NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Renminbi Yuan)

1. Significant accounting policies

Ports Design Limited (the "Company") is a company incorporated in Bermuda with limited liability. The consolidated financial statements of the Company for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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 the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

(c) Basis of consolidation

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

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

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

(d) Leased assets

(i) Classification of leased assets

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

(ii) Assets acquired under finance leases

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

(iii) Operating leases charges

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

(iv) Lease prepayments

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

(e) Property, plant and equipment

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

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

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

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

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

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

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

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

(f) Inventories

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

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

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

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

(g) Trade and other receivables

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

(h) Cash and cash equivalents

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

(i) Intangible asset

The intangible asset acquired by the Group represents trademark use rights with finite useful lives. The intangible asset is stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 1(j)). Amortisation of intangible asset is charged to the income statement on a straightline basis over the assets' estimated useful lives of 10 years from the date they are available for use.

(j) Impairment

The carrying amounts of the Group's assets, other than inventories (see note 1(f)) and deferred tax assets (see note 1(p)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of the Group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(k) Employee benefits

(i) Defined contribution retirement plans

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

(ii) Share-based payment

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

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

(l) Trade and other payables

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

(m) Provisions and contingent liabilities

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

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

(n) Revenue recognition

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

(i) Sales of goods

Revenue is recognised when the customer has accepted the goods and the related 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) Interest income

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

(o) Net finance costs

Net finance costs comprise interest payable on borrowings, calculated using the effective interest rate method, interest receivable on funds invested, bank charges and foreign exchange gains and losses.

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

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

(p) Income tax

Income tax on the income statement for the year comprises current and movements in deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

(q) Foreign currency transactions

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

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

(r) Related parties

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

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

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

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

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

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

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

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

(s) Dividends

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

(t) Segment reporting

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

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

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

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

Unallocated items mainly comprise financial and corporate assets, tax balances, corporate and financing expenses.

(u) Earnings per share

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

(Expressed in Renminbi Yuan)

2. Turnover

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

3. Segment reporting

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

Business segments

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

	2006	*2005*
Turnover:		
Retail	838,822,728	643,548,850
OEM	159,794,068	156,952,680
Unallocated	56,329,122	51,224,459
Total	1,054,945,918	851,725,989

	2006	*2005*
Segment result:		
Retail	275,078,121	187,495,254
OEM	17,649,217	14,826,748
Total	292,727,338	202,322,002
Unallocated operating income and expenses	(12,718,523)	(16,357,338)
Profit from operations	280,008,815	185,964,664
Net finance income/(costs)	3,209,239	(4,726,416)
Income tax	(29,216,360)	(16,178,291)
Profit for the year	254,001,694	165,059,957

	2006	*2005*
Depreciation and amortization:		
Retail	34,968,347	26,438,238
OEM	-	-
Unallocated	2,537,191	2,017,860
Total	37,505,538	28,456,098
Capital expenditure incurred:		
Retail	49,571,523	70,721,994
OEM	-	-
Unallocated	3,596,697	5,397,753
Total	53,168,220	76,119,747
Segment assets:		
Retail	561,056,989	458,316,017
OEM	62,091,141	22,753,320
Total	623,148,130	481,069,337
Unallocated assets	516,849,029	431,484,783
Total assets	1,139,997,159	912,554,120
Segment liabilities:		
Retail	149,590,042	114,703,805
OEM	51,630,317	16,031,196
Total	201,220,359	130,735,001
Unallocated liabilities	25,014,604	21,564,836
Total liabilities	226,234,963	152,299,837

(Expressed in Renminbi Yuan)

Geographical segments

The Group's business is managed on a worldwide basis, but participates in four principal geographical areas, the PRC (other than Hong Kong), North America, Hong Kong and Europe.

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

Turnover:	*2006*	*2005*
the PRC	821,804,661	636,982,918
North America	175,194,830	162,585,370
Hong Kong	17,018,067	13,431,616
Europe	40,928,360	38,726,085
Total	1,054,945,918	851,725,989
Segment assets:		
the PRC	1,003,148,226	794,464,764
North America	55,446,094	21,473,881
Hong Kong	66,555,042	84,959,788
Europe	14,847,797	11,655,687
Total	1,139,997,159	912,554,120
Capital expenditure incurred:		
the PRC	51,200,379	69,902,248
Hong Kong	1,967,841	6,217,499
Total	53,168,220	76,119,747

4. Other operating income

	2006	*2005*
Liaison service income	916,030	256,965
Royalty income	3,439,055	2,740,000
Design and decoration income	5,830,069	4,171,175
Insurance compensation	1,447,799	1,231,337
Others	3,767,784	3,022,337
	15,400,737	11,421,814

5. Other operating expenses

	2006	*2005*
Stock provision	37,855,407	27,520,349
Amortisation of intangible asset	-	538,050
	37,855,407	28,058,399

6. Personnel expenses

	2006	*2005*
Wages, salaries and staff benefits	145,533,788	101,782,371
Contributions to defined contribution retirement plan	3,405,473	2,769,384
Equity-settled share-based payment expense	8,245,309	3,217,693
	157,184,570	107,769,448

The Group participates in a defined contribution plan managed by the local government authorities of Xiamen whereby the Group is required to contribute to the plan. The applicable rates of contribution are either 6% (2005: 6%) of the minimum salary level of employees in Xiamen or 14% (2005: 14%) of the higher of the average salary of employees in Xiamen and the individual basic salary of the Group's employees. The Group has no obligation for the payment of retirement benefits other than the contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution plan as mentioned above. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

(Expressed in Renminbi Yuan)

7. Profit before taxation

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

	2006	*2005*
(i) Net finance (income)/costs		
Interest income	(7,949,525)	(6,771,395)
Interest expense on bank advances repayable within five years	16,515	120,679
Bank charges	839,119	1,216,741
Net foreign exchange loss	3,884,652	10,160,391
Net finance (income)/costs	(3,209,239)	4,726,416

	2006	*2005*
(ii) Other items		
Cost of inventories# (note 19)	359,184,164	323,359,399
Auditors' remuneration - audit services	1,755,495	1,636,418
Depreciation		
- owned fixed assets	37,060,921	27,473,548
- leased fixed assets	271,770	271,770
Amortisation		
- lease prepayments	172,112	172,730
- intangible assets	-	538,050
Operating leases charges in respect of properties		
- minimum lease payments	50,797,686	42,042,767
- contingent rents	159,432,176	124,615,235

#Cost of inventories includes RMB 75,143,528 (2005: RMB55,469,965) relating to personnel expenses, depreciation and amortization 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 expense

(i) Income tax expense represents:

	2006	*2005*
Current year expense	41,243,528	25,702,904
Under provision in prior years	-	154,570
Income tax refund	(9,388,235)	(7,010,682)
	31,855,293	18,846,792
Changes in deferred taxes	(2,638,933)	(2,668,501)
	29,216,360	16,178,291

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

Provision for Hong Kong Profits tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits of a subsidiary in Hong Kong. No provision for Hong Kong Profits tax has been made during the year ended 31 December 2006 as that subsidiary did not earn any assessable income for Hong Kong Profits tax purposes.

The Group's applicable tax rate represented the preferential PRC Enterprise income tax of 15% applicable to companies located within special economic zones in the PRC.

Pursuant to the income tax rules and regulations of the PRC, certain subsidiaries located in the PRC ("PRC subsidiaries") are entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, they are subject to PRC Enterprise income tax at 50% of the applicable income tax rate for the following three years.

The Group was granted a tax refund of RMB9,388,235 during the year ended 31 December 2006 (2005: RMB7,010,682), pursuant to the relevant PRC tax law and regulations applicable to re-investment of profits earned.

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

	2006	*2005*
Profit from ordinary activities before taxation	283,218,054	181,238,248
Computed tax using the Group's applicable tax rate at 15%	42,482,708	27,185,737
Rate differential on the Company and subsidiaries' income taxed at 0%	(5,595,281)	(3,123,077)
Tax holiday enjoyed by PRC subsidiaries	(2,682,964)	(2,861,665)
Tax effect of non-deductible expenses net of non-taxable income	1,683,486	498,142
Deferred tax asset not recognised	2,716,646	1,335,266
Income tax refund	(9,388,235)	(7,010,682)
Under provision in prior years	-	154,570
Actual tax expense	29,216,360	16,178,291

(Expressed in Renminbi Yuan)

(iii) Taxation in the consolidated balance sheet represents:

	2006	*2005*
Balance at beginning of year	10,981,841	10,050,611
Provision for income tax for the year	41,243,528	25,857,474
Paid during the year	(34,768,341)	(24,926,244)
Balance at end of year	17,457,028	10,981,841

9. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB6,858,179 (2005: profit of RMB35,089,284) 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:

	2006	*2005*
Amount of consolidated (loss)/profit attributable to equity shareholders dealt with in the Company's financial statements	(6,858,179)	35,089,284
Final dividends from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	100,000,000	47,533,797
Company's profit for the year (Note 25 (b))	93,141,821	82,623,081

10. Dividends

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

	2006	*2005*
Interim dividend approved and paid of RMB0.11 (2005:RMB0.075) per share	60,249,557	40,746,139
Final dividend proposed after the balance sheet date of RMB 0.17 (2005: RMB0.11) per share	93,303,530	59,896,441
	153,553,087	100,642,580

In respect of the interim dividend approved and paid for the year ended 31 December 2006, a difference of RMB23,978 between the interim dividend proposed in the interim report for the six months ended 30 June 2006 and the amount eventually approved and paid during the year represents the additional dividends distributed to the holders of shares which were issued upon the exercise of share options during the period from the date the interim report was authorised for issue and the closing date of the register of members based on which interim dividends were actually paid.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. The calculation of final dividend per share is based on 548,844,296 ordinary shares in issue as at 31 December 2006 (2005: 544,513,096 ordinary shares).

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

	2006	*2005*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.11 (2005: RMB 0.0875) per share	60,211,644	47,533,797

In respect of the final dividend approved and paid for the year ended 31 December 2005, a difference of RMB315,203 between the final dividend proposed in the 2005 annual report and the amount eventually approved and paid during the year represents the additional dividend distributed to the holders of shares which were issued upon the exercise of share options during the period from the date the 2005 annual report was authorised for issue and the closing date of the register of members based on which the final dividends for the year ended 31 December 2005 were actually paid.

11. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB254,001,694 (2005: RMB165,059,957) and the weighted average of 547,520,168 (2005: 543,415,801) ordinary shares in issue during the year.

(i) Weighted average number of ordinary shares

	2006 *Number of shares*	*2005* *Number of shares*
Issued ordinary shares at 1 January	544,513,096	543,240,000
Effect of share options exercised (note 26)	3,007,072	175,801
Weighted average number of ordinary shares at 31 December	547,520,168	543,415,801

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company of RMB254,001,694 (2005: RMB165,059,957) and the weighted average number of 554,210,063 (2005: 550,856,263) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's share option scheme.

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

	2006 *Number of shares*	*2005* *Number of shares*
Weighted average number of ordinary shares at 31 December	547,520,168	543,415,801
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 26)	6,689,895	7,440,462
Weighted average number of ordinary shares (diluted) at 31 December	554,210,063	550,856,263

12. Directors' remuneration

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

	Director's fees	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Share-based payments	Total 2006
Executive Directors					
Mr. Edward Tan Han Kiat	-	266,000	-	-	266,000
Mr. Alfred Chan Kai Tai	-	266,000	-	-	266,000
Mr. Pierre Frank Bourque	-	723,865	-	49,228	773,091
Non-Executive directors					
Mr. Kunnasagaran Chinniah	-	-	-	-	-
Ms. Janine Tran Chanh Lien	-	-	-	-	-
Ms. Julie Ann Enfield	-	-	-	-	-
Mr. Rodney Ray Cone *	-	-	-	4,571	4,571
Ms. Valarie Fong Wei Lynn *	-	-	-	4,571	4,571
Ms. Lara Magno Lai *	-	-	-	-	-
		1,255,865	-	58,370	1,314,233

	Fees	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Share-based payments	Total 2005
Executive Directors					
Mr. Edward Tan Han Kiat	-	247,000	-	-	247,000
Mr. Alfred Chan Kai Tai	-	247,000	-	-	247,000
Mr. Pierre Frank Bourque	-	685,608	-	38,612	724,220
Non-Executive directors					
Mr. Kunnasagaran Chinniah	-	-	-	-	-
Ms. Janine Tran Chanh Lien	-	-	-	-	-
Ms. Julie Ann Enfield	-	-	-	-	-
Mr. Rodney Ray Cone *	-	-	-	12,871	12,871
Ms. Valarie Fong Wei Lynn *	-	-	-	12,871	12,871
Ms. Lara Magno Lai *	-	-	-	-	-
	-	1,179,608	-	64,354	1,243,962

* independent non-executive directors

NOTES TO THE FINANCIAL STATEMENTS
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(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 Options Scheme" section in the Report of the Directors and note 26.

(b) No bonuses were paid or payable as at 31 December 2006 and 2005 by the Group to the directors which were discretionary or based on the Group's or any member of the Group's performance.

(c) Save as disclosed above, no directors' remuneration has been paid or is payable by the Group for the year ended 31 December 2006.

13. Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2005: one) is a director whose remuneration is disclosed in note 12. The aggregate of the emoluments in respect of the other four (2005: four) individuals are as follows:

	2006	*2005*
Basic salaries, allowances and other benefits	2,621,843	4,112,325
Discretionary bonuses	-	-
Share-based payments	877,546	689,552
Contributions to retirement benefit scheme	-	-
	3,499,389	4,801,877

The emoluments of the four (2005: four) individuals with the highest emoluments are within the following bands:

	2006 Number of individuals	*2005 Number of individuals*
RMB Nil – RMB 1,000,000	3	1
RMB 1,000,001 – RMB 1,500,000	1	2
RMB 1,500,001 – RMB 2,000,000	-	1
	4	4

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

14. Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 2006 and 2005.

Name of party	Relationship
CFS International Inc.	Ultimate holding company
Ports International Retail Corporation	Fellow subsidiary company
PIHK Limited	Fellow subsidiary company
Ports 1961 (New York) Incorporated	Fellow subsidiary company
Ports International Enterprise Limited	Fellow subsidiary company

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

Particulars of significant transactions between the Group and the above related parties for the years ended 31 December 2006 and 2005 are as follows:

(a) Transactions with ultimate holding company and fellow subsidiaries

	2006	2005
Sales of goods to:		
Ports International Retail Corporation	18,617,852	9,250,511
Expenditure paid on behalf by:		
PIHK Limited	-	6,583,978
Ports International Retail Corporation	2,282,792	-
Purchase of goods from:		
CFS International Inc.	866,320	-

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties, and in the ordinary course of business, and this has been confirmed by the independent non-executive directors.

(b) Transactions with key management personnel

	2006	2005
Short-term employee benefits	1,255,865	1,179,608
Post-employment benefits	-	-
Equity compensation benefits	58,368	64,354
	1,314,233	1,243,962

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

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(c) Contribution to defined contribution retirement plans

The Group participates in a defined contribution plan managed by the local government authorities of Xiamen for its employees employed in the PRC and 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.

The Group's contributions to these post-employment benefit plans amounted to RMB3,405,473 for the year ended 31 December 2006 (2005: RMB2,769,384).

At at 31 December 2006 and 31 December 2005, there was no material outstanding contribution to post-employment benefit plans.

15. Lease prepayments

	The Group	
	2006	*2005*
Cost		
Balance at beginning of year	7,864,693	7,864,693
Addition	-	-
Balance at end of year	7,864,693	7,864,693
Accumulated amortization		
Balance at beginning of year	(965,349)	(792,619)
Amortisation charge for the year	(172,112)	(172,730)
Balance at end of year	(1,137,461)	(965,349)
Net book value		
At end of year	6,727,232	6,899,344

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

(Expressed in Renminbi Yuan)

16. Property, plant and equipment

The Group

	Buildings	Plant and machinery	Fixtures, fitting and other fixed assets	Construction in progress	Total
Cost					
Balance at 1 January 2005	35,672,328	20,393,149	73,719,628	7,183,382	136,968,487
Acquisitions	-	3,163,022	35,494,015	37,462,710	76,119,747
Transfer from construction in progress	-	-	6,344,893	(6,344,893)	-
Disposals	-	(286,513)	(7,431,615)	-	(7,718,128)
Balance at 31 December 2005	35,672,328	23,269,658	108,126,921	38,301,199	205,370,106
Balance at 1 January 2006	35,672,328	23,269,658	108,126,921	38,301,199	205,370,106
Acquisitions	-	5,401,224	27,614,528	20,151,733	53,167,485
Transfer from construction in progress	50,894,985	-	6,249,704	(57,144,689)	-
Disposals	-	(467,014)	(14,977,402)	-	(15,444,416)
Balance at 31 December 2006	86,567,313	28,203,868	127,013,751	1,308,243	243,093,175
Depreciation					
Balance at 1 January 2005	6,180,517	7,156,401	32,871,722	-	46,208,640
Depreciation charge for year	1,605,250	1,770,985	24,369,083	-	27,745,318
Disposals	-	(217,960)	(7,139,778)	-	(7,357,738)
Balance at 31 December 2005	7,785,767	8,709,426	50,101,027	-	66,596,220
Balance at 1 January 2006	7,785,767	8,709,426	50,101,027	-	66,596,220
Depreciation charge for year	2,159,741	2,096,786	33,076,164	-	37,332,691
Disposals	-	(423,630)	(14,804,541)	-	(15,228,171)
Balance at 31 December 2006	9,945,508	10,382,582	68,372,650	-	88,700,740
Net book value					
At 31 December 2006	76,621,805	17,821,286	58,641,101	1,308,243	154,392,435
At 31 December 2005	27,886,561	14,560,232	58,025,894	38,301,199	138,773,886

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

As at 31 December 2006, the net book value of a building held under a finance lease arrangement of the Group amounted to RMB 3,416,350 (2005: RMB3,688,120).

17. Deferred tax assets

Recognised deferred tax assets

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

	The Group			
	Stock provision	*Other creditors and accruals*	*Others*	*Total*
At 1 January 2005	4,976,608	845,909	176,818	5,999,335
Credited to the income statement for the year	2,091,466	493,676	83,359	2,668,501
At 31 December 2005	7,068,074	1,339,585	260,177	8,667,836
At 1 January 2006	7,068,074	1,339,585	260,177	8,667,836
Credited/(charged) to the income statement for the year	2,843,652	(273,962)	69,243	2,638,933
At 31 December 2006	9,911,726	1,065,623	329,420	11,306,769

Unrecognised deferred tax asset

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

	The Group	
	2006	*2005*
Tax losses of a subsidiary	5,170,327	2,453,681
Total	5,170,327	2,453,681

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 subsidiary can utilise the benefits therefrom.

18. Intangible assets

	The Group	
	2006	*2005*
Cost		
Balance at beginning/end of year	6,450,600	6,450,600
Amortization		
At beginning of year	6,450,600	5,912,550
Amortisation charged for the year	-	538,050
At end of year	6,450,600	6,450,600
Net book value		
At end of year	-	-

Intangible assets comprise trademark use rights registered in the PRC held by the Group.

19. Inventories

Inventories comprise:

	The Group	
	2006	*2005*
Raw materials	91,329,081	69,842,374
Work in progress	24,529,880	21,683,430
Finished goods	214,117,814	160,600,846
Goods in transit	183,274	2,189,720
	330,160,049	254,316,370

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

	2006	*2005*
Cost of sales	321,328,757	295,839,050
Stock provision	37,855,407	27,520,349
	359,184,164	323,359,399

20. Trade and other receivables, deposits and prepayments

(a) The Group

	2006	*2005*
Accounts receivable (note (i) below)	172,956,816	100,589,405
Amounts due from related companies (note 23(a))	5,145,608	9,869,350
Advances to suppliers	7,331,739	10,783,203
Other receivables, deposits and prepayments	39,322,548	35,905,774
	224,756,711	157,147,732

Receivables denominated in currencies other than the functional currency of the entity to which they relate comprise RMB56,899,654 of accounts receivables denominated in U.S. Dollar (2005: RMB20,668,748), RMB271,309 of accounts receivables denominated in Hong Kong Dollar (2005: RMB2,068,062) and RMB14,847,798 of accounts receivables denominated in Euros (2005: 11,655,687).

(i) An ageing analysis of accounts receivable (net of provisions for bad and doubtful debts) is as follows:

	2006	*2005*
Within 1 month	146,155,950	85,352,654
Over 1 month but less than 3 months	23,583,185	14,908,656
Over 3 months but less than 6 months	3,204,034	275,938
Over 6 months but less than 12 months	13,647	52,157
	172,956,816	100,589,405

Customers are normally granted credit terms of 0 to 60 days, depending on the credit worthiness of individual customers.

The Group's credit policy is set out in note 28(a).

(b) The Company

	2006	*2005*
Amounts due from subsidiaries	321,993,420	262,227,696
Other receivables, deposits and prepayments	2,132,499	2,696,618
	324,125,919	264,924,314

Receivables denominated in currencies other than the functional currency of the Company comprise RMB21,353,709 of amounts due from subsidiaries denominated in U.S. Dollar (2005: RMB9,990,204) and RMB30,416,641 of amounts due from subsidiaries denominated in Hong Kong Dollar (2005: RMB22,094,969).

21. Cash and cash equivalents

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

(a) The Group

	2006	*2005*
Cash at bank and on hand	121,648,624	111,187,417
Time deposits with banks	190,704,976	104,920,008
	312,353,600	216,107,425

Cash and cash equivalents denominated in currencies other than the functional currency of the entity to which they relate comprise RMB18,401,751of bank deposits denominated in U.S. Dollar (2005: RMB80,515,691), RMB21,405,965 of bank deposits denominated in Hong Kong Dollar (2005: RMB4,456,563), RMB1,601,883 of bank deposits denominated in Euros (2005: RMB23,487,955) and RMB16,850 of bank deposits denominated in Canadian Dollar (2005: RMB17,514).

(b) The Company

	2006	*2005*
Cash at bank and on hand	17,647,448	7,837,341
Time deposits with banks	4,704,976	51,792,473
	22,352,424	59,629,814

Cash and cash equivalents denominated in currencies other than the functional currency of the Company comprise RMB4,908,444 of cash and cash equivalents denominated in U.S. Dollar (2005: RMB58,603,579), RMB17,403,233 of cash and cash equivalents denominated in Hong Kong Dollar (2005: RMB1,008,721), RMB23,897 of cash and cash equivalents denominated in Euros (2005: RMB-) and RMB16,850 of cash and cash equivalents denominated in Canadian Dollar (2005: RMB17,514).

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

	2006	2005
Bills payable	8,467,401	-
Accounts payable (note (i) below)	98,815,115	61,654,010
Other creditors and accruals	101,495,419	72,657,452
Amounts due to related companies (note 23)	-	7,006,534
	208,777,935	141,317,996

Payables and accruals denominated in currencies other than the functional currency of the entity to which they relate comprise RMB54,036,190 of accounts payables denominated in U.S. Dollar (2005: RMB18,898,473), RMB1,282,280 of accounts payables denominated in Hong Kong Dollar (2005: RMB1,337,492) and RMB3,800,590 of accounts payables denominated in Euros (2005: RMB2,250,360).

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

	2006	2005
Due within 1 month or on demand	55,261,459	33,467,489
Due after 1 month but within 3 months	29,112,266	19,113,435
Due after 3 months but within 6 months	14,131,608	8,919,725
Due after 6 months but within 12 months	309,782	153,361
	98,815,115	61,654,010

(b) The Company

	2006	2005
Other creditors and accruals	1,831,341	1,141,219
Amounts due to subsidiaries	45,713,162	8,940,170
	47,544,503	10,081,389

Payables and accruals denominated in currencies other than the functional currency of the entity to which they relate comprise RMB46,319,320 of accounts payables denominated in U.S. Dollar (2005: RMB8,941,389).

23. Amounts due from/to related companies

The Group

	2006	2005
Amount due from		
Ports International Retail Corporation	5,145,608	9,869,350
Amount due to		
CFS International Incorporated	-	649,147
PIHK Limited	-	6,357,387
	-	7,006,534

The amounts due from/to related companies are unsecured, interest free and have no fixed repayment terms.

24. Share capital

(i) Authorised and issued share capital

	The Group and the Company			
	2006		*2005*	
	Number of shares	*Amount HK$*	*Number of shares*	*Amount HK$*
Authorised:				
Ordinary shares of HK$0.0025 each	3,600,000,000	9,000,000	3,600,000,000	9,000,000
	3,600,000,000	9,000,000	3,600,000,000	9,000,000
Issued and fully paid:				
At the beginning of the year	544,513,096	1,361,283	543,240,000	1,358,100
Shares issued under share option scheme	4,331,200	10,828	1,273,096	3,183
At the end of the year	548,844,296	1,372,111	544,513,096	1,361,283
		RMB equivalent		*RMB equivalent*
		1,456,667		1,445,503

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

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

(ii) Shares issued under share option scheme

In 2006, 4,331,200 ordinary shares of HK$ 0.0025 each of the Company were issued for a total cash consideration of HK$ 11,369,400 (equivalent to RMB 11,722,111) before the related issue expenses as certain share options were exercised by the holders pursuant to the share option scheme adopted by the Company. Details of the share option scheme are disclosed under the paragraph "Share Option Scheme" section in the Report of the Directors and note 26.

(Expressed in Renminbi Yuan)

25. Reserves

(a) The Group

	Capital reserve - staff share options issued (undistributable)	*Capital reserve*	*Share premium*	*General reserve fund*	*Enterprise expansion fund*	*Retained earnings*	*Total*
Balance at 1 January 2005	4,162,988	63,159,023	315,414,137	47,405,244	9,867,952	235,322,386	675,331,730
Dividend declared	-	-	-	-	-	(88,279,936)	(88,279,936)
Shares issued under share option scheme	(562,801)	-	4,043,247	-	-	-	3,480,446
Share issue expenses	-	-	(1,110)	-	-	-	(1,110)
Equity settled share based transactions	3,217,693	-	-	-	-	-	3,217,693
Profit for the year	-	-	-	-	-	165,059,957	165,059,957
Transfer to reserve	-	-	-	17,393,698	-	(17,393,698)	-
Balance at 31 December 2005	6,817,880	63,159,023	319,456,274	64,798,942	9,867,952	294,708,709	758,808,780
Balance at 1 January 2006	6,817,880	63,159,023	319,456,274	64,798,942	9,867,952	294,708,709	758,808,780
Dividend declared	-	-	-	-	-	(120,461,201)	(120,461,201)
Shares issued under share option scheme	(2,503,245)	-	14,214,192	-	-	-	11,710,947
Equity settled share-based transactions	8,245,309	-	-	-	-	-	8,245,309
Profit for the year	-	-	-	-	-	254,001,694	254,001,694
Transfer to reserve	-	-	-	23,347,976	-	(23,347,976)	-
Balance at 31 December 2006	12,559,944	63,159,023	333,670,466	88,146,918	9,867,952	404,901,226	912,305,529

Shares issued under share option scheme:

In 2006, options were exercised to subscribe for 4,331,200 ordinary shares of HK$0.0025 each of the Company at a total consideration of HK$ 11,369,400 (equivalent to RMB 11,722,111), of which HK$ 10,828 (equivalent to RMB 11,164) was credited to share capital. The excess of the consideration over the nominal value of the shares, amounting to RMB 11,710,947 was credited to the share premium account. RMB 2,503,245 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(k)(ii).

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.

(Expressed in Renminbi Yuan)

(b) The Company

	Capital reserve-staff share options issued (undistributable)	Share premium	Contributed surplus	Retained earnings	Total
Balance at 1 January 2005	4,162,988	315,414,137	151,259,151	771,776	471,608,052
Dividend declared	-	-	-	(88,279,936)	(88,279,936)
Shares issued under share option scheme	(562,801)	4,043,247	-	-	3,480,446
Share issue expenses	-	(1,110)	-	-	(1,110)
Equity settled share-based transactions	3,217,693	-	-	-	3,217,693
Net profit for the year	-	-	-	82,623,081	82,623,081
Balance at 31 December 2005	6,817,880	319,456,274	151,259,151	(4,885,079)	472,648,226
Balance at 1 January 2006	6,817,880	319,456,274	151,259,151	(4,885,079)	472,648,226
Dividend declared	-	-	-	(120,461,201)	(120,461,201)
Shares issued under share option scheme	(2,503,245)	14,214,192	-	-	11,710,947
Equity settled share-based transactions	8,245,309	-	-	-	8,245,309
Net profit for the year	-	-	-	93,141,821	93,141,821
Balance at 31 December 2006	12,559,944	333,670,466	151,259,151	(32,204,459)	465,285,102

(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.

(iii) Distributable reserves

In the opinion of the directors, the aggregate amount of reserves available for distribution to shareholders of the Company at 31 December 2006 was RMB 119,054,692 (2005: RMB 146,374,072).

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 accordance with the terms of the Share Option Scheme at any time during a period commencing on the date upon which the offer for the grant of options is made but shall expire on the date immediately preceding the tenth anniversary of the date of offer.

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

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

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

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

(Expressed in Renminbi Yuan)

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

	2006 Weighted average exercise price	*Number of shares involved in the options*	*2005 Weighted average exercise price*	*Number of shares involved in the options*
Outstanding at beginning of year	HK$2.625	12,453,339	HK$2.625	13,940,800
Granted	HK$11.68	16,000,000	-	-
Excercised	HK$2.625	(4,331,200)	HK$2.625	(1,273,096)
Cancelled	HK$2.625	(83,899)	HK$2.625	(214,365)
Outstanding at end of year	HK$8.652	24,038,240	HK$2.625	12,453,339
Exercisable at the end of year	HK$2.625	8,038,240	HK$2.625	7,921,406

The options outstanding at 31 December 2006 have an exercise price in the range of HK$2.625 to HK$11.68 and a weighted average contractual life 8.72 years (2005: 7.83 years).

During the year ended 31 December 2006, the employees of the Group exercised options relating to the two-thirds fraction which vested on 3 November 2005 and 3 November 2006 to subscribe for 4,331,200 ordinary shares (2005: 1,273,096) of the Company. None of the directors of the Company exercised options during the year (2005: nil).

Details of share options exercised during the year ended 31 December 2006 are as follows:

Grant date	Exercise price	Weighted average closing price per share of the share options exercised	Proceeds received	Number of shares involved in the options
3 November 2003	HK$2.625	HK$11.66	HK$11,369,400	4,331,200

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

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

Fair value of shares involved in the options and assumptions

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

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

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

27. Investments in subsidiaries

	The Company	
	2006	2005
Unlisted shares, at cost	152,387,923	152,387,923
Cumulative fair value of share options granted to employees of subsidiaries	15,420,006	7,233,067
	167,807,929	159,620,990

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

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

Name of subsidiary	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up share/ authorised capital *(in thousands)*	Paid-up/ registered capital *(in thousands)*	Principal activities
Ports Asia Holdings Limited	British Virgin Islands	100	-	USD11/ USD50	-	Sales of garments and investment holding
Ports International Marketing Ltd.	British Virgin Islands	100	-	USD0.1/ USD0.1	-	Sales of garments
Smythe Trading Company Limited	Samoa Islands	99.9	0.1	USD1/ USD1,000	-	Sales of garments
Ports Retail (H.K.) Limited	Hong Kong	-	99.9	HK$1/ HK$10	-	Sales of garments
Etac Fashion (Xiamen) Co., Ltd. (i)	PRC	-	100	-	HK$237,000/ HK$237,000	Manufacturing and sales of garments
Xiamen Xiangyu Ports Trading Co., Ltd. (i)	PRC	-	100	-	USD2,020/ USD2,020	Sales of garments
Ports International (Beijing) Co., Ltd. (i)	PRC	-	100	-	USD1,850/ USD1,850	Manufacturing and sales of garments
Ports International Marketing (Xiamen) Ltd. (i)	PRC	-	100	-	USD14,100/ USD14,100	Manufacturing and sales of garments
Century Ports Apparel (Xiamen) Ltd. (i)	PRC	-	100	-	RMB3,000/ RMB3,000	Manufacturing and sales of garments
Ports Fashion (Xiamen) Ltd. (i)	PRC	-	100	-	RMB133,000/ RMB133,000	Manufacturing and sales of garments

Note:

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

28. Financial instruments

Financial assets of the Group include cash and cash equivalents, deposits with banks, and trade and other receivables. Financial liabilities of the Group include trade and other payables. The Group does not hold or issue financial instruments for trading purposes. Exposure to credit and currency risk arises in the normal course of the Group's business.

(a) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the balance sheet dates the Group had no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Foreign currency risk

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 authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

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

(c) Fair value

The carrying amounts of significant financial assets and liabilities approximate to their respective fair values as at 31 December 2006 and 2005 as these assets and liabilities have short maturities.

29. United States Dollar amounts

The U.S. dollars figures shown in the consolidated income statements and the consolidated balance sheets are for information only. The consolidated income statement for the year ended 31 December 2006 and the consolidated balance sheet as at 31 December 2006 are translated from Renminbi Yuan at RMB7.8087=US$1.00, the rate ruling at 31 December 2006. The consolidated income statement for the year ended 31 December 2005 and the consolidated balance sheet as at 31 December 2005 are translated from Renminbi Yuan at RMB8.0702=US$1.00, the rate ruling at 31 December 2005. These translations should not be construed as representations that the Renminbi amounts could actually be converted into U.S. dollars at such rate or at all.

30. Operating leases commitments

Non-cancellable operating lease rentals are payable as follows:

	The Group	
	2006	*2005*
Less than one year	*52,243,987*	*53,770,854*
Between one and five years	*67,267,321*	*36,816,141*
More than five years	*-*	*192,065*
	119,511,308	*90,779,060*

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

31. Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2006 and 2005 but not provided for in the consolidated financial statements were as follows:

	The Group	
	2006	*2005*
Contracted for	*1,357,531*	*3,133,066*
Authorised but not contracted for	*75,000,000*	*81,000,000*
	76,357,531	*84,133,066*

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Renminbi Yuan)

32. Accounting estimates and judgements

Key sources of estimation uncertainty are as follows:

(a) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on the directors' regular review and evaluation of collectibility. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the combined income statements in future years.

(b) 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.

(c) Net realisable value of inventories

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

33. Subsequent events

After the balance sheet date, the directors proposed a final dividend on [22 March 2007]. Further details are disclosed in note 10.

On 29 December 2006, the Standing Committee of the Tenth NPC passed a resolution to submit the draft corporate income tax law to the Tenth NPC plenary session for voting. According to the income tax law that was passed at the Tenth NPC plenary session on 16 March 2007, the income tax rates that are applicable to certain of the Company's subsidiaries located in the PRC will be revised. The new law will take effect on 1 January 2008. The Group is in the process of making an assessment of what the financial impact of this new tax law on the Group's current and deferred tax position for the year of 2007 and the years thereafter.

(Expressed in Renminbi Yuan)

34. Immediate and ultimate controlling party

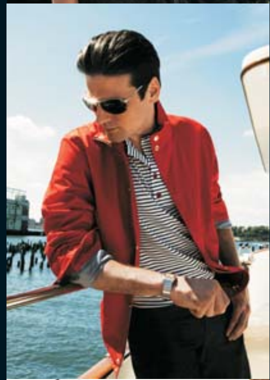
As at 31 December 2006, the directors consider the immediate parent and ultimate controlling party of the group to be CFS International Incorporated and Ports International Enterprises Limited respectively, which are incorporated in Canada.

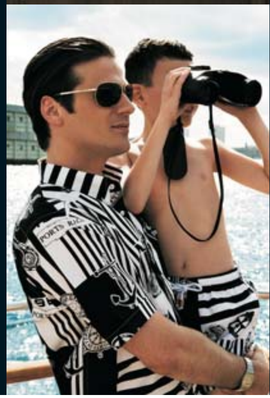
35. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2006

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period ended 31 December 2006 and which have not been adopted in these financial statements:

	Effective for accounting period beginning on or after
IFRS 7, Financial instruments: disclosures	1 January 2007
IFRS 8, Operating Segments	1 January 2009
IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies	1 March 2006
IFRIC 8, Scope of IFRS 2	1 May 2006
IFRIC 9, Reassessment of Embedded Derivatives	1 June 2006
Amendment to IAS 1, Presentation of financial statements: capital disclosures	1 January 2007
IFRIC 10, Interim financial reporting and impairment	1 November 2006
IFRIC 11, IFRS2 - Group and treasury share transaction	1 March 2007
IFRIC 12, Service concession arrangements	1 January 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of these financial statements, the Group believes that the above amendments, new standards and interpretations are either not applicable to any of the Group's operations or are unlikely to have a significant impact on the Group's results of operations and financial position.






BMW Lifestyle
Sheer
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