due to the consolidation of our retail network, our rental expenses increased for the reasons below, resulting in the overall increase in the distribution costs. Distribution costs as a percentage of retail turnover increased to 61.9% in FY2014 (FY2013: 53.3%).

Rental charges increased by 8.5% (FY2013 versus FY2012: 8.8%) from RMB469.0 million in FY2013 to RMB508.9 million in FY2014. Rental charges as a percentage of retail turnover has risen to 29.5% in FY2014 (FY2013: 23.8%). Such increase was due to the high rental charges of our stores opened in the most prominent locations in a city, in particular the stand-alone upscale retail stores in prime shopping areas or stores in high-end shopping malls. The management is endeavored to showcase and present our fashion concepts at such location and in such layout consistent with the positioning as an up-and-coming international fashion brand.

Marketing expenses, including the advertising costs and promotion fee in relation to our brand development, increased by 20.6% from RMB79.6 million in FY2013 to RMB96.0 million in FY2014. As a percentage of retail turnover, it was increased from 4.0% in FY2013 to 5.5% in FY2014.

Salaries and benefits to retail sales staff decreased from RMB212.6 million in FY2013 to RMB201.2 million in FY2014, representing a decrease of 5.4% (FY2013 versus FY2012: an increase of 8.0%). The decrease was mainly due to the decrease in commission of front line sales staff. Salaries and benefits as a percentage of retail turnover increased from 10.8% in FY2013 to 11.7% in FY2014.

Depreciation charges decreased from RMB112.7 million in FY2013 to RMB95.9 million in FY2014, representing a decrease of 14.9%. This decrease was attributed to the streamlining of the retail network. Depreciation charges as a percentage of retail turnover decreased to 5.6% in FY2014 (FY2013: 5.7%).

Administrative expenses

Administrative expenses increased from RMB104.1 million in FY2013 to RMB112.8 million in FY2014, representing an increase of 8.3%. Administrative expenses as a percentage of total turnover increased slightly to 6.0% in FY2014 (FY2013: 4.9%).

Salaries and benefits for administrative staff, the single largest category of administrative expenses, increased from RMB62.5 million in FY2013 to RMB65.5 million in FY2014, representing an increase of 4.8%. The increase was mainly due to the continuing recruitment or engagement of experienced staff responsible for the exploration and management of opportunities in the overseas market, which the management considers essential to maintain and enhance the brand exposure in the major fashion cities in the globe. Salaries and benefits for administrative staff as a percentage of total turnover increased slightly to 3.5% in FY2014 (FY2013: 2.9%).

Other operating expenses

Other operating expenses decreased from RMB176.5 million in FY2013 to RMB172.5 million in FY2014, representing a decrease of 2.3% or RMB4.0 million, due to the decrease in the stock provision. The Group closely monitored the inventory level and assessed the amount of stock provision from time to time based on historical experience, current market condition and the Group's business plan in future. In FY2014, the stock provision made as a percentage of retail turnover increased to 10.0% (FY2013: 9.0%).

Profit from Operations

The Group's profit from operations decreased from RMB411.1 million in FY2013 to RMB170.2 million in FY2014, representing a decrease of 58.6% or RMB240.9 million. The Group's operating margin (i.e. profit from operations expressed as a percentage of total turnover) declined from 19.2% in FY2013 to 9.1% in FY2014.

Net Finance Costs/Income

Net finance costs/income decreased from an income of RMB21.2 million in FY2013 to a loss of RMB1.1 million in FY2014, representing a decrease of 105.2%. In FY2014, the Group reported an interest income of RMB32.6 million, representing a decrease of RMB1.4 million, from RMB34.0 million in FY2013. On the other hand, interest expense for the Group decreased by RMB10.5 million, from RMB22.6 million in FY2013 to RMB12.1 million in FY2014 due to the repayment of loans and borrowings. The Group recorded an exchange loss of RMB17.0 million in FY2014, as compared to a gain of RMB14.7 million in FY2013 due to the Euros denominated net assets depreciated against RMB during the second half of FY2014.

Income Tax

The Group's income tax expense decreased by 28.4% from RMB134.7 million in FY2013 to RMB96.5 million in FY2014. The effective income tax rate increased from 31.2% in FY2013 to 57.1% in FY2014 due to certain current year losses for which no deferred tax asset was recognized.

Profit attributable to shareholders

As a result of the factors discussed above, profit attributable to shareholders of the Company decreased from RMB293.4 million in FY2013 to RMB73.2 million in FY2014, representing a decrease of 75.0%.

Financial Position, Liquidity and Gearing Ratio

As at 31 December 2014, the Group had RMB1,315.2 million in cash and cash equivalents, fixed deposits with banks and pledged bank deposits, which was increased by 1.7% as compared to RMB1,293.4 million as at 31 December 2013. As at 31 December 2014, the Group had interest-bearing borrowings of RMB602.1 million, decreased by 16.0% from RMB717.2 million as at 31 December 2013. As such, the interest expenses decreased by 46.4% to RMB12.1 million as at 31 December 2014 (as at 31 December 2013: RMB22.6 million).

Net cash generated from operations activities was RMB213.3 million in FY2014 as compared with RMB417.3 million in FY2013, representing a decrease of 48.9% due to the decrease in profit before income tax during FY2014.

As at 31 December 2014, the Group's gearing ratio was 28.7% based on outstanding borrowings and total equity of RMB2,096.8 million (as at 31 December 2013: 35.4%). As at 31 December 2014, the current ratio was 2.76 based on current assets of RMB2,401.1 million and current liabilities of RMB871.4 million (as at 31 December 2013: 2.44).

Currency Risk Management

The Group's cash balances from normal business operations are mainly deposited in RMB, US$, HK$ and the European Union common currency ("Euro(s)"), with major banks in Hong Kong and the PRC and hence, the Group is exposed to foreign exchange risk arising from the fluctuation of exchange rate among those currencies. The management will continue to monitor the foreign exchange risks of the Group on a regular basis. The Group does not employ any financial instruments for hedging purposes.

Capital Commitments and Contingent Liabilities

As at 31 December 2014, the Group had capital commitments of RMB43.5 million, as compared with RMB58.8 million as at 31 December 2013, which was authorized but not contracted for. The Group has no material contingent liabilities as at 31 December 2014.

Capital Structure of the Group

The Group required working capital to support its manufacturing, retail and other operations. As at 31 December 2014, the Group had cash, cash equivalents, fixed deposits with banks and pledged bank deposits of RMB1,315.2 million, denominated principally in RMB, US$, HK$ and Euros. As at 31 December 2014, the Group had interest-bearing borrowings of RMB602.1 million, denominated principally in US$ and HK$. The Directors believe that the cash balances and net cash inflow from operating activities are sufficient to support the operating activities of the Group.

Charges on Assets

As at 31 December 2014, the Group's bank deposits in the amount of RMB284.9 million were pledged to secure banking facilities and bank borrowings granted to the Group in connection with its operation in the ordinary course of business.

Human Resources

As at 31 December 2014, the Group had approximately 4,700 employees. Total personnel expenses, comprised of wages, salaries, and benefits, amounted to RMB387.0 million in FY2014, compared with RMB388.1 million in FY2013, representing an decrease of 0.3%. In FY2014, total personnel expenses as a percentage of the Group's turnover was at 20.6% (FY2013: 18.2%).

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the "Board") strives to maintain a high standard of corporate governance practice, which would provide a solid foundation for effective management and healthy corporate structure. The Company emphasizes on quality board leadership, sound internal controls and accountability to all shareholders as key principles of good corporate governance within the Group.

The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2014.

The Board

During the year 2014 and up to the date of this report, the directors of the Company (the "Directors") are:

Executive Directors

Mr. Alfred Chan *(Chief Executive Officer)*
Mr. Pierre Bourque
Mr. He Kun[1]

Non-executive Director

Mr. Ian Hylton[2]

Independent non-executive Directors

Mr. Lin Tao
Mr. Zheng Wanhe
Mr. Antonio Gregorio

Notes:

1. *Mr. He Kun was appointed as executive Director with effect from 21 July 2014.*

2. *Mr. Ian Hylton resigned as non-executive Director with effect from 21 July 2014.*

Details of the Directors and senior management are set out on pages 38 to 39 of this report.

As of 31 December 2014, the Board comprises six Directors, including three executive Directors and three independent non-executive Directors. Therefore, the Company has complied with the requirement of the Listing Rules in having at least three independent non-executive directors.

Pursuant to bye-law 99 of the bye-laws of the Company, Mr. Alfred Chan shall retire by rotation in the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Pursuant to bye-law 102(B) of the bye-laws of the Company, Mr. He Kun who has been appointed by the Board as executive Director with effect from 21 July 2014, shall hold office until the forthcoming annual general meeting and shall then be eligible for re-election.

Since the resignation of Mr. Edward Tan, the former Chairman of the Company, the Company has been in the search of personnel to be the Chairman of the Company. Mr. Pierre Bourque, an executive Director since the listing of the Company, is assuming the duties of the Chairman. Mr. Pierre Bourque is responsible for managing and providing leadership to the Board, initiating communication with other Board members, in particular the non-executive Directors and, where appropriate, and considering any matters proposed by other Directors for inclusion in the agenda of Board meeting. The Company will continue to look for appropriate candidate to take up the position as the Chairman and will notify our shareholders and the public as appropriate.

Mr. Alfred Chan, the Chief Executive Officer of the Company, is directly responsible for the day-to-day management of the business of the Company and the monitoring of the operational performance of the Company. The Chief Executive Officer also reviews and discusses with the Board members the business plans, the overall execution, and recommends courses of action to improve the performance of the Company.

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 overall strategies and policies of the Group. The Board is also responsible for providing leadership and control of the Company and monitoring the performance of the management, which is responsible for the day-to-day operations of the Company. Executive Directors and senior management assume the responsibilities on the daily operations of the Company. Decisions of the Board, including strategic policies, financial plans and corporate objectives, are communicated to the management through the executive Directors and their delegates. The Board is also responsible for developing appropriate policy to enhance the corporate governance of the Company, and performing the duties set out in code provision D.3.1 of the Corporate Governance Code.

The independent non-executive Directors bring independent judgment, knowledge and experience to the Board's deliberations. The independent non-executive 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 they have provided adequate checks and balances for safeguarding the interests of all shareholders and the Group. The Directors are given access to independent professional support at the Company's expense, when the Directors deem it necessary to carry out their responsibilities.

The Board has received from each of its independent non-executive Directors a written annual confirmation of their independence and considers that all the independent non-executive Directors to be independent in character and judgment. No independent 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.

Our independent non-executive Directors are appointed for a term of three years, subject to retirement and re-election according to the bye-laws of the Company.

For the financial year ended 31 December 2014, the Board held four full board meetings. Under each of the Board meetings, Directors could suggest matters for inclusion into the agenda for discussion at the Board meetings. All Directors have access to Board's papers and relevant materials from the Company so that they are able to make informed decisions on matters placed before them. When a Director is unable to attend a meeting, he would be informed for the content and results of the Board meeting.

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 pages 42 to 43 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 were 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 Companies Ordinance of Hong Kong and the applicable accounting standards.

Safeguarding Assets

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

Directors' Securities Transactions

The Company 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 in their securities transactions throughout the year. Directors' interests in the shares of the Company are set out on page 30 of this report.

Remuneration of Directors

In FY2014, 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 retail industry and the prevailing market conditions. Details of the remuneration and emoluments awarded are set out on pages 71 to 72 of this report.

Remuneration Committee

The Board has established a Remuneration Committee which comprises three Board members. The Remuneration Committee is chaired by Mr. Zheng Wanhe, an independent non-executive Director. The other two members are the Chief Executive Officer, Mr. Alfred Chan and Mr. Lin Tao, an independent non-executive Director. The Remuneration Committee is responsible for the development and administration of procedures for the determination of remuneration policies on the remuneration of Directors and senior management of the Company, including their remuneration packages and assessing performance of executive directors. Executive Directors, however, do not participate in the determination of their own remuneration. The Remuneration Committee is authorised by the Board to make recommendations to the Board on the remuneration payable to executive Directors and members of senior management, the emolument policies and the basis for determining such emoluments.

The Remuneration Committee held one meeting in the financial year ended 31 December 2014, at which the policy for the remuneration of Directors and senior management of the Company, the performance of Directors and the remuneration packages of Directors and senior management of the Company were considered.

Nomination Committee

The Nomination Committee is chaired by the Chief Executive Officer, Mr. Alfred Chan. The other two members are Mr. Lin Tao and Mr. Antonio Gregorio, both independent non-executive Directors. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee is also responsible for the development of the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship. The Nomination Committee shall also make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors when needed.

The Nomination Committee held two meeting in the financial year ended 31 December 2014, at which the structure, size and composition of the Board were considered, the policy for nomination of directors, the nomination procedures and the process and criteria adopted by the nomination committee to select and recommend candidates for directorship during the year were reviewed.

The Company adopted a board diversity policy in October 2013 which set out the approach to achieve diversity on the Board.

The Company embraces the benefits of having a diverse Board, and sees diversity an important element in effective decision making and management.

The objective is to recognize the benefits and importance of diversity at the Board, the key decision making body in the Company, to enhance the quality of its performance and maintain a sustainable development in long run.

Board diversity shall be achieved through consideration of a number of factors and measurable objectives, including, but not limited to gender, age, ethnicity, educational background, professional expertise, industry experience, skills and knowledge.

All appointments of the Board members are made on merit against objective criteria and with due regard towards the achievement of diversity within the Board.

Audit Committee

The Audit Committee consists of Mr. Lin Tao, Mr. Zheng Wanhe and Mr. Antonio Gregorio, all of whom are independent non-executive Directors. The Audit Committee is chaired by Mr. Lin Tao. All committee members possess appropriate business and financial experience. The Audit Committee is authorized to obtain external professional advice if it considers necessary.

The Audit Committee held two meetings in the financial year ended 31 December 2014, at which the interim and annual results, internal control system, and its other duties under the Corporate Governance Code were considered.

The Audit Committee is responsible for monitoring the preparation of financial statements of the Company. In addition to the review of financial information of the Company, other primary duties of the Audit Committee include the monitoring and maintaining of the relationship with the Company's external auditors and overseeing of the Company's financial reporting system, internal control and risk management procedures. With respect to the Audit Committee's review of the Group's results for the financial year ended 31 December 2014, the Audit Committee has discussed with the senior management and the external auditors their respective audit findings, the accounting principles and practices adopted by the Group as well as the internal control, risk management and financial reporting matters.

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 this report. 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 the financial year ended 31 December 2014, the fees paid to the Company's auditors were for audit services as no non-audit service assignments have been undertaken by them.

Internal controls and risk management

The Board acknowledges that it is responsible for the management of the internal control system and reviewing its effectiveness. It has an overall responsibility for establishing and maintaining the operation of internal control systems and approval procedures. Executive Directors are appointed to the boards of all material operating subsidiaries in order to work closely with the senior management of the Group and monitor their performance to ensure that strategic objectives are implemented and business performance targets are met.

The Audit Committee works with the Group's finance team and other senior management members and reviews and monitors the internal control and approval procedures to ensure their effectiveness. The Company also develops a system of controls and procedures for the timely record, processing and reporting of information in the course of its operations.

Senior management responsible for the operations within the Group would prepare the business plan and budget on an annual basis, 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 usually 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 ceilings, which are set by reference to the level of responsibilities of the relevant executives and officers. Capital expenditures (including material expenditures within the approved budget as well as 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. Internal audit follows up with the management team on issues identified in the course of audit. It also evaluates the Group's internal control system and reports its findings to the Audit Committee, the Chief Executive Officer, the financial controller and relevant senior management within the Group.

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.

The Company is mined to strengthen the internal control and risk management processes of the Group by adopting and implementing various practices in the daily operations which provide check and balance across different levels of operations. Specifically, the Group reviews the procedures of payment audit and seal management whereby we rotate seal management personnel periodically and conduct checks to ensure that the relevant personnel are competent and discharging the duties appropriately and responsibly. For new businesses or any changes on operation, all related departments would coordinate in advance to ensure accuracy and efficiency of the underlying financial and administrative reporting. In addition, trainings on latest applicable regulations are provided to department managers from time to time so that they can monitor the implementation and compliance of the same in their respective departments.

In view of the above procedures and measures taken or to be taken by the Company, the Directors consider that the Company has complied with the code provisions on internal control for FY2014.

Board and Shareholders' Meetings

The number of full Board, Committee and Shareholders' meetings attended by each Director during the financial year ended 31 December, 2014 are as follows:

	Full Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2014 AGM
Executive Directors					
Mr. Alfred Chan	4/4	N/A	1/1	2/2	1
Mr. Pierre Bourque	4/4	N/A	N/A	N/A	1
Mr. He Kun[1]	2/2	N/A	N/A	N/A	N/A
Non-Executive Director					
Mr. Ian Hylton[2]	1/1	N/A	N/A	N/A	1
Independent Non-executive Directors					
Mr. Lin Tao	4/4	2/2	1/1	2/2	1
Mr. Zheng Wanhe	4/4	2/2	1/1	N/A	1
Mr. Antonio Gregorio	4/4	1/2	N/A	2/2	1

Notes:

1. *Mr. He Kun was appointed as executive Director with effect from 21 July 2014.*

2. *Mr. Ian Hylton resigned as non-executive Director with effect from 21 July 2014.*

Continuous Professional Development

Professional and continuous training of directors is essential for the purposes of developing and refreshing their knowledge and skills, which in turn facilitates their contribution to the Board. All Directors of the Company (including Mr. Alfred Chan, Mr. Pierre Bourque, Mr. He Kun, Mr. Lin Tao, Mr. Zheng Wanhe and Mr. Antonio Gregorio) have attended professional training in November 2014 provided by the Company's external legal advisors, in relation to the new Companies Ordinance, applicable rules on connected transactions, recent SFC cases as well as updates on other listing rules of relevance.

	Attending Professional Training
Executive Directors	
Mr. Alfred Chan	√
Mr. Pierre Bourque	√
Mr. He Kun[1]	√
Independent Non-executive Directors	
Mr. Lin Tao	√
Mr. Zheng Wanhe	√
Mr. Antonio Gregorio	√

Note:

1. *Mr. He Kun was appointed as executive Director with effect from 21 July 2014*

Shareholders' Rights

Convening an Extraordinary General Meeting ("EGM") by Shareholders

Pursuant to section 74 of the Bermuda Companies Act, a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may requisition the Directors to forthwith proceed duly to convene an EGM by depositing a written requisition at the registered office of the Company.

The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists and deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene an EGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

An EGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Making Enquiry to the Board

Shareholders may send written enquiries, either by post, by facsimiles or by email, together with his/her contact details, such as postal address, email or fax, addressing to the office of the Company at the following address or facsimile number or via email:

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

Fax: (852) 2790 4815
Email: irene.wong@ports1961.com
Attention: Ms. Irene Wong

Putting Forward Proposals at General Meetings

Shareholders shall deposit a written notice at the Company's principal place of business in Hong Kong at Suite 102, Sunbeam Center, 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details, and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to shareholders the annual report together with the audited financial results of the Group for FY2014.

Principal Activities

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

Major Customers & Suppliers

During FY2014, the Group purchased approximately 11 % and 23 % of its goods (primarily being raw materials) 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 approximately 4% and 12% respectively.

None of the Directors, their close associates or shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's share capital) were interested at any time in FY2014 in the above suppliers or customers.

Financial Results & Appropriations

The results of the Group for FY2014 are set out in the "Consolidated statement of comprehensive income" on page 44.

The Directors did not recommend any payment of final dividend.

Transfer to Reserves

The Group transferred approximately RMB1.4 million from its profit attributable to shareholders before dividends to its reserves in FY2014, compared with RMB1.0 million in FY2013. Details of transfers to reserves are outlined on page 49.

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 pages 7 to 8.

Share Capital

Details of the movements in share capital of the Company are set out on pages 88 to 89.

Fixed Assets

In FY2014, the Group acquired fixed assets of approximately RMB87.3 million, compared with RMB103.3 million in FY2013. Details of the fixed asset acquisitions are outlined on page 78.

Donations

In FY2014, the Group made charitable and other donations of approximately RMB426 thousand.

Directors

The Directors of the Company in FY2014 were:

Executive Directors

Mr. Alfred Chan *(Chief Executive Officer)*
Mr. Pierre Bourque
Mr. He Kun (appointed as executive Director with effect from 21 July 2014)

Non-executive Director

Mr. Ian Hylton (resigned as non-executive Director with effect from 21 July 2014)

Independent Non-executive Directors

Mr. Lin Tao
Mr. Zheng Wanhe
Mr. Antonio Gregorio

A brief biography of each Director and each member of senior management of the Company can be found on pages 38 to 39.

Directors' Service Contracts

None of the Directors has a service contract with the Group that is not determinable within one year without payment of compensation other than statutory compensation.

Change in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors are as follows:

Mr. Lin Tao has been appointed as an independent director of Fujian Torch Electron Technology Co., Ltd. (福建火炬電子科技股份有限公司, 603678.SH) with effect from 12 December 2013. Fujian Torch Electron Technology Co., Ltd. has been listed on the Shanghai Stock Exchange since 26 January 2015.

Save as disclosed above, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the interim report of the Company for the six months ended 30 June 2014.

Directors' and Chief Executives Interests

As at 31 December 2014, 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 Stock Exchange pursuant to the Model Code, were as follows:

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

Name of Directors	Personal Interest	Corporate Interest	Total Interest	Percentage of total issued Shares
Mr. Alfred Chan[1]	450,000 (L)[2]	274,486,773 (L)	274,936,773 (L)	49.59 (L)
	0	52,394,000 (S)	52,394,000 (S)	9.45 (S)
Mr. Pierre Bourque	130,000 (L)[2]	0	130,000 (L)	0.02 (L)
Mr. He Kun[3]	380,000 (L)[2]	0	380,000 (L)	0.07 (L)
Mr. Lin Tao	0	0	0	0
Mr. Zheng Wanhe	0	0	0	0
Mr. Antonio Gregorio	0	0	0	0

(L)— Long Position, (S)— Short Position.

Notes:

1. *Mr. Alfred Chan owns 50% of the shareholding interest of Ports International Enterprises Limited ("PIEL"). As at 31 December 2014, PIEL held a short position of 52,394,000 Shares, long position of 1,573,500 Shares directly. 235,445,273 Shares were owned by CFS International Inc. ("CFS") and 37,468,000 Shares were owned by Bluestone Global Holdings Limited ("Bluestone"), both direct subsidiaries of PIEL. Mr. Alfred Chan was deemed to be interested in 49.51% of the issued share capital of the Company by virtue of his respective interests in PIEL pursuant to Part XV of the SFO. As at the close of the share offer by Somerley Capital Limited on behalf of Bluestone (the "Share Offer"), details of which are set out on page 35 of this report, Mr. Alfred Chan held 200,000 Shares. PIEL held a short position of 52,394,000 Shares, long position of 49,488,000 Shares directly. 235,445,273 Shares were owned by CFS and 207,174,116 Shares were held by Bluestone. Mr. Alfred Chan was therefore deemed to be interested is 88.76% of the issued share capital of the Company by virtue of his respective interests in PIEL pursuant to part XV of the SFO.*

2. *These interests include interests in options granted by the Company under its Share Option Scheme. Mr. Alfred Chan owns 250,000 share options. All the share options have lapsed after the option offer by Somerley Capital Limited on behalf of Bluestone. Details of the Share Option Scheme and option offer are set out on pages 32 and 35 of this report respectively.*

3. *Mr. He Kun was appointed as executive Director with effect from 21 July 2014.*

As at 31 December 2014, other than the holdings disclosed above, none of the Directors or chief executive 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.

Substantial Shareholders

The Company has been notified that, as at 31 December 2014, the persons (other than Directors or chief executive 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:

Name of substantial shareholder	Capacity	Total number of Shares held	% of Issued share capital
Bluestone Global Holdings Limited[1,2]	Beneficial Owner	37,468,000 (L)	6.76 (L)
CFS International Inc.[1,3]	Beneficial Owner	235,445,273 (L)	42.46 (L)
Ports International Enterprises Limited[1,4]	Interest of Controlled Corporation	272,913,273 (L)	49.22 (L)
	Beneficial Owner	1,573,500 (L)	0.28 (L)
	Beneficial Owner	52,394,000 (S)	9.45 (S)
Mr. Edward Tan[5]	Beneficial Owner	250,000 (L)	0.05 (L)
	Interest of Controlled Corporation	274,486,773 (L)	49.51 (L)
	Interest of Controlled Corporation	52,394,000 (S)	9.45 (S)
Coronation Fund Managers Limited	Interest of Controlled Corporation	33,263,000 (L)	6.00 (L)
Denver Investment Advisors LLC (dba) Denver Investment and Clients	Investment Manager	33,120,822 (L)	5.97 (L)

Notes:

1. *As at 31 December 2014, PIEL was deemed to be interested in the 37,468,000 Shares held by Bluestone and 235,445,273 Shares held by CFS by virtue of PIEL's interest in Bluestone and CFS. As at the close of the Share Offer, PIEL was deemed to be interested in the 207,174,116 Share held by Bluestone and 235,445,273 Shares held by CFS by virtue of PIEL's interest in Bluestone and CFS. Please also see Note 1 on page 30.*

2. *As at the close of the Share Offer, Bluestone held 207,174,116 Shares, representing 37.37% of the issued share capital of the Company.*

3. *As at the close of the Share Offer, CFS held 235,445,273 Shares, representing 42.46% of the issued share capital of the Company.*

4. *As at the close of the Share Offer, PIEL held 49,488,000 Shares, representing 8.93% of the issued share capital of the Company.*

5. *As at 31 December 2014, Mr. Edward Tan was deemed to be interested in a long position of 274,486,773 Shares as well as a short position of 52,394,000 Shares held by PIEL by virtue of Mr. Edward Tan's interest in PIEL. As at the close of the Share Offer, Mr. Edward Tan held 250,000 Shares, representing 0.05% of the issued share capital of the Company; Mr. Edward Tan was also deemed to be interested in a long position of 492,107,389 Shares as well as a short position of 52,394,000 Shares held by PIEL by virtue of Mr. Edward Tan's interest in PIEL.*

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 2014 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 had a material interest, whether directly or indirectly, during FY2014, save as disclosed in the paragraphs below headed "Connected Transactions".

Controlling Shareholders' Interests 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 controlling shareholder had a material interest, whether directly or indirectly, during FY2014, save as disclosed in the paragraphs below headed "Connected Transactions".

Purchase, Sale or Redemption of the Company's Listed or Redeemable Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed or redeemable securities during FY2014.

Pre-emptive Rights

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

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; the Scheme has expired on 13 October 2013:

1. The purpose of the Scheme was 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 were (i) any employee of the Company, any of its subsidiaries or any entity in which any member of the Group held an equity interest ("Invested Entity"), including any executive Director of the Company (but excluding Mr. Alfred Chan and his associates, any of its subsidiaries or any Invested Entity); (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to any member of the Group or any Invested Entity.

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

4. An option might 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 might commence on the date upon which the offer for grant of options was made ("Offer Date") but should expire on the day immediately preceding the tenth anniversary of the Offer Date.

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

6. Participants were required to pay HK$10 for each option within 28 days from the Offer Date.

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

8. The first batch of share options granted under the Scheme on 3 November 2003 has expired on 2 November 2013. The second batch and third batch of share options granted under the Scheme have lapsed after the close of the option offer by Somerley Capital Limited on behalf of Bluestone on 11 March 2015. Details of this option offer are set out on page 35 of this report.

9. As the Scheme has expired on 13 October 2013, there is no security available for issue under the Scheme as at 31 December 2014.

Details of the share options outstanding as at 31 December 2014 under the Scheme were as follows:

Second batch of Share option granted on 1 September 2006[1] (exercisable from 1 September 2006 until 31 August 2016[2] at exercise price of HK$11.68)

	Options held at 1/1/2014	Options exercised during the year	Options lapsed during the year	Options cancelled during the year	Options held at 31/12/2014
Mr. Pierre Bourque	80,000	0	0	0	80,000
Mr. He Kun[3]	200,000	0	0	0	200,000
Continuous contract employees	4,037,859	0	0	0	4,037,859

Third batch of Share option granted on 14 July 2009[1] (exercisable from 14 July 2009 until 13 July 2019[2] at exercise price of HK$17.32)

	Options held at 1/1/2014	Options exercised during the year	Options lapsed during the year	Options cancelled during the year	Options held at 31/12/2014
Mr. Alfred Chan	250,000	0	0	0	250,000
Mr. Pierre Bourque	50,000	0	0	0	50,000
Mr. Ian Hylton[4]	80,000	0	0	80,000	0
Mr. He Kun[3]	180,000	0	0	0	180,000
Continuous contract employees	20,947,743	0	0	596,010	20,351,733
Others	100,000	0	0	0	100,000

Notes:

1. *On and subject to the terms of the Scheme, 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 may in its absolute discretion relax or accelerate all or any of the above vesting periods in such manner as it may deem fit.

2. *All the share options have been lapsed after the option offer by Somerley Capital Limited on behalf of Bluestone. Details of the offer are set out on page 35.*

3. *Mr. He Kun was appointed as executive Director with effect from 21 July 2014.*

4. *Mr. Ian Hylton resigned as non-executive Director with effect from 21 July 2014.*

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 the Company's controlling shareholder, CFS, which resells them in Europe and North America. 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"). On 1 November 2006, the Company and PIRC entered into an agreement for the supply of PORTS Products to PIRC and its affiliated companies (the "Master Agreement"). The Master Agreement was subsequently renewed on 1 September 2009, 29 December 2011 and 29 December 2014 and shall expire on 31 December 2017 (the "Renewed Master Agreement"). The annual cap in respect of the aggregate amount of the Sales Transactions under the Renewed Master Agreement for each of the three years ending 31 December 2015, 2016 and 2017 is RMB9.3 million, RMB10.2 million and RMB11.2 million, respectively, which have been determined by reference to a projected additional 10% growth rate each year. During FY2014, the value of the Sales Transactions was RMB6.4 million.

The Company's auditors have been engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The independent non-executive Directors have also reviewed the continuing connected transactions of the Company for FY2014 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 on normal commercial terms or better; and

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

Other Connected Transaction

On 5 September 2013, Cpax Ltd., a wholly-owned subsidiary of the Company, entered into a Subscription Term Sheet (the "Subscription") with TIA Cibani LLC and TC Brands LLC (collectively the "Issuers") and Ms. Tia Cibani, pursuant to which Cpax Ltd. agreed to conditionally subscribe for convertible bonds up to the principal amount of USD500,000 with zero coupon from each of the Issuers. On 4 November 2013, Zero Coupon Redeemable and Convertible Bonds Subscription Agreements were signed and completion of the Subscription took place on the same day.

Ms. Tia Cibani, the holder of the entire issued share capital of TIA CIBANI LLC and TC BRANDS LLC, is the sister-in-law of Mr. Alfred Chan, being a Director and the ultimate controlling shareholder (as such term is defined in the Listing Rules) of the Company and hence, Ms. Tia Cibani is an associate of a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the transaction between the Group and any related parties can be found on pages 74 to 77.

Significant Events

On 19 December 2014, Bluestone Global Holdings Limited (the "Offeror") and FIL Investment Management (Hong Kong) Limited (the "Seller") entered into a share purchase agreement (the "Share Purchase Agreement"), pursuant to which the Offeror agreed to purchase, and the Seller agreed to sell, 37,468,000 shares of the Company (the "Sale Shares"), for a total consideration of HK$112,404,000.00, equivalent to HK$3.00 per Sale Share. The Sale Shares represented approximately 6.8% of the issued share capital of the Company.

Immediately prior to the entering into of the Share Purchase Agreement, the Concert Parties (as defined in the Hong Kong Code on Takeovers and Mergers (the "Code")) of the Offeror collectively held a total of 185,074,773 shares of the Company (the "Shares"), representing approximately 33.3% of the issued share capital of the Company. On completion of the Share Purchase Agreement on 23 December 2014, the Offeror and its Concert Parties collectively held a total of 222,542,773 Shares, representing approximately 40.1% of the issued share capital of the Company. Accordingly, pursuant to Rule 26.1 of the Code, the Offeror was required to make a mandatory general offer to purchase all the issued Shares which were not already owned, or agreed to be acquired, by the Offeror and its Concert Parties (the "Share Offer").

The offer price of HK$3.00 per Share (the "Offer Price") was the same as the price per Share paid by the Offeror for the Sale Shares acquired under the Share Purchase Agreement.

Under Rule 13 of the Code, the Offeror made an offer (the "Option Offer"), together with the Share Offer, the "Offers") to cancel all outstanding share options granted by the Company pursuant to the share option scheme adopted by the Company on 14 October 2003 (the "Options"). Since the exercise prices of the outstanding Options were substantially above the Offer Price, the outstanding Options were out of the money and the offer price for the cancellation of each outstanding Option was set at a nominal value of HK$0.0001.

On 25 February 2015, the Offeror and its Concert Parties held or had received acceptances in respect of an aggregate of 297,473,903 Shares (representing approximately 53.7% of the issued share capital of the Company) and the Share Offer became unconditional in all respects. As the Share Offer had become unconditional in all respects, the Option Offer became unconditional in all respects on 25 February 2015 as well. The closing date for both the Share Offer and the Option Offer was extended from 26 February 2015 to 11 March 2015.

As at the close of the Offers on 11 March 2015, the Offeror had received valid acceptances in respect of 169,706,116 Shares under the Share Offer (representing approximately 30.6% of the issued share capital of the Company) and no acceptance under the Option Offer. Upon the close of the Offers, the Offeror and its Concert Parties held or had received acceptances in respect of an aggregate of 441,276,889 Shares (representing approximately 79.6% of the issued share capital of the Company); whereas113,176,603 Shares, representing approximately 20.4% of the issued share capital of the Company, were held by the public. Accordingly, the minimum public float requirement of 25.0% under Rule 8.08(1)(a) and Rule13.32(1) of the Listing Rules is not satisfied. Details regarding the sufficiency of public float of the Company are set out on page 36 of this report.

Pledging of Shares by Controlling Shareholders

The controlling shareholders of the Company has not pledged any of its interests in the Shares to any third party.

Corporate Governance

The corporate governance report of the Company is outlined on pages 18 to 25.

Auditors

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

Public Float

Upon the close of the Offers, approximately 20.4% of the issued share capital of the Company was held by the public. Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the minimum public float requirement of 25.0% under Rule 8.08(1)(a) and Rule 13.32(1) of the Listing Rules is not satisfied. The Company has made an application to the Stock Exchange for, and the Stock Exchange granted the Company from, a temporary waiver from strict compliance with Rule 8.08(1)(a) and Rule 13.32(1) of the Listing Rules for a period of three months commencing from 11 March 2015. Further announcement(s) will be made by the Company regarding the restoration of public float as and when appropriate.

On behalf of the Board
Alfred Chan
Chief Executive Officer and executive Director

31 March 2015

CORPORATE SOCIAL RESPONSIBILITY

The Group has been committed to a high level of corporate social responsibility. We actively contribute to the community in different aspects and strive to integrate sustainability into our daily operations. This report highlights some of our activities during FY2014.

Community Initiatives

— The Company had established the "Ke Xiude Charity Foundation" to support the education of children in poverty and the treatment of serious diseases and accidents. Since its establishment, the Foundation has organized and participated in various social service activities and charitable works to fulfill its target. During FY2014, "Ke Xiude Charity Foundation" continued to sponsor the treatment costs of our staff who suffered from serious diseases, and provide an education fund for the children of employees in poverty.

— In March 2014, the Group participated in charity bazaar held in Réel department store, in which the Company sponsored PORTS branded T-shirt and donated the proceeds to Association for Rehabilitation of Autistic Children.

— In November 2014, the Company supported the gala dinner of Asian Charity Services ("ACS"), which is a registered charity established in 2007 to serve nonprofit organizations that serve Hong Kong's neediest citizens and communities. In the event, we sponsored our branded purse and donated the auction proceeds to ACS.

Supply Chain

— The Group strives to adhere to the principles outlined in the UN Global Compact. The Group works with suppliers and business partners who could meet the requisite standards and share the same respect for those principles. The Group has also maintained ongoing interaction with, and conducted checks where necessary against, its suppliers to ensure their compliance with those principles.

Health and Safety

— We provide regular training or talks for our staff, such as safety in production, fire protection knowledge, food hygiene and living safety.

The Environment

— The management has looked to identify and explore possible energy saving opportunities in connection with its operation on a regular basis. For instance, the Group reviews its packaging reuse, waste paper and fabric recycling procedures from time to time to minimize harmful effects caused to the environment.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Alfred Chan, aged 67, is the chief executive officer, executive Director of the Company, and one of the founders of the Group. He is also the chairman of the Nomination Committee and member of the Remuneration Committee. 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's degree in electrical engineering in 1972. Mr. Chan is an executive director of PCD Stores (Group) Limited which was delisted from the main board of the Stock Exchange in December 2013. He was the chairman of PCD Stores (Group) Limited from 28 March 2007 to 5 December 2013. Mr. Chan also holds directorships in substantial shareholders of the Company within the meaning of Part XV of the SFO and certain subsidiaries of the Company. Mr. Chan is the brother-in-law of Mr. Salem Cibani.

Pierre Bourque, aged 67, is the executive vice president and executive Director of the Company. Mr. Bourque joined the Group in August 2002. 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 Canadian operations of Ports International in 1997 and was appointed as the vice president of CFS International Inc.

He Kun, aged 44, is the financial controller of the Group and executive Director of the Company. He is responsible for budget control and financial reporting of the Group. Mr. He joined the Group in 1992. He graduated from Xiamen University, China with a Professional Accounting degree in 1992 and a Master of Business Administration degree in 2004.

Independent non-executive Directors

Lin Tao, aged 43, is the independent non-executive Director of the Company. He also serves as the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Lin joined the Group in July 2013. He is currently the associate dean of School of Management, Xiamen University, and has been a professor of corporate finance and principle of accountancy there since September 1999. Prior to the appointment of associate dean, Mr. Lin was the associate director and director of the Center of Executive Master of Business Administration of Xiamen University from August 2004 to May 2008 and from May 2008 to March 2013, respectively. In the recent three years, he has also been the independent director of various companies listed on the Shenzhen Stock Exchange, the Shanghai Stock Exchange and the Taiwan Stock Exchange. Mr. Lin obtained his doctoral degree in management (accountancy) in Xiamen University in 1999.

Zheng Wanhe, aged 62, is the independent non-executive Director of the Company. He also serves as the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Zheng joined the Group in August 2013. He is a senior economist, who was graduated from the Beijing Institute of Economics in 1982. Mr. Zheng is currently the honorary Chairman of Beijing Wangfujing Department Store (Group) Co., Ltd (北京王府井百貨(集團)股份有限公司, 600859.SH) (the "Wangfujing Department Store"), a company listed on the Shanghai Stock Exchange, and Vice President of China Chain Store and Franchise Association. Further, Mr. Zheng is currently a member of the 12th session of the Beijing City Committee of the Chinese People's Political Consultative Conference. Prior to the above appointments, Mr. Zheng was the Vice-General Manager for Beijing City Department Store in 1984, and began his career at Wangfujing Department Store as Vice-President and General Manager from 1993. He had then been appointed as President and General Manager of Wangfujing Department Store since September 2003, until he resigned from the board of Wangfujing Department Store and Beijing Wangfujing International Commercial Development Co. Ltd (北京王府井國際商業發展有限公司), respectively in March 2013.

Antonio Gregorio, aged 51, is the independent non-executive Director and a member of the Audit Committee and Nomination Committee of the Company. Mr. Gregorio joined the Group in August 2013. He is currently working as a design consultant in the fashion design industry, developing creative concepts for his clients since 2009. He is also an entrepreneur and freelance photographer. Prior to being an entrepreneur and photographer, Mr. Gregorio was the co-founder and President of G.H. Interiors Incorporated from 1993 to 2009. He was also the Designer for Britches (Menswear Collection) and Head Designer for Alfred Sung Design (Alfred Collection) from 1990 to 1992 and from 1992 to 1993, respectively. Mr. Gregorio completed his fashion design and merchandizing program at Ryerson University in Toronto, and he has extensive knowledge of the fashion and design industry in North America and Europe.

Senior Management

Natasa Cagalj, aged 45, is the creative director for Ports 1961 Womenswear. Ms. Cagalj joined the Group in 2014. Prior to joining the Group, Ms. Cagalj was the Head of Design at Stella McCartney in London. In 2001, Ms. Cagalj left Cerruti Arte in Paris to join Lanvin as designer. She graduated with distinction from the Central Saint Martins MA program in 1997.

Milan Vukmirovic, aged 45, is the creative director for Ports 1961 Menswear. Mr. Vukmirovic joined the Group in 2014. He was the co-founder of Colette Store in 1997. In 2000, Mr. Vukmirovic became design director for Gucci group, then moved to Jil Sander as creative director. In 2005, internationally acclaimed menswear magazine L'Officiel Hommes enlisted him as their editor-in-chief and in 2007 he joined Trussardi 1911 as their creative director. Mr. Vukmirovic is now editor-in-chief and founder of Fashion for Men bookazine.

Irene Wong, aged 62, is the company secretary of the Company. Ms. Wong joined the Group in September 2003. 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.

Salem Cibani, aged 36, is the global director of business development for the Group. He works closely with the Board in overseeing the strategic initiatives of the Group globally. He joined the group in 2006. Prior to this, he was an entrepreneur, operating his own real estate development company in Vancouver, Canada. He studied Mathematics and Kinesiology at the University of British Columbia, Canada. Mr. Cibani is the brother-in-law of Mr. Alfred Chan.

Michelle Chen, aged 46, is the marketing director of the Group. Ms. Chen is responsible for the advertising and marketing activities of the retail business of the Group. Ms. Chen first joined the Group in 1997 and left in 2004 before rejoining the Group in 2006. She graduated from Xiamen University, China majoring in international journalism in 1991, and graduated from the Paris ESSEC Business School Luxury Brand Management Program with a Master of Business Administration degree in 2005.

PORTS DESIGN LIMITED

(Stock Code: 589)

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

(Prepared under International Financial Reporting Standards)

KPMG

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 44 to 104, which comprise the consolidated and company balance sheets as at 31 December 2014, 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 2014 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

31 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014
(Expressed in Renminbi Yuan, except share and per share data)

	Note	2014 RMB'000	2013 RMB'000
Turnover	3	**1,879,430**	2,137,094
Cost of sales		**(361,364)**	(401,845)
Gross profit		**1,518,066**	1,735,249
Other revenue	4(a)	**5,199**	7,399
Other net expense	4(b)	**(1,177)**	(90)
Distribution costs		**(1,066,623)**	(1,050,833)
Administrative expenses		**(112,782)**	(104,122)
Other operating expenses	5	**(172,488)**	(176,483)
Profit from operations		**170,195**	411,120
Finance income		**32,602**	48,758
Finance costs		**(33,701)**	(27,587)
Net finance (costs)/income	7(a)	**(1,099)**	21,171
Profit before taxation	7	**169,096**	432,291
Income tax	8(a)	**(96,486)**	(134,672)
Profit for the year		**72,610**	297,619
Other comprehensive income for the year, (after tax and reclassification adjustment)			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of financial statements of overseas subsidiaries		**5,525**	2,448
Other comprehensive income for the year		**5,525**	2,448
Total comprehensive income for the year		**78,135**	300,067
Profit attributable to:			
Equity shareholders of the Company	11	**73,238**	293,410
Non-controlling interests		**(628)**	4,209
Profit for the year		**72,610**	297,619
Total comprehensive income attributable to:			
Equity shareholders of the Company		**78,588**	295,863
Non-controlling interests		**(453)**	4,204
Total comprehensive income for the year		**78,135**	300,067
Earnings per share (RMB)			
— Basic	12	**0.13**	0.53
— Diluted	12	**0.13**	0.53

The notes on pages 50 to 104 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 25(b).

CONSOLIDATED BALANCE SHEET
at 31 December 2014
(Expressed in Renminbi Yuan)

	Note	**At 31 December 2014 RMB'000**	At 31 December 2013 RMB'000
Non-current assets			
Lease prepayments	14	**23,563**	24,281
Property, plant and equipment	15	**456,270**	483,944
Intangible assets		**8,422**	8,422
Deferred tax assets	16(b)	**159,280**	129,530
		647,535	646,177
Current assets			
Inventories	18	**721,551**	715,274
Trade and other receivables, deposits and prepayments	19(a)	**364,283**	374,598
Pledged bank deposits	17	**284,945**	450,108
Fixed deposits with banks	20	**511,115**	432,110
Cash and cash equivalents	21	**519,176**	411,160
		2,401,070	2,383,250
Current liabilities			
Trade payables, other payables and accruals	22(a)	**219,126**	215,997
Interest-bearing borrowings	24	**602,106**	717,209
Current taxation	16(a)	**50,195**	41,948
		871,427	975,154
Net current assets		**1,529,643**	1,408,096
Total assets less current liabilities		**2,177,178**	2,054,273
Non-current liabilities			
Deferred tax liabilities	16(b)	**17,443**	8,626
Trade payables, other payables and accruals	22(a)	**62,887**	22,361
		80,330	30,987
Net assets		**2,096,848**	2,023,286
Capital and reserves			
Share capital	25(c)	**1,474**	1,474
Reserves		**2,074,010**	1,995,422
Total equity attributable to equity shareholders of the Company		**2,075,484**	1,996,896
Non-controlling interests		**21,364**	26,390
Total equity		**2,096,848**	2,023,286

Approved and authorised for issue by the board of directors on 31 March 2015.

Alfred Chan
Chief Executive Officer and Executive Director

Pierre Bourque
Executive Director

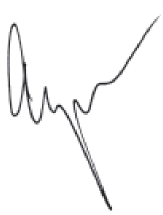
The notes on pages 50 to 104 form part of these financial statements.

BALANCE SHEET

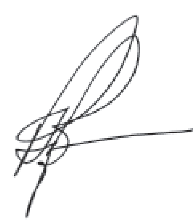
at 31 December 2014
(Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Investments in subsidiaries	*28*	**328,877**	327,422
		328,877	327,422
Current assets			
Trade and other receivables, deposits and prepayments	*19(b)*	**271,838**	310,814
Cash and cash equivalents	*21*	**1,217**	4,401
		273,055	315,215
Current liabilities			
Trade payables, other payables and accruals	*22(b)*	**13,206**	12,013
		13,206	12,013
Net current assets		**259,849**	303,202
Net assets		**588,726**	630,624
Capital and reserves	*25*		
Share capital		**1,474**	1,474
Reserves		**587,252**	629,150
Total equity		**588,726**	630,624

Approved and authorised for issue by the board of directors on 31 March 2015.



Alfred Chan
Chief Executive Officer and Executive Director



Pierre Bourque
Executive Director

The notes on pages 50 to 104 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2014
(Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Net cash generated from operating activities	(a)	**213,281**	417,291
Cash flow from investing activities			
Interest received		**35,159**	26,995
Acquisition of property, plant and equipment		**(89,783)**	(134,010)
Acquisition of land use right		**—**	(21,094)
Proceeds from disposal of property, plant and equipment		**228**	468
Decrease in pledged bank deposits		**165,163**	41,409
Increase in fixed deposits with banks		**(79,005)**	(62,151)
Payment for purchase of trading securities		**—**	(2,999)
Proceeds from sales of trading securities		**—**	3,076
Cash received from acquisition of subsidiaries		**—**	125
Net cash used in investing activities		**(31,762)**	(148,181)
Cash flow from financing activities			
Interest expense paid		**(13,926)**	(22,855)
Proceeds from interest-bearing borrowings		**544,803**	560,243
Repayment of interest-bearing borrowings		**(663,316)**	(688,424)
Dividends paid to equity shareholders of the Company		**(15)**	(138,574)
Dividends paid to holder of non-controlling interests		**(4,573)**	(3,758)
Proceeds from shares issued under share option scheme		**—**	711
Capital contribution from non-controlling shareholder		**—**	3,920
Net cash used in financing activities		**(137,027)**	(288,737)
Net increase/(decrease) in cash and cash equivalents		**108,016**	(19,627)
Cash and cash equivalents at 1 January		**411,160**	430,787
Cash and cash equivalents at 31 December		**519,176**	411,160

The notes on pages 50 to 104 form part of these financial statements.

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

	Note	**2014** **RMB'000**	2013 RMB'000
Profit before taxation		**169,096**	432,291
Adjustments for:			
Depreciation of property, plant and equipment	7(b)	**114,650**	132,948
Amortisation of lease prepayments	7(b)	**718**	85
Loss on disposal of property, plant and equipment	4(b)	**143**	90
Interest expense	7(a)	**12,139**	22,627
Interest income	7(a)	**(32,602)**	(34,020)
Gain on sales of trading securities	4(a)	**—**	(77)
Operating profit before changes in working capital		**264,144**	553,944
(Increase)/Decrease in inventories		**(6,277)**	15,293
Decrease in accounts receivable		**2,368**	30,548
Decrease/(Increase) in amounts due from related parties		**4,360**	(4,283)
(Increase)/Decrease in advances to suppliers		**(3,350)**	12,592
Decrease/(Increase) in other receivables, deposits and prepayments		**3,775**	(30,707)
Increase/(Decrease) in accounts payable		**13,290**	(7,425)
Increase in amounts due to related parties		**2,140**	300
Increase/(Decrease) in other creditors and accruals		**42,003**	(2,731)
Cash generated from operations		**322,453**	567,531
Income tax paid		**(109,172)**	(150,240)
Net cash generated from operating activities		**213,281**	417,291

The notes on pages 50 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Capital reserve — staff share options issued (undistributable) RMB'000	Capital reserve RMB'000	Share premium RMB'000	General reserve fund RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013		1,473	126,830	61,419	442,400	58,031	566	1,148,195	1,838,914	13,999	1,852,913
Profit for the year		—	—	—	—	—	—	293,410	293,410	4,209	297,619
Other comprehensive income		—	—	—	—	—	2,453	—	2,453	(5)	2,448
Total comprehensive income		—	—	—	—	—	2,453	293,410	295,863	4,204	300,067
Dividends declared in respect of the previous year	25(b)	—	—	—	—	—	—	(77,602)	(77,602)	—	(77,602)
Dividends to holders of non-controlling interests		—	—	—	—	—	—	—	—	(3,758)	(3,758)
Shares issued under share option scheme	25(c)(ii)	1	(238)	—	948	—	—	—	711	—	711
Options expired under share option scheme		—	(55)	—	—	—	—	55	—	—	—
Addition through acquisition of subsidiaries		—	—	—	—	—	—	—	—	8,025	8,025
Capital contribution from non-controlling shareholder		—	—	—	—	—	—	—	—	3,920	3,920
Dividends declared in respect of the current year	25(b)	—	—	—	—	—	—	(60,990)	(60,990)	—	(60,990)
Transfer to reserve		—	—	—	—	1,037	—	(1,037)	—	—	—
Balance at 31 December 2013		1,474	126,537	61,419	443,348	59,068	3,019	1,302,031	1,996,896	26,390	2,023,286
Balance at 1 January 2014		**1,474**	**126,537**	**61,419**	**443,348**	**59,068**	**3,019**	**1,302,031**	**1,996,896**	**26,390**	**2,023,286**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**—**	**73,238**	**73,238**	**(628)**	**72,610**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**5,350**	**—**	**5,350**	**175**	**5,525**
Total comprehensive income		**—**	**—**	**—**	**—**	**—**	**5,350**	**73,238**	**78,588**	**(453)**	**78,135**
Dividends to holders of non-controlling interests		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(4,573)**	**(4,573)**
Transfer to reserve		**—**	**—**	**—**	**—**	**1,368**	**—**	**(1,368)**	**—**	**—**	**—**
Balance at 31 December 2014		**1,474**	**126,537**	**61,419**	**443,348**	**60,436**	**8,369**	**1,373,901**	**2,075,484**	**21,364**	**2,096,848**

The notes on pages 50 to 104 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 2014 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, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32) in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with 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 1(c) 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"). Items included in the financial statements of each entity in the Group are measured using currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The Company has its functional currency in RMB. Most of the companies comprising the Group are operating in the People's Republic of China ("PRC") and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group. 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.

Judgements made by management in application of IFRS that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

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

(c) Changes in accounting policies

The IASB has issued 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:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

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

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's financial report as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's financial report as they are consistent with the policies adopted by the Group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's financial report as the Group does not have impaired non-financial assets whose recoverable amount is based on fair value less costs of disposal.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

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, transactions and cash flows 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)*

(d) 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. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

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 joint venture.

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

(e) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(r)(iii) and (iv).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(i)).

1. Significant accounting policies *(continued)*

(e) Other investments in debt and equity securities *(continued)*

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(i)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(r)(iii) and 1(r)(iv), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 1(i)).

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(u)).

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:

— Plant and buildings	20–50 years
— 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)*

(g) 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(i)).

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.

(h) 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) 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.

(iii) 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(i)). Amortisation is provided to write off the cost of lease prepayment on a straight-line basis over the respective periods of the rights.

1. Significant accounting policies *(continued)*

(i) Impairment of assets

(i) Impairment of investment in debt and equity securities and receivables

Investments in debt and equity securities and receivables that are stated at cost or amortised cost or are classified as available-for-sale securities 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;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

— For 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 these financial assets 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.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

1. Significant accounting policies *(continued)*

(i) Impairment of assets *(continued)*

(i) Impairment of investment in debt and equity securities and receivables (continued)

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of 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 the receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

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

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— intangible assets; and

— investments in subsidiaries.

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

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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).

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

(i) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

— 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 of disposal, 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 IAS 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(i)(i) and (ii)).

(j) 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.

1. Significant accounting policies *(continued)*

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(i)), 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(i)).

(l) 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.

(m) 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.

(n) 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(o)(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.

(o) 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(o)(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.

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

(o) *Financial guarantees issued, provisions and contingent liabilities* *(continued)*

(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.

(p) 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 included in the amount recognised in share capital for the shares issued) 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.

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

(q) Income tax

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

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

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

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

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

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

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

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

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

(q) Income tax *(continued)*

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.

(r) 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.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

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

1. Significant accounting policies *(continued)*

(s) 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 income 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.

(t) 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.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) 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)*

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in note 1(v)(a).

(vii) A person identified in note 1(v)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(w) Dividends

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

(x) 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.

1. Significant accounting policies *(continued)*

(y) 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. Accounting judgement and estimates

Notes 16, 26, 29 and 31 contain information about significant areas of estimation uncertainty and critical judgements in applying accounting policies of deferred taxes on unused tax losses, measurement of share-based payments, valuation of financial instruments and contingent liabilities 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 conditions and the historical experience of distributing and selling products of similar nature. They could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market conditions. Management will reassess the estimations at each balance sheet date.

3. Turnover and segment reporting

(a) Turnover

The principal activities of the Group are the manufacturing and sales of garments. Turnover represents revenue 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.

3. Turnover and segment reporting *(continued)*

(a) Turnover *(continued)*

Further details regarding the Group's principal activities are disclosed below.

(b) 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 presented the following one reportable segment.

- Retail: this segment primarily derives revenue from retail sales in the PRC. The products are either sourced externally or are manufactured in the Group's manufacturing facilities located in the PRC.

(i) 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		**Others(*)**		**total**	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,723,631**	1,970,083	**155,799**	167,011	**1,879,430**	2,137,094
Reportable segment revenue	**1,723,631**	1,970,083	**155,799**	167,011	**1,879,430**	2,137,094
Reportable segment profit	**649,628**	991,572	**45,632**	43,034	**695,260**	1,034,606
Distribution costs	**822,806**	700,643	**—**	—	**822,806**	700,643
Reportable segment assets	**668,127**	677,074	**53,424**	38,200	**721,551**	715,274

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

3. Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**1,723,631**	1,970,083
Other revenue	**155,799**	167,011
Consolidated turnover	**1,879,430**	2,137,094

	2014	2013
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**649,628**	991,572
Other profit	**45,632**	43,034
	695,260	1,034,606
Other revenue and other net expense	**4,022**	7,309
Distribution costs	**(243,817)**	(350,190)
Administrative expenses	**(112,782)**	(104,122)
Other operating expenses	**(172,488)**	(176,483)
Net finance (costs)/income	**(1,099)**	21,171
Consolidated profit before taxation	**169,096**	432,291
Assets		
Reportable segment assets	**668,127**	677,074
Other inventories	**53,424**	38,200
Consolidated inventories	**721,551**	715,274
Non-current assets	**647,535**	646,177
Trade and other receivables, deposits and prepayments	**364,283**	374,598
Pledged bank deposits	**284,945**	450,108
Fixed deposits with banks	**511,115**	432,110
Cash and cash equivalents	**519,176**	411,160
Consolidated total assets	**3,048,605**	3,029,427

3. Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(iii) 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	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**1,733,270**	1,971,120	**435,811**	476,343
Others	**146,160**	165,974	**52,444**	40,304
	1,879,430	2,137,094	**488,255**	516,647

4. Other revenue and other net expense

(a) Other revenue

	2014	2013
	RMB'000	*RMB'000*
Liaison service income	**596**	1,091
Royalty income	**47**	210
Design and decoration income	**2,827**	2,200
Insurance compensation	**1,135**	2,469
Government subsidies (see note (i) below)	**176**	155
Net realised gain on trading securities	**—**	77
Others	**418**	1,197
	5,199	7,399

(i) The subsidy received from local government authorities is unconditional. The Group may not receive government subsidies in the future.

(b) Other net expense

	2014	2013
	RMB'000	*RMB'000*
Net loss on sale of property, plant and equipment	**(143)**	(90)
Others	**(1,034)**	—
	(1,177)	(90)

5. Other operating expenses

	2014 *RMB'000*	2013 *RMB'000*
Inventories provision	**172,488**	176,483

6. Personnel expenses

	2014 *RMB'000*	2013 *RMB'000*
Wages, salaries and staff benefits	**371,394**	372,587
Contributions to defined contribution retirement plan	**15,570**	15,500
	386,964	388,087

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 14% (2013: 14%) of social average salary level of employees in Xiamen or 14% (2013: 14%) of employees' relevant income, subject to a cap of RMB14 thousand per month (2013: RMB13.1 thousand). The Group has no obligation for the payment of retirement benefits other than the contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution plan as mentioned above. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$ 25 thousand (before 1 June 2014) or HK$ 30 thousand (after 1 June 2014). Contributions to the scheme vest immediately.

7. Profit before taxation

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

(a) Net finance costs/(income)

	2014 *RMB'000*	2013 *RMB'000*
Interest income	**(32,602)**	(34,020)
Net foreign exchange gain	**—**	(14,738)
Finance income	**(32,602)**	(48,758)
Interest expense on bank loans repayable within five years	**12,139**	22,627
Net foreign exchange loss	**16,956**	—
Others	**4,606**	4,960
Finance costs	**33,701**	27,587
Net finance costs/(income)	**1,099**	(21,171)

(b) Other items

	2014 *RMB'000*	2013 *RMB'000*
Operating leases charges in respect of properties		
— minimum lease payments	**234,848**	147,128
— contingent rents	**274,073**	321,911
	508,921	469,039
Auditors' remuneration — audit services	**2,694**	2,399
Depreciation	**114,650**	132,948
Impairment loss — trade and other receivables (see note 19)	**5,000**	—
Amortisation — lease prepayments	**718**	85
Cost of inventories# (see note 18)	**533,852**	578,328

Cost of inventories includes RMB126,818 thousand (2013: RMB121,129 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 6 for each type of these expenses.

8. Income tax in the consolidated statement of comprehensive income

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

	2014	2013
	RMB'000	*RMB'000*
Current tax — PRC Income Tax		
Provision for the year	**118,081**	145,674
(Over)/under-provision in respect of prior years	**(662)**	751
	117,419	146,425
Deferred tax		
Origination and reversal of temporary differences (see note 16(b))	**(20,933)**	(11,753)
	96,486	134,672

(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 British Virgin Islands and Samoa Islands 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 2014 and 2013 as the subsidiaries in Hong Kong did not earn any assessable income for Hong Kong Profits tax purposes.

(iii) All PRC subsidiaries are subject to income tax at 25% for the year ended 31 December 2014 (2013: 25%) under the Enterprise Income Tax law ("EIT law") which was enacted on 16 March 2007.

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

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**169,096**	432,291
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**42,274**	108,073
Rate differential	**2,380**	(6,092)
Tax effect of non-deductible expenses net of non-taxable income	**58**	552
Current year losses for which no deferred tax asset was recognised	**42,445**	14,481
Temporary difference for which no deferred tax asset was recognised	**1,767**	4,539
Utilisation of previously unrecognised tax loss	**(593)**	(219)
Deferred withholding tax liabilities on the expected profits distribution by the Group's PRC subsidiaries	**8,817**	12,587
(Over)/Under provision in prior years	**(662)**	751
Actual tax expense	**96,486**	134,672

9. Directors' remuneration

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Director's fees	**Basic salaries, allowances and other benefits**	**Contributions to retirement benefit scheme**	**Total 2014**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Executive Directors				
Mr. Alfred Chan Kai Tai	**—**	**790**	**—**	**790**
Mr. Pierre Frank Bourque	**—**	**772**	**—**	**772**
Mr. He Kun*	**—**	**93**	**9**	**102**
Non-Executive director				
Mr. Ian Richard Hylton#	**12**	**355**	**—**	**367**
Independent Non-Executive directors				
Mr. Lin Tao*	**111**	**—**	**—**	**111**
Mr. Zheng Wanhe*	**86**	**—**	**—**	**86**
Mr. Antonio Delfin Gregorio*	**86**	**—**	**—**	**86**
	295	**2,010**	**9**	**2,314**

	Director's fees	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Total 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Mr. Alfred Chan Kai Tai	73	790	—	863
Mr. Pierre Frank Bourque	49	738	—	787
Non-Executive director				
Mr. Ian Richard Hylton#	61	2,128	—	2,189
Independent Non-Executive directors				
Mr. Lin Tao*	37	—	—	37
Mr. Zheng Wanhe*	—	—	—	—
Mr. Antonio Delfin Gregorio*	24	—	—	24
Mr. Rodney Ray Cone#	702	—	—	702
Ms. Valarie Fong Wei Lynn#	124	—	—	124
Mr. Peter Nikolaus Bromberger#	223	—	—	223
	1,293	3,656	—	4,949

9. Directors' remuneration *(continued)*

Note 1:

Mr. Rodney Ray Cone and Ms. Valarie Fong Wei Lynn resigned as non-executive director of the Company with effect from 30 May 2013.

Mr. Peter Nikolaus Bromberger resigned as a non-executive director of the Company with effect from 31 July 2013.

Mr. Ian Richard Hylton resigned as a non-executive director of the Company with effect from 21 July 2014.

* *Mr. Lin Tao was appointed as an independent non-executive director and chairman of the audit committee of the Company with effect from 31 July 2013.*

Mr. Zheng Wanhe and Mr. Antonio Delfin Gregorio were appointed as independent non-executive director of the Company with effect from 23 August 2013.

Mr. He Kun was appointed as an executive director of the Company with effect from 21 July 2014.

(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 26.

(b) No bonuses were paid or payable as at 31 December 2014 and 2013 by the Group to the directors which were discretionary or based on the Group's or any member of the Group's performance.

10. Individuals with highest emoluments

Of the five individuals with the highest emoluments, none of them (2013: one) is a director whose remuneration is disclosed in note 9. The aggregate of the emoluments in respect of the five (2013: five) individuals are as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Basic salaries, allowances and other benefits	**7,486**	8,521

The emoluments of the five (2013: five) individuals with the highest emoluments are within the following bands:

		2014 **Number of individuals**	2013 Number of individuals
HKD1,000,001 – 1,500,000	(RMB equivalent: 788,901–1,183,350)	**1**	1
HKD1,500,001 – 2,000,000	(RMB equivalent: 1,183,351–1,577,800)	**2**	2
HKD2,000,001 – 3,000,000	(RMB equivalent: 1,577,801–2,366,700)	**2**	2
		5	5

10. Individuals with highest emoluments *(continued)*

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.

11. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB41,898 thousand (2013: gain of RMB32,979 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:

	2014 ***RMB'000***	2013 *RMB'000*
Amount of consolidated (loss)/profit attributable to equity shareholders dealt with in the Company's financial statements	**(41,898)**	32,979
Final dividends from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	**—**	138,566
Company's (loss)/profit for the year (see note 25(a))	**(41,898)**	171,545

Details of dividends paid and payable to equity shareholders of the Company are set out in note 25(b).

12. 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 RMB73,238 thousand (2013: RMB293,410 thousand) and the weighted average number of 554,453,492 (2013: 554,310,375) ordinary shares in issue during the year.

(i) Weighted average number of ordinary shares

	2014 **Number of shares**	2013 Number of shares
Issued ordinary shares at 1 January	**554,453,492**	554,114,386
Effect of share options exercised (see note 25(c)(ii))	**—**	195,989
Weighted average number of ordinary shares for the year ended 31 December	**554,453,492**	554,310,375

(Expressed in Renminbi Yuan)

12. Earnings per share *(continued)*

(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 RMB73,238 thousand (2013: RMB293,410 thousand) and the weighted average number of 554,453,492 (2013: 554,310,375) ordinary shares in issue.

The calculation of diluted earnings per share amount for the year ended 31 December 2014 and 2013 did not include the potential effect of the deemed issue of shares under the Company's share option scheme for nil consideration into ordinary shares as it had an anti-dilutive effect on the basic earnings per share amount during the year.

13. Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 2014 and 31 December 2013.

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 (i) (referred as "PCD Group")	Company of which Alfred Chan is a director
PORTS 1961 S.P.A	Fellow subsidiary company
Alfred Chan	Director of the Company and 50% equity interest holder of ultimate parent company
Edward Tan	50% equity interest holder of ultimate parent company
Ports of Knightsbridge Limited (referred as "PKL")	Company over which Edward Tan and Alfred Chan have significant influence
北京愛尚春天電子商務有限公司 (referred as "Beijing Aishang")	Company controlled by Alfred Chan and Edward Tan
Tia Cibani	Close member of the family of Alfred Chan
Fiona Cibani	Close member of the family of Alfred Chan

(i) Shareholders of PCD Group, Bluestone Global Holdings Limited ("Bluestone", which is wholly owned by Ports International Enterprises Limited) and Portico Global Limited ("PGL"), entered into an agreement ("the agreement") with WFJ International ("王府井國際") on 31 January 2013, pursuant to which Bluestone and PGL agreed to sell 39.53% of the entire issued share capital of PCD Group to WFJ International. Upon completion of the transaction on 28 June 2013, PCD Group ceased to be a fellow subsidiary company of the Group.

Mr. Edward Tan resigned as director and Mr. Alfred Chan resigned as Chairman of PCD Group on 2 July 2013. However, Mr. Alfred Chan remains as an executive director of PCD Group as at 31 December 2014.

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

13. Related party transactions *(continued)*

Particulars of significant transactions between the Group and the above related parties for the years ended 31 December 2014 and 2013 are as follows:

(a) Transactions with key management personnel

	2014	2013
	RMB'000	*RMB'000*
Short-term employee benefits	**2,314**	4,949

Total remuneration is included in "personnel expenses" (see note 6).

(b) Contribution to defined contribution retirement plans

Details of post-employment benefit plans for the Group's employees are disclosed in note 6.

At 31 December 2014 and 31 December 2013, there was no material outstanding contribution to post-employment benefit plans.

(c) Sales, purchases and rental charges for concession counters

	2014	2013
	RMB'000	*RMB'000*
Sales of goods to:		
Ports International Retail Corporation	**6,448**	13,350
Purchases of goods from:		
Ports International Retail Corporation	**4,691**	—
Rental fee charged by:		
PCD Group (i)	**26,773**	34,788
Commission fee charged by:		
Beijing Aishang	**117**	406

(i) The Group leased a number of concession counters located within shopping arcades in the PRC owned by PCD Group. Proceeds from the Group's sales made in these concession counters totalling RMB123,759 thousand in the year ended 31 December 2014 (2013: RMB164,630 thousand) were collected by PCD Group. Settlement in respect of these concession sales was made net of the lease rental payable to these related parties.

13. Related party transactions *(continued)*

(d) Subscription of convertible bonds

Ms. Tia Cibani is the holder of entire issued share capital of TIA Cibani LLC and TC Brands LLC (together referred as "the Issuers").

On 5 September 2013, Cpax Ltd, a wholly-owned subsidiary of the Company, entered into a Subscription Term Sheet ("the Subscription') with the Issuers and Ms. Tia Cibani, pursuant to which Cpax Ltd agreed to conditionally subscribe for convertible bonds up to the principal amount of USD 500,000 with zero coupon from each of the Issuers.

On 4 November 2013, Zero Coupon Redeemable and Convertible Bonds Subscription Agreements ("the Agreements") were signed between Ms Tia Cibani, Cpax Ltd and each of the Issuers respectively.

Pursuant to the Agreements, Cpax Ltd. agreed to subscribe for the bonds according to the following schedule:

(i) one third to be subscribed upon the First Closing Date (date on which the first completion under the Agreements in respect of the subscription occurs, which meant 4 November 2013);

(ii) one third to be subscribed within 6 months after the First Closing Date, provided that the Issuers have achieved the First Sales Target (the sales amount in the sum of USD 160,000 for E-store fall winter 2013 and wholesale spring summer 2014 collections);

(iii) one third to be subscribed within 12 months after the First Closing Date, provided that the Issuers have achieved the Second Sales Target (the sales amount in the sum of USD192,000 for E-store spring summer 2014 and wholesale fall winter 2014 collections).

The conversion period is 5 years commencing from the issuance of the convertible bonds. Cpax shall have the right to convert all the principle amounts of its holding of the convertible bonds at any time during the conversion period. When fully converted, the convertible bonds may be convertible into 51% of the Membership Interests of each of the Issuers pursuant to the Agreements.

Ms. Tia Cibani has no rights of redemption until the maturity date. Cpax Ltd is entitled to require redemption on an event of default as set out in the Agreements.

During the year ended 31 December 2013, the Group subscribed the first one third of the convertible bonds amounting to USD 333,334 (equivalent to RMB2,044 thousand) from the Issuers pursuant to the Agreements.

During the year ended 31 December 2014, the Group subscribed the remaining convertible bonds amounting to USD666,666 (equivalent to RMB4,096 thousand) from the Issuers pursuant to the Agreements.

Pursuant to certain terms of the Agreements, the Group has consolidated the Issuers in its consolidated financial statements, as it is exposed, or has rights, to variable returns from its involvement with the Issuers and has the ability to affect those returns through its power over the Issuers.

13. Related party transactions *(continued)*

(e) Other transactions

	2014	2013
	RMB'000	*RMB'000*
Expenditure paid by the Group on behalf of:		
Ports International Retail Corporation	**334**	465
Receipt on behalf of the Group by:		
Ports International Retail Corporation	**—**	127
Expenditure paid on behalf of the Group by:		
Ports International Retail Corporation	**585**	—
Fiona Cibani	**615**	—
Deposits received from:		
PCD Group	**—**	300
Rental fee reimbursed to:		
PKL (i)	**13,697**	10,981

(i) Pursuant to an agency agreement dated 25 April 2012, the Group appoints PKL to lease a property and make all the payment relating to the lease on its behalf. The Group agrees to make reimbursement of all payments made and pay an agency fee at 0.5% of the amount paid by PKL on the Group's behalf under the lease.

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Ports International Retail Corporation and Ms. Tia Cibani above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Report of the directors. Other transactions are exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

14. Lease prepayments

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Cost		
Balance at beginning and end of year	**25,340**	4,246
Addition during the year	**—**	21,094
Balance at end of year	**25,340**	25,340
Accumulated amortisation		
Balance at beginning of year	**(1,059)**	(974)
Amortisation charge for the year	**(718)**	(85)
Balance at end of year	**(1,777)**	(1,059)
Net book value		
At end of year	**23,563**	24,281

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

15. Property, plant and equipment

The Group

	Plant and buildings RMB'000	Machinery RMB'000	Fixtures, fittings and other fixed assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost					
Balance at 1 January 2013	332,844	41,019	489,102	550	863,515
Addition	13,009	469	85,783	3,657	102,918
Addition through acquisition of subsidiaries	—	—	388	—	388
Transfer from construction in progress	—	—	3,617	(3,617)	—
Disposals	—	—	(56,472)	—	(56,472)
Balance at 31 December 2013	345,853	41,488	522,418	590	910,349
Balance at 1 January 2014	345,853	41,488	522,418	590	910,349
Addition, net of subsidy received	(29,580)*	755	60,104	56,069	87,348
Transfer from construction in progress	—	—	14,512	(14,512)	—
Disposals	—	(530)	(46,314)	—	(46,844)
Balance at 31 December 2014	316,273	41,713	550,720	42,147	950,853
Depreciation					
Balance at 1 January 2013	36,607	21,967	290,797	—	349,371
Depreciation charge for year	11,513	3,202	118,233	—	132,948
Disposals	—	—	(55,914)	—	(55,914)
Balance at 31 December 2013	48,120	25,169	353,116	—	426,405
Balance at 1 January 2014	48,120	25,169	353,116	—	426,405
Depreciation charge for year	6,593	2,875	105,182	—	114,650
Disposals	—	(529)	(45,943)	—	(46,472)
Balance at 31 December 2014	54,713	27,515	412,355	—	494,583
Net book value					
At 31 December 2014	261,560	14,198	138,365	42,147	456,270
At 31 December 2013	297,733	16,319	169,302	590	483,944

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

* *In 2014, the Group received cash subsidy of RMB31,000 thousand from local government relating to its plant construction completed in 2011. The subsidy was deducted from the carrying amount of the assets in accordance with the policy set out in note 1(s) and is being effectively recognised over the useful life of the assets by way of reduced depreciation expense.*

16. Income tax in the consolidated balance sheet represents:

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

	2014	2013
	RMB'000	*RMB'000*
Balance at beginning of year	**41,948**	35,411
Provision for income tax for the year	**117,419**	146,425
Transfer from deferred taxation (see note b(i) below)	**—**	10,352
Paid during the year	**(109,172)**	(150,240)
Balance at end of year	**50,195**	41,948

(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:

	Bad debt provision	**Stock provision**	**Undistributed profits of subsidiaries**	**Tax losses carried forward**	**Property plant and equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	—	98,114	(6,391)	5,625	1,451	98,799
Credited/(charged) to profit or loss (see note 8 (a))	—	26,134	(12,587)	(2,343)	549	11,753
Transfer to current taxation	—	—	10,352	—	—	10,352
At 31 December 2013	—	124,248	(8,626)	3,282	2,000	120,904
At 1 January 2014	—	124,248	(8,626)	3,282	2,000	120,904
Credited/(charged) to profit or loss (see note 8 (a))	1,250	22,513	(8,817)	(2,066)	8,053	20,933
At 31 December 2014	1,250	146,761	(17,443)	1,216	10,053	141,837

(ii) Reconciliation to the consolidated balance sheet

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Net deferred tax asset recognised on the balance sheet	**159,280**	129,530
Net deferred tax liability recognised on the balance sheet	**(17,443)**	(8,626)
	141,837	120,904

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

(c) Deferred tax asset not recognised

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

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Tax losses of subsidiaries	**76,788**	33,321

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 EIT 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 2014, deferred tax liabilities of RMB96,430 thousand (31 December 2013: 91,094 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.

17. Pledged bank deposits

An analysis of the balance of pledged bank deposits is set out below:

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Pledged bank deposits maturing within one year		
— For interest bearing borrowings	**—**	50,000
— For guarantee (see note 24)	**283,248**	376,231
— Others	**1,697**	23,877
	284,945	450,108

18. Inventories

Inventories comprise:

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Raw materials	**80,120**	83,946
Work in progress	**31,959**	42,300
Finished goods	**606,484**	586,244
Goods in transit	**2,988**	2,784
	721,551	715,274

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

	2014	2013
	RMB'000	*RMB'000*
Cost of sales	**361,364**	401,845
Inventory provision	**172,488**	176,483
	533,852	578,328

19. Trade and other receivables, deposits and prepayments

(a) The Group

	At 31 December 2014	At 31 December 2013
	RMB'000	*RMB'000*
Accounts receivable	**205,112**	202,480
Less: allowance for doubtful debts (see note (ii) below)	**(5,000)**	—
	200,112	202,480
Amounts due from related parties (see note 23)	**21,036**	25,396
Advances to suppliers	**17,794**	14,819
Other receivables, deposits and prepayments	**125,341**	131,903
	364,283	374,598

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

(a) The Group *(continued)*

(i) An ageing analysis of accounts receivable, based on the revenue recognition date and net of allowance for doubtful debts, is as follows:

	At 31 December 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Within 1 month	**163,950**	162,087
Over 1 month but within 3 months	**24,043**	26,642
Over 3 months but within 6 months	**8,952**	12,969
Over 6 months	**3,167**	782
Total	**200,112**	202,480

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

(ii) *Impairment of accounts receivable*

Impairment losses in respect of accounts receivable are recorded using an allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly (see note 1(i)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2014 *RMB'000*	2013 *RMB'000*
As at 1 January	**—**	—
Impairment loss recognised	**5,000**	—
As at 31 December	**5,000**	—

As at 31 December 2014, the Group's accounts receivable of RMB9,944 thousands (31 December 2013: Nil) was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that only portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB5,000 thousands (31 December 2013: Nil) was recognised.

Details of the Group's credit policy and credit risk exposure are set out in note 29 (a).

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

(a) The Group (continued)

(iii) Accounts receivable that are not impaired

The ageing analysis of accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Neither past due nor impaired	**163,853**	164,732
Less than 1 month past due	**18,056**	17,862
1–3 months past due	**7,298**	13,761
Over 3 months but less than 12 months past due	**5,961**	6,125
Total	**195,168**	202,480

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) The Company

	2014 *RMB'000*	2013 *RMB'000*
Amounts due from subsidiaries	**271,694**	310,564
Other receivables, deposits and prepayments	**144**	250
	271,838	310,814

20. Fixed deposits with banks

Fixed deposits with banks on the consolidated balance sheet represent bank deposits with maturity over 3 months at acquisition.

21. Cash and cash equivalents

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

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand	**331,249**	263,160	**1,217**	4,401
Time deposits with banks	**187,927**	148,000	**—**	—
	519,176	411,160	**1,217**	4,401

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

22. Trade payables, other payables and accruals

(a) The Group

	At 31 December 2014	At 31 December 2013
	RMB'000	*RMB'000*
Current		
Accounts payable (see note (i) below)	**85,240**	72,845
Other creditors and accruals	**131,443**	142,834
Amounts due to related parties (see note 23)	**2,440**	300
Dividends payable to the equity shareholders of the Company	**3**	18
	219,126	215,997
Non-Current		
Other creditors and accruals	**62,887**	22,361
Total	**282,013**	238,358

(i) An ageing analysis of accounts payable, based on the due date, is as follows:

	2014	2013
	RMB'000	*RMB'000*
Due within 1 month or on demand	**51,436**	47,555
Due after 1 month but within 3 months	**13,557**	15,440
Due after 3 months but within 6 months	**10,834**	6,001
Due after 6 months but within 12 months	**5,921**	1,858
Due after 1 year but within 2 years	**3,492**	1,991
	85,240	72,845

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

(b) The Company

	2014	2013
	RMB'000	*RMB'000*
Other creditors and accruals	**3,556**	2,348
Dividends payable to the equity shareholders of the Company	**3**	18
Amounts due to subsidiaries	**9,647**	9,647
	13,206	12,013

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

23. Amounts due from/(to) related parties

	The Group	
	At 31 December 2014	At 31 December 2013
	RMB'000	*RMB'000*
Amounts due from related parties		
Ports International Retail Corporation	**6,602**	8,195
Beijing Aishang	**57**	178
PCD Stores (Group) Limited and its subsidiaries	**14,377**	17,023
	21,036	25,396

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

	The Group	
	At 31 December 2014	At 31 December 2013
	RMB'000	*RMB'000*
Amounts due to related parties		
Ports International Retail Corporation	**1,528**	—
Fiona Cibani	**612**	—
PCD Stores (Group) Limited and its subsidiaries	**300**	300
	2,440	300

The amounts due to related parties are unsecured, interest free and repayable on demand.

24. Interest-bearing borrowings

	The Group	
	At 31 December 2014	At 31 December 2013
	RMB'000	*RMB'000*
Bank loans repayable within one year or on demand		
— Secured	**484,166**	91,454
— Unsecured	**117,940**	625,755
	602,106	717,209

The bank loans of the Group have maturity terms within one year and carry fixed or variable interest rate during the borrowing period.

As at 31 December 2014, certain overseas banking facilities of the Group were guaranteed by letter of credits issued by certain banks located in PRC. In respect of the guarantee provided by these PRC banks, certain subsidiaries' fixed deposits of RMB283,248 thousand (2013: RMB376,231 thousand) placed with banks located in the PRC as security.

The Renminbi equivalent of banking facilities of the Group amounted to RMB1,069,271 thousand (2013: RMB929,200 thousand), of which RMB724,486 thousand (2013: RMB784,759 thousand) were utilised as at 31 December 2014.

25. 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 2013		1,473	126,830	442,400	9,578	16,679	596,960
Total comprehensive income for the year		—	—	—	—	171,545	171,545
Dividends declared in respect of the previous year	25(b)	—	—	—	—	(77,602)	(77,602)
Shares issued under share option scheme	25(c)(ii)	1	(238)	948	—	—	711
Options expired under share option scheme		—	(55)	—	—	55	—
Dividends declared in respect of the current year	25(b)	—	—	—	—	(60,990)	(60,990)
Balance at 31 December 2013		1,474	126,537	443,348	9,578	49,687	630,624
Balance at 1 January 2014		**1,474**	**126,537**	**443,348**	**9,578**	**49,687**	**630,624**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**(41,898)**	**(41,898)**
Balance at 31 December 2014		**1,474**	**126,537**	**443,348**	**9,578**	**7,789**	**588,726**

(b) Dividends

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

	2014 ***RMB'000***	2013 *RMB'000*
Interim dividend approved and paid of RMB Nil per share (2013: RMB0.11 per share)	**—**	60,990

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

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

(b) Dividends *(continued)*

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

	2014	2013
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB Nil per share (2013: RMB0.14 per share)	**—**	77,602

(c) Share capital

(i) Authorised and issued share capital

	The Group and the Company			
	2014		2013	
	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	**554,453,492**	**1,386**	554,114,386	1,385
Shares issued under share option scheme	**—**	**—**	339,106	1
At the end of the year	**554,453,492**	**1,386**	554,453,492	1,386
		RMB'000 **equivalent**		*RMB'000* equivalent
		1,474		1,474

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.

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

(c) Share capital *(continued)*

(ii) Shares issued under share option scheme

During the year ended 31 December 2014, no share options were exercised by the holders pursuant to the share option scheme adopted by the Company.

During the year ended 31 December 2013, options were exercised to subscribe for 339,106 ordinary shares of HK$0.0025 each of the Company at a total consideration of HK$ 890,153 (equivalent to RMB711,425), of which HK$ 848 (equivalent to RMB678) was credited to share capital. The excess of the consideration over the nominal value of the shares, amounting to RMB710,747 was credited to the share premium account. RMB237,629 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(p)(ii).

(d) Nature and purpose of reserves

The Group

PRC statutory reserves

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

(i) General reserve fund

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

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

(ii) Enterprise expansion fund

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

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

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

(d) Nature and purpose of reserves *(continued)*

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 2014 was RMB17,367 thousand (2013: RMB59,265 thousand).

26. 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 terms 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.

(Expressed in Renminbi Yuan)

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

(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		

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

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

	2014		2013	
	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$16.381**	**25,925,602**	HK$16.196	27,109,385
Exercised	**Nil**	**—**	HK$2.625	(339,106)
Expired	**Nil**	**—**	HK$2.625	(76,654)
Forfeited	**HK$17.320**	**(676,010)**	HK$17.320	(768,023)
Outstanding at end of year	**HK$16.356**	**25,249,592**	HK$16.381	25,925,602
Exercisable at the end of year	**HK$16.356**	**25,249,592**	HK$16.381	25,925,602

The options outstanding at 31 December 2014 have an exercise price in the range of HK$11.680 to HK$17.320 and a weighted average contractual life of 4.10 years (2013: 5.03 years).

During the year ended 31 December 2014, no share options were exercised by the holders pursuant to the share option scheme adopted by the Company.

During the year ended 31 December 2013, 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 for 339,106 ordinary shares, Nil ordinary shares and Nil ordinary shares respectively. In addition, two of the Company's directors exercised options to subscribe for ordinary shares of the Company.

(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%

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

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

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.

27. 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 excluding deferred tax liabilities and total equity respectively.

During 2014, the Group's strategy, which was unchanged from 2013, 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.

27. Capital management *(continued)*

The debt-to-equity ratio and gearing ratio at 31 December 2014 and 2013 was as follows:

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables, other payables and accruals	*22(a)*	**282,013**	238,358	**13,206**	12,013
Interest-bearing borrowings	*24*	**602,106**	717,209	**—**	—
Current taxation	*16(a)*	**50,195**	41,948	**—**	—
Total debt		**934,314**	997,515	**13,206**	12,013
Total equity		**2,096,848**	2,023,286	**588,726**	630,624
Debt-to-equity ratio		**45%**	49%	**2%**	2%
Gearing ratio		**29%**	35%	**—**	—

The bank loan facilities utilised by the Group are subject to the fulfilment of financial covenants. The draw down facilities would become payable on demand should the Group be unable to fulfil these covenants. The Group regularly monitors its compliance with these covenants.

28. Investments in subsidiaries

	The Company	
	2014	2013
	RMB'000	*RMB'000*
Unlisted shares, at cost	**152,388**	152,388
Fair value of guarantee issued in favour of subsidiaries	**12,926**	11,471
Cumulative fair value of share options granted to employees of subsidiaries	**163,563**	163,563
	328,877	327,422

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(d) and have been consolidated into the consolidated financial statements.

28. Investments in subsidiaries *(continued)*

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 *(in thousands)*	Principal activities
Ports Asia Holdings Limited	British Virgin Islands	100	—	USD11/USD50	—	Sales of garments and investment holding
Ports International Marketing Limited	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	300,000 shares/ 300,000 shares	—	Sales of garments and investment holding
Ports Retail (H.K.) Limited	Hong Kong	—	100	300,000 shares/ 300,000 shares	—	Sales of garments
Ports 1961 Retail Limited	Hong Kong	—	100	300,000 shares/ 300,000 shares	—	Sales of garments
Ports 1961 Macau Limited	Macau	—	100	MOP25/MOP25	—	Sales of garments
Xiamen Xiangyu Ports Trading Co., Ltd.	PRC	—	100	—	USD2,020/ USD2,020	Sales of garments
Ports International (Beijing) Co., Ltd.	PRC	—	100	—	USD1,850/ USD1,850	Manufacturing and sales of garments
Ports International Marketing (Xiamen) Ltd.	PRC	—	100	—	USD14,100/ USD14,100	Manufacturing and sales of garments
Cpax Ltd. (formerly known as Century Ports Apparel Xiamen Ltd.)	PRC	—	100	—	USD374/USD374	Manufacturing and sales of garments
Ports Fashion (Xiamen) Ltd.	PRC	—	100	—	RMB322,000/ RMB322,000	Manufacturing and sales of garments
Xiamen Weijue Optical Co., Ltd.	PRC	—	51	—	RMB28,000/ RMB28,000	Manufacturing of glasses
Xiamen Baozhan Trading Co., Ltd	PRC	—	51		RMB2,000/ RMB2,000	Sales of glasses
Ports 1961 USA Inc.	USA	—	100	USD200/USD200	—	Sales of garments
Ports 1961 Italy SPA	Italy	—	99	EUR1,000/EUR1,000	—	Manufacturing and sales of garments

All the subsidiaries incorporated in Mainland China are wholly foreign owned enterprises, except for Xiamen Weijue Optical Co., Ltd and Xiamen Baozhan Trading Co., Ltd which is a domestic enterprise.

Foreign exchange control regulations in China impose restrictions on fund flows between subsidiaries located in China and other entities within the Group.

The directors are of the view that the Group had no individually material non-controlling interest as at 31 December 2014.

29. 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 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 fixed rates expose the Group to cash flow interest rate risk, and fair value interest rate risk respectively.

The Group normally borrows short-term bank loans which have short-term maturity ranging from 1–12 months and carry relatively fixed rates in order to limit its exposure to interest rate risk.

At the balance sheet date, the Group's interest rate profile as monitored by management is set out in (i) below.

29. Financial Instruments *(continued)*

(b) Interest rate risk *(continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's cash and cash equivalents, fixed deposits with banks, pledged bank deposits and interest-bearing borrowings at the balance sheet date.

	The Group			
	2014		2013	
	Effective interest rate	***RMB'000***	Effective interest rate	*RMB'000*
Fixed rate instruments				
Cash and cash equivalents	**0.56%~3.12%**	**187,927**	1.35%~3.10%	148,000
Fixed deposits with banks	**2.81%~3.30%**	**511,115**	2.86%~3.30%	432,110
Pledged bank deposits	**3.25%~4.13%**	**283,248**	3.25%~4.13%	426,231
Interest-bearing borrowings	**—**	**—**	3.50%	(91,454)
		982,290		914,887
Variable rate borrowings				
Cash and cash equivalents	**0.01%~0.35%**	**331,249**	0.01%~0.35%	263,160
Pledged bank deposits	**0.35%**	**1,697**	0.35%	23,877
Interest-bearing borrowings	**1.44%~2.40%**	**(602,106)**	1.44%~2.27%	(625,755)
		(269,160)		(338,718)

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase of 500 basis points in interest rates, with all other variables held constant, would have decreased the Group's profit after tax and retained profits by approximately RMB594 thousand (2013: RMB558 thousand).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2013.

29. Financial Instruments *(continued)*

(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.

(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 2014		
	United States Dollars *RMB'000*	**Hong Kong Dollars** *RMB'000*	**Euro** *RMB'000*
Trade and other receivables	**21,565**	**28,431**	**36,577**
Cash and cash equivalents	**49,073**	**39,580**	**15,896**
Trade and other payables	**(12,391)**	**(48,437)**	**(8,806)**
Interest-bearing borrowings	**(484,166)**	**(117,940)**	**—**
Overall net exposure	**(425,919)**	**(98,366)**	**43,667**

	As at 31 December 2013		
	United States Dollars *RMB'000*	Hong Kong Dollars *RMB'000*	Euro *RMB'000*
Trade and other receivables	28,606	26,784	28,684
Cash and cash equivalents	26,137	16,581	13,218
Trade and other payables	(10,897)	(237)	(12,740)
Interest-bearing borrowings	(717,209)	—	—
Overall net exposure	(673,363)	43,128	29,162

29. Financial Instruments *(continued)*

(c) Foreign currency risk *(continued)*

(i) Exposure to currency risk (continued)

The Company

	As at 31 December 2014	
	United States Dollars ***RMB'000***	**Hong Kong Dollars** ***RMB'000***
Trade and other receivables	**33,423**	**58,031**
Cash and cash equivalents	**311**	**869**
Trade and other payables	**(159)**	**—**
Overall net exposure	**33,575**	**58,900**

	As at 31 December 2013	
	United States Dollars *RMB'000*	Hong Kong Dollars *RMB'000*
Trade and other receivables	39,258	93,257
Cash and cash equivalents	633	3,728
Overall net exposure	39,891	96,985

29. 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.

	2014		2013	
	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	**20,493**	**20,493**	33,201	33,201
— 5% weakening of RMB	**(20,493)**	**(20,493)**	(33,201)	(33,201)
Euros				
— 5% strengthening of RMB	**(5,176)**	**(5,176)**	(1,009)	(1,009)
— 5% weakening of RMB	**5,176**	**5,176**	1,009	1,009
Hong Kong Dollars				
— 5% strengthening of RMB	**1,608**	**1,608**	(1,492)	(1,492)
— 5 % weakening of RMB	**(1,608)**	**(1,608)**	1,492	1,492)

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 2013.

(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.

29. Financial Instruments *(continued)*

(d) Liquidity risk *(continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	As at 31 December 2014				
	Within 1 year or on demand *RMB'000*	**Within 2 years but over 1 year** *RMB'000*	**Over 2 years** *RMB'000*	**Undiscounted contractual cash flow** *RMB'000*	**Carrying amount** *RMB'000*
Trade and other payables excluding advance receipts from customers and deferred income	**186,837**	**10,917**	**51,970**	**249,724**	**249,724**
Secured interest-bearing Borrowings	**485,193**	**—**	**—**	**485,193**	**484,166**
Unsecured interest-bearing Borrowings	**118,256**	**—**	**—**	**118,256**	**117,640**
Total	**790,286**	**10,917**	**51,970**	**853,173**	**851,530**

	As at 31 December 2013				
	Within 1 year or on demand *RMB'000*	Within 2 years but over 1 year *RMB'000*	Over 2 years *RMB'000*	Undiscounted contractual cash flow *RMB'000*	Carrying amount *RMB'000*
Trade and other payables excluding advance receipts from customers and deferred income	198,305	3,185	19,176	220,666	220,666
Secured interest-bearing borrowings	92,120	—	—	92,120	91,454
Unsecured interest-bearing borrowings	630,565	—	—	630,565	625,755
Total	920,990	3,185	19,176	943,351	937,875

The Company's financial liabilities, including interest-bearing borrowings and trade and other payables, as at 31 December 2014 and 2013 are required to be settled within 1 year or on demand based on the contractual terms entered with the counterparties. The carrying amounts of all financial liabilities as at the respective balance sheet date represent the total contractual undiscounted cash flows for settling these financial liabilities within the next year. At the balance sheet date, the Group and the Company do not have any derivative financial liabilities.

29. Financial Instruments *(continued)*

(e) Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the reporting period in which they occurred.

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2014 and 2013.

30. Commitments

(a) Operating lease commitments

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

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Less than one year	**214,274**	160,095
Between one and five years	**661,524**	390,903
More than five years	**614,882**	317,242
	1,490,680	868,240

The leases normally run for an initial period of one to twelve 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 with reference to turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

(b) Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2014 and 2013 but not provided for in the consolidated financial statements were as follows:

	The Group	
	2014	2013
	RMB'000	*RMB'000*
Authorised but not contracted for	**43,500**	58,842

31. Contingent liabilities

	The Company	
	2014	2013
	RMB'000	*RMB'000*
Guarantees issued to banks in favour of subsidiaries	**394,633**	182,934

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 2014, 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 Renminbi Yuan)

32. Immediate and ultimate controlling party

As at 31 December 2014, 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.

33. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2014

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2014 and have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 19, Defined benefit plans: Employee contributions	1 July 2014
Annual improvements to IFRS 2010–2012 cycle	1 July 2014
Annual improvements to IFRS 2011–2013 cycle	1 July 2014
Annual improvements to IFRS 2012–2014 cycle	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint ventures	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27, Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IFRS 15, Revenue from contracts with customers	1 January 2017
IFRS 9, Financial Instruments	1 January 2018

The Group is in the process of making an assessment on what the impact of these amendments 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.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (ie. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.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