GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code:393)

Annual Report 2007

Nylons
positive life
festival
JEANSWEST
眞維斯

OUR CORE BUSINESS

Retail, export and manufacture of casual wear apparel

OUR VISION

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

OUR MISSION

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

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

so as to benefit our community.

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CORPORATE INFORMATION

DIRECTORS

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

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

Non-executive
Dr. Lam Lee G.

COMPANY SECRETARY

Mr. Mui Sau Keung, Isaac

AUTHORISED REPRESENTATIVES

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

LEGAL ADVISERS

Hong Kong
JSM in association with Mayer Brown LLP and Mayer Brown International LLP

Bermuda
Conyers, Dill & Pearman

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

ADR DEPOSITARY

The Bank of New York Mellon
ADR Division
101 Barclay Street
22nd Floor – West
New York, NY 10286
U.S.A.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Glorious Sun Group Building
97 How Ming Street
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKERS

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

WEBSITE

http://www.glorisun.com

STOCK CODE

393

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Glorious Sun Enterprises Limited (the "Company") will be held at Board Room, 7th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 27 May 2008 at 2:00 p.m. for the following purposes:

(1) To receive and consider the financial statements and the reports of the directors and auditors for the year ended 31 December 2007.

(2) To declare the final dividend for the year ended 31 December 2007.

(3) To declare the special dividend for the year ended 31 December 2007.

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

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

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

ORDINARY RESOLUTIONS

(A) "**THAT**:

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

laws of the Company, shall not exceed the aggregate of: (aa) 20 per cent. of the aggregate nominal amount of the issued share capital of the Company on the date of this resolution and (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution) and the said approval shall be limited accordingly; and

(IV) for the purpose of this resolution:

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

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

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

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

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

(B) "**THAT**:

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

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

NOTICE OF ANNUAL GENERAL MEETING

(III) for the purpose of this resolution:

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

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

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

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

(C) "**THAT** the directors of the Company be and are hereby authorised to exercise the powers of the Company referred to in paragraph (I) of the resolution set out as resolution (6)(A) in the notice of the meeting of which this resolution forms a part in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (III) of such resolution."

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

By Order of the Board

Mui Sau Keung, Isaac
Company Secretary

Hong Kong, 28 April 2008

Principal Place of Business:
Glorious Sun Group Building
97 How Ming Street
Kwun Tong
Kowloon
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

2. A form of proxy for the meeting is enclosed. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's principal place of business at Glorious Sun Group Building, 97 How Ming Street, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournment thereof.

3. The register of members of the Company will be closed for the purposes of determining the entitlements to the proposed final and special dividends and the identity of members who are entitled to attend and vote at the meeting from Thursday, 22 May 2008 to Tuesday, 27 May 2008, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the proposed final and special dividends, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:00 p.m. on Wednesday, 21 May 2008.

4. In relation to agenda item No. (4) in the Notice regarding election of directors, Mr. Yeung Chun Fan, Mr. Pau Sze Kee, Jackson and Mr. Wong Man Kong, Peter, BBS, JP will retire by rotation at the forthcoming annual general meeting of the Company pursuant to bye-law 110(A) of the Company's Bye-laws and, being eligible, offer themselves for re-election.

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

6. The amount of emoluments paid for the year ended 31 December 2007 to each of the directors who stand for re-election at the forthcoming annual general meeting is set out in note 8 to the financial statements in this annual report and the basis of determining such emoluments is set out in the "Emolument Policy" section in this annual report.

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

    7.1 Mr. Yeung Chun Fan, aged 55, is an executive director of the Company, a brother of Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Ho and the spouse of Ms. Cheung Wai Yee. Mr. Yeung Chun Fan's interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at 23 April 2008, being the latest practicable date prior to the printing of the Notice (the "latest practicable date").

NOTICE OF ANNUAL GENERAL MEETING

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

7.2 Mr. Pau Sze Kee, Jackson, aged 56, is an executive director of the Company and his interest in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at the latest practicable date.

Mr. Pau was a director of Tetra Finance (HK) Limited, a deposit-taking company incorporated in Hong Kong. Due to liquidity problems, the company was ordered to be wound up by the Supreme Court of Hong Kong on 4 March 1983. The amount involved was about HK$1 billion. Mr. Pau has been told that the winding up was completed in 1999.

7.3 Mr. Wong Man Kong, Peter, BBS, JP, aged 59, is an independent non-executive director of the Company. In the past three years, Mr. Wong is a director of Hong Kong Ferry (Holdings) Co. Ltd., China Travel International Investment Hong Kong Limited, Sun Hung Kai & Co. Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited and New Times Group Holdings Limited. He does not have any interest in the shares of the Company.

8. Pursuant to the Company's Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(i) by the chairman of the meeting; or

(ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferred a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

CHAIRMAN'S STATEMENT

GROUP RESULTS

In the year under review, the development of the Group's retail operations had staged a new phase and successfully achieved the strategic goals set several years ago - "to drive growth in earnings persistently through retail operations as the core activity and to focus on China market as the core market". In the financial year ended 31 December 2007 (the "Financial Year"), the retail operations had contributed 75.83% of the Group's consolidated sales with retail turnover in the PRC representing more than half of the Group's consolidated sales. Quiksilver Glorious Sun, the joint-venture with Quiksilver US began to make earnings after a triennium of investment period. The retail business under Jeanswest retained double-digit growth and its franchise operations expanded from the Middle East to Thailand and Vietnam with satisfactory progress, laying a solid foundation for building up the Jeanswest brandname in Asia. The Group's after-tax profit in the Financial Year made a record high.

During the Financial Year, the Group had disposed of its entire equity interest in G.S - i.t Limited ("GSit") to I.T Ltd., for a return of 9% equity interest in I.T Ltd. and substantial exceptional earnings.

However, in the Financial Year, the US retail market was hit sharply by the extended economic crisis triggered off by the sub-prime issue and became sluggish, more noticeably in the second half. This caused negative impact on the Group's export business. Fortunately, the impact to the Group was insignificant because the export sales only represented 19.61% of the Group's consolidated sales.

CHAIRMAN'S STATEMENT

In the year under review, the Group's overall financial position remained solid with inventory turnover improving. Inventory level stayed at a healthy level. As at 31 December 2007, the Group's consolidated net cash rose to HK$1,016,564,000 from HK$716,439,000 in the previous year. During the Financial Year, the Group's consolidated sales rose to HK$4,783,880,000 (2006: HK$4,397,359,000) and the profit attributed to shareholders, being enhanced by the exceptional earnings, came up to HK$515,749,000 (2006: HK$271,582,000), representing an increase of 8.79% and 89.91% respectively.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK12.24 cents (2006: HK12.24 cents) per share and a special dividend of HK10.00 cents (2006: HK10.00 cents) per share for the year ended 31 December 2007 at the forthcoming annual general meeting to be held on Tuesday, 27 May 2008. The final dividend together with the special dividend amounting to HK$235,613,000, if approved by the shareholders, are expected to be paid on or around Tuesday, 3 June 2008 to those shareholders whose names appear on the register of members of the Company on Tuesday, 27 May 2008.

REVIEW OF BUSINESSES

Retailing

In the Financial Year, the Group's retail operations continued to stage strong growth. In spite of the rises in store rentals, increase in operating costs and fierce competition, etc, the Group still continued to record double-digit growth in sales in the retail operations. Average inventory level also further improved to 50 days from 51 days in the corresponding period of the previous year. The Group's retail network covered Mainland China, Hong Kong, Macau, Australia, New Zealand, the Middle East, Thailand and Vietnam. There were a total of 1,940 retail stores as at the end of 2007 (2006: 1,804), of which 920 (2006: 777) were operated under franchise arrangements. For the Financial Year, the Group's aggregate sales from the retail operations amounted to HK$3,627,826,000 (2006: HK$2,918,766,000), representing a year-on-year increase of 24.29%. Contributions from its retail operations to the Group's consolidated sales had improved to 75.83% from the 66.38% recorded in the corresponding period in the previous year.

CHAIRMAN'S STATEMENT

1. The PRC

i. *Jeanswest*

The brandname of Jeanswest remained the Group's flagship brand in Mainland China. On the back of a strong and buoyant retail market, there were rising operating costs, especially in store rentals. The market competition was also very keen. Despite these, Jeanswest performed well with sales maintaining a double-digit growth thereby reducing the pressure from the escalating operating costs. Such achievement was principally attributed to the Management's resolute commitment to upgrade the brand image of Jeanswest and to enhance the quality of its product lines. This strategy was well supported by our customers, enabling Jeanswest to maintain its stronghold in the market. Meanwhile, the Group upgraded its merchandising system which provided a flexible and better inventory control, leading to increasing same store sales. The Group's strategy in adding more flagship stores and concept stores in the prime locations of major cities also enhanced the image of the Jeanswest brandname. Membership of Jeanswest VIP surpassed the million mark and they on average contributed to more than 10% of Jeanswest sales in the Mainland.

In the year under review, sales from the retail operations in the PRC amounted to HK$2,586,630,000 (2006: HK$2,050,979,000), increased by 26.12% year-on-year and represented 54.07% of the Group's consolidated sales. As at 31 December 2007, there were 1,667 Jeanswest stores (2006: 1,374), covering 250 cities in the Mainland, among which 899 (2006: 717) were operated under franchise arrangements.

ii. *Quiksilver Glorious Sun*

Quiksilver Glorious Sun witnessed a breakthrough in its development in the Financial Year. In the past, all products were imported from the United States. Currently over 60% of its products were manufactured in the Mainland. With the growing popularity of the brandname of Quiksilver in the Mainland, stores increased from 23 to 48 and gross sales rose by more than 60% when compared with the previous year. This operation managed to break even in the third quarter and made earnings for the whole year.

CHAIRMAN'S STATEMENT

iii. GSit

In the second half of the Financial Year, the Group sold its entire 50% equity stake and assigned its shareholder's loan in GSit to I.T Ltd. in return for HK$80,000,000 in cash and 102,827,000 newly issued ordinary shares of I.T Ltd., which represented 9% of its enlarged share capital. This transaction resulted in I.T Ltd. holding the entire equity interest in GSit, giving it the flexibility to penetrate into the Mainland retail market on its own pace. For the Group, through the holding of 9% equity interest in I.T Ltd., it would still benefit from I.T Ltd.'s future development efforts. When the transaction was disclosed, both the share prices of the Company and of I.T Ltd. went up materially, suggesting that the market was generally positive towards the transactions and reckoned it as a win-win arrangement.

2. Australia and New Zealand

The retail markets in Australia and New Zealand in the first half of the Financial Year were better than those of the second half. These markets slowed down as a result of the deterioration of the US sub-prime crisis, the two interest rates hikes in Australia as well as the uncertainties in the political arena subsequent to the parliamentary election. Competition also intensified. During the year, Jeanswest had developed new concept in store operation in order to create a better shopping environment. The concept was well received, stabilising the continuous growth in sales of Jeanswest products.

For the Financial Year, sales from the Australia and New Zealand markets amounted to HK$1,041,195,000 (2006: HK$867,787,000), translating into a 19.98% year-on-year increase. As at the end of 2007, Jeanswest operated a network of 225 retail stores (2006: 220) in Australia and New Zealand, among which 6 (2006: 6) were under franchise arrangements.

CHAIRMAN'S STATEMENT

Export

The intensification of the sub-prime crisis in the US led to slowdown in economic growth and sluggish retail environment in the US market, especially in the second half of the year under review. In addition, the production costs in the Mainland also increased due to the appreciation in value of Renminbi against the US dollars. Because the rises in production costs could not be shifted to the customers, gross profit margin in this operation was adversely affected. In early 2003, the Management rightly took the direction rather different from most others on the future planning after the 2005 lifting of textile export quotas restrictions among World Trade Organisation member states. Most manufacturers and traders in the Mainland anticipated that the lifting of textile export quotes would bring about market opportunity and they expanded their manufacturing facilities extensively to capture such opportunity.

However, the Group considered that the current global economy could not be segregated from politics and that the private enterprises would also pose very keen market competition with more than twenty years of experience subsequent to the Chinese open-door policy. The Management therefore took a different view about the investment environment in the emerging the PRC and withdrew the resources originally allocated to the labour intensive and export businesses. Consequently, the expansion of manufacturing facilities in the Mainland was frozen and those overseas factories without competitiveness were all closed down. Our operations thereby managed to get away from the problems associated with the general over-production crisis in the industry and to reduce the negative impacts arising out of the sluggish retail environment in the US market, the Renminbi appreciation and the rises in the Mainland production costs. In the year under review, sales from the export operations contributed only 19.61% of the Group's consolidated sales. As a result, the negative impact on the Group's overall profitability was insignificant.

For the Financial Year, the Group's sales from exports amounted to HK$938,193,000 (2006: HK$1,254,136,000), slipped 25.19% from the previous year.

Other Businesses

Trading of fabric remained as the principal activities of the Group's other businesses, which contributed aggregate sales of HK$217,861,000 (2006: HK$224,457,000), representing a reduction of 2.94% year-on-year.

CHAIRMAN'S STATEMENT

FINANCIAL POSITION

The Group's financial position had grown healthier. As mentioned earlier, the Group's inventory level had improved. In 2007, the Group had entered into foreign currency forward contracts to hedge its exposure to exchange risks in respect of the Australian dollars.

HUMAN RESOURCES

As at 31 December 2007, the Group employed about 30,000 employees (2006: 31,000). The Group offered competitive remuneration packages to them. In addition, bonus and share options may be granted based on the Group's results and individual performance from time to time.

SOCIAL RESPONSIBILITY

It is the belief of the Management that while maximising returns for shareholders through upgrading the quality of profitability, a company has to take up its social responsibilities. Adhering to stringent environmental protection policies and regulations, the Group also made direct contributions to the society. During the Financial Year, Jeanswest University Students Sponsorship Fund had financed 1,321 university students to complete their college education. Jeanswest Hope Project Society had joined force with 10 universities in the Mainland to host various charitable functions. Jeanswest in Australia and New Zealand also carried out charitable activities through co-operations with the youth charitable organisation Reach Foundation, The Cancer Council, Seconds to Give etc.

PROSPECTS

Looking forward to 2008, we expect the US sub-prime crisis to intensify and affect the other sectors. As a result, global economic growth is anticipated to slow down and retail markets to turn sluggish. In fact, against the background of slow global economic growth, anticipated interest rates cuts in the United States by the Federal Reserves to control the negative impact triggered by the sub-prime issues, we expect US dollars to depreciate further, which in turn, will cause Renminbi to appreciate significantly. As such, the Management believes that 2008 will be a challenging year with opportunities and crises emerging.

The Management remains positive and optimistic towards the outlook of the Mainland retail market. Despite a possible slowdown in the PRC economy in year 2008, the market is still expecting about 9% economic growth, which, to a certain extent, represents a reasonable adjustment amidst a relatively over-heated economy. We are of the opinion that healthy economic growth will benefit the retail market. Although the snow storm in the first quarter of 2008 had caused some challenges to the Group's retail activities in the Mainland, Jeanswest managed to achieve strong growth in sales, resulting in an encouraging and satisfactory result.

CHAIRMAN'S STATEMENT

Hence, the Management has committed to expand its retail activities in the Mainland in the ensuing year. The Group also expects Quiksilver Glorious Sun to accelerate its development and is looking for opportunity to expand into wholesale businesses.

Although economic growth in Australia and New Zealand is anticipated to slow down as well, we still expect positive growth in the Jeanswest sales. New series of dainty casual wears for ladies are now offered for sales in the specialty stores. The Group has also decided to expand Jeanswest's network of retail stores to the South East Asian markets.

However, the Management expects the operating pressure on the Group's export businesses to persist in year 2008 and thus has planned to further improve its operational efficiency and impose stringent controls over its production costs. The Group also intends to increase its sales in the Mainland in order to relax the pressure from the appreciation of Renminbi.

Barring unforeseen circumstances, the Management has confidence that the Group will continue to bring reasonable returns to its shareholders in 2008.

APPRECIATION

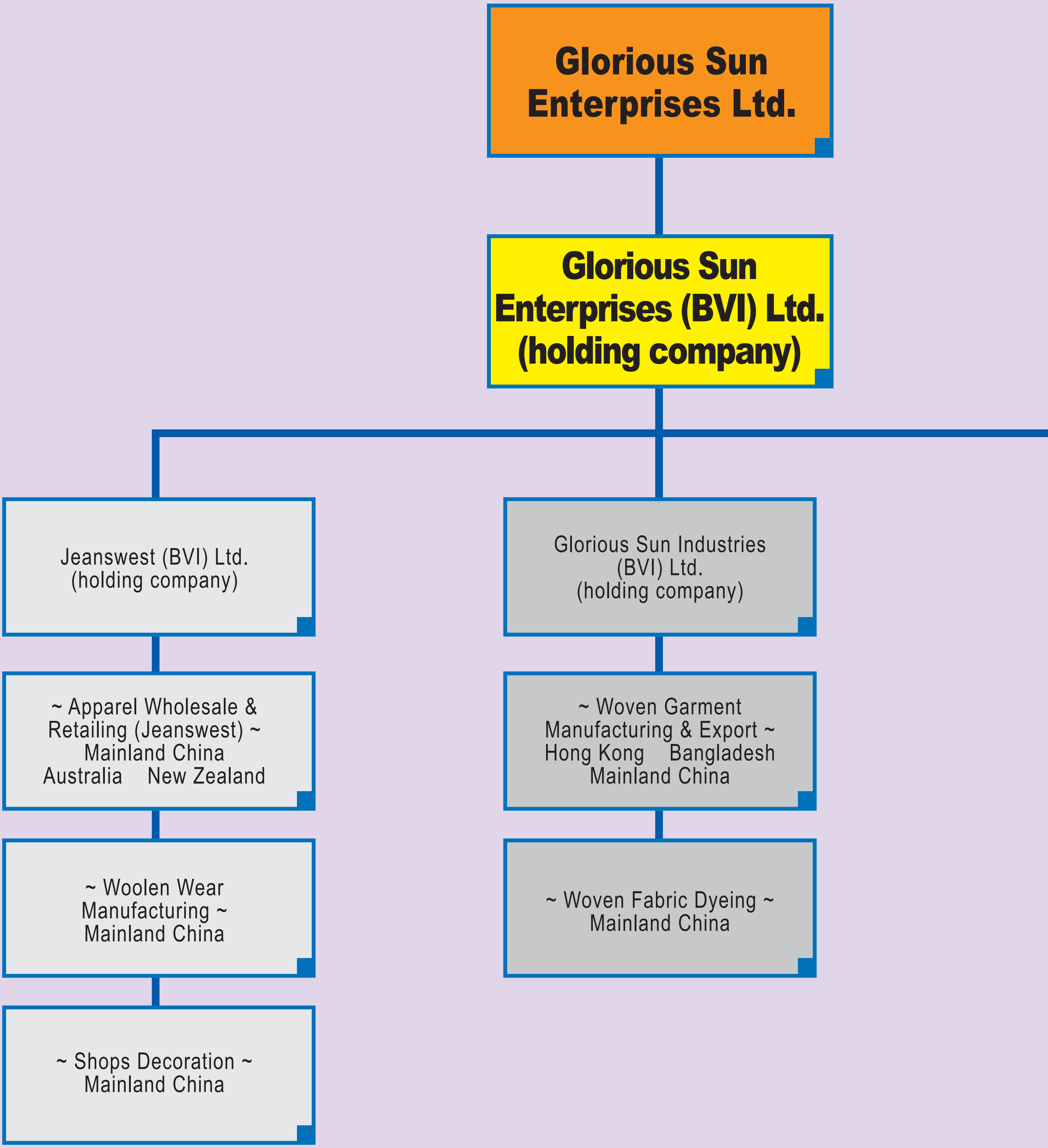
On behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to the shareholders for their support, and to the Management and staff for their dedicated efforts.

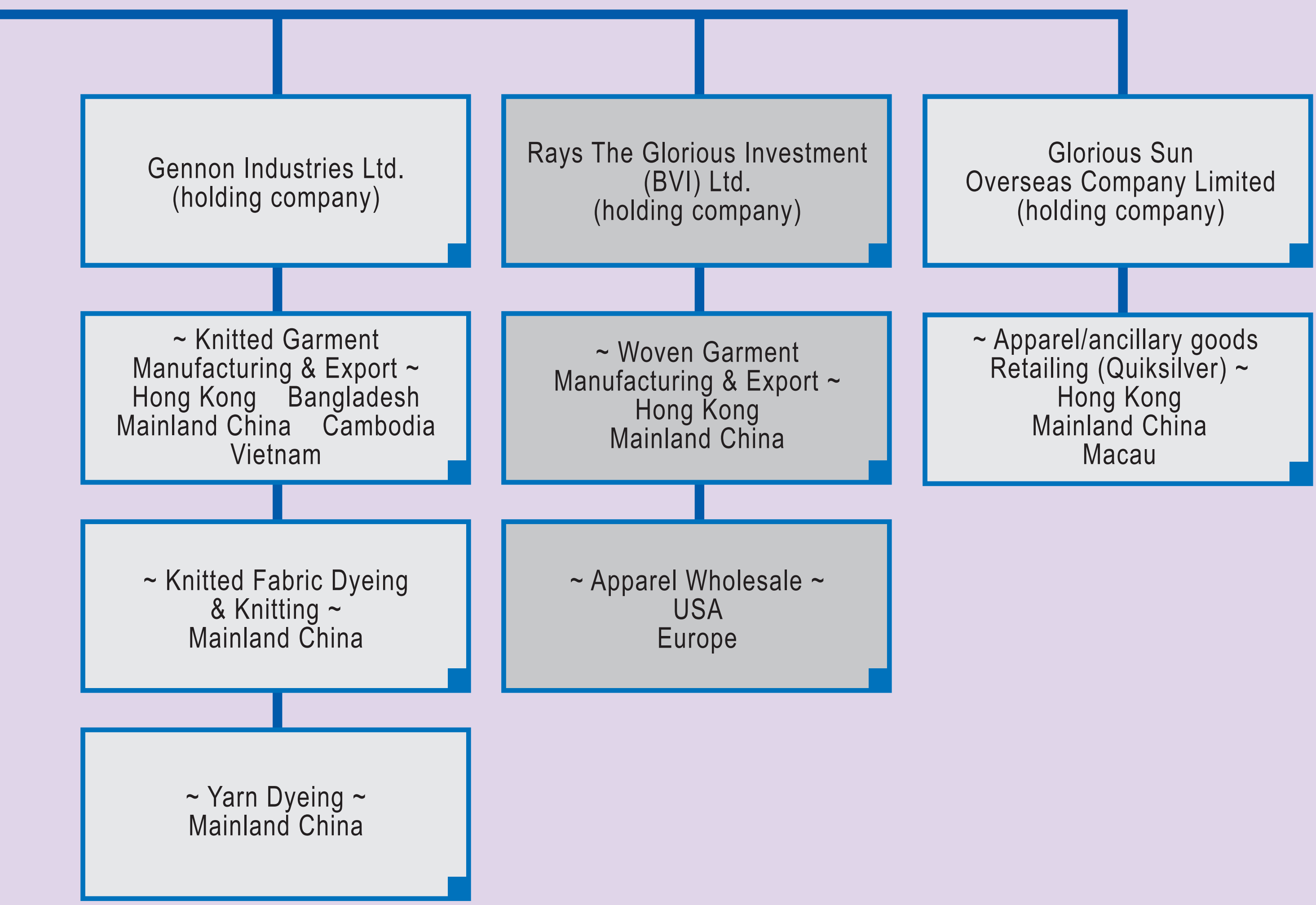
Dr. Charles Yeung, SBS, JP
Chairman

Hong Kong, 17 April 2008


JEANSWEST
眞維斯

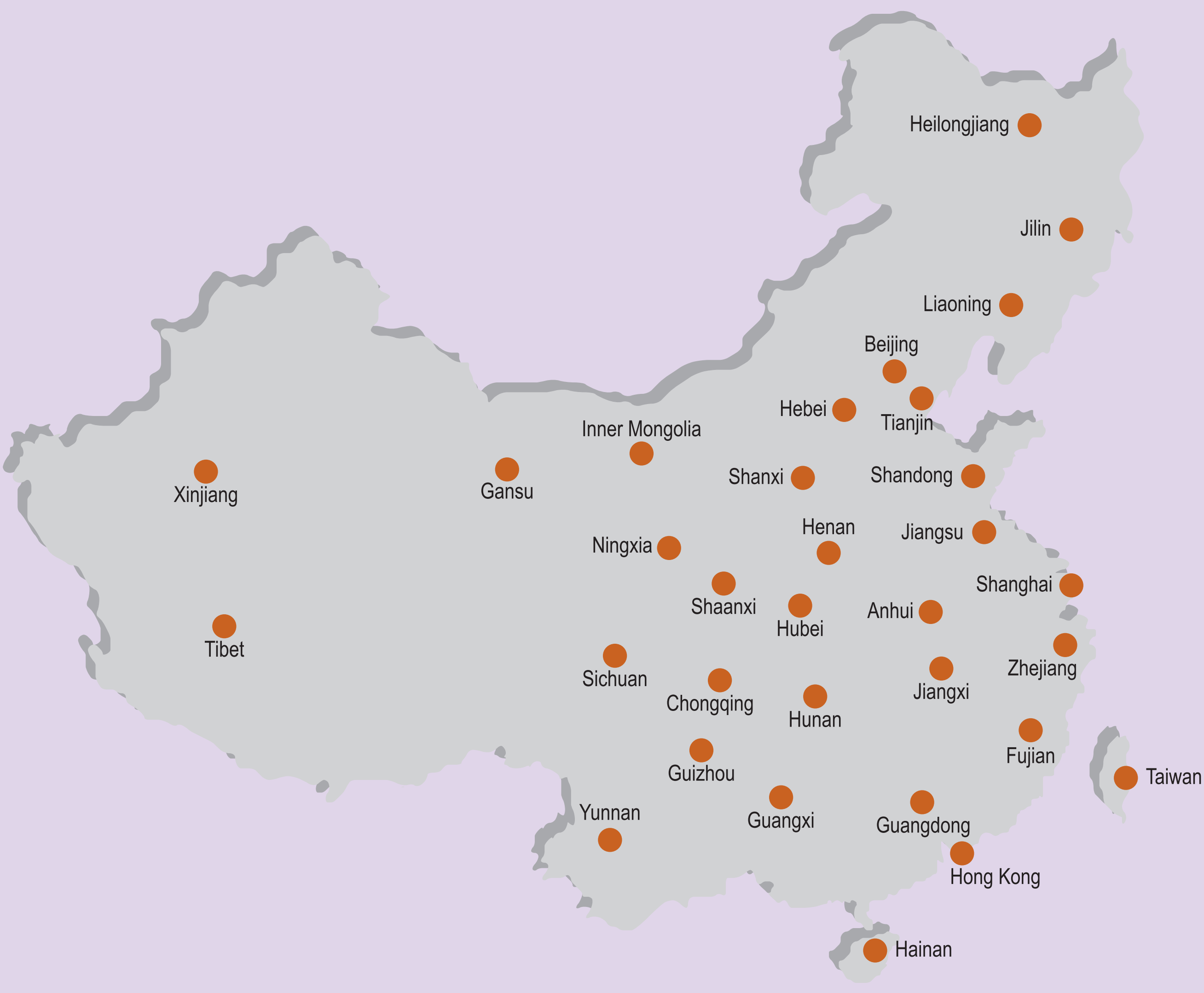
Group Business Structure




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

Retail Networks In China

Total no. of shops :	Mainland China	1,695
	The HKSAR	18
	Macau	2
	Total	1,715



Retail Network In Australia And New Zealand

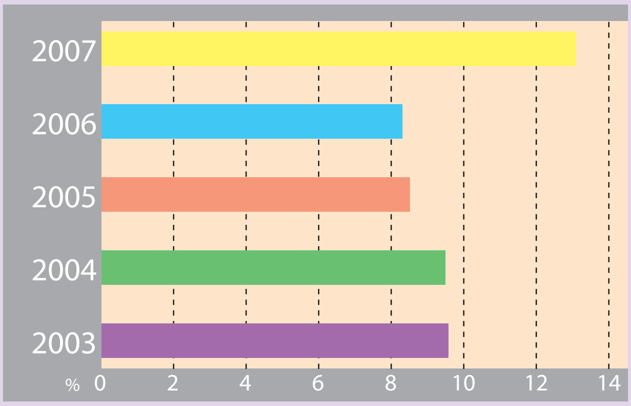
Total no. of shops : 225

FINANCIAL HIGHLIGHTS

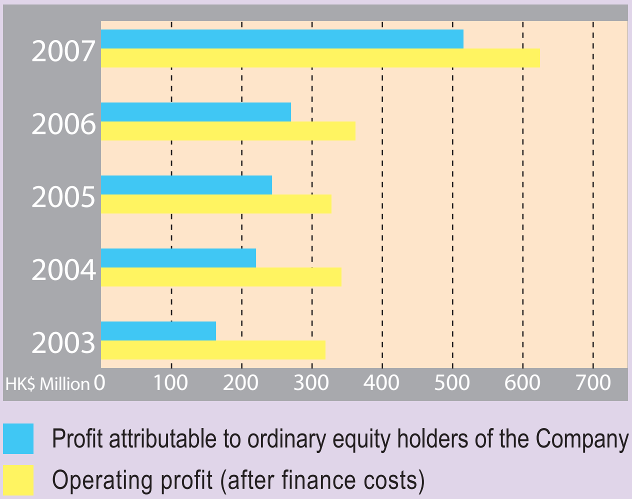
	2007	2006	2005	2004	2003
Revenue (HK$'000)	**4,783,880**	4,397,359	3,802,398	3,583,751	3,310,309
Increase in revenue in percentage	**8.79%**	15.65%	6.10%	8.26%	N/A
Revenue analysis:					
1. Retail					
a. Mainland China	**2,586,631**	2,050,979	1,716,268	1,477,645	1,251,322
b. Australia & New Zealand	**1,041,195**	867,787	776,221	800,014	585,124
2. Export	**938,193**	1,254,136	1,148,110	1,144,528	1,266,510
3. Others	**217,861**	224,457	161,799	161,564	207,353
Operating margin (after finance costs) (%)	**13.16%**	8.24%	8.57%	9.52%	9.62%
Profit attributable to equity holders of the Company (HK$'000)	**515,749**	271,582	242,809	219,193	164,844
Increase in profit attributable to equity holders of the Company in percentage	**89.91%**	11.85%	10.77%	32.97%	N/A
Equity attributable to equity holders of the Company	**2,057,833**	1,723,002	1,663,138	1,470,253	1,342,398
Working capital (HK$'000)	**856,151**	819,758	936,572	939,877	948,632
Total liabilities to equity ratio	**0.93**	1.07	0.96	0.96	1.00
Net cash/(bank borrowings) to equity ratio	**0.49**	0.42	0.62	0.76	0.69
Current ratio	**1.45**	1.45	1.59	1.68	1.74
Inventory turnover (days)	**50**	51	54	57	56
Return on total assets (%)	**12.55%**	7.32%	7.12%	7.24%	5.73%
Return on equity (%)	**25.06%**	15.76%	14.60%	14.91%	12.28%
Return on sales (%)	**10.78%**	6.18%	6.39%	6.12%	4.98%
Earnings per share (HK cents)					
Basic	**48.72**	25.79	23.80	21.91	16.47
Diluted	**48.51**	25.60	23.35	21.59	16.37
Dividend per share (HK cents)	**25.79**	25.44	23.80	13.20	10.20

FINANCIAL HIGHLIGHTS

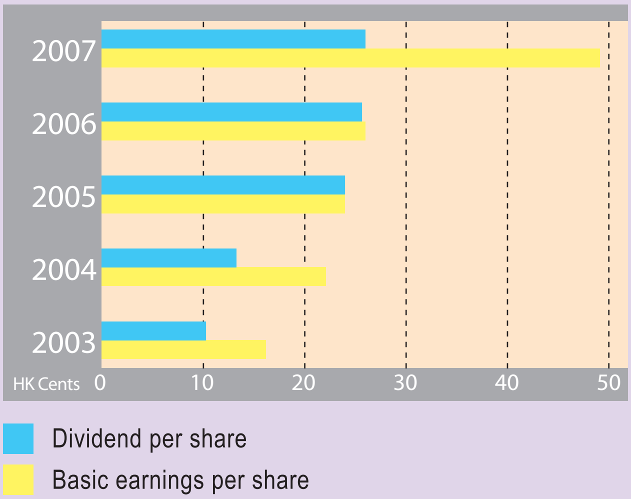
OPERATING MARGIN
(AFTER FINANCE COSTS)



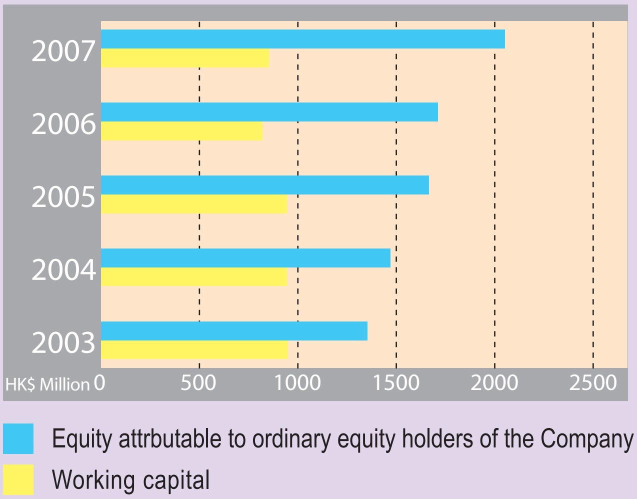
OPERATING PROFIT AND PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY



BASIC EARNINGS PER SHARE AND DIVIDEND PER SHARE

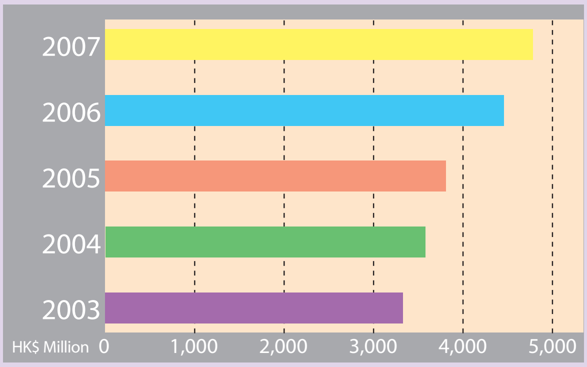


WORKING CAPITAL AND EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

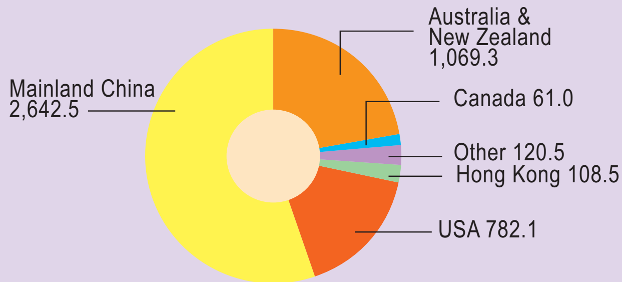


FINANCIAL HIGHLIGHTS

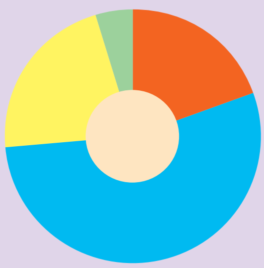
REVENUE (HK$ Million)



REVENUE BY GEOGRAPHICAL LOCATIONS
(HK$ Million)

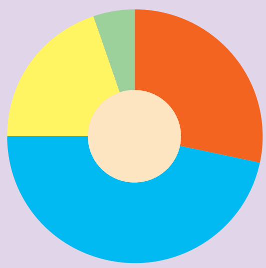


TURNOVER BY ACTIVITIES (HK$ Million)



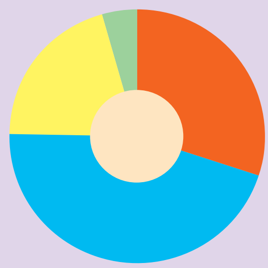
2007

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



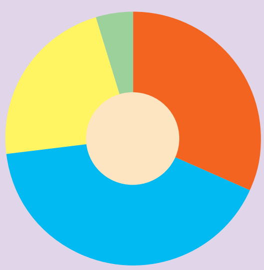
2006

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



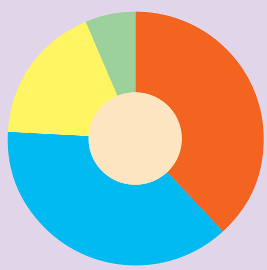
2005

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



2004

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



2003

Export	1,266.5
Retail - Mainland China	1,251.3
Retail - Australia & New Zealand	585.1
Other	207.4

OPERATION HIGHLIGHTS

Year ended 31 December 2007

RETAIL OPERATION HIGHLIGHTS

	2007	2006	2005	2004	2003
Net sales for the					
Year (HK$'000)	**3,627,826**	2,918,766	2,492,489	2,277,659	1,836,446
Mainland China	**2,586,631**	2,050,979	1,716,268	1,477,645	1,251,322
Australia & New Zealand	**1,041,195**	867,787	776,221	800,014	585,124
Retail floor area of directly					
Managed shops (sq.ft.)	**1,116,724**	967,358	826,783	729,153	652,448
Mainland China	**859,421**	715,278	615,065	522,709	456,067
Australia & New Zealand	**257,303**	252,080	211,718	206,444	196,381
Number of sales persons	**8,837**	7,708	6,800	6,440	5,806
Mainland China	**7,343**	6,219	5,527	5,167	4,647
Australia & New Zealand	**1,494**	1,489	1,273	1,273	1,159
Number of employees	**10,641**	9,188	8,187	7,819	7,084
Mainland China	**9,013**	7,576	6,794	6,417	5,795
Australia & New Zealand	**1,628**	1,612	1,393	1,402	1,289
Number of directly					
managed shops	**987**	871	779	744	687
Mainland China	**768**	657	595	565	510
Australia & New Zealand	**219**	214	184	179	177
Number of franchised shops	**905**	723	573	423	269
Mainland China	**899**	717	567	417	263
Australia & New Zealand	**6**	6	6	6	6
Total number of retail shops	**1,892**	1,594	1,352	1,167	956
Mainland China	**1,667**	1,374	1,162	982	773
Australia & New Zealand	**225**	220	190	185	183

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

OPERATION HIGHLIGHTS

Year ended 31 December 2007

GARMENT MANUFACTURING HIGHLIGHTS

	2007	2006	2005	2004	2003
Sales for the year (including sales to retail operation) (HK$'000)	**1,527,795**	1,752,342	1,619,295	1,709,528	1,797,968
Monthly capacity at year ended (dozens)	**317,000**	365,000	409,000	437,000	431,000
Production floor area (sq.ft.)	**2,028,000**	2,174,000	2,279,000	2,172,000	2,161,000
Number of workers	**14,600**	17,800	21,600	22,200	23,500
Percentage of sales to:					
Group	**37.58%**	27.68%	32.94%	32.12%	26.04%
Third parties	**62.42%**	72.32%	67.06%	67.88%	73.96%
USA	**51.19%**	59.30%	54.04%	55.79%	57.79%
Canada	**3.99%**	8.85%	4.56%	4.89%	4.35%
Others	**7.24%**	4.17%	8.46%	7.20%	11.82%

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

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

Throughout the year ended 31 December 2007 (the "year under review"), the Company has complied with the Code Provisions set out in the CG Code, except for the deviation from provision A.4.2 in respect of the rotation of directors. Explanations for such non-compliance are provided in this report.

BOARD OF DIRECTORS

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

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

The Board currently comprises eleven Directors, whose biographical details are set out in the "Directors' and Senior Management's Biographies" section in the Report of the Directors. Seven of the Directors are executive, three are independent non-executive and one is non-executive.

The members of the Board are:

Executive

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

Independent non-executive

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

Non-executive

Dr. Lam Lee G.

The relationship among the members of the Board is disclosed under the "Directors' and Senior Management's Biographies" section in the Report of the Directors.

CORPORATE GOVERNANCE REPORT

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

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

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

INDEPENDENCE

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

During the year under review, Mr. Teo Heng Kee, Peter resigned as a director of the Company and no new member has been appointed to the Board.

The Board recommended the appointments of the Directors standing for re-election at the forthcoming annual general meeting of the Company which is to be held on 27 May 2008.

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

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS *(CONTINUED)*

Under the provision A.4.2 of the CG Code, every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. However, in accordance with the Bye-laws of the Company, Dr. Charles Yeung, SBS, JP, the Chairman of the Board, shall not be subject to retirement by rotation. The Board considers that this deviation is well-founded as the Chairman of the Board, Dr. Charles Yeung, SBS, JP, being the founder of the Group, has a wealth of experience which is essential to the Board and helps the continued stability of the Company's business. Hence, he is eligible for being the Chairman of the Board during his lifetime and need not be subject to retirement by rotation.

MEETINGS AND ATTENDANCE

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

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

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(CONTINUED)*

The Audit Committee

The Audit Committee has been established since 1998. Currently it comprises three independent non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, GBS, JP (Committee Chairman), Mr. Wong Man Kong, Peter, BBS, JP and Mr. Chung Shui Ming, Timpson, GBS, JP, and the non-executive Director, Dr. Lam Lee G. Written terms of reference of the Audit Committee were formulated and adopted in 1998 and subsequently amended in 2005 in order to comply with the Code Provisions of the CG Code.

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

The Audit Committee held two meetings during the year under review. The work of the Audit Committee in 2007 included the following:

– review of the 2006 annual results announcement and financial statements
– review of the 2007 interim results announcement
– review of the internal audit reports, risk assessment and risk management report, all prepared by the internal audit department of the Company
– review of connected transactions for the year 2006 and for the six months ended 30 June 2007
– approval of the terms of engagement and the remuneration of external auditors
– discussion with the external auditors on any issues arising from their audits

The Remuneration Committee

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

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

The Remuneration Committee held two meetings during the year under review. The work of the Remuneration Committee in 2007 included the following:

– approval of 2007 bonuses for the executive Directors and senior management
– approval of 2008 salary increases for the executive Directors and senior management

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

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

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

EMPLOYEES' SECURITIES TRANSACTIONS

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

FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to the events or condition that might cast doubt upon the Company's ability to continue as a going concern. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

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

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

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board is committed to maintaining a sound and effective internal control system so as to safeguard the investment of the Company's shareholders and the assets of the Group.

The internal audit department plays a major role in evaluating the internal control of the Group. During the year under review, the internal audit department and the management conducted reviews of the effectiveness of the Group's system of internal control which covered all material controls including financial, operational and compliance controls as well as risk management function. No material control failure or significant areas of concern which might affect shareholders' interests were identified during the reviews. The relevant review reports have been considered by the Audit Committee. The Board is satisfied with the effectiveness of the Group's internal control.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The fees in respect of audit and non-audit services provided to the Group by the external auditors of the Company, Ernst & Young, for the year ended 31 December 2007 amounted to approximately HK$5,050,000 and HK$160,000 respectively. The non-audit services included tax matters, review and other reporting services.

COMMUNICATIONS WITH SHAREHOLDERS

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communications between its shareholders and the Board. At the Company's 2007 annual general meeting, the Chairman of the Board, the Chairman of the Audit Committee and the duly appointed representative of the Chairman of the Remuneration Committee were present to answer shareholders' questions.

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

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 144.

An interim dividend of HK3.55 cents per ordinary share was paid on 10 October 2007. The directors recommended the payment of a final dividend of HK12.24 cents and a special dividend of HK10.00 cents per ordinary share in respect of the year, to shareholders on the register of members on 27 May 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons thereof, are set out in notes 34 and 35 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company's reserves available for distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$734,910,000, of which HK$129,672,000 and HK$105,941,000 have been proposed as final dividend and special dividend respectively for the year. In addition, the Company's share premium account, in the amount of HK$384,521,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$2,809,000.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

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

Executive

Dr. Charles Yeung, SBS, JP	*(Chairman)*
Mr. Yeung Chun Fan	*(Vice-chairman)*
Mr. Yeung Chun Ho	
Mr. Pau Sze Kee, Jackson	
Mr. Hui Chung Shing, Herman, JP	
Ms. Cheung Wai Yee	
Mr. Chan Wing Kan, Archie	
Mr. Teo Heng Kee, Peter	*(resigned on 8 May 2007)*

Independent non-executive

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

Non-executive

Dr. Lam Lee G.

REPORT OF THE DIRECTORS

DIRECTORS *(CONTINUED)*

In accordance with bye-law 110(A) of the Company's Bye-laws, Mr. Yeung Chun Fan, Mr. Pau Sze Kee, Jackson and Mr. Wong Man Kong, Peter, BBS, JP will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 43 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2007, the interests or short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Capacity	No. of shares held Long position	No. of shares held Short position	Total	Percentage of issued share capital (%)
Dr. Charles Yeung, SBS, JP	Interest of controlled corporations	532,668,000	6,600,000	539,268,000(1)	50.902
Mr. Yeung Chun Fan	(i) Interest of controlled corporations	532,668,000	6,600,000	545,998,000(1) & (3)	51.538
	(ii) Interest of spouse	6,730,000	–		
Mr. Yeung Chun Ho	Interest of a controlled corporation	27,430,000	–	27,430,000(2)	2.589
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	–	9,370,000	0.884
Mr. Hui Chung Shing, Herman, JP	Beneficial owner	6,250,000	–	6,250,000	0.590
Ms. Cheung Wai Yee	(i) Beneficial owner	6,730,000	–	545,998,000(1) & (3)	51.538
	(ii) Interest of spouse	532,668,000	6,600,000		
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	956,000	–	956,000	0.090

REPORT OF THE DIRECTORS

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

Notes:

(1) 398,988,000 shares (of which interests in 6,600,000 shares are short position) were held by Glorious Sun Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan), 138,540,000 shares were held by Advancetex Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan) and 1,740,000 shares were held by G. S. Strategic Investment Limited (the entire issued voting share capital of which was held as to 50% by each of Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan).

(2) 27,430,000 shares were held by Unicom Consultants Limited, a company wholly owned by Mr. Yeung Chun Ho.

(3) Ms. Cheung Wai Yee is the spouse of Mr. Yeung Chun Fan. 6,730,000 shares related to the same block of shares held by Ms. Cheung Wai Yee and 539,268,000 shares related to the same block of shares held by three companies controlled by Mr. Yeung Chun Fan.

Save as disclosed above, as at 31 December 2007, none of the directors of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

Concerning the share options granted to the directors and employees, as detailed in note 35 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because in the absence of a readily available market value of the share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of these share options.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive Directors

Dr. YEUNG Chun Kam, SBS, JP, alias Charles YEUNG, aged 61, is the founder and Chairman of the Group. He is responsible for the Group's business strategies. Dr. Yeung has over 35 years of experience in the garment industry. He was an awardee of the "Young Industrialist Award of Hong Kong" in 1991 and was conferred an honorary doctorate degree by the China Textile University in 1993 and an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2002. Dr. Yeung is a Member of the National Committee of the Chinese People's Political Consultative Conference, the Vice-president of China Association of Enterprises with Foreign Investment and a Vice-chairman of The Chinese General Chamber of Commerce. Dr. Yeung is also an advisory professor of the East China University and the Tianjin Polytechnic University and a visiting professor of the Xi'an Polytechnic University in the Mainland China. Dr. Yeung is a director and a shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are the substantial shareholders of the Company (as disclosed in the section headed "Substantial Shareholders" in this report).

Mr. YEUNG Chun Fan, aged 55, is the Vice-chairman and General Manager of the Group which he joined in 1975. He has over 30 years of experience in the garment industry. Mr. Yeung is an Honorary Fellow Member of the Hong Kong Institution of Textile and Apparel, the President of The Federation of Hong Kong Garment Manufacturers, an advisory professor of the Nanjiang University, the East China University and the Qingdao University. Mr. Yeung is a Member of the Standing Committee of the Hebei Committee of The Political Consultative Conference and a Vice-president of the China National Garment Association. Mr. Yeung is responsible for the Group's overall business operations. He is a brother of Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Ho. Mr. Yeung is a director and a shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are the substantial shareholders of the Company (as disclosed in the section headed "Substantial Shareholders" in this report).

Mr. YEUNG Chun Ho, aged 63, joined the Group in 1979 and is a Deputy General Manager of the Group. Mr. Yeung has over 30 years of experience in the garment industry. He is responsible for the Group's weaving and dyeing operations. Mr. Yeung is a brother of Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan.

Mr. PAU Sze Kee, Jackson, aged 56, joined the Group in 1987 and is a Deputy General Manager of the Group. Mr. Pau graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. Before joining the Group, he had worked in several financial institutions and a listed trading company in the United Kingdom for more than 10 years. He is responsible for the Group's retail operations in Australasia and the Middle East.

Mr. HUI Chung Shing, Herman, JP, aged 57, is responsible for the strategic planning and legal matters of the Group. Mr. Hui graduated from the University of Hong Kong with a bachelor's degree in Laws. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has also been admitted as a solicitor of the Supreme Court of England and Wales and as a solicitor and barrister of the Supreme Court of Victoria, Australia. Before joining the Group in 1995, Mr. Hui was the Group's external legal advisor.

REPORT OF THE DIRECTORS

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

Executive Directors *(continued)*

Ms. CHEUNG Wai Yee, aged 56, joined the Group in 1975 and is responsible for the Group's woven apparel manufacturing and export sales operations as well as assisting in the development of retail business in the Mainland China. Ms. Cheung is the wife of Mr. Yeung Chun Fan.

Mr. CHAN Wing Kan, Archie, aged 61, has been the Group's business consultant in the past. Mr. Chan graduated from the University of New South Wales, Australia with a bachelor's degree in Commerce. He is a Member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Mr. Chan has extensive experience in corporate investment and management. He is responsible for the business development of the Group.

Independent Non-Executive Directors

Mr. WONG Man Kong, Peter, BBS, JP, aged 59, has been an Independent Non-executive Director of the Company since August 1996. Mr. Wong is a graduate of the University of California at Berkeley in USA with a bachelor of science degree in Mechanical Engineering (Naval Architecture) and was an awardee of the "Young Industrialist Award of Hong Kong" in 1988. Mr. Wong is the Chairman of M.K. Corporation Ltd., a Director of Hong Kong Ferry (Holdings) Co. Ltd., China Travel International Investment Hong Kong Limited, Sun Hung Kai & Co. Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Group Holdings Limited and the Chairman of North West Development Ltd. He is a Deputy of the 11th National People's Congress of the PRC, an Executive Vice Chairman of Hong Kong Pei Hua Education Association, a Vice Chairman of Chamber of Tourism, All-China Federation of Industry & Commerce and a Director of Ji Nan University. He holds title of Honorary Professor in Lanzhou University and The Central University for Nationalities.

Mr. LAU Hon Chuen, GBS, JP, alias Ambrose LAU, aged 60, has been an Independent Non-executive Director of the Company since March 1997. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr. Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is currently an Independent Non-executive Director of Franshion Properties (China) Limited, Guangzhou Investment Company Limited, GZI Transport Limited, Qin Jia Yuan Media Services Company Limited, The Hong Kong Parkview Group Limited and Wing Hang Bank, Limited. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr. Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

REPORT OF THE DIRECTORS

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

Independent Non-Executive Directors *(continued)*

Mr. CHUNG Shui Ming, Timpson, GBS, JP, aged 56, has been an Independent Non-executive Director of the Company since September 2004. Mr. Chung holds a Master of Business Administration Degree and is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Currently he is an Independent Non-executive Director of Tai Shing International (Holdings) Limited, China Netcom Group Corporation (Hong Kong) Limited, Miramar Hotel and Investment Company, Limited and Nine Dragons Paper (Holdings) Limited. He is also a Member of National Committee of the 11th Chinese People's Political Consultative Conference and the Chairman of the Council of the City University of Hong Kong.

Non-Executive Director

Dr. LAM Lee G., aged 48, has been a Non-executive Director of the Company since September 2004. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the UK, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 25 years of multinational operations and general management, strategy consulting, corporate governance, investment banking, and direct investment experience. He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves as a non-executive director of several publicly-listed companies in the Asia Pacific region. He is a Member of the Hong Kong Institute of Bankers, a Member of the Young Presidents' Organization, a Fellow of the Hong Kong Institute of Directors and the China Institute of Directors, a Member of the General Council of the Chamber of Hong Kong Listed Companies, and a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region.

Senior Management

Mr. CHOW Hing Ping, aged 59, joined the Group in 1979 and is a Deputy General Manager of the Group. Mr. Chow is responsible for the administration and financial matters of the production and retail operations of the Group in Hong Kong and the Mainland China.

Mr. FUNG Hing Keng, aged 58, joined the Group in 1978 and is a Deputy General Manager of the Group. Mr. Fung has over 35 years of experience in the garment industry. He is responsible for the woven apparel manufacturing operations in the Mainland China and assists in the development of the retail operations in the same area.

Mr. LEE Fung Tai, aged 60, joined the Group in 1983 and is the head of the knitwear division of the Group responsible for production. Mr. Lee has over 35 years of experience in the garment industry. He is a substantial shareholder of the companies under the knitwear division.

REPORT OF THE DIRECTORS

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

Senior Management *(continued)*

Mr. LI Fung Lok, aged 58, joined the Group in 1983 and is the head of the knitwear division of the Group responsible for administration and export sales. Mr. Li has over 35 years of experience in the garment industry. Mr. Li is a substantial shareholder of the companies under the knitwear division.

Ms. CHEUNG Man Yee, Carmen, aged 57, joined the Group in 1982 and is responsible for the Group's product development and marketing operations. Ms. Cheung graduated from the University of Hawaii in USA with a bachelor's degree in Arts. Prior to joining the Group, she was the manager of the sales and purchase department in one of the largest department stores in USA. Ms. Cheung is the sister of Ms. Cheung Wai Yee.

Mr. LAI Man Sum, alias Sam LAI, aged 46, joined the Group in 1991 and is the Chief Accountant of the Group. Mr. Lai graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. He is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and a Member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Lai worked for an international accounting firm and a garment company for many years.

Mr. MUI Sau Keung, alias Isaac MUI, aged 45, joined the Group in 1993. He was appointed as the Company Secretary with effect from December 2005. Mr. Mui graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. He is a member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. Mui worked in various companies in Hong Kong responsible for finance, personnel and administrative jobs.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the register required to be kept by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than directors of the Company) had disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Name of shareholder	Capacity	Number of shares held Long position	Short position	Total	Percentage of issued share capital (%)
Glorious Sun Holdings (BVI) Limited	Beneficial owner	392,388,000	6,600,000	398,988,000	37.661
Advancetex Holdings (BVI) Limited	Beneficial owner	138,540,000	–	138,540,000	13.077
Matthews International Capital Management, LLC	Investment manager	74,693,000	–	74,693,000	7.050
Commonwealth Bank of Australia	Interest of controlled corporations	74,079,100	–	74,079,100[1]	6.992
Mr. Cheah Cheng Hye	(i) Beneficial owner (ii) Interest of child under 18 or spouse (iii) Founder of a discretionary trust	500,000 240,000 57,563,000[2]	– – –	58,303,000	5.503
Ms. To Hau Yin	(i) Interest of child under 18 or spouse (ii) Interest of child under 18 or spouse	240,000 58,063,000[2]	– –	58,303,000	5.503
Hang Seng Bank Trustee International Limited	Trustee	57,563,000	–	57,563,000[2]	5.433
Cheah Company Limited	Interest of a controlled corporation	57,563,000	–	57,563,000[2]	5.433
Cheah Capital Management Limited	Interest of a controlled corporation	57,563,000	–	57,563,000[2]	5.433
Value Partners Group Limited	Interest of a controlled corporation	57,563,000	–	57,563,000[2]	5.433
Value Partners Limited	Investment manager	57,563,000	–	57,563,000[2]	5.433

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS *(CONTINUED)*

Notes:

(1) 74,079,100 shares were held by various wholly-owned subsidiaries of Commonwealth Bank of Australia.

(2) Hang Seng Bank Trustee International Limited, the trustee of The C H Cheah Family Trust, has 100% control of Cheah Company Limited, which has 100% control of Cheah Capital Management Limited, which has 35.65% control of Value Partners Group Limited, which in turn has 100% control of Value Partners Limited. Mr. Cheah Cheng Hye is the founder of The C H Cheah Family Trust. Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye. They are all deemed to be interested in 57,563,000 shares held by Value Partners Limited pursuant to the SFO.

Save as disclosed above, no other parties (other than directors of the Company) disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2007.

CONTINUING CONNECTED TRANSACTIONS

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

	Notes	**2007** ***HK$'000***	2006 *HK$'000*
Rental expenses paid to:	*(i)*		
Golden Sunshine Enterprises Limited		**3,498**	3,641
Houtex Investments Limited		**874**	1,272
G. S. (Yeungs) Limited		**727**	831
Gantin Limited		**298**	288
Harbour Guide Limited		**2,478**	2,138
Gloryear Management Limited		**276**	234
		8,151	8,404
Management fees paid to:	*(iii)*		
Golden Sunshine Enterprises Limited		**849**	913
G. S. Property Management Limited		**190**	276
		1,039	1,189
Sales of garment to:	*(ii)*		
Jeanswest Corporation (New Zealand) Limited		**–**	2,729
Service fee income received from:	*(iii)*		
Jeanswest Corporation (New Zealand) Limited		**–**	3,299

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

Notes:

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

(ii) The sales of garment were made according to terms and conditions comparable to those offered to the major customers of the Group.

(iii) Management fees and service fee were charged according to the management services agreement signed between the parties having regard to the cost of services provided.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

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

EMOLUMENT POLICY

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

CORPORATE GOVERNANCE

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

AUDITORS

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

ON BEHALF OF THE BOARD

Dr. Charles Yeung, SBS, JP
Chairman

Hong Kong
17 April 2008


JEANSWEST
真維斯
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INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

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

We have audited the financial statements of Glorious Sun Enterprises Limited set out on pages 44 to 144, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated summary statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY *(CONTINUED)*

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

17 April 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**4,783,880**	4,397,359
Cost of sales		**(2,716,523)**	(2,573,042)
Gross profit		**2,067,357**	1,824,317
Other income and gains	5	**485,578**	210,747
Selling and distribution costs		**(1,234,587)**	(1,039,980)
Administrative expenses		**(622,211)**	(524,098)
Other expenses		**(50,140)**	(90,855)
Finance costs	6	**(16,595)**	(17,837)
Share of profits and losses of:			
Jointly-controlled entities		**(720)**	288
Associates		**9,707**	28,662
PROFIT BEFORE TAX	7	**638,389**	391,244
Tax	10	**(85,114)**	(77,586)
PROFIT FOR THE YEAR		**553,275**	313,658
Attributable to:			
Ordinary equity holders of the Company	11	**515,749**	271,582
Minority interests		**37,526**	42,076
		553,275	313,658
DIVIDENDS	12	**274,220**	269,420
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13	**HK cents**	HK cents
Basic		**48.72**	25.79
Diluted		**48.51**	25.60

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	**2007 HK$'000**	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**777,291**	737,086
Investment properties	15	**40,367**	21,433
Prepaid land lease payments	16	**17,863**	17,510
Goodwill	17	**38,612**	38,612
Interests in jointly-controlled entities	19	**18,706**	20,186
Interests in associates	20	**127,498**	207,023
Available-for-sale investment	21	**298,200**	–
Financial asset at fair value through profit or loss	22	**24,511**	–
Deferred tax assets	33	**18,434**	16,966
Total non-current assets		**1,361,482**	1,058,816
CURRENT ASSETS			
Inventories	23	**657,681**	609,313
Trade and bills receivables	24	**437,372**	548,870
Prepayments, deposits and other receivables		**285,604**	267,296
Due from related companies	25	**1,567**	724
Equity investments at fair value through profit or loss	26	**81,475**	180,266
Pledged deposits	27	**4,337**	21,784
Cash and cash equivalents	27	**1,280,776**	1,024,926
Total current assets		**2,748,812**	2,653,179
CURRENT LIABILITIES			
Trade and bills payables	28	**556,302**	552,205
Other payables and accruals		**757,821**	666,160
Interest-bearing bank and other borrowings	30	**267,447**	329,600
Tax payable		**311,091**	285,456
Total current liabilities		**1,892,661**	1,833,421
NET CURRENT ASSETS		**856,151**	819,758
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,217,633**	1,878,574
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**1,102**	671
Long term loans from minority shareholders	32	**9,400**	9,400
Deferred tax liabilities	33	**374**	269
Total non-current liabilities		**10,876**	10,340
Net assets		**2,206,757**	1,868,234

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	34	**105,941**	105,486
Reserves	36	**1,716,279**	1,382,915
Proposed dividends	12	**235,613**	234,601
		2,057,833	1,723,002
Minority interests	36	**148,924**	145,232
Total equity		**2,206,757**	1,868,234

Charles Yeung, SBS, JP
Director

Yeung Chun Fan
Director

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Notes	**2007 HK$'000**	2006 HK$'000
Total equity attributable to ordinary equity holders of the Company at beginning of year		**1,723,002**	1,663,138
Fair value gain on revaluation of land and buildings	36	**3,670**	–
Change in fair value of an available-for-sale investment	36	**33,933**	–
Exchange differences on translation of the financial statements of overseas entities	36	**43,649**	26,744
Net gains not recognised in the consolidated income statement		**81,252**	26,744
Profit for the year attributable to ordinary equity holders of the Company	36	**515,749**	271,582
Issue of new shares	34	**455**	548
Premium on issue of new shares, net	36	**10,583**	15,129
Dividends paid		**(273,208)**	(254,139)
		253,579	33,120
Total equity attributable to ordinary equity holders of the Company at end of year		**2,057,833**	1,723,002

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**638,389**	391,244
Adjustments for:			
Finance costs	6	**16,595**	17,837
Share of profits and losses of jointly-controlled entities and associates		**(8,987)**	(28,950)
Interest income	5	**(35,376)**	(33,226)
Change in fair values of investment properties	5	**(2,421)**	(1,523)
Gain on disposal of equity investments	5	**(5,172)**	(5,741)
Gain on disposal of an associate	5	**(265,686)**	–
Gain on disposal of a subsidiary	5	**(2,533)**	–
Fair value (gains)/losses, net:			
Financial asset at fair value through profit or loss	5	**(1,171)**	–
Equity investments at fair value through profit or loss	7	**8,240**	(68,551)
Depreciation	7	**163,013**	116,122
Recognition of prepaid land lease payments	7	**403**	427
Reversal of impairment of items of property, plant and equipment	7	**(747)**	(2,329)
Loss on disposal/write-off of items of property, plant and equipment	7	**9,826**	14,247
Gain on liquidation of a jointly-controlled entity	7	**–**	(1,334)
Reversal of impairment on liquidation of a jointly-controlled entity	7	**–**	(1,474)
Write-down of inventories to net realisable value	7	**10,202**	8,172
Provision/(reversal of provision) for loans to associates	7	**(11,791)**	47,045
Impairment of interests in jointly-controlled entities	7	**–**	1,692
Effect of foreign exchange rate changes, net		**1,311**	(3,953)
		514,095	449,705
Decrease in amounts due from jointly-controlled entities		**732**	279
Increase in amounts due to jointly-controlled entities		**1,572**	2,762
Decrease/(increase) in amounts due from associates		**(546)**	132
Increase/(decrease) in amounts due to associates		**1,522**	(4,682)
Increase in inventories		**(67,877)**	(44,702)
Decrease/(increase) in trade and bills receivables		**99,133**	(117,220)
Increase in prepayments, deposits and other receivables		**(22,512)**	(81,924)
Decrease/(increase) in amounts due from related companies		**(843)**	348
Increase in equity investments at fair value through profit or loss		**(11,050)**	(73,233)
Increase in trade and bills payables		**18,481**	70,282
Increase in other payables and accruals		**101,673**	39,358
Cash generated from operations		**634,380**	241,105

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash generated from operations		**634,380**	241,105
Interest received	5	**35,376**	33,226
Interest paid	6	**(16,547)**	(17,657)
Interest element on finance lease rental payments	6	**(48)**	(180)
Dividend received from jointly-controlled entities		**3,481**	2,983
Dividend received from associates		**31,326**	22,036
Proceeds from disposal of equity investments		**106,773**	26,784
Hong Kong profits tax paid		**(19,661)**	(9,263)
Overseas taxes paid		**(45,536)**	(10,624)
Net cash inflow from operating activities		**729,544**	288,410
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(214,433)**	(238,215)
Purchases of an investment property	15	**(15,765)**	–
Proceeds from disposal of items of property, plant and equipment		**24,631**	8,538
Acquisition of subsidiaries	37	**–**	(64,666)
Disposal of a subsidiary	38	**11,702**	–
Investment in an associate		**(30,000)**	–
Proceeds from disposal of an associate		**15,428**	–
Increase in a financial asset at fair value through profit or loss		**(23,340)**	–
Repayment/(advance) of loans to associates		**89,312**	(28,453)
Decrease in pledged deposits		**17,447**	–
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**155,201**	(145,889)
Net cash inflow/(outflow) from investing activities		**30,183**	(468,685)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	34	**11,059**	15,693
Share issue expenses	34	**(21)**	(16)
Drawdown of new bank loans		**220,270**	267,996
Drawdown of a new other loan		**2,143**	–
Repayment of bank loans		**(288,189)**	(203,152)
Capital element of finance lease rental payments		**(950)**	(1,929)
Capital contributed by a minority shareholder		**–**	670
Dividends paid		**(273,208)**	(254,139)
Dividends paid to minority shareholders		**(41,972)**	(51,424)
Decrease in trust receipt loans		**(3,770)**	(1,279)
Net cash outflow from financing activities		**(374,638)**	(227,580)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**385,089**	(407,855)

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**385,089**	(407,855)
Cash and cash equivalents at beginning of year		**846,544**	1,243,078
Effect of foreign exchange rate changes, net		**19,440**	11,321
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,251,073**	846,544
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**572,723**	477,112
Non-pledged time deposits with original maturity of less than three months when acquired		**705,376**	389,936
Bank overdrafts	30	**(27,026)**	(20,504)
		1,251,073	846,544

BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSET			
Interest in a subsidiary	18	**948,360**	696,385
CURRENT ASSETS			
Other receivables		**511**	816
Cash and cash equivalents	27	**276,662**	433,200
Total current assets		**277,173**	434,016
CURRENT LIABILITY			
Other payables and accruals		**161**	151
NET CURRENT ASSETS		**277,012**	433,865
Net assets		**1,225,372**	1,130,250
EQUITY			
Issued capital	34	**105,941**	105,486
Reserves	36	**883,818**	790,163
Proposed dividends	12	**235,613**	234,601
Total equity		**1,225,372**	1,130,250

Charles Yeung, SBS, JP
Director

Yeung Chun Fan
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2007

1. CORPORATE INFORMATION

Glorious Sun Enterprises Limited is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at Glorious Sun Group Building, 97 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of a subsidiary in the prior year was accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosure*s

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 45 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees in accordance with the Group's share option scheme, the interpretation has had no effect on these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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

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

HKFRS 2 Amendments	*Share-based Payment – Vesting Conditions and Cancellation* [1]
HKFRS 3 (Revised)	*Business Combinations*[5]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[5]
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 March 2007*
[3] *Effective for annual periods beginning on or after 1 July 2008*
[4] *Effective for annual periods beginning on or after 1 January 2008*
[5] *Effective for annual periods beginning on or after 1 July 2009*

HKFRS 2 has been amended to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. It must be applied prospectively and will affect future acquisitions and transactions with minority interests.

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

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by a subsidiary as well as the loss of control of a subsidiary. It must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits* on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Jointly-controlled entities

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

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

Associates

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

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

Goodwill

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Goodwill *(continued)*

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

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

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

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

Goodwill previously eliminated against consolidated retained profits

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

Impairment of non-financial assets other than goodwill

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

Related parties

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

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

(b) the party is an associate;

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties *(continued)*

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

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

Property, plant and equipment and depreciation

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

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

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

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

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

Investment properties

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investment properties *(continued)*

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

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

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

Leases

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss (continued)

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

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

Loans and receivables

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

Available-for-sale financial assets

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Assets carried at cost

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

Available-for-sale financial assets

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

Derecognition of financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Derecognition of financial assets *(continued)*

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

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

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

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

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

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Derecognition of financial liabilities

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

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

Derivative financial instruments and hedging

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

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

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

Inventories

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

Cash and cash equivalents

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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

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

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

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

Revenue recognition

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(continued)*

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

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

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payment transactions *(continued)*

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

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

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

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

Other employee benefits

Retirement benefits schemes

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Other employee benefits *(continued)*

Retirement benefits schemes (continued)

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

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

Dividends

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

Estimation uncertainty *(continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was HK$38,612,000 (2006: HK$38,612,000). More details are given in note 17.

Provision for inventories

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

4. SEGMENT INFORMATION

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

4. SEGMENT INFORMATION *(CONTINUED)*

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

There were no intersegment sales and transfers during the year (2006: Nil).

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group

	Retail operations		Export operations		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**3,627,826**	2,918,766	**938,193**	1,254,136	**217,861**	224,457	**4,783,880**	4,397,359
Other income and gains	**310,462**	27,828	**70,055**	26,351	**20,208**	20,093	**400,725**	74,272
Total	**3,938,288**	2,946,594	**1,008,248**	1,280,487	**238,069**	244,550	**5,184,605**	4,471,631
Segment results	**545,165**	207,557	**64,514**	67,844	**8,960**	12,777	**618,639**	288,178
Interest income and unallocated revenue							**84,853**	136,475
Unallocated expenses							**(57,495)**	(44,522)
Finance costs							**(16,595)**	(17,837)
Share of profits and losses of:								
Jointly-controlled entities	**–**	–	**(739)**	341	**19**	(53)	**(720)**	288
Associates	**(5,743)**	–	**15,450**	28,662	**–**	–	**9,707**	28,662
Profit before tax							**638,389**	391,244
Tax							**(85,114)**	(77,586)
Profit for the year							**553,275**	313,658

NOTES TO FINANCIAL STATEMENTS

31 December 2007

4. SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments *(continued)*

Group

	Retail operations		Export operations		Others		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Assets and liabilities								
Segment assets	**1,078,011**	943,951	**411,579**	740,675	**489,141**	345,474	**1,978,731**	2,030,100
Interests in jointly–controlled entities	**–**	–	**(4,113)**	3,461	**22,819**	16,725	**18,706**	20,186
Interests in associates	**1,534**	65,740	**125,964**	141,283	**–**	–	**127,498**	207,023
Unallocated assets							**1,985,359**	1,454,686
Total assets							**4,110,294**	3,711,995
Segment liabilities	**715,482**	606,594	**223,905**	414,869	**313,816**	170,641	**1,253,203**	1,192,104
Unallocated liabilities							**650,334**	651,657
Total liabilities							**1,903,537**	1,843,761
Other segment information:								
Depreciation and amortisation	**93,781**	50,655	**14,483**	19,346	**55,152**	46,548	**163,416**	116,549
Reversal of impairment of items of property, plant and equipment recognised in the income statement	**(292)**	(121)	**(455)**	(2,208)	**–**	–	**(747)**	(2,329)
Change in fair values of investment properties	**–**	–	**–**	–	**(2,421)**	(1,523)	**(2,421)**	(1,523)
Other non-cash expenses/(income)	**(305)**	67,840	**2,277**	3,091	**6,599**	(81,736)	**8,571**	(10,805)
Capital expenditure	**126,797**	111,992	**19,401**	28,939	**68,235**	97,284	**214,433**	238,215
Fair value gain on available-for-sale investment recognised directly in equity	**–**	–	**–**	–	**(33,933)**	–	**(33,933)**	–
Net surplus on revaluation of land and buildings recognised directly in equity	**–**	–	**3,670**	–	**–**	90	**3,670**	90

NOTES TO FINANCIAL STATEMENTS

31 December 2007

4. SEGMENT INFORMATION *(CONTINUED)*

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007

	Mainland China HK$'000	Hong Kong HK$'000	United States of America ("U.S.A") HK$'000	Australia and New Zealand HK$'000	Canada HK$'000	Others HK$'000	Con–solidated HK$'000
Segment revenue:							
Sales to external customers	2,642,498	108,477	782,102	1,069,371	60,974	120,458	4,783,880
Other segment information:							
Segment assets	1,331,606	44,685	211,109	264,610	–	126,721	1,978,731
Capital expenditure	141,996	2,577	–	51,668	–	18,192	214,433

Year ended 31 December 2006

	Mainland China HK$'000	Hong Kong HK$'000	United States of America ("U.S.A") HK$'000	Australia and New Zealand HK$'000	Canada HK$'000	Others HK$'000	Con–solidated HK$'000
Segment revenue:							
Sales to external customers	2,087,199	130,940	1,039,058	875,731	155,142	109,289	4,397,359
Other segment information:							
Segment assets	1,132,138	67,565	363,232	260,110	1,349	205,706	2,030,100
Capital expenditure	185,139	940	–	34,408	–	17,728	238,215

NOTES TO FINANCIAL STATEMENTS

31 December 2007

5. REVENUE, OTHER INCOME AND GAINS

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

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

		Group	
		2007	2006
	Note	**HK$'000**	HK$'000
Revenue			
Retailing of casual wear		**3,627,825**	2,918,767
Export of apparel		**938,193**	1,254,135
Trading of fabric and other businesses		**217,862**	224,457
		4,783,880	4,397,359
Other income			
Bank interest income		**35,376**	33,226
Services and sub-contracting fee income		**34,083**	21,132
Other sales income		**3,123**	3,935
Commission and management fee income		**6,291**	3,943
Decoration and renovation income		**16,471**	13,274
Gross rental income		**4,120**	3,138
Sales of quota		**18,929**	–
Others		**40,297**	32,560
		158,690	111,208
Gains			
Fair value gains on investment properties		**2,421**	1,523
Gain on disposal of equity investments		**5,172**	5,741
Gain on disposal of an associate		**265,686**	–
Gain on disposal of a subsidiary	38	**2,533**	–
Foreign exchange differences, net		**27,607**	9,848
Fair value gains, net:			
Equity investments at fair value through profit or loss		**–**	68,551
Derivative financial instruments – transactions not qualifying as hedges		**12,038**	11,936
Financial asset at fair value through profit or loss		**1,171**	–
Others		**10,260**	1,940
		326,888	99,539
		485,578	210,747

NOTES TO FINANCIAL STATEMENTS

31 December 2007

6. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**16,547**	17,657
Interest on finance leases	**48**	180
	16,595	17,837

7. PROFIT BEFORE TAX

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

		Group	
		2007	2006
	Notes	**HK$'000**	HK$'000
Cost of inventories sold*		**2,716,523**	2,573,042
Depreciation	14	**163,013**	116,122
Recognition of prepaid land lease payments	16	**403**	427
Minimum lease payments under operating leases:			
Land and buildings		**582,331**	579,507
Plant and machinery		**–**	499
		582,331	580,006
Auditors' remuneration		**7,673**	6,845
Employee benefits expenses (including directors' remuneration-note 8):			
Wages and salaries		**794,000**	736,445
Pension scheme contributions		**19,900**	18,037
Less: Forfeited contributions		**(138)**	(38)
Net pension scheme contributions**		**19,762**	17,999
		813,762	754,444
Reversal of impairment of items of property, plant and equipment	14	**(747)**	(2,329)
Loss on disposal/write-off of items of property, plant and equipment		**9,826**	14,247

NOTES TO FINANCIAL STATEMENTS

31 December 2007

7. PROFIT BEFORE TAX *(CONTINUED)*

	Group	
	2007	2006
	HK$'000	HK$'000
Fair value (gains)/losses, net:		
Equity investments at fair value through profit or loss	**8,240**	(68,551)
Gain on liquidation of a jointly-controlled entity	**–**	(1,334)
Reversal of impairment on liquidation of a jointly-controlled entity#	**–**	(1,474)
Write-down of inventories to net realisable value*	**10,202**	8,172
Provision/(reversal of provision) for loans to associates##	**(11,791)**	47,045
Impairment of interests in jointly-controlled entities#	**–**	1,692
Direct operating expenses (including repairs and maintenance) arising on rental-earning of investment properties	**495**	363

* *The cost of inventories sold and the cost of sales include the write-down of inventories to net realisable value of HK$10,202,000 (2006: HK$8,172,000).*

** *As at 31 December 2007, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2006: Nil).*

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

Reversal of provision for loans to associates is included in "Other income and gains" on the face of the consolidated income statement. In the prior year, the provision for loans to associates was included in "Other expenses" on the face of the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

8. DIRECTORS' REMUNERATION

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

	Group	
	2007	2006
	HK$'000	HK$'000
Fees	**460**	400
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**8,217**	8,538
Discretionary bonuses	**10,544**	10,275
Pension scheme contributions	**330**	290
	19,091	19,103
	19,551	19,503

(a) Independent non-executive directors

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

	2007	2006
	HK$'000	HK$'000
Mr. Wong Man Kong, Peter, BBS, JP	**115**	100
Mr. Lau Hon Chuen, Ambrose, GBS, JP	**115**	100
Mr. Chung Shui Ming, Timpson, GBS, JP	**115**	100
	345	300

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2007

8. DIRECTORS' REMUNERATION *(CONTINUED)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007					
Executive directors:					
Mr. Charles Yeung, SBS, JP	–	72	1,723	3	1,798
Mr. Yeung Chun Fan	–	1,814	4,011	51	5,876
Mr. Yeung Chun Ho	–	1,159	374	58	1,591
Mr. Pau Sze Kee, Jackson	–	1,878	2,756	80	4,714
Mr. Hui Chung Shing, Herman, JP	–	1,200	466	60	1,726
Ms. Cheung Wai Yee	–	756	1,214	38	2,008
Mr. Chan Wing Kan, Archie	–	1,000	–	12	1,012
Mr. Teo Heng Kee, Peter	–	338	–	28	366
	–	8,217	10,544	330	19,091
Non-executive director:					
Mr. Lam Lee G.	115	–	–	–	115
	115	8,217	10,544	330	19,206

NOTES TO FINANCIAL STATEMENTS

31 December 2007

8. DIRECTORS' REMUNERATION *(CONTINUED)*

(b) Executive directors and a non-executive director *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2006					
Executive directors:					
Mr. Charles Yeung, SBS, JP	–	60	1,610	3	1,673
Mr. Yeung Chun Fan	–	1,723	3,837	49	5,609
Mr. Yeung Chun Ho	–	1,104	323	55	1,482
Mr. Pau Sze Kee, Jackson	–	1,795	2,779	76	4,650
Mr. Hui Chung Shing, Herman, JP	–	1,200	469	60	1,729
Ms. Cheung Wai Yee	–	696	1,177	35	1,908
Mr. Chan Wing Kan, Archie	–	1,000	–	12	1,012
Mr. Teo Heng Kee, Peter	–	960	80	–	1,040
	–	8,538	10,275	290	19,103
Non-executive director:					
Mr. Lam Lee G.	100	–	–	–	100
	100	8,538	10,275	290	19,203

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2007

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2006: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2006: three) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,100**	5,290
Discretionary bonuses	**4,348**	4,953
Pension scheme contributions	**796**	381
	9,244	10,624

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

	Number of employees	
	2007	2006
HK$2,000,001 – HK$2,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,500,001 – HK$4,000,000	**1**	1
HK$4,000,001 – HK$4,500,000	**–**	1
	3	3

NOTES TO FINANCIAL STATEMENTS

31 December 2007

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007 HK$'000	2006 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**14,288**	19,469
Overprovision in prior years	**(113)**	(2,961)
Current – Elsewhere	**70,383**	61,677
Deferred (note 33)	**556**	(599)
Total tax charge for the year	**85,114**	77,586

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

	Group			
	2007		2006	
	HK$'000	**%**	HK$'000	%
Profit before tax	**638,389**		391,244	
Tax at the statutory tax rate	**111,718**	**17.5**	68,467	17.5
Higher tax rates of other countries	**29,635**	**4.6**	17,373	4.4
Adjustments in respect of current tax of previous periods	**(113)**	**–**	(2,961)	(0.8)
Profits and losses attributable to jointly-controlled entities and associates	**(1,573)**	**(0.2)**	(5,066)	(1.3)
Income not subject to tax	**(73,980)**	**(11.6)**	(14,231)	(3.6)
Expenses not deductible for tax	**13,099**	**2.0**	11,737	3.0
Tax losses utilised from previous periods	**(2,230)**	**(0.3)**	(9,314)	(2.4)
Tax losses not recognised	**6,277**	**1.0**	9,245	2.4
Others	**2,281**	**0.3**	2,336	0.6
Tax charge at the Group's effective rate	**85,114**	**13.3**	77,586	19.8

NOTES TO FINANCIAL STATEMENTS

31 December 2007

10. TAX *(CONTINUED)*

Under the income tax law of the People's Republic of China (the "PRC"), companies with operations in Mainland China are subject to corporate income tax ("CIT") at a rate of 33% on the taxable income.

Sino-foreign equity joint ventures are subject to the state CIT at a rate of 30% and to the local CIT at a rate at 3%. Certain joint ventures are entitled to a full exemption from such taxes for the first two/three years and a 50% reduction in the following three/four years, commencing from the first profitable year.

The range of tax rates applicable to subsidiaries incorporated and operating in Australia and New Zealand is 30% to 33%. Provision for Australian and New Zealand income tax has been made on the estimated assessable profits arising in Australia and New Zealand for the year.

There is no share of tax credit/expense attributable to jointly-controlled entities during the year (2006: tax credit of HK$533,000). The share of tax expense attributable to associates during the year amounting to HK$7,401,000 (2006: HK$11,823,000) are included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New CIT Law") was approved, and it became effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. This change in the income tax rate will directly impact the Group's effective tax rate prospectively from 2008. According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The change in the corporate income tax rate has had no significant impact on the results and financial position of the Group for the year ended 31 December 2007.

11. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2007 includes a profit of HK$357,292,000 (2006: HK$25,483,000), which has been dealt with in the financial statements of the Company (note 36).

NOTES TO FINANCIAL STATEMENTS

31 December 2007

12. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim – HK3.55 cents (2006: HK3.20 cents) per ordinary share (note 36)	**37,609**	33,756
Underaccrual of final dividend of previous year (note 36)	**998**	1,063
	38,607	34,819
Proposed final – HK12.24 cents (2006: HK12.24 cents) per ordinary share (note 36)	**129,672**	129,115
Proposed special – HK10.00 cents (2006: HK10.00 cents) per ordinary share (note 36)	**105,941**	105,486
	274,220	269,420

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

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

	2007	2006
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**515,749**	271,582

	Number of shares	
	2007	2006
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,058,530**	1,053,183
Effect of dilution – weighted average number of ordinary shares:		
Share options	**4,680**	7,759
	1,063,210	1,060,942

NOTES TO FINANCIAL STATEMENTS

31 December 2007

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2007							
At 31 December 2006 and at 1 January 2007:							
Cost or valuation	228,472	316,111	532,205	360,610	47,411	1,834	1,486,643
Accumulated depreciation and impairment	(7,187)	(143,885)	(332,918)	(231,398)	(34,169)	–	(749,557)
Net carrying amount	221,285	172,226	199,287	129,212	13,242	1,834	737,086
At 1 January 2007, net of accumulated depreciation and impairment	221,285	172,226	199,287	129,212	13,242	1,834	737,086
Additions	39,792	71,848	30,020	62,136	5,911	5,581	215,288
Disposals/write-off	(670)	(16,826)	(8,961)	(6,707)	(1,293)	–	(34,457)
Disposal of a subsidiary (note 38)	(12,976)	(238)	(434)	(261)	(51)	–	(13,960)
Surplus on revaluation	5,244	–	–	–	–	–	5,244
Depreciation provided during the year	(8,792)	(53,833)	(47,807)	(48,655)	(3,926)	–	(163,013)
Reversal of impairment	–	109	–	638	–	–	747
Transfers	–	7,488	(221)	221	–	(7,488)	–
Exchange realignment	6,155	4,851	7,764	10,825	682	79	30,356
At 31 December 2007, net of accumulated depreciation and impairment	250,038	185,625	179,648	147,409	14,565	6	777,291
At 31 December 2007:							
Cost or valuation	266,216	363,835	537,375	415,086	49,134	6	1,631,652
Accumulated depreciation and impairment	(16,178)	(178,210)	(357,727)	(267,677)	(34,569)	–	(854,361)
Net carrying amount	250,038	185,625	179,648	147,409	14,565	6	777,291
Analysis of cost or valuation:							
At cost	–	363,835	537,375	415,086	49,134	6	1,365,436
At valuation	266,216	–	–	–	–	–	266,216
	266,216	363,835	537,375	415,086	49,134	6	1,631,652

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2006							
At 1 January 2006:							
Cost or valuation	167,147	259,455	444,498	295,904	47,450	66,313	1,280,767
Accumulated depreciation and impairment	–	(151,761)	(285,368)	(188,138)	(33,337)	–	(658,604)
Net carrying amount	167,147	107,694	159,130	107,766	14,113	66,313	622,163
At 1 January 2006, net of accumulated depreciation and impairment	167,147	107,694	159,130	107,766	14,113	66,313	622,163
Additions	8,210	91,809	83,044	50,536	3,913	1,604	239,116
Acquisition of a subsidiary (note 37)	–	–	689	7,788	243	–	8,720
Disposals/write-off	(300)	(13,141)	(4,728)	(3,219)	(1,397)	–	(22,785)
Depreciation provided during the year	(6,605)	(17,210)	(47,162)	(40,598)	(4,547)	–	(116,122)
Reversal of impairment	–	109	1,497	425	298	–	2,329
Transfers	66,092	–	–	–	–	(66,092)	–
Transfer to investment properties (note 15)	(17,410)	–	–	–	–	–	(17,410)
Exchange realignment	4,151	2,965	6,817	6,514	619	9	21,075
At 31 December 2006, net of accumulated depreciation and impairment	221,285	172,226	199,287	129,212	13,242	1,834	737,086
At 31 December 2006:							
Cost or valuation	228,472	316,111	532,205	360,610	47,411	1,834	1,486,643
Accumulated depreciation and impairment	(7,187)	(143,885)	(332,918)	(231,398)	(34,169)	–	(749,557)
Net carrying amount	221,285	172,226	199,287	129,212	13,242	1,834	737,086
Analysis of cost or valuation:							
At cost	–	316,111	532,205	360,610	47,411	1,834	1,258,171
At valuation	228,472	–	–	–	–	–	228,472
	228,472	316,111	532,205	360,610	47,411	1,834	1,486,643

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

The net book value of the Group's property, plant and equipment held under finance leases at 31 December 2007, amounted to HK$1,853,000 (2006: HK$1,514,000).

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

At 31 December 2005, the Group's buildings were revalued individually by DTZ Debenham Tie Leung Limited, S.F. Ahmed & Co and PT Saptasentra Jasa Pradana, independent professionally qualified valuers, at an aggregate open market value of HK$167,147,000 based on their existing use. In the opinion of the directors, there has been no material change in valuation as at the balance sheet date.

In the prior year, certain of the Group's buildings were transferred to investment properties. The buildings were revalued at the date of change in use as an investment property by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at an open market value of HK$17,410,000 based on its existing use (note 15). No revaluation surplus or deficit was resulted from the valuation.

Had these buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$228,289,000.

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

	Hong Kong HK$'000	**Elsewhere** HK$'000	**Total** HK$'000
Long term leases	–	38,668	38,668
Medium term leases	2,850	208,520	211,370
	2,850	247,188	250,038

At 31 December 2007, certain of the Group's buildings with a net book value of HK$46,438,000 (2006: HK$52,059,000) and plant and machinery with a net book value of HK$4,451,000 (2006: HK$4,042,000), were pledged to secure banking facilities granted to the Group (note 30).

NOTES TO FINANCIAL STATEMENTS

31 December 2007

15. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 January	**21,433**	2,500
Addition	**15,765**	–
Transfer from owner-occupied properties (note 14)	**–**	17,410
Net profit from a fair value adjustment	**2,421**	1,523
Exchange realignment	**748**	–
Carrying amount at 31 December	**40,367**	21,433

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

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong – medium term leases	**3,500**	3,100
Mainland China – medium term leases	**36,867**	18,333
	40,367	21,433

The Group's investment properties were revalued on 31 December 2007 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$40,367,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

At 31 December 2007, certain of the Group's investment properties with a net book value of HK$20,000,000 (2006: HK$18,333,000) were pledged to secure banking facilities granted to the Group (note 30).

NOTES TO FINANCIAL STATEMENTS

31 December 2007

15. INVESTMENT PROPERTIES *(CONTINUED)*

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

Location	Use	Tenure	Attributable interest of the Group (%)
Workshop Nos.1, 2, 3 and 5 10th Floor, International Trade Centre No. 11 Sha Tsui Road Tsuen Wan New Territories, Hong Kong	Industrial	Medium term lease	60
Level 1, 2 and 3 No. 012-014 Huangxing Middle Road Furong District Changsha Hunan Province, PRC	Commercial	Medium term lease	100
中國重慶市渝中區八一路 218號平街第一屋2號	Commercial	Medium term lease	100

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 January	**17,937**	17,618
Recognised during the year	**(403)**	(427)
Exchange realignment	**732**	746
Carrying amount at 31 December	**18,266**	17,937
Current portion included in prepayments, deposits and other receivables	**(403)**	(427)
Non-current portion	**17,863**	17,510

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

17. GOODWILL

	Group	
	2007	2006
	HK$'000	HK$'000
Cost and net carrying amount at 31 December (note 37)	**38,612**	38,612

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

The amounts of goodwill and negative goodwill remaining in consolidated retained profits as at 31 December 2007, arising from the acquisition of subsidiaries, jointly-controlled entities and associates prior to the adoption of SSAP 30 in 2001, were HK$2,429,000 (2006: HK$2,429,000) and HK$7,145,000 (2006: HK$7,145,000), respectively. The amount of goodwill is stated at its cost.

Impairment testing of goodwill

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

The recoverable amount of the retail operations cash-generating unit is also determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 4.5% and cash flows beyond the five-year period are extrapolated using a growth rate of 4.0% which is the same as the long term average growth rate of the retail operations in New Zealand. Senior management believes that this growth rate is justified, given the Company's past experience in New Zealand.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

17. GOODWILL *(CONTINUED)*

Impairment testing of goodwill *(continued)*

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

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

18. INTEREST IN A SUBSIDIARY

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**377,717**	377,717
Due from a subsidiary	**570,643**	363,668
	948,360	741,385
Provision for impairment	**–**	(45,000)
	948,360	696,385

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiary. The carrying amount of this amount due from a subsidiary approximates to its fair value. Particulars of the principal subsidiaries are set out in note 46 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**47,413**	46,589
Due from jointly-controlled entities	**793**	1,525
Due to jointly-controlled entities	**(21,140)**	(19,568)
	27,066	28,546
Provision for impairment	**(8,360)**	(8,360)
	18,706	20,186

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/to jointly-controlled entities approximate to their fair values.

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

Name	Registered capital	Place of registration	Percentage of equity attributable to the Group*		Principal activities
			2007	2006	
湖北長進制衣有限公司	US$1,200,000	Mainland China	**30**	30	Manufacturing of apparel
Nanjing Jiangda Clothes Co., Ltd.	US$1,500,000	Mainland China	**45**	45	Manufacturing of apparel
Mingshi Dyeing Factory Co., Ltd.	US$8,100,000	Mainland China	**40**	40	Provision of dyeing services
Hubei Xian Garment Mfg. Co., Ltd.	US$728,300	Mainland China	**15.1**	15.1	Manufacturing of apparel

All jointly-controlled entities are held indirectly through subsidiaries.

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

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

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

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

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

	2007	2006
	HK$'000	HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**65,361**	69,742
Non-current assets	**24,327**	24,768
Current liabilities	**(42,275)**	(47,921)
Net assets	**47,413**	46,589
Share of the jointly-controlled entities' results:		
Revenue	**190,334**	178,845
Other income	**1,126**	360
	191,460	179,205
Total expenses	**(192,180)**	(179,450)
Tax	**–**	533
Profit/(loss) after tax	**(720)**	288

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20. INTERESTS IN ASSOCIATES

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**123,876**	124,904
Goodwill on acquisition	**–**	8,282
Due from associates	**1,884**	1,338
Due to associates	**(4,522)**	(3,000)
Loans to associates	**52,620**	141,932
	173,858	273,456
Provision for impairment	**–**	(8,282)
Provision for loans to associates	**(46,360)**	(58,151)
	127,498	207,023

The balances with associates and the loans to associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/ to associates and the loans to associates approximate to their fair values.

Particulars of the principal associates are as follows:

Name	Nominal value of issued and paid-up capital	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group 2007	2006	Principal activities
Rays Apparel (H.K.) Limited	Ordinary shares of HK$200,000	Hong Kong	**35**	35	Provision of agency services
Rays Apparel, Inc.	Ordinary shares of US$232,243 Preference shares of US$1,667,757	USA	**35**	35	Import and distribution of apparel
RTG Garments Manufacturing (HK) Limited	Ordinary shares of HK$1,000,000	Hong Kong	**50**	50	Manufacturing of apparel
G.S – i.t Limited	Ordinary shares of HK$2 each	Hong Kong	**–**	50	Investment holding and retail of apparel
Quiksilver Glorious Sun JV Limited	Ordinary shares of HK$10,000	Hong Kong	**50**	50	Retail of apparel

NOTES TO FINANCIAL STATEMENTS

31 December 2007

20. INTERESTS IN ASSOCIATES *(CONTINUED)*

All associates are held indirectly through subsidiaries.

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

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

During the year, the Group had not recognised the share of profit of HK$205,000 from Quiksilver Glorious Sun JV Limited because the losses of the associate not shared by the Group in prior years exceeded the Group's share of profit during the year. In the prior year, the Group's unrecognised share of loss of the associate was HK$8,227,000.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts/financial statements, except for Quiksilver Glorious Sun JV Limited of which the Group had discontinued the recognition of its share of the results:

	2007	2006
	HK$'000	HK$'000
Assets	**649,221**	668,305
Liabilities	**(391,295)**	(379,902)
Revenues	**842,515**	1,016,116
Profits	**30,898**	57,277

21. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong listed equity investment, at fair value	**298,200**	–

During the year, the gross gain of the Group's available-for-sale investment recognised directly in equity amounted to HK$33,933,000 (2006: Nil) and credited to equity.

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

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21. AVAILABLE-FOR-SALE INVESTMENT *(CONTINUED)*

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

The market value of the listed equity investment at the date of approval of these financial statements were approximately HK$230,334,000.

22. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Unlisted investment at fair value	**24,511**	–

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

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

23. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**91,312**	81,225
Work in progress	**105,349**	103,157
Finished goods	**461,020**	424,931
	657,681	609,313

At 31 December 2007, the Group's inventories were pledged as security for the Group's bank loans amounting to HK$80,763,000 (2006: HK$83,048,000), as further detailed in note 30 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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24. TRADE AND BILLS RECEIVABLES

The trade and bills receivables include trade receivables of HK$283,857,000 (2006: HK$279,400,000) and bills receivable of HK$153,515,000 (2006: HK$269,470,000). The bills receivable aged less than four months at the balance sheet date. The trade receivables are not considered to be impaired. An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current	**197,820**	185,509
Less than 4 months	**67,000**	79,448
4 to 6 months	**12,703**	6,988
Over 6 months	**6,334**	7,455
	283,857	279,400

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

At 31 December 2007, the Group had discounted bills receivable of HK$77,362,000 (2006: HK$80,757,000) to the banks with recourse (the "Discounted Bills"). The Discounted Bills were included in the above bills receivable because the derecognition criteria for the financial assets were not met. Accordingly, the advances from the relevant banks received by the Group as consideration for the Discounted Bills at the balance sheet date were recognised as liabilities and included in interest-bearing bank and other borrowings (note 30).

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

25. DUE FROM RELATED COMPANIES

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

Group

Name	**Balance at 31 December 2007** HK$'000	**Maximum outstanding during the year** HK$'000	**Balance at 1 January 2007** HK$'000
G.S. Property Management Limited	289	289	230
Golden Sunshine Enterprises Limited	172	177	177
Harbour Guide Limited	64	141	–
Gloryear Management Limited	1,042	1,042	317
	1,567		724

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

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

26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong listed equity investments, at market value	**81,475**	180,266

The above equity investments at 31 December 2006 and 2007 were classified as held for trading.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
	Note	**2007**	2006	**2007**	2006
		HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**572,723**	477,112	**718**	315
Time deposits		**712,390**	569,598	**275,944**	432,885
		1,285,113	1,046,710	**276,662**	433,200
Less: Time deposits pledged for bank overdrafts and long term bank loan facilities	30	**(4,337)**	(21,784)	**–**	–
Cash and cash equivalents		**1,280,776**	1,024,926	**276,662**	433,200

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$372,848,000 (2006: HK$283,070,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

28. TRADE AND BILLS PAYABLES

The trade and bills payables include trade payables of HK$519,751,000 (2006: HK$477,383,000). An aged analysis of the trade payables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Less than 4 months	**507,449**	435,818
4 to 6 months	**6,029**	38,255
Over 6 months	**6,273**	3,310
	519,751	477,383

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

29. DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Group has entered into various forward currency contracts to manage its foreign currency risk exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to HK$12,038,000 (2006: HK$11,936,000) were credited to the income statement during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group – 2007

	Effective interest rate (%)	Maturity	HK$'000
Current			
Finance lease payables (note 31)	2.75 – 6.8	2008	508
Bank overdrafts – unsecured	Prime – Prime+0.5	On demand	14,461
Bank overdrafts – secured	10.25	On demand	12,565
Bank loans – unsecured	HIBOR+1	2008	20,000
Bank loans – secured	HIBOR+ 0.875 – 11.25	2008	70,336
Other loan – unsecured	0.55	2008	2,143
Advances from banks as consideration for the Discounted Bills (note 24)	HIBOR+0.875	2008	77,362
Trust receipt loans – secured	HIBOR+0.75	2008	70,072
			267,447
Non-current			
Finance lease payables (note 31)	2.75 – 6.8	2009 – 2011	1,102
			268,549

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

Group – 2006

	Effective interest rate (%)	Maturity	HK$'000
Current			
Finance lease payables (note 31)	2.75 – 6.8	2007	912
Bank overdrafts – unsecured	Prime – Prime+0.5	On demand	17,572
Bank overdrafts – secured	10.75	On demand	2,932
Bank loans – unsecured	HIBOR+1 – 5.58	2007	24,902
Bank loans – secured	HIBOR+ 0.875 – 10.5	2007	128,683
Advances from banks as consideration for the Discounted Bills (note 24)	HIBOR+0.875	2007	80,757
Trust receipt loans – secured	HIBOR+0.875	2007	73,842
			329,600
Non-current			
Finance lease payables (note 31)	2.75 – 6.8	2008 – 2011	671
			330,271

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

	Group	
	2007	2006
	HK$'000	HK$'000
Analysed into:		
Bank and other loans, trust receipt loans and overdrafts repayable:		
Within one year or on demand	**266,939**	328,688
Finance leases repayable:		
Within one year or on demand	**508**	912
In the second year	**1,025**	179
In the third to fifth years, inclusive	**77**	492
	1,610	1,583
	268,549	330,271

Notes:

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

(i) mortgages over certain of the Group's buildings which had an aggregate carrying value at the balance sheet date of HK$46,438,000 (2006: HK$52,059,000);

(ii) mortgages over certain of the Group's plant and machinery which had an aggregate carrying value at the balance sheet date of HK$4,451,000 (2006: HK$4,042,000);

(iii) mortgage over the Group's investment property which had an aggregate carrying value at the balance sheet date of HK$20,000,000 (2006: HK$18,333,000);

(iv) the Group's unlisted investment at the balance sheet date of HK$24,511,000 (2006: Nil);

(v) certain bank deposits at the balance sheet date of HK$4,337,000 (2006: HK$21,784,000); and

(vi) floating charges over certain of the Group's inventories with an aggregate carrying amount at the balance sheet date of HK$80,763,000 (2006: HK$83,048,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2007

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

Notes: (continued)

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

Other interest rate information:

	Group			
	2007		2006	
	Fixed rate HK$'000	**Floating rate HK$'000**	Fixed rate HK$'000	Floating rate HK$'000
Finance lease payables	**1,610**	**–**	1,583	–
Bank overdrafts – unsecured	**19**	**14,442**	–	17,572
Bank overdrafts – secured	**12,565**	**–**	–	2,932
Bank loans – unsecured	**–**	**20,000**	4,902	20,000
Bank loans – secured	**40**	**70,296**	8,627	120,056
Other loan – unsecured	**2,143**	**–**	–	–
Advances from banks as consideration for the Discounted Bills	**–**	**77,362**	–	80,757
Trust receipt loans – secured	**–**	**70,072**	–	73,842

NOTES TO FINANCIAL STATEMENTS

31 December 2007

31. FINANCE LEASE PAYABLES

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

At 31 December 2007, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2007 HK$'000	Minimum lease payments 2006 HK$'000	**Present value of minimum lease payments 2007 HK$'000**	Present value of minimum lease payments 2006 HK$'000
Amounts payable:				
Within one year	**596**	1,015	**508**	912
In the second year	**1,122**	236	**1,025**	179
In the third to fifth years, inclusive	**94**	542	**77**	492
Total minimum finance lease payments	**1,812**	1,793	**1,610**	1,583
Future finance charges	**(202)**	(210)		
Total net finance lease payables	**1,610**	1,583		
Portion classified as current liabilities (note 30)	**(508)**	(912)		
Non-current portion (note 30)	**1,102**	671		

32. LONG TERM LOANS FROM MINORITY SHAREHOLDERS

The long term loans from minority shareholders are unsecured, interest-free and are repayable beyond one year. The carrying amounts of the long term loans from minority shareholders approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

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33. DEFERRED TAX

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

Deferred tax assets

Group

	Provisions	
	2007	2006
	HK$'000	HK$'000
At 1 January	**16,966**	14,525
Acquisition of a subsidiary (note 37)	**–**	703
Deferred tax credited/(charged) to the income statement during the year (note 10)	**(445)**	441
Exchange differences	**1,913**	1,297
Gross deferred tax assets recognised in the consolidated balance sheet at 31 December	**18,434**	16,966

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation	
	2007	2006
	HK$'000	HK$'000
At 1 January	**269**	411
Deferred tax charged/(credited) to the income statement during the year (note 10)	**111**	(158)
Exchange differences	**(6)**	16
Gross deferred tax liabilities recognised in the consolidated balance sheet at 31 December	**374**	269
Net deferred tax assets at 31 December	**18,060**	16,697

NOTES TO FINANCIAL STATEMENTS

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33. DEFERRED TAX *(CONTINUED)*

The Group has tax losses arising in Hong Kong of HK$23,503,000 (2006: HK$17,921,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, jointly-controlled entities or associates as the Group has no liability to additional tax should such amounts be remitted.

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

34. SHARE CAPITAL

Shares

	Number of ordinary shares		**Company**	
	2007	2006	**2007**	2006
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**6,000,000**	6,000,000	**600,000**	600,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**1,059,414**	1,054,864	**105,941**	105,486

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

34. SHARE CAPITAL *(CONTINUED)*

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

	Number of shares in issue '000	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2006	1,049,376	104,938	358,809	463,747
Share options exercised	5,488	548	15,145	15,693
	1,054,864	105,486	373,954	479,440
Share issue expenses	–	–	(16)	(16)
31 December 2006 and at 1 January 2007	1,054,864	105,486	373,938	479,424
Share options exercised	4,550	455	10,604	11,059
	1,059,414	105,941	384,542	490,483
Share issue expenses	–	–	(21)	(21)
At 31 December 2007	1,059,414	105,941	384,521	490,462

35. SHARE OPTION SCHEMES

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

(a) Old Scheme

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

Share options under the Old Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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35. SHARE OPTION SCHEMES *(CONTINUED)*

(a) Old Scheme *(continued)*

The following share options were outstanding under the Old Scheme during the year:

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

Notes to the reconciliation of share options under the Old Scheme outstanding during the year:

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

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

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

The 4,550,000 share options exercised during the year resulted in the issue of 4,550,000 ordinary shares of the Company and new share capital of HK$455,000 and share premium of HK$10,604,000 (before issue expenses), as further detailed in note 34 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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35. SHARE OPTION SCHEMES *(CONTINUED)*

(a) Old Scheme *(continued)*

All the share options under the Old Scheme were expired. No share options outstanding under the Old Scheme as at the balance sheet date.

No theoretical value of share options is disclosed because in the absence of a readily available market value of the share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of these share options.

(b) New Scheme

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

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

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

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

During the year, no share options were granted or exercised under the New Scheme. No theoretical value of share options is disclosed because in the absence of a readily available market value of the share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of these share options.

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36. RESERVES

Group

		Attributable to ordinary equity holders of the Company							
	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve note (i) HK$'000	Non–distributable reserves note (ii) HK$'000	Retained profits note (ii) HK$'000	Total HK$'000	Minority interests HK$'000
At 1 January 2006		358,809	115,551	21,144	(32,751)	6,407	869,720	1,338,880	149,690
Exchange realignment on translation of overseas subsidiaries, jointly-controlled entities and associates		–	–	–	26,744	–	–	26,744	4,220
Transfer from retained profits		–	–	–	–	413	(413)	–	–
Dividends paid to minority shareholders		–	–	–	–	–	–	–	(51,424)
Capital contributed by a minority shareholder		–	–	–	–	–	–	–	670
Revaluation reserve released on disposal		–	–	(90)	–	–	90	–	–
Profit for the year		–	–	–	–	–	271,582	271,582	42,076
Issue of shares	34	15,145	–	–	–	–	–	15,145	–
Share issue expenses	34	(16)	–	–	–	–	–	(16)	–
Underaccrual of final 2005 dividend	12	–	–	–	–	–	(1,063)	(1,063)	–
Interim 2006 dividend	12	–	–	–	–	–	(33,756)	(33,756)	–
Proposed final 2006 dividend	12	–	–	–	–	–	(129,115)	(129,115)	–
Proposed special 2006 dividend	12	–	–	–	–	–	(105,486)	(105,486)	–
At 31 December 2006		373,938	115,551	21,054	(6,007)	6,820	871,559	1,382,915	145,232

NOTES TO FINANCIAL STATEMENTS

31 December 2007

36. RESERVES *(CONTINUED)*

Group

		Attributable to ordinary equity holders of the Company								
	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve note (i) HK$'000	Non–distributable reserves HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000
At 1 January 2007		373,938	115,551	21,054	–	(6,007)	6,820	871,559	1,382,915	145,232
Exchange realignment on translation of overseas subsidiaries, jointly-controlled entities and associates		–	–	–	–	43,649	–	–	43,649	9,330
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	(41,972)
Fair value gain on revaluation of land and buildings	14	–	–	3,670	–	–	–	–	3,670	1,574
Change in fair value of an available-for-sale investment		–	–	–	33,933	–	–	–	33,933	–
Revaluation reserve released on disposal		–	–	(81)	–	–	–	81	–	–
Profit for the year		–	–	–	–	–	–	515,749	515,749	37,526
Issue of shares	34	10,604	–	–	–	–	–	–	10,604	–
Share issue expenses	34	(21)	–	–	–	–	–	–	(21)	–
Disposal of a subsidiary	38	–	–	(5,652)	–	5	–	5,647	–	(2,766)
Disposal of an associate		–	–	–	–	(3,272)	(23)	3,295	–	–
Underaccrual of final 2006 dividend	12	–	–	–	–	–	–	(998)	(998)	–
Interim 2007 dividend	12	–	–	–	–	–	–	(37,609)	(37,609)	–
Proposed final 2007 dividend	12	–	–	–	–	–	–	(129,672)	(129,672)	–
Proposed special 2007 dividend	12	–	–	–	–	–	–	(105,941)	(105,941)	–
At 31 December 2007		384,521	115,551	18,991	33,933	34,375	6,797	1,122,111	1,716,279	148,924

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36. RESERVES *(CONTINUED)*

Notes:

(i) Included in the exchange fluctuation reserve is an amount of HK$40,396,000 (2006: exchange gains of HK$28,191,000), representing the exchange gains arising on the translation of loans to overseas subsidiaries that are not repayable in the foreseeable future and, in the opinion of the directors, are part of the Company's net investments in the subsidiaries.

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

Company

	Notes	**Share premium account** HK$'000	**Contributed surplus** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2006		358,809	377,567	282,595	1,018,971
Issue of shares		15,145	–	–	15,145
Share issue expenses		(16)	–	–	(16)
Profit for the year	11	–	–	25,483	25,483
Underaccrual of final 2005 dividend	12	–	–	(1,063)	(1,063)
Interim 2006 dividend	12	–	–	(33,756)	(33,756)
Proposed final 2006 dividend	12	–	–	(129,115)	(129,115)
Proposed special 2006 dividend	12	–	–	(105,486)	(105,486)
At 31 December 2006		373,938	377,567	38,658	790,163

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36. RESERVES *(CONTINUED)*

Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 31 December 2006 and at 1 January 2007		373,938	377,567	38,658	790,163
Issue of shares		10,604	–	–	10,604
Share issue expenses		(21)	–	–	(21)
Profit for the year	11	–	–	357,292	357,292
Underaccrual of final 2006 dividend	12	–	–	(998)	(998)
Interim 2007 dividend	12	–	–	(37,609)	(37,609)
Proposed final 2007 dividend	12	–	–	(129,672)	(129,672)
Proposed special 2007 dividend	12	–	–	(105,941)	(105,941)
At 31 December 2007		384,521	377,567	121,730	883,818

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

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

NOTES TO FINANCIAL STATEMENTS

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37. BUSINESS COMBINATION

In the prior year, the Group had acquired a 100% interest in Goldpromise Limited from certain directors of the Company. Goldpromise Limited and its subsidiaries (collectively the "Goldpromise Group") engage in the retailing of jeans and other fashion goods in New Zealand. Further details of the transactions are included in note 43(b) to the financial statements. The purchase consideration for the acquisition was in the form of cash. HK$42,263,000 was paid at the completion date on 27 May 2006.

The fair values of the identifiable assets and liabilities of Goldpromise Limited as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

		2006	
		Fair value recognised on acquisition	**Carrying amount**
	Notes	HK$'000	HK$'000
Property, plant and equipment	14	8,720	8,720
Deferred tax assets	33	703	703
Cash and bank balances		14,166	14,166
Inventories		12,248	12,248
Prepayments and other receivables		7,610	7,610
Tax recoverable		194	194
Trade payables		(274)	(274)
Accruals and other payables		(3,147)	(3,147)
Shareholders' loan		(36,569)	(36,569)
		3,651	3,651
Goodwill on acquisition	17	38,612	
Satisfied by cash		42,263	

NOTES TO FINANCIAL STATEMENTS

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37. BUSINESS COMBINATION *(CONTINUED)*

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

	2006 HK$'000
Cash consideration	(42,263)
Shareholders' loan	(36,569)
Cash and bank balances acquired	14,166
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(64,666)

38. DISPOSAL OF A SUBSIDIARY

	Notes	**2007** **HK$'000**	2006 HK$'000
Net assets disposed of:			
Property, plant and equipment	14	**13,960**	–
Inventories		**9,307**	–
Cash and bank balances		**2,667**	–
Trade receivables		**12,365**	–
Prepayments and other receivables		**699**	–
Trade payables		**(14,384)**	–
Accruals and other payables		**(10,012)**	–
Bank overdraft		**(5,383)**	–
Minority interests	36	**(2,766)**	–
		6,453	–
Gain on disposal of a subsidiary	5	**2,533**	–
		8,986	–
Satisfied by:			
Cash		**8,986**	–

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38. DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

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

	2007 **HK$'000**	2006 HK$'000
Cash consideration	**8,986**	–
Cash and bank balances disposed of	**(2,667)**	–
Bank overdraft disposed of	**5,383**	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**11,702**	–

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$855,000 (2006: HK$901,000).

(b) Disposal of an associate

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

NOTES TO FINANCIAL STATEMENTS

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40. CONTINGENT LIABILITIES

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank guarantees provided for facilities granted to subsidiaries	**–**	–	**721,547**	841,660
Extent of the guaranteed facilities utilised by subsidiaries	**–**	–	**9,925**	9,738

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**4,483**	2,772
In the second to fifth years, inclusive	**11,447**	7,252
	15,930	10,024

(b) As lessee

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

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**436,635**	386,981
In the second to fifth years, inclusive	**788,691**	713,256
After five years	**166,925**	213,430
	1,392,251	1,313,667

NOTES TO FINANCIAL STATEMENTS

31 December 2007

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted, but not provided for:		
Construction in progress	**6,397**	10,946
Authorised, but not contracted for:		
Construction in progress	**5,712**	3,675
	12,109	14,621

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

43. RELATED PARTY TRANSACTIONS

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

		Group	
		2007	2006
	Notes	**HK$'000**	HK$'000
Purchases of raw materials from jointly-controlled entities	(i)	**–**	22
Processing charges paid to jointly-controlled entities	(ii)	**115,147**	106,600
Processing charge paid to an associate	(ii)	**–**	4,052
Sale of goods to associates	(iii)	**344**	188

NOTES TO FINANCIAL STATEMENTS

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43. RELATED PARTY TRANSACTIONS *(CONTINUED)*

Notes:

(i) The directors consider that purchases of raw materials were made according to terms and conditions comparable to those offered to other customers of the jointly-controlled entities.

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

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

(b) Other transactions with related parties:

In the prior year, the Group acquired subsidiaries, Goldpromise Group, from directors of the Company for HK$42,263,000, based on an internal valuation of the business performed by the Company. Further details of the transaction are included in note 37 to the financial statements.

(c) Outstanding balances with related parties:

(i) As disclosed in the consolidated balance sheet, the Group had outstanding receivables from its related companies of HK$1,567,000 (2006: HK$724,000), as at the balance sheet date. The receivables are unsecured, interest-free and have no fixed terms of repayment.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2007

43. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	2007	2006
	HK$'000	HK$'000
Short term employee benefits	**31,565**	34,905
Post-employment benefit	**699**	859
Total compensation paid to key management personnel	**32,264**	35,764

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

NOTES TO FINANCIAL STATEMENTS

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44. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group – 2007

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Due from jointly-controlled entities	–	793	–	793
Due from/loans to associates, net of impairment	–	8,144	–	8,144
Available-for-sale investment	–	–	298,200	298,200
Trade and bills receivables	–	437,372	–	437,372
Financial assets included in prepayments, deposits and other receivables	6,736	140,196	–	146,932
Due from related companies	–	1,567	–	1,567
Equity investments at fair value through profit or loss	81,475	–	–	81,475
Financial asset at fair value through profit or loss	24,511	–	–	24,511
Pledged deposits	–	4,337	–	4,337
Cash and cash equivalents	–	1,280,776	–	1,280,776
	112,722	1,873,185	298,200	2,284,107

Financial liabilities

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

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44. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

Group – 2006

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Total HK$'000
Due from jointly-controlled entities	–	1,525	1,525
Due from/loans to associates, net of impairment	–	85,119	85,119
Trade and bills receivables	–	548,870	548,870
Financial assets included in prepayments, deposits and other receivables	5,321	153,758	159,079
Due from related companies	–	724	724
Equity investments at fair value through profit or loss	180,226	–	180,226
Pledged deposits	–	21,784	21,784
Cash and cash equivalents	–	1,024,926	1,024,926
	185,547	1,836,706	2,022,253

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Due to jointly-controlled entities	19,568
Due to associates	3,000
Trade and bills payables	552,205
Financial liabilities included in other payables and accruals	318,941
Interest-bearing bank and other borrowings	330,271
Long term loans from minority shareholders	9,400
	1,233,385

NOTES TO FINANCIAL STATEMENTS

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44. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

Company

Financial assets	**Loans and receivables**	
	2007	2006
	HK$'000	HK$'000
Due from a subsidiary	**570,643**	363,668
Financial assets included in prepayments, deposits and other receivables	**511**	816
Cash and cash equivalents	**276,662**	433,200
	847,816	797,684

Financial liabilities	**Financial liabilities at amortised cost**	
	2007	2006
	HK$'000	HK$'000
Financial liabilities included in other payables and accruals	**161**	151

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

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

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

For floating-rate borrowings, assuming the amount of liability outstanding as at the balance sheet date was outstanding for the whole year, a 50 basis-point increase/decrease in interest rates at 31 December 2007 and 2006 would have decreased/increased the Group's profit before tax by HK$1,261,000 and HK$1,576,000, respectively. The sensitivity to interest rate used is considered reasonable, with all other variables held constant.

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

Interest rate risk *(continued)*

Cash at banks earns interest at floating rates based on daily bank deposit rates. A 50 basis-point increase/decrease in interest rates at 31 December 2007 and 2006 would have increased/decreased the Group's profit before tax by HK$2,842,000 and HK$2,363,000, respectively. The sensitivity to interest rate used is considered reasonable, with all other variables held constant.

Foreign currency risk

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

Credit risk

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

Liquidity risk

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

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

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

Group

			2007		
	On demand	**Less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Due to jointly-controlled entities	–	21,140	–	–	21,140
Due to associates	3,000	1,522	–	–	4,522
Finance lease payables	–	508	1,102	–	1,610
Interest-bearing bank and other borrowings	27,026	239,913	–	–	266,939
Trade and bills payables	–	556,302	–	–	556,302
Other payables	–	290,008	–	–	290,008
Long term loans from minority shareholders	–	–	–	9,400	9,400
	30,026	1,109,393	1,102	9,400	1,149,921

NOTES TO FINANCIAL STATEMENTS

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

Liquidity risk *(continued)*

Group

	2006				
	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Due to jointly-controlled entities	–	19,568	–	–	19,568
Due to associates	3,000	–	–	–	3,000
Finance lease payables	–	912	671	–	1,583
Interest-bearing bank and other borrowings	20,504	308,184	–	–	328,688
Trade and bills payables	–	552,205	–	–	552,205
Other payables	–	318,941	–	–	318,941
Long term loans from minority shareholders	–	–	–	9,400	9,400
	23,504	1,199,810	671	9,400	1,233,385

Company

	Less than 12 months	
	2007 HK$'000	2006 HK$'000
Other payables	**161**	151

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

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 26) and available-for-sale investment (note 21) as at 31 December 2007. The Group's listed investments are listed on the Hong Kong stock exchanges and are valued at quoted market prices at the balance sheet date.

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

	31 December 2007	**High/low 2007**	31 December 2006	High/low 2006
Hong Kong – Hang Seng Index	**27,812**	**31,638/18,664**	19,964	20,001/14,944

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

	Carrying amount of equity investments HK$'000	**Increase/ decrease in profit before tax** HK$'000	**Increase/ decrease in equity** HK$'000
2007			
Investments listed in:			
Hong Kong			
– Available-for-sale	298,200	–	29,820
– At fair value through profit or loss	81,475	8,148	8,148
2006			
Investments listed in:			
Hong Kong			
– At fair value through profit or loss	180,226	18,023	18,023

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

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and business strategies. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, raise and repay debts or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

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

Group

	2007 **HK$'000**	2006 HK$'000
Interest-bearing bank and other borrowings (note 30)	**268,549**	330,271
Long term loans from minority shareholders	**9,400**	9,400
Total borrowings	**277,949**	339,671
Total shareholders' equity	**2,057,833**	1,723,002
Gearing ratio	**13.5%**	19.7%

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46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share or registered capital	Percentage of equity attributable to the Group		Principal activities
			2007	2006	
Glorious Sun Enterprises (BVI) Limited*	British Virgin Islands/ Hong Kong	US$200	**100**	100	Investment holding
Jeanswest (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Jeanswest International (L) Limited	Malaysia/ Hong Kong	US$1	**100**	100	Investment holding
Glorious Sun Licensing (L) Limited	Malaysia/ Hong Kong	US$1	**100**	100	Holding of trademarks
Jeanswest Investments (Australia) Pty. Ltd.	Australia	A$12,002,202	**100**	100	Investment holding

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46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share or registered capital	Percentage of equity attributable to the Group 2007	2006	Principal activities
Jeanswest Wholesale Pty. Ltd.	Australia	A$2	**100**	100	Trading of apparel
Jeanswest Corporation Pty. Ltd.	Australia	A$11,000,000 Ordinary A$1,000,000 A class shares	**100**	100	Retail of apparel in Australia
Goldpromise Limited	British Virgin Islands/ Hong Kong	US$2 Ordinary	**100**	100	Investment holding
Jeanswest Corporation (New Zealand) Limited	New Zealand	NZ$1,191,264 Ordinary	**100**	100	Retail of apparel in New Zealand
Jeanswest International (H.K.) Limited	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	**100**	100	Retail of apparel in Mainland China

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46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share or registered capital	Percentage of equity attributable to the Group		Principal activities
			2007	2006	
Advancetex Investment Limited	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	**100**	100	Retail of apparel in Mainland China
Glorious Sun Industries (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
The Glorious Sun Fashion Garment Manufactory (H.K.) Limited	Hong Kong	HK$2,600,000 Ordinary	**100**	100	Trading of apparel
Pacific Potential Trading Company Limited	Hong Kong	HK$200,000 Ordinary	**100**	100	Provision of agency services
Advancetex International Trading (HK) Company Limited	Hong Kong	HK$6,000,000 Ordinary	**100**	100	Trading and production of apparel

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31 December 2007

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share or registered capital	Percentage of equity attributable to the Group 2007	2006	Principal activities
Gold Treasure Investment Limited	Hong Kong	HK$2 Ordinary	**100**	100	Provision of production management services
Advancetex Fashion Garment Mfy. (Hui Zhou) Limited**	Mainland China	US$8,128,000 paid up to US$6,128,000	**100**	100	Manufacturing of apparel
真維斯服飾(中國)有限公司**	Mainland China	US$7,000,000	**100**	100	Manufacturing and trading of apparel
Glorious Sunshine Textiles Company Limited	Hong Kong	HK$10,000,000 Ordinary	**100**	100	Import and distribution of textile products
Sparrow Apparels Limited#	Bangladesh	Tk10,000,000 Ordinary	**–**	70	Manufacturing of apparel
Gennon Industries Limited	Hong Kong	HK$10,000 Ordinary	**100**	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2007

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share or registered capital	Percentage of equity attributable to the Group 2007	2006	Principal activities
大進貿易(惠州)有限公司**	Mainland China	HK$500,000	**100**	100	Trading of apparel
Chapman International Macao Commercial Offshore Limited	Macau	MOP100,000	**50.4**	50.4	Trading of apparel
Main Pui Investments Limited	Hong Kong	HK$1,460,000 Ordinary	**50.4**	50.4	Property holding and provision of management services
Shamoli Garments Limited#	Bangladesh	Tk10,000,000 Ordinary	**35.3##**	35.3	Manufacturing of apparel
Gennon (Cambodia) Garment Manufacturing Ltd.#	Cambodia	US$500,000 Ordinary	**50.4**	50.4	Manufacturing of apparel
惠州新安制衣廠有限公司***	Mainland China	HK$5,000,000	**48.4##**	48.4	Manufacturing of apparel
Dongguan Ming Hoi Dyeing & Finishing Factory Co., Ltd.**	Mainland China	HK$195,230,000 paid up to HK$192,014,320	**50.4**	50.4	Provision of dyeing and knitting services

NOTES TO FINANCIAL STATEMENTS

31 December 2007

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share or registered capital	Percentage of equity attributable to the Group 2007	2006	Principal activities
Rays The Glorious Investment (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Full Yuen Investments Limited	Hong Kong	HK$2 Ordinary	**100**	100	Investment holding
Shijiazhuang Changhong Building Decoration Engineering Co., Ltd.***	Mainland China	US$2,100,000	**65**	65	Provision of interior decoration and renovation services
Taizhou Famebish Apparel Co. Ltd.***	Mainland China	US$100,000	**60**	60	Manufacturing of apparel

* *Directly held by the Company.*

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

In the prior year, the Group acquired Goldpromise Group from directors of the Company. Further details of this acquisition are included in notes 37 and 43(b) to the financial statements.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 April 2008.

FINANCIAL SUMMARY

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

	2007 **HK$'000**	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
REVENUE	**4,783,880**	4,397,359	3,802,398	3,583,751	3,310,309
Operating profit (after finance costs)	**629,402**	362,294	325,872	341,111	318,315
Share of profits and losses of jointly-controlled entities and associates	**8,987**	28,950	45,059	21,828	33,524
Profit before tax	**638,389**	391,244	370,931	362,939	351,839
Tax	**(85,114)**	(77,586)	(79,446)	(90,196)	(94,548)
Profit for the year	**553,275**	313,658	291,485	272,743	257,291
Attributable to:					
Ordinary equity holders of the Company	**515,749**	271,582	242,809	219,193	164,843
Minority interests	**37,526**	42,076	48,676	53,550	92,448
	553,275	313,658	291,485	272,743	257,291

FINANCIAL SUMMARY

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

	2007 **HK$'000**	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Property, plant and equipment	**777,291**	737,086	622,163	497,356	492,132
Investment properties	**40,367**	21,433	2,500	1,900	1,650
Prepaid land lease payments	**17,863**	17,510	17,209	17,618	18,027
Goodwill	**38,612**	38,612	–	–	–
Interests in jointly-controlled entities and associates	**146,204**	227,209	235,674	186,247	129,377
Available-for-sale investment	**298,200**	–	–	–	–
Financial asset at fair value through profit or loss	**24,511**	–	–	–	–
Permanent quota	**–**	–	–	–	1,165
Deferred tax assets	**18,434**	16,966	14,525	11,887	–
Current assets	**2,748,812**	2,653,179	2,519,866	2,313,783	2,232,687
TOTAL ASSETS	**4,110,294**	3,711,995	3,411,937	3,028,791	2,875,038
Current liabilities	**1,892,661**	1,833,421	1,583,294	1,373,906	1,283,908
Interest-bearing bank and other borrowings (non-current portion)	**1,102**	671	6,004	25,061	53,722
Long term loans from minority shareholders	**9,400**	9,400	9,400	9,400	9,400
Deferred tax liabilities	**374**	269	411	1,057	1,750
TOTAL LIABILITIES	**1,903,537**	1,843,761	1,599,109	1,409,424	1,348,780
NET ASSETS	**2,206,757**	1,868,234	1,812,828	1,619,367	1,526,258
MINORITY INTERESTS	**148,924**	145,232	149,690	149,114	183,859


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