2010 ANNUAL REPORT

GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 393)


All
New
Design
Jeans

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.

CONTENTS

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, BBS, MH, 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, BBS, MH, JP

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton, HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Crédit Agricole Corporate and Investment Bank
Credit Suisse AG

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 Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 13 June 2011 at 3:30 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 2010.

(2) To declare the final dividend for the year ended 31 December 2010.

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

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

(5) 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-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

NOTICE OF ANNUAL GENERAL MEETING

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 (5)(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."

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

By Order of the Board

Mui Sau Keung, Isaac
Company Secretary

Hong Kong, 21 April 2011

Principal Place of Business:
38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

3. The register of members of the Company will be closed for the purposes of determining the entitlements to the proposed final dividend and the identity of members who are entitled to attend and vote at the meeting from Wednesday, 8 June 2011 to Monday, 13 June 2011, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar 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 no later than 4:30 p.m. on Tuesday, 7 June 2011.

4. In relation to agenda item No. (3) in the Notice regarding election of directors, Mr. Yeung Chun Fan, Mr. Lau Hon Chuen, Ambrose, GBS, JP, Mr. Chung Shui Ming, Timpson, GBS, JP and Dr. Lam Lee G. 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 2010 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 paragraphs 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 58, 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 14 April 2011, being the latest practicable date prior to the printing of this notice (the "latest practicable date").

   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.

NOTICE OF ANNUAL GENERAL MEETING

7.2 Mr. Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 63, is an independent non-executive director of the Company. Mr. Lau is also a director of Franshion Properties (China) Limited, Yuexiu Property Company Limited, GZI Transport Limited, Qin Jia Yuan Media Services Company Limited, The Hong Kong Parkview Group Limited, Wing Hang Bank, Limited and Brightoil Petroleum (Holdings) Limited. Mr. Lau's 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.

7.3 Mr. Chung Shui Ming, Timpson, GBS, JP, aged 59, is an independent non-executive director of the Company. Mr. Chung is also a director of Miramar Hotel and Investment Company, Limited, Nine Dragons Paper (Holdings) Limited, China Unicom (Hong Kong) Limited, China Overseas Grand Oceans Group Limited, China State Construction Engineering Corporation Limited and China Everbright Bank Co., Ltd. In the past three years, Mr. Chung was a director of Tai Shing International (Holdings) Limited and China Netcom Group Corporation (Hong Kong) Limited (delisted on 15 October 2008). As at the latest practicable date, Mr. Chung was interested in 408,000 shares in the Company as beneficial owner.

7.4 Dr. Lam Lee G., aged 51, is a non-executive director of the Company. Dr. Lam is also a director of Hutchison Harbour Ring Limited, CSI Properties Limited, Mingyuan Medicare Development Company Limited, Vongroup Limited, Far East Holdings International Limited, SW Kingsway Capital Holdings Limited, Mei Ah Entertainment Group Limited, Imagi International Holdings Limited, CDC Software Corporation, Rowsley Ltd., Asia-Pacific Strategic Investments Limited, Next-Generation Satellite Communications Limited, Top Global Limited, Vietnam Equity Holding, Vietnam Property Holding and TMC Life Sciences Berhad. In the past three years, Dr. Lam was a director of True Corporation Public Company Limited, Telecard Limited, Timeless Software Limited, Finet Group Limited, China.com Inc. and Sino Resources Group Limited.

Dr. Lam was a non-executive director of a Singapore incorporated private company with limited liability, Pandora Interactive Studio Pte. Ltd. ("Pandora"), between 1 August 2001 and 21 December 2001, and a director of a Hong Kong incorporated private company with limited liability, i-STT Hong Kong Limited ("i-STT"), between 15 December 1999 and 27 October 2004. Pandora was involved in digital animation support services and i-STT was involved in Internet related services. Pandora was voluntarily wound up by its shareholders on 14 June 2002 and is almost completed (the remaining step being finalizing the tax clearance, paying out the final dividends and closing the accounts for the Company), the amount involved being about S$1.25 million. i-STT was in creditors' voluntary liquidation on 12 September 2001 and was subsequently completed, the amount involved being about HK$100 million.

Dr. Lam does not have any interest in the shares of the Company.

8. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions to be voted at the forthcoming annual general meeting of the Company will be taken by way of poll. The results of the poll will be published in accordance with the Listing Rules on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.glorisun.com) respectively.

CHAIRMAN'S STATEMENT

GROUP RESULTS

In the year under review, the global economic development after the financial tsunami turned out to be rather haphazard. In response to the sluggish economic recovery in the middle part of the year and the high unemployment rate of over 9%, the US Government launched the second round of quantitative easing measures. In Europe, the high credit risks in Portugal, Italy, Greece, Spain and Ireland posted up thick haze over the Euro zone. Luckily the economic growth in Mainland China and Hong Kong was quite resilient and the Group's businesses benefited from the upsurge in the consumer market. However the previous lenient fiscal measures which caused the flooding of hot money over-heated various trades and highly boosted inflation expectation. Certain sectors even had over-expanded. Australian and New Zealand governments were cautious about inflation and escalated the interest rates which dismayed the retail markets. The export business under-performed when compared with previous year. From the Group's prospective, retail markets were buoyant in Mainland China and Hong Kong but sluggish in Australia and New Zealand. The Australian retail operations were adversely affected by the slothful market condition and further dampered by the over trendy design of the products pushed out to the market at the beginning of the year. Although the operation results improved in the second half of the year, the yearly target could not be struck. The Group's consolidated turnover drove up by 7.27% and the profit attributable to equity holders increased by 40.05%. It was mainly attributed to the non-recurring income derived from the liquidation of part of our I.T Limited shareholdings and other non-recurring items. Disregarding these non-recurring items, net profit for this fiscal year was similar to that of last year.

CHAIRMAN'S STATEMENT

Hereunder are the highlights of our performance in the year under review:

	2010	2009	Changes
(Unit: HK$'000)			
Consolidated sales	**6,186,864**	5,767,808	↑7.27%
of which:			
A. Total retail sales in Mainland China	**4,158,324**	3,750,275	↑10.88%
B. Total retail sales in Australia & New Zealand	**1,061,629**	982,220	↑8.08%*
Sub-total	**5,219,953**	4,732,495	↑10.30%
C. Total export sales	**807,936**	855,904	↓5.60%
Profit attributable to equity holders of the Company	**363,475**	259,538	↑40.05%
(Unit: HK cents)			
Earnings per share (basic)	**34.31**	24.50	N/A
Dividend			
– Final	**16.60**	13.11	↑26.62%
– Total	**20.60**	17.11	↑20.40%
(Unit: HK$'000)			
Net cash in hand	**1,514,955**	1,126,984	↑34.43%

* In the year, the Australian dollars exchange rate was volatile. Turnover in Australian dollars declined 6.93% year-on-year.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK16.60 cents (2009: HK13.11 cents) per share for the year ended 31 December 2010 at the forthcoming annual general meeting to be held on Monday, 13 June 2011. The final dividend amounting to HK$175,863,000, if approved by the shareholders, are to be paid on Thursday, 23 June 2011 to those shareholders whose names appear on the register of members of the Company on Monday, 13 June 2011.

CHAIRMAN'S STATEMENT

REVIEW OF BUSINESSES

Retailing

In the year under review, the retail market situations were fairly mixed. The Mainland China retail sentiment was flamboyant but competition was fierce and operating costs surged. Attributed to the right strategy adopted by the Management, improvement in gross margin was maintained and sales achieved a double-digit growth. In the same period, Australian and New Zealand markets turned lethargic after the tightening up of the fiscal measures including the four times increase of the Australian dollars interest rate. The sluggish market environment also magnified our design error and dragged down the performance in the first half. Though the error was quickly rectified with sales improved in the second half, our Australian retail gross profit still slipped.

The Group's retail network has stretched out from Mainland China and Australia to New Zealand, Hong Kong, Macao, as well as the Middle East, Vietnam, Mongolia and Venezuela. There were a total of 3,009 retail shops at year-end 2010 (2009: 2,634), of which 1,623 (2009: 1,348) were operated under franchise arrangements. For the financial year under review, the Group's aggregate sales from its retail operations amounted to HK$5,219,953,000 (2009: HK$4,732,495,000) representing a year-on-year increase of 10.30%. Contribution from its retail operations to the Group's consolidated sales had increased to 84.37% from 82.05% recorded in the corresponding period in the previous year. Inventory turnover days increased from the previous 47 days to 54 days due to the enlarged size to cope with the anticipated market demand at the Chinese Lunar New Year which came earlier than last year.

CHAIRMAN'S STATEMENT

1. The PRC

i. Jeanswest

The brand name "Jeanswest" still remained the Group's flagship business in Mainland China. In the year under review, retail market was buoyant but operation costs especially rental, wages and cotton price soared. Consequently, the apparel ex-factory cost increased in double-digit, but the competitive market environment restricted the shifting of the entire increased costs to the consumers. Assisted by the efficient management information system, our Management was able to have tight control of the product mix which was made up accurately according to the customer profile of each individual store so as to upkeep the margin and to maintain the inventory at the healthy level. Despite the rising of cost of sales, our gross margin maintained and turnover increased by 10.88%. In the period, the Management enlarged the efforts in brand building. The latest products and activities of Jeanswest were broadcasted via the daily popular national TV programme "Jeanswest Entertainment News". The number of membership of Jeanswest VIP Club exceeded 2 million. It was a good indicator of the ever-increasing brand recognition of Jeanswest. Jeanswest denim jeans were presented in the period the "Year 2010 Super Quality Award." In the period the results in our newly launched Jeanswest web-store were encouraging.

In the year under review, turnover of PRC retails lifted by 10.88% to HK$4,158,324,000 (2009: HK$3,750,275,000), accounting for 67.21% of the Group's consolidated sales. As at 31 December 2010, Jeanswest operated 2,671 stores (2009: 2,309) covering 250 cities in the Mainland, among which 1,549 stores (2009: 1,282) were under franchise arrangements.

CHAIRMAN'S STATEMENT

ii. Quiksilver Glorious Sun

In the year under review, the sales and operational margin of Quiksilver Glorious Sun out-performed the expectation of the Management. It was attributable to the appropriate pricing strategy and the stringent cost control. The endeavour in brand promotion of Quiksilver and Roxy in Greater China was also one of the key factors. In the period, the total number of stores in the network increased from the previous 56 to 60 including the sizable flagship stores newly opened in Causeway Bay Plaza and in Mongkok pedestrian area. The web-store of Quiksilver had commenced operation and was warmly received by consumers.

2. Australia and New Zealand

Though Australian government's lenient fiscal measures launched in 2009 successfully kept the economy from slipping into recession, the consequential side effects commenced to unfold in year 2010. In the year under review, the Australian dollars interest rate raised at four times. Among all developed countries, Australian economy grew fairly well but the performance drivers were basically confined to just a few sectors such as property and natural resources related businesses. Consumers there were still in the process of re-balancing their liabilities and assets. The local monthly retail apparel indexes generally decreased in single digit when compared with last year.

The trendy design touch in our collection was proven to be untimely put when the market environment was sluggish and thus affected the sales and margin in the first quarter. The Management promptly rectified the issue and tightened cost control. In the second half, the operation basically turned around and the inventory was kept at the healthy level. The bulk of the deviations in sales and margin targets had been retrieved but the gross profit was still lower than last year.

For the year under review, turnover of HK$1,061,629,000 (2009: HK$982,220,000) was registered in Australia and New Zealand markets showing an increase of 8.08% on year-on-year basis. As at the end of 2010, Jeanswest operated a network of 236 stores (2009: 232) in Australia and New Zealand, among which 6 (2009: 6) were under franchise arrangements.

CHAIRMAN'S STATEMENT

3. **Overseas Franchise Operations**

In the period, Jeanswest had 42 franchised stores (2009: 37 stores) in Dubai, Oman, Abu Dhabi, Kuwait, Bahrain, Saudi Arabia, Iran, Vietnam, Singapore, Mongolia and Venezuela. Except the recent geopolitical issues in the Middle East which draw our attention, the overall progress was fairly encouraging.

Export

In the year under review, our export business still operated under a very tough environment. Our main export market was North America, which was not yet fully recovered from the recent financial crisis. Retail market there was quiescent as unemployment rate still stood at above 9% and most of the consumers were in the course of reducing their debts. Under such circumstance, the increase of average export unit price could not fully cover the appreciation of RMB and the escalation of production costs. The Group's export business was thus under-performed. In the period, revenue generated from export operations accounted for only 13.06% of the Group's consolidated sales. Relatively, its negative impact on the Group's overall results was still manageable.

For the year, the Group's sales from exports amounted to HK$807,936,000 (2009: HK$855,904,000) slipped 5.60% from last year.

Other Businesses

Products manufactured by our factories in the Mainland and sold locally to third parties were the principal activity of the Group's other businesses. Its revenue contributed aggregate sales of HK$158,975,000 (2009: HK$179,409,000) showing a decrease of 11.39% year-on-year.

FINANCIAL POSITION

The Group's financial position remained very solid. As mentioned earlier, the Group's net cash and inventory level were kept at healthy levels in the year under review. In 2010, the Group had entered into foreign currency forward contracts to hedge its exposure to foreign currency risks in respect of the Australian dollars.

HUMAN RESOURCES

As at 31 December 2010, the Group employed about 26,000 employees (2009: 28,000). 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.

In the period, our worker Ms. Zhang Cai Mei from our factory in Huizhou was named as "The National Outstanding Model Worker in Textile Industry".

SOCIAL RESPONSIBILITY

In the process of maximising returns for the shareholders, the Management strictly adhered to all environment requirements and discharged our due share of social responsibilities. Every year the Group continued the usual donations to build "Jeanswest Hope Primary Schools" and to finance the "Jeanswest University Students Sponsorship Fund" and the "Jeanswest Hope Teachers Program". In the period, Jeanswest had been bestowed on the awards of "China Charity Award for Foreign Enterprises", "Top Ten Most Devoted Enterprises in the Charity Activities" and "The Most Outstanding Enterprises in Social Responsibility".

CHAIRMAN'S STATEMENT

PROSPECTS

Looking forward to 2011, the recovery of global economic development is expected to continue but many issues such as the sovereign credit risk in the Euro Zone have to be handled properly so as to keep the global economy away from another possible financial crisis. The escalation of crude oil price triggered off by the recent turmoil in the Middle East and North Africa and the damages caused by the earthquake and tsunami tragedy in Japan may affect adversely the global economy. The second round of quantitative easing in US might strengthen the economic recovery but could also intensify the inflation expectation and the flooding of hot money around the world. The development strategy opted by the Management for the ensuing year is characterised by its prudence in expansion and its endeavour in fighting inflation. Resources will be mainly invested in core businesses. The Management will strive restlessly to uplift operational efficiency to enlarge our market share and to enhance pricing power so as to combat inflation. The retail network in Mainland China is expected to further penetrate into county level and the increase of the number of franchised stores will speed up. Brand building will also be further strengthened.

As the product design issue had been solved, enlargement of our market share in Australia and New Zealand is one of the main targets to achieve for the ensuing period. Through the latest digit devices, Jeanswest is in the position to liaise interactively with nearly a million of our loyal patrons there to ensure our design can upkeep with the market expectation which is essential for the enhancement of our operational efficiency and profitability.

In respect of the export business, as the movement of RMB and the production costs are still in the up-trend, we do not foresee any significant improvement ahead. The Management will strive to tighten cost control and to boost efficiency so as to enhance our competitiveness pending the recovery from the present tough environment.

Barring unforeseen circumstances, the Management is confident that the Group will continue to bring reasonable returns to its shareholders in 2011.

APPRECIATION

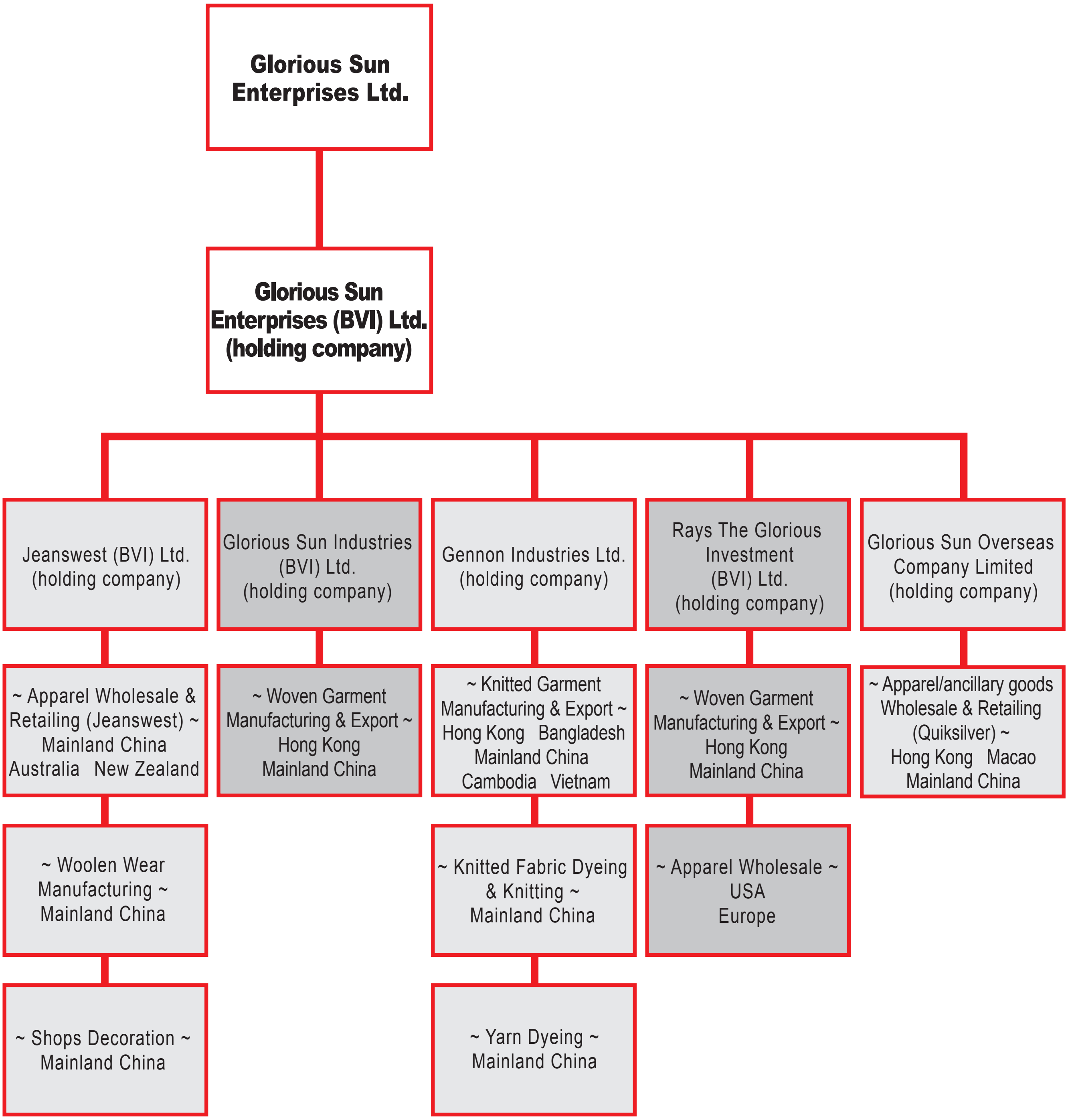
On behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to the shareholders for their support, and to the Management and staff for their dedicated efforts.

Dr. Charles Yeung, SBS, JP
Chairman

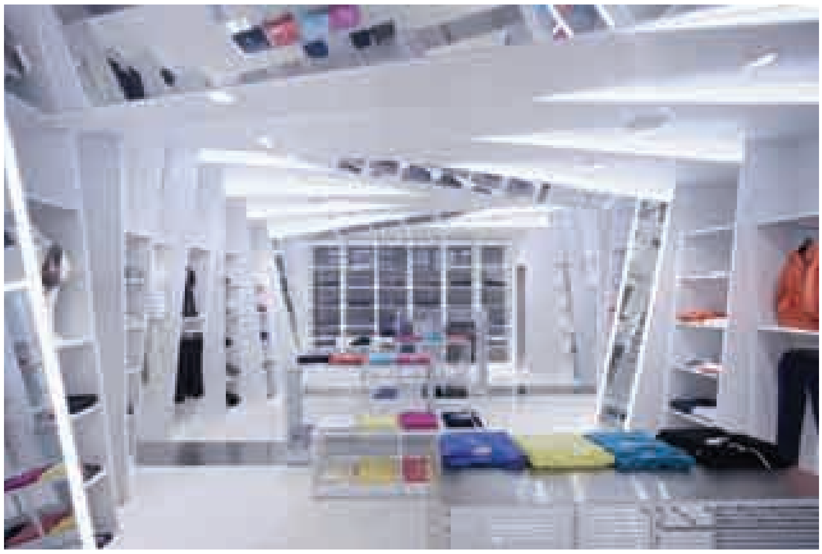
Hong Kong, 29 March 2011


QUIKSILVER
ROXY
QUIKSILVER

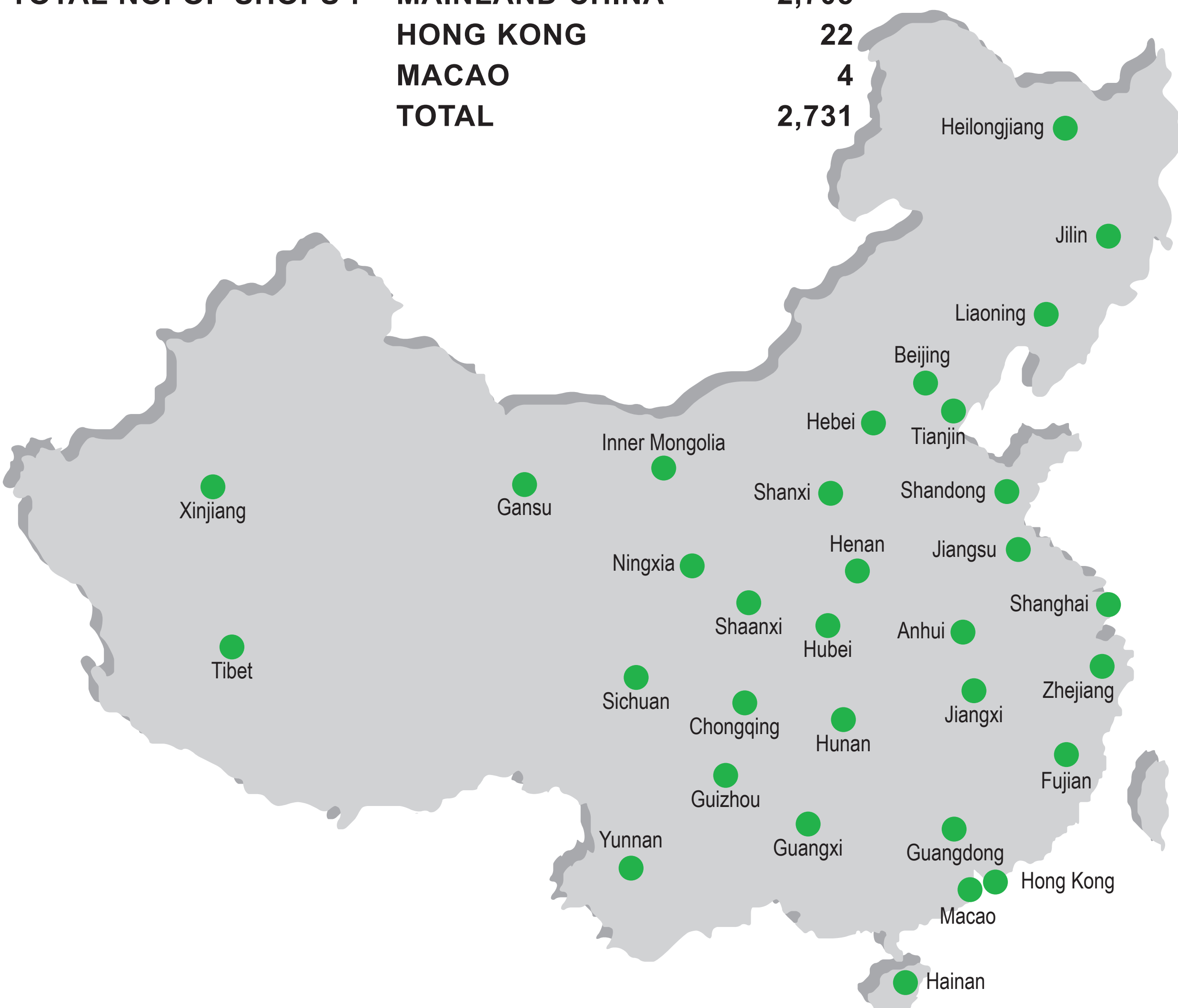
GROUP BUSINESS STRUCTURE



Retail Networks In China



TOTAL NO. OF SHOPS :		
	MAINLAND CHINA	**2,705**
	HONG KONG	**22**
	MACAO	**4**
	TOTAL	**2,731**



Retail Network In Australia And New Zealand

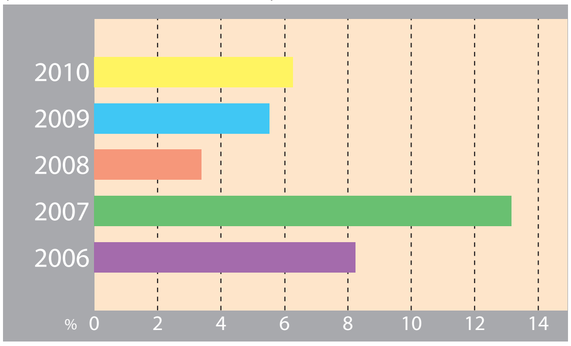
TOTAL NO. OF SHOPS : 236

FINANCIAL HIGHLIGHTS

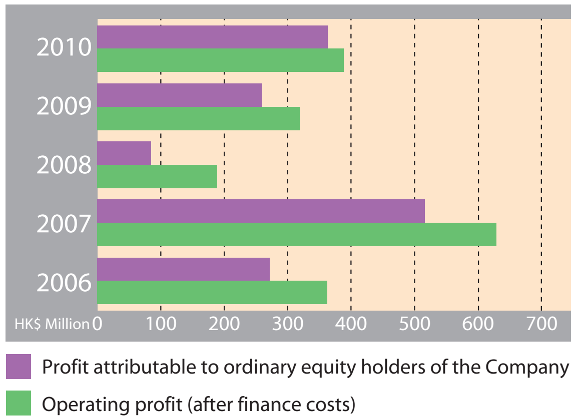
	2010	2009	2008	2007	2006
Revenue (HK$'000)	**6,186,864**	5,767,808	5,573,751	4,783,880	4,397,359
Increase in revenue in percentage	**7.27%**	3.48%	16.51%	8.79%	15.65%
Revenue analysis:					
1. Retail					
a. Mainland China (HK$'000)	**4,158,324**	3,750,275	3,335,253	2,586,631	2,050,979
b. Australia & New Zealand (HK$'000)	**1,061,629**	982,220	1,114,208	1,041,195	867,787
2. Export (HK$'000)	**807,936**	855,904	876,690	938,193	1,254,136
3. Others (HK$'000)	**158,975**	179,409	247,600	217,861	224,457
Operating margin (%)	**6.27%**	5.52%	3.38%	13.16%	8.24%
Profit attributable to ordinary equity holders of the Company (HK$'000)	**363,475**	259,538	84,718	515,749	271,582
Increase / (decrease) in profit attributable to ordinary equity holders of the Company in percentage	**40.05%**	206.36%	(83.57%)	89.91%	11.85%
Equity attributable to ordinary equity holders of the Company (HK$'000)	**2,572,286**	2,071,079	1,842,592	2,057,833	1,723,002
Working capital (HK$'000)	**1,131,556**	841,801	780,961	833,166	800,053
Total liabilities to equity ratio	**0.96**	1.00	1.23	0.94	1.08
Net cash / (bank borrowings) to equity ratio	**0.59**	0.54	0.49	0.49	0.42
Current ratio	**1.47**	1.41	1.35	1.43	1.43
Inventory turnover (days)	**54**	47	55	50	51
Return on total assets (%)	**7.02%**	6.03%	2.00%	12.47%	7.27%
Return on equity (%)	**14.13%**	12.53%	4.60%	25.06%	15.76%
Return on sales (%)	**5.87%**	4.50%	1.52%	10.78%	6.18%
Earnings per share (HK cents)					
Basic	**34.31**	24.50	8.00	48.72	25.79
Diluted	**N/A**	N/A	8.00	48.51	25.60
Dividend per share (HK cents)	**20.60**	17.11	17.11	25.79	25.44

FINANCIAL HIGHLIGHTS

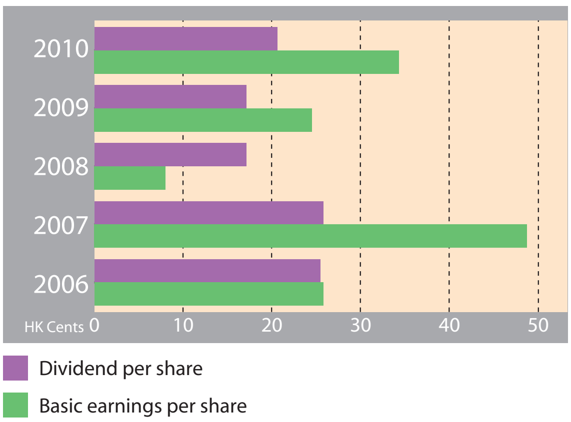
OPERATING MARGIN
(AFTER FINANCE COSTS)



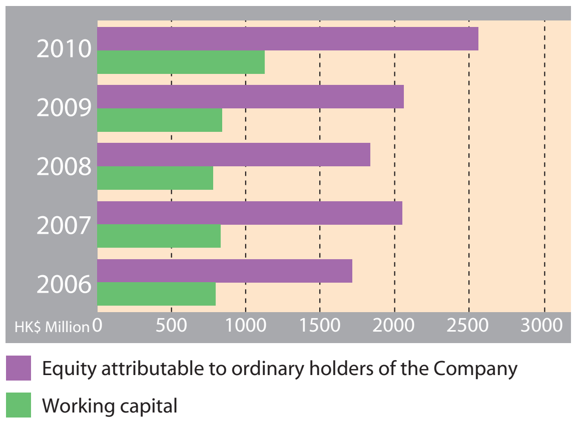
OPERATING PROFIT AND PROFIT ATTRIBUTABLE
TO ORDINARY EQUITY HOLDERS OF THE COMPANY



BASIC EARNINGS PER SHARE AND
DIVIDEND PER SHARE

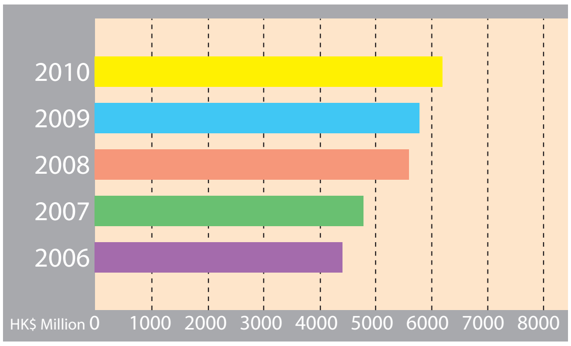


WORKING CAPITAL AND EQUITY ATTRIBUTABLE
TO ORDINARY EQUITY HOLDERS OF THE COMPANY

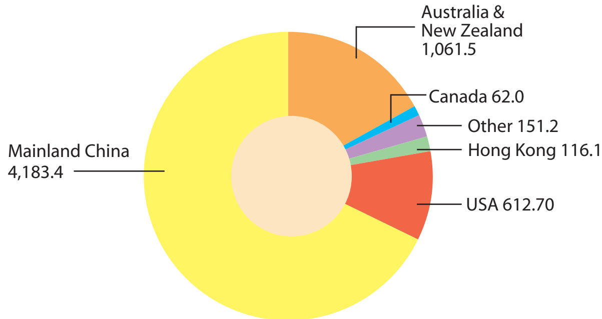


FINANCIAL HIGHLIGHTS

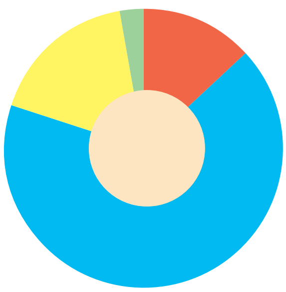
REVENUE (HK$ Million)



REVENUE BY GEOGRAPHICAL LOCATIONS (HK$ Million)

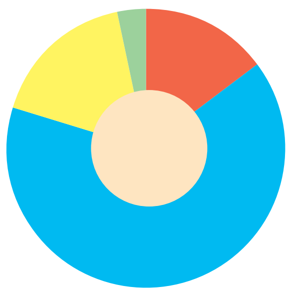


TURNOVER BY ACTIVITIES (HK$ Million)



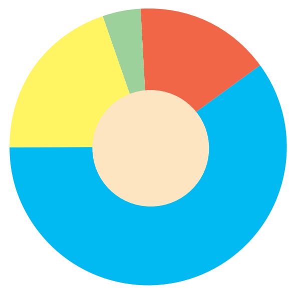
2010

Export	807.9
Retail – Mainland China	4,158.4
Retail – Australia & New Zealand	1,061.6
Other	159.0



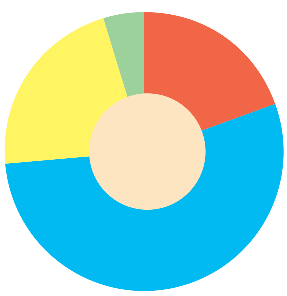
2009

Export	855.9
Retail – Mainland China	3,750.3
Retail – Australia & New Zealand	982.2
Other	179.4



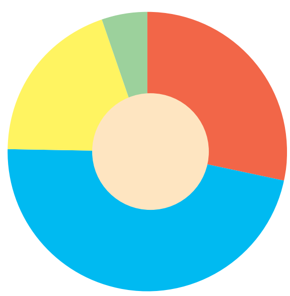
2008

Export	876.7
Retail – Mainland China	3,335.3
Retail – Australia & New Zealand	1,114.2
Other	247.6



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

OPERATION HIGHLIGHTS

Year ended 31 December 2010

RETAIL OPERATION HIGHLIGHTS

	2010	2009	2008	2007	2006
Net sales for the Year (HK$'000)	**5,219,953**	4,732,495	4,449,461	3,627,826	2,918,766
Mainland China	**4,158,324**	3,750,275	3,335,253	2,586,631	2,050,979
Australia & New Zealand	**1,061,629**	982,220	1,114,208	1,041,195	867,787
Retail floor area of directly managed shops (sq.ft.)	**1,557,529**	1,422,868	1,355,104	1,116,724	967,358
Mainland China	**1,203,851**	1,100,998	1,069,945	859,421	715,278
Australia & New Zealand	**353,678**	321,870	285,159	257,303	252,080
Number of sales persons	**9,680**	9,681	9,888	8,837	7,708
Mainland China	**8,409**	8,286	8,396	7,343	6,219
Australia & New Zealand	**1,271**	1,395	1,492	1,494	1,489
Number of employees	**11,929**	11,824	11,937	10,641	9,188
Mainland China	**10,529**	10,302	10,324	9,013	7,576
Australia & New Zealand	**1,400**	1,522	1,613	1,628	1,612
Number of directly managed shops	**1,352**	1,253	1,159	987	871
Mainland China	**1,122**	1,027	939	768	657
Australia & New Zealand	**230**	226	220	219	214
Number of franchised shops	**1,555**	1,288	1,075	905	723
Mainland China	**1,549**	1,282	1,069	899	717
Australia & New Zealand	**6**	6	6	6	6
Total number of retail shops	**2,907**	2,541	2,234	1,892	1,594
Mainland China	**2,671**	2,309	2,008	1,667	1,374
Australia & New Zealand	**236**	232	226	225	220

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

OPERATION HIGHLIGHTS

Year ended 31 December 2010

GARMENT MANUFACTURING HIGHLIGHTS

	2010	2009	2008	2007	2006
Sales for the year (including sales to retail operation) (HK$'000)	**1,685,465**	1,750,946	1,794,233	1,527,795	1,752,342
Monthly capacity at year ended (dozens)	**186,000**	278,000	272,000	317,000	365,000
Production floor area (sq.ft.)	**911,000**	1,292,000	1,442,000	2,028,000	2,174,000
Number of workers	**8,100**	9,500	11,900	14,600	17,800
Percentage of sales to:					
Group	**42.59%**	40.88%	38.78%	37.58%	27.68%
Third parties	**57.41%**	59.12%	61.22%	62.42%	72.32%
USA	**36.35%**	36.48%	35.01%	51.19%	59.30%
Canada	**3.68%**	3.66%	3.88%	3.99%	8.85%
Others	**17.38%**	18.98%	22.33%	7.24%	4.17%

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 2010 (the "year under review"), the Company has complied with the Code Provisions set out in the CG Code.

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, BBS, MH, 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.

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 13 June 2011.

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

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, BBS, MH, JP	4/4		
Ms. Cheung Wai Yee	4/4		
Mr. Chan Wing Kan, Archie	4/4		
Independent non-executive			
Mr. Wong Man Kong, Peter, BBS, JP	3/4	2/2	2/2
Mr. Lau Hon Chuen, Ambrose, GBS, JP	3/4	1/2	
Mr. Chung Shui Ming, Timpson, GBS, JP	4/4	2/2	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.

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 revised from time to time 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.

CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the year under review. The work of the Audit Committee in 2010 included the following:

– review of the annual results announcement, financial statements and report of the Directors for the year 2009

– review of the 2010 interim results announcement and interim report

– review of the internal audit reports and risks assessment report, all prepared by the internal audit department of the Company

– review of continuing connected transactions for the year 2009 and for the six months ended 30 June 2010

– review of tenancy agreements of continuing connected transactions nature entered into by the Group in 2010

– review 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 2010 included the following:

– approval of 2010 salary increases, 2009 year-end bonuses and performance bonuses for the executive Directors and senior management

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.

CORPORATE GOVERNANCE REPORT

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 an updated 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 recognizes its responsibility for and is committed to maintaining a sound and effective internal control system for the Group so as to safeguard the assets of the Group and the interests of the shareholders. Qualified personnel from management of different levels within the Group are delegated to maintain and monitor the system.

The internal audit department plays a major role in reviewing and evaluating the internal control of the Group and its effectiveness. During the year under review, the annual review work of the internal audit had covered all major business units of the Group and all material control areas including financial, operational and compliance controls as well as risk management function. Risks identification and evaluation have become regular and ongoing processes during the courses of internal audit work. No material control failure or significant areas of concern which might affect shareholders' interests were found. The results of the reviews, and reports have been considered by the Audit Committee. The Board is of the view that the existing internal control system is reasonably effective and adequate to the Group.

In the year under review, independent consultants were hired to perform review on the competency and performance of the internal audit department, and the relevant report had been submitted to the Audit Committee for consideration. Recommendations made by the consultants, where applicable, were implemented by the Group to enhance its internal control practices.

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 2010 amounted to approximately HK$3,800,000 and HK$303,000 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 2010 annual general meeting, the Chairman of the Board, the Chairman of the Audit Committee and the duly appointed delegate 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 2010.

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 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 45 to 130.

An interim dividend of HK4.00 cents per ordinary share was paid on 6 September 2010. The directors recommended the payment of a final dividend of HK16.60 cents per ordinary share in respect of the year, to shareholders on the register of members on 13 June 2011. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 131 and 132 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

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year are set out in note 34 to the financial statements.

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves available for distribution, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$723,709,000, of which HK$175,863,000 has been proposed as a final dividend 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$1,127,000.

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, BBS, MH, 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.

In accordance with bye-law 110(A) of the Company's Bye-laws, Mr. Yeung Chun Fan, Mr. Lau Hon Chuen, Ambrose, GBS, JP, Mr. Chung Shui Ming, Timpson, GBS, JP and Dr. Lam Lee G. 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 of the Company.

REPORT OF THE DIRECTORS

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 39 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2010, 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 Listing Rules were as follows:

Name of director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Long position				
Dr. Charles Yeung, SBS, JP	(i) Interest of controlled corporations	538,228,000	554,228,000 (1) & (2)	52.315
	(ii) Joint interest	16,000,000		
Mr. Yeung Chun Fan	(i) Beneficial owner	1,000,000	561,958,000 (1), (2) & (4)	53.044
	(ii) Interest of controlled corporations	538,228,000		
	(iii) Joint interest	16,000,000		
	(iv) Interest of spouse	6,730,000		
Mr. Yeung Chun Ho	Interest of a controlled corporation	27,430,000	27,430,000 (3)	2.589
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.884
Mr. Hui Chung Shing, Herman, BBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.590
Ms. Cheung Wai Yee	(i) Beneficial owner	6,730,000	561,958,000 (1), (2) & (4)	53.044
	(ii) Interest of spouse	555,228,000		
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)*

Name of director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Short position				
Dr. Charles Yeung, SBS, JP	Interest of a controlled corporation	4,000,000	4,000,000 (5)	0.378
Mr. Yeung Chun Fan	Interest of a controlled corporation	4,000,000	4,000,000 (5)	0.378
Ms. Cheung Wai Yee	Interest of spouse	4,000,000	4,000,000 (6)	0.378

Notes:

(1) 396,988,000 shares 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 2,700,000 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) 16,000,000 shares were held by Dr. Charles Yeung, SBS, JP and Yeung Chun Fan jointly.

(3) 27,430,000 shares were held by Unicom Consultants Limited, a company wholly owned by Mr. Yeung Chun Ho.

(4) 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 538,228,000 shares related to the same block of shares held by three companies controlled by Mr. Yeung Chun Fan.

(5) 4,000,000 shares 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).

(6) 4,000,000 shares related to the same block of shares held by a company controlled by Mr. Yeung Chun Fan.

Save as disclosed above, as at 31 December 2010, 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.

REPORT OF THE DIRECTORS

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

Particulars of the share options granted to the directors and employees of the Company are set out in note 34 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive Directors

Dr. YEUNG Chun Kam, SBS, JP, alias Charles YEUNG, aged 64, is the founder and Chairman of the Group. He is responsible for the Group's business strategies. Dr. Yeung has over 40 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 and a Vice-chairman of The Chinese General Chamber of Commerce. 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 58, is the Vice-chairman and General Manager of the Group which he joined in 1975. He has over 35 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 66, 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 administration, personnel and staff training of the Group. He also assists in formulating strategies for the Group's development. Mr. Yeung is a brother of Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan.

Mr. PAU Sze Kee, Jackson, aged 59, 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.

REPORT OF THE DIRECTORS

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

Executive Directors *(continued)*

Mr. HUI Chung Shing, Herman, BBS, MH, JP, aged 60, 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.

Ms. CHEUNG Wai Yee, aged 59, joined the Group in 1975 and is responsible for the development of retail business in Mainland China. Ms. Cheung is the wife of Mr. Yeung Chun Fan.

Mr. CHAN Wing Kan, Archie, aged 64, 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 62, 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 Energy Corporation 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, a Director of Ji Nan University and a Founding Senior Member of The University of Hong Kong Foundation for Educational Development and Research.

Mr. LAU Hon Chuen, GBS, JP, alias Ambrose LAU, aged 63, 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, Yuexiu Property Company Limited, GZI Transport Limited, Qin Jia Yuan Media Services Company Limited, The Hong Kong Parkview Group Limited, Wing Hang Bank, Limited and Brightoil Petroleum (Holdings) 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 59, has been an Independent Non-executive Director of the Company since September 2004. Mr. Chung holds a Master of Business Administration Degree and was awarded the degree of Doctor of Social Sciences, honoris causa, by the City University of Hong Kong. Mr. Chung is a Fellow Member of the Hong Kong Institute of Certified Public Accountants. Currently he is an Independent Non-executive Director of Miramar Hotel and Investment Company, Limited, Nine Dragons Paper (Holdings) Limited, China Unicom (Hong Kong) Limited and China Overseas Grand Oceans Group Limited and he is an Independent Director of China State Construction Engineering Corporation Limited and China Everbright Bank Co., Ltd. He is also a Member of National Committee of the 11th Chinese People's Political Consultative Conference.

Non-Executive Director

Dr. LAM Lee G., aged 51, 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 United Kingdom, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in law from the University of Wolverhampton in the United Kingdom, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 28 years of multinational general management, strategy consulting, corporate governance, investment banking, and direct investment experience. He is the Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves on board of several publicly-listed companies in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr. Lam is a Member of the Jilin Province Committee of the Chinese People's Political Consultative Committee, a Member of the Hong Kong Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the Young Presidents' Organization, a Member of the Chief Executives Organization, a Fellow of the Hong Kong Institute of Directors, a Fellow of the Hong Kong Institute of Arbitrators, a Member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a Vice President of the Hong Kong Association for the Advancement of Real Estate and Construction Technology, a founding Board Member and the Honorary Treasurer of the Hong Kong-Vietnam Chamber of Commerce, and a Visiting Professor (in corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing.

REPORT OF THE DIRECTORS

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

Senior Management

Mr. CHOW Hing Ping, aged 62, 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 Mainland China.

Mr. FUNG Hing Keng, aged 61, joined the Group in 1978 and is a Deputy General Manager of the Group. Mr. Fung has over 40 years of experience in the garment industry. He is responsible for the woven apparel manufacturing operations in Mainland China and assists in the development of the retail operations in the same area.

Mr. LEE Fung Tai, aged 63, joined the Group in 1983 and is the head of the knitwear division of the Group responsible for production. Mr. Lee has over 40 years of experience in the garment industry. He is a substantial shareholder of the companies under the knitwear division.

Mr. LI Fung Lok, aged 61, 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 40 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 60, 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. Stephen John YOUNANE, aged 45, is the Chief Executive Officer for the Group's Retail Operations of Jeanswest Australia, New Zealand and the Middle East Franchise Operation. Before joining the Group in 2007, Mr. Younane's previous retail experience spanned more than 20 years, working for various retail companies of renowned international brands both in Australia and the United States.

Mr. LAI Man Sum, alias Sam LAI, aged 49, 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 48, 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 functions.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, 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	Percentage of issued share capital (%)
Long position			
Glorious Sun Holdings (BVI) Limited	Beneficial owner	396,988,000	37.472
Advancetex Holdings (BVI) Limited	Beneficial owner	138,540,000	13.077
Commonwealth Bank of Australia	Interest of controlled corporations	73,196,100 (1)	6.909
Dr. Jens Alfred Karl Ehrhardt	Investment manager	95,666,000 (2)	9.030
Dr. Jens Ehrhardt Kapital AG	Investment manager	95,666,000 (2)	9.030
DJE Investment S.A.	Investment manager	95,666,000 (2)	9.030
Short position			
Glorious Sun Holdings (BVI) Limited	Beneficial owner	4,000,000	0.378

Notes:

(1) 73,196,100 shares were held by various wholly-owned subsidiaries of Commonwealth Bank of Australia.

(2) 95,666,000 shares were held by DJE Investment S.A. which was 100% controlled by Dr. Jens Ehrhardt Kapital AG, and Dr. Jens Ehrhardt Kapital AG was 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

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 2010.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

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

	Notes	**2010** **HK$'000**	2009 HK$'000
Rental expenses paid to:	(i)		
G. S. (Yeungs) Limited		**702**	730
Gantin Limited		**288**	302
Harbour Guide Limited		**3,379**	2,825
Rank Profit Industries Limited		**8,228**	8,228
銀富房產（惠州）有限公司		**355**	–
惠州市惠富置業有限公司		**336**	–
Yeung Cheung Yip and Yeung Hon Yip		**159**	–
Gloryear Management Limited		**261**	298
		13,708	12,383
Management fees paid to:	(ii)		
Rank Profit Industries Limited		**1,920**	1,920
惠州市城市花園物業管理有限公司		**19**	–
		1,939	1,920

Notes:

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

(ii) The management fees 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 (1) Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan or (2) Mr. Yeung Chun Fan and Ms. Cheung Wai Yee, all of whom are directors of the Company or (3) Mr. Yeung Chun Fan, Ms. Cheung Wai Yee and their sons. Mr. Yeung Cheung Yip and Yeung Hon Yip are sons of Mr. Yeung Chun Fan.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

The above transactions also constituted related-party transactions which, among other transactions, are set out in note 39(a) to the financial statements.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed 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 24 to 29.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 44 to the financial statements.

REPORT OF THE DIRECTORS

ADOPTION OF CHINESE NAME AS SECONDARY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 4 June 2010, and with subsequent approval by the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong on 14 June 2010 and 22 July 2010, respectively, the Chinese name of "旭日企業有限公司" has been adopted as the secondary name of the Company.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below.

Mr. Chung Shui Ming, Timpson is a director of China Everbright Bank Co., Ltd, the securities of which have been listed on the securities market in Shanghai, the People's Republic of China since 18 August 2010.

Dr. Lam Lee G. has been appointed as a director of Sino Resources Group Limited, a public listed company in Hong Kong, on 24 November 2010 and resigned as its director on 23 March 2011. He has also been appointed as a director of Vietnam Equity Holding and Vietnam Property Holding, companies listed in Germany, and a director of TMC Life Sciences Berhad, a company listed in Malaysia. Dr. Lam is a director of Ban Joo & Company Limited, a public listed company in Singapore which has changed its name to Next-Generation Satellite Communications Limited. Dr. Lam resigned as a director of Finet Group Limited and China.com Inc., public listed companies in Hong Kong.

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, 29 March 2011

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Glorious Sun Enterprises Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 130, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY *(CONTINUED)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with 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

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

29 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	**2010 HK$'000**	2009 HK$'000
REVENUE	5	**6,186,864**	5,767,808
Cost of sales		**(3,550,883)**	(3,257,172)
Gross profit		**2,635,981**	2,510,636
Other income and gains	5	**156,295**	144,993
Net gain from disposal of available-for-sale investment		**137,734**	–
Selling and distribution costs		**(1,715,201)**	(1,564,964)
Administrative expenses		**(761,175)**	(706,115)
Other expenses		**(53,213)**	(56,272)
Finance costs	6	**(12,411)**	(9,723)
OPERATING PROFIT		**388,010**	318,555
Share of profits and losses of:			
A jointly-controlled entity		**(418)**	(756)
Associates		**41,058**	25,572
PROFIT BEFORE TAX	7	**428,650**	343,371
Income tax expense	10	**(71,354)**	(67,444)
PROFIT FOR THE YEAR		**357,296**	275,927
Attributable to:			
Ordinary equity holders of the Company	11	**363,475**	259,538
Non-controlling interests		**(6,179)**	16,389
		357,296	275,927
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13	**HK cents**	HK cents
Basic		**34.31**	24.50

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR		**357,296**	275,927
OTHER COMPREHENSIVE INCOME			
Available-for-sale investment:			
Changes in fair value		**406,184**	105,398
Reclassification adjustment for gain included in the consolidated income statement on disposal	7	**(139,570)**	–
		266,614	105,398
Other comprehensive income released on disposal of a jointly-controlled entity		**(2,069)**	–
Exchange differences on translation of foreign operations		**60,484**	44,860
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**325,029**	150,258
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**682,325**	426,185
Attributable to:			
Ordinary equity holders of the Company		**682,201**	409,462
Non-controlling interests		**124**	16,723
		682,325	426,185

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,001,923**	974,903
Investment properties	15	**–**	52,667
Prepaid land lease payments	16	**18,392**	18,460
Goodwill	17	**39,048**	36,119
Investment in a jointly-controlled entity	19	**–**	7,911
Investments in associates	20	**115,017**	146,807
Available-for-sale investment	21	**405,394**	155,269
Deferred tax assets	32	**35,717**	17,583
Total non-current assets		**1,615,491**	1,409,719
CURRENT ASSETS			
Inventories	22	**918,329**	749,840
Trade and bills receivables	23	**442,119**	487,532
Prepayments, deposits and other receivables		**442,900**	332,389
Derivative financial instruments	24	**–**	157
Due from related companies	25	**2,308**	4,088
Due from associates	39(b)	**1,285**	1,266
Equity investment at fair value through profit or loss	26	**12,018**	–
Pledged deposits	27	**28,799**	24,508
Cash and cash equivalents	27	**1,712,043**	1,291,638
Total current assets		**3,559,801**	2,891,418
CURRENT LIABILITIES			
Trade and bills payables	28	**838,661**	645,764
Other payables and accruals		**933,203**	828,125
Due to a jointly-controlled entity	39(b)	**–**	9,921
Due to associates	39(b)	**10,624**	7,013
Interest-bearing bank and other borrowings	29	**225,318**	188,691
Tax payable		**420,439**	370,103
Total current liabilities		**2,428,245**	2,049,617
NET CURRENT ASSETS		**1,131,556**	841,801
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,747,047**	2,251,520

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

31 December 2010

	Notes	**2010 HK$'000**	2009 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**568**	471
Long term loans from non-controlling shareholders	31	**9,400**	9,400
Deferred tax liabilities	32	**19,774**	19,827
Total non-current liabilities		**29,742**	29,698
Net assets		**2,717,305**	2,221,822
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	33	**105,941**	105,941
Reserves	35	**2,290,482**	1,826,249
Proposed dividends	12	**175,863**	138,889
		2,572,286	2,071,079
Non-controlling interests		**145,019**	150,743
Total equity		**2,717,305**	2,221,822

Charles Yeung, SBS, JP
Director

Yeung Chun Fan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

		Attributable to ordinary equity holders of the Company				
	Notes	**Issued capital** HK$'000	**Share premium account** HK$'000	**Contributed surplus** HK$'000	**Share option reserve** HK$'000	**Asset revaluation reserve** HK$'000
At 1 January 2010		**105,941**	**384,521**	**113,902**	**364**	**69,617**
Profit for the year		–	–	–	–	–
Other comprehensive income for the year:						
Available-for-sale investment:						
Changes in fair value		–	–	–	–	–
Reclassification adjustment for gain included in the consolidated income statement on disposal		–	–	–	–	–
Other comprehensive income released on disposal of a jointly-controlled entity		–	–	–	–	–
Exchange differences on translation of foreign operations		–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–
Final 2009 dividend paid		–	–	–	–	–
Equity-settled share option arrangement	34	–	–	–	**272**	–
Interim 2010 dividend	12	–	–	–	–	–
Proposed final 2010 dividend	12	–	–	–	–	–
Transfer from/(to) retained profits		–	–	–	–	**(115)**
At 31 December 2010		**105,941**	**384,521**	**113,902**	**636**	**69,502**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

Attributable to ordinary equity holders of the Company							
Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve note (i) HK$'000	Non-distributable reserves note (ii) HK$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
105,398	46,899	3,537	1,102,011	138,889	2,071,079	150,743	2,221,822
–	–	–	363,475	–	363,475	(6,179)	357,296
406,184	–	–	–	–	406,184	–	406,184
(139,570)	–	–	–	–	(139,570)	–	(139,570)
–	(1,718)	(351)	–	–	(2,069)	–	(2,069)
–	54,181	–	–	–	54,181	6,303	60,484
266,614	52,463	(351)	363,475	–	682,201	124	682,325
–	–	–	–	–	–	(5,848)	(5,848)
–	–	–	–	(138,889)	(138,889)	–	(138,889)
–	–	–	–	–	272	–	272
–	–	–	(42,377)	–	(42,377)	–	(42,377)
–	–	–	(175,863)	175,863	–	–	–
–	–	1,337	(1,222)	–	–	–	–
372,012	99,362	4,523	1,246,024	175,863	2,572,286	145,019	2,717,305

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

Year ended 31 December 2010

	Notes	Attributable to ordinary equity holders of the Company				
		Issued capital	**Share premium account**	**Contributed surplus**	**Share option reserve**	**Asset revaluation reserve**
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009		105,941	384,521	113,902	73	69,617
Profit for the year		–	–	–	–	–
Other comprehensive income for the year:						
Change in fair value of an available-for-sale investment		–	–	–	–	–
Exchange differences on translation of foreign operations		–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–
Final 2008 dividends paid		–	–	–	–	–
Equity-settled share option arrangement	34	–	–	–	291	–
Interim 2009 dividend	12	–	–	–	–	–
Proposed final 2009 dividend	12	–	–	–	–	–
Transfer from retained profits		–	–	–	–	–
At 31 December 2009		105,941	384,521	113,902	364	69,617

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

Year ended 31 December 2010

Attributable to ordinary equity holders of the Company							
Available-for-sale investment revaluation reserve HK$'000	**Exchange fluctuation reserve note (i)** HK$'000	**Non-distributable reserves note (ii)** HK$'000	**Retained profits** HK$'000	**Proposed dividend** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
–	2,373	2,413	1,024,863	138,889	1,842,592	138,497	1,981,089
–	–	–	259,538	–	259,538	16,389	275,927
105,398	–	–	–	–	105,398	–	105,398
–	44,526	–	–	–	44,526	334	44,860
105,398	44,526	–	259,538	–	409,462	16,723	426,185
–	–	–	–	–	–	(4,477)	(4,477)
–	–	–	–	(138,889)	(138,889)	–	(138,889)
–	–	–	–	–	291	–	291
–	–	–	(42,377)	–	(42,377)	–	(42,377)
–	–	–	(138,889)	138,889	–	–	–
–	–	1,124	(1,124)	–	–	–	–
105,398	46,899	3,537	1,102,011	138,889	2,071,079	150,743	2,221,822

Notes:

(i) Included in the exchange fluctuation reserve is an amount of HK$23,524,000 (2009: HK$9,602,000), representing the net 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 the jointly-controlled entity in Mainland China has been transferred to non-distributable reserves, which are restricted as to use.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**428,650**	343,371
Adjustments for:			
Finance costs	6	**12,411**	9,723
Share of profits and losses of a jointly-controlled entity and associates		**(40,640)**	(24,816)
Interest income	5	**(8,581)**	(7,460)
Fair value losses/(gains), net:			
Available-for-sale investment (transfer from equity)	7	**(139,570)**	–
Equity investment at fair value through profit or loss	5	**(1,084)**	–
Derivative financial instruments – transactions not qualifying as hedges	7	**–**	1,137
Loss on disposal of a jointly-controlled entity	7	**5,548**	–
Depreciation	7	**186,146**	184,436
Change in fair values of investment properties	5	**–**	(1,556)
Gain on disposal of an investment property	5	**(555)**	–
Amortisation of prepaid land lease payments	7	**487**	487
Impairment of goodwill	7	**–**	1,330
Write-off of bills receivable	7	**–**	14,200
Impairment of trade receivables	7	**2,971**	943
Loss on disposal/write-off of items of property, plant and equipment	7	**12,325**	15,711
Write-down of inventories to net realisable value	7	**52,645**	4,826
Impairment/(reversal of impairment) of items of property, plant and equipment	7	**15,361**	(1,601)
Equity-settled share option expense	7	**272**	291
Effect of foreign exchange rate changes, net		**8,012**	(29,029)
		534,398	511,993
Decrease/(increase) in inventories		**(221,134)**	89,557
Decrease in trade and bills receivables		**42,442**	19,927
Decrease/(increase) in prepayments, deposits and other receivables		**(110,511)**	35,717
Decrease in derivative financial instruments		**157**	4,710
Decrease/(increase) in amounts due from related companies		**1,780**	(479)
Decrease/(increase) in amounts due from associates		**(19)**	5,008
Increase in equity investment at fair value through profit or loss		**(10,934)**	–
Increase/(decrease) in trade and bills payables		**192,897**	(60,529)
Increase in other payables and accruals		**105,078**	24,418
Increase/(decrease) in an amount due to a jointly-controlled entity		**(9,921)**	4,268
Increase/(decrease) in amounts due to associates		**3,611**	(2,495)
Cash generated from operations		**527,844**	632,095

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash generated from operations		**527,844**	632,095
Interest received	5	**8,581**	7,460
Interest paid	6	**(12,352)**	(9,674)
Interest element on finance lease rental payments	6	**(59)**	(49)
Dividend received from associates		**73,144**	7,038
Hong Kong profits tax paid		**(5,024)**	(7,575)
Overseas taxes paid		**(30,939)**	(60,581)
Net cash flows from operating activities		**561,195**	568,714
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(177,464)**	(221,610)
Proceeds from disposal of items of property, plant and equipment		**19,313**	1,093
Proceeds from disposal of an investment property		**4,555**	–
Proceeds from disposal of a jointly-controlled entity		**56**	–
Proceeds from disposal of a financial asset at fair value through profit or loss		**–**	23,337
Proceeds from disposal of an available-for-sale investment		**156,059**	–
Increase in pledged deposits		**(4,291)**	(21,120)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		**22,174**	16,912
Net cash flows from/(used in) investing activities		**20,402**	(201,388)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of new bank loans		**332,065**	461,222
Repayment of other loan		**(2,790)**	–
Repayment of bank loans		**(271,598)**	(555,008)
Capital element of finance lease rental payments		**(286)**	(803)
Dividends paid		**(181,266)**	(181,266)
Dividends paid to non-controlling shareholders		**(5,848)**	(4,477)
Decrease in trust receipt loans		**(23,476)**	(53,203)
Net cash flows used in financing activities		**(153,199)**	(333,535)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**428,398**	33,791

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

Year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**428,398**	33,791
Cash and cash equivalents at beginning of year		**1,224,522**	1,151,858
Effect of foreign exchange rate changes, net		**13,454**	38,873
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,666,374**	1,224,522
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**915,430**	741,414
Non-pledged time deposits with original maturity of less than three months when acquired		**792,969**	524,406
Non-pledged time deposits with original maturity of more than three months when acquired		**3,644**	25,818
Cash and cash equivalents as stated in the statement of financial position		**1,712,043**	1,291,638
Bank overdrafts	29	**(42,025)**	(41,298)
Non-pledged time deposits with original maturity of more than three months when acquired		**(3,644)**	(25,818)
Cash and cash equivalents as stated in the statement of cash flows		**1,666,374**	1,224,522

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSET			
Investment in a subsidiary	18	**604,214**	703,929
CURRENT ASSETS			
Other receivables		**119**	10
Cash and cash equivalents	27	**610,666**	414,608
Total current assets		**610,785**	414,618
CURRENT LIABILITIES			
Other payables and accruals		**192**	186
NET CURRENT ASSETS		**610,593**	414,432
Net assets		**1,214,807**	1,118,361
EQUITY			
Issued capital	33	**105,941**	105,941
Reserves	35	**933,003**	873,531
Proposed dividends	12	**175,863**	138,889
Total equity		**1,214,807**	1,118,361

Charles Yeung, SBS, JP
Director

Yeung Chun Fan
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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 38/F, One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong.

During the year, the Group was involved 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 (the "HKICPA"), 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

Basis of consolidation from 1 January 2010

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 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.1 BASIS OF PREPARATION *(CONTINUED)*

Basis of consolidation *(continued)*

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

Other than as further explained below regarding the impact of HKAS 27 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is 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 revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

2.3 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 1 Amendment	Amendment to HKFRS *1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

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 investments in subsidiaries are 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Joint ventures *(continued)*

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.

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 investment in a jointly-controlled entity is stated in the consolidated statement of financial position 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 the jointly-controlled entity 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 investment in the jointly-controlled entity, 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 investments in associates are stated in the consolidated statement of financial position 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 investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(continued)*

Business combinations from 1 January 2010 (continued)

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.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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.

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 the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill 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 an 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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);

(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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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.

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:

Leasehold land and 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 least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 end of the reporting period.

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.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

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, including prepaid land lease payments under 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 item of leased assets 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 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 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within 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 investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and cash equivalents, amounts due from related companies and associates, trade and other receivables, quoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do 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.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables or available-for-sale financial investments depends on the nature of the assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Subsequent measurement (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserve. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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 removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to associates and a jointly-controlled entity and interest-bearing loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. 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 of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

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 bases 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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 statement of financial position, 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.

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 end of the reporting period 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 the initial recognition of goodwill or 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 investments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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

- in respect of deductible temporary differences associated with investments 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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;

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(continued)*

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

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

(e) 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; 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 for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 34 to the financial statements.

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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 equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

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

Other employee benefits

Retirement benefit 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.

Prior to the MPF Scheme becoming effective, the Group operated two defined contribution retirement benefit schemes for certain 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 are 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, 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.

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 recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. All differences are taken to the income statement. 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, a jointly-controlled entity and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation are translated at the closing rate.

For the purpose of the consolidated statement of cash flows, 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 end of the reporting period. 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.

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, based on an evaluation of the terms and conditions of the arrangements, 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 end of the reporting period, 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.

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 2010 was HK$39,048,000 (2009: HK$36,119,000). Further details are given in note 17.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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

Estimation uncertainty *(continued)*

Provision for inventories

Management reviews the aging analysis of inventories of the Group at the end of each reporting period, 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 judgements 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 estimate has been changed. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether provision needs to be made in respect of any obsolete inventories identified. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period. 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. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments 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.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

By business:

	Retail operations		Export operations		Others		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**5,219,953**	4,732,495	**807,936**	855,904	**158,975**	179,409	**6,186,864**	5,767,808
Other income and gains	**31,338**	22,399	**53,318**	47,510	**25,919**	27,228	**110,575**	97,137
Total	**5,251,291**	4,754,894	**861,254**	903,414	**184,894**	206,637	**6,297,439**	5,864,945
Segment results	**327,543**	319,674	**1,056**	39,158	**(259)**	756	**328,340**	359,588
Interest income							**8,581**	7,460
Unallocated revenue							**174,873**	40,396
Unallocated expenses							**(111,373)**	(79,166)
Finance costs							**(12,411)**	(9,723)
Share of profits and losses of:								
A jointly-controlled entity	**–**	–	**(418)**	(756)	**–**	–	**(418)**	(756)
Associates	**–**	–	**41,058**	25,572	**–**	–	**41,058**	25,572
Profit before tax							**428,650**	343,371
Income tax expense							**(71,354)**	(67,444)
Profit for the year							**357,296**	275,927
Other segment information:								
Depreciation and amortisation	**121,226**	119,296	**7,792**	8,360	**57,615**	57,267	**186,633**	184,923
Impairment/(reversal of impairment) of items of property, plant and equipment	**7,851**	(1,601)	**111**	–	**7,399**	–	**15,361**	(1,601)
Change in fair values of investment properties	**–**	–	**–**	(1,000)	**–**	(556)	**–**	(1,556)
Other non-cash expenses/(income)	**64,656**	23,365	**1,558**	14,089	**(2,056)**	984	**64,158**	38,438
Investments in associates	**1,454**	1,454	**113,563**	145,353	**–**	–	**115,017**	146,807
Investment in a jointly-controlled entity	**–**	–	**–**	7,911	**–**	–	**–**	7,911
Capital expenditure*	**114,305**	128,785	**22,747**	953	**40,999**	103,302	**178,051**	233,040

* Capital expenditure consists of additions to property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

By region:

Year ended 31 December 2010

	Mainland China HK$'000	Hong Kong HK$'000	United States of America HK$'000	Australia and New Zealand HK$'000	Canada HK$'000	Others HK$'000	Consolidated HK$'000
Revenue from external customers	**4,183,431**	**116,073**	**612,741**	**1,061,494**	**61,960**	**151,165**	**6,186,864**
Non-current assets	**802,182**	**103,203**	**52,920**	**162,762**	**–**	**53,313**	**1,174,380**

Year ended 31 December 2009

	Mainland China HK$'000	Hong Kong HK$'000	United States of America HK$'000	Australia and New Zealand HK$'000	Canada HK$'000	Others HK$'000	Consolidated HK$'000
Revenue from external customers	3,808,162	110,252	638,764	985,176	64,169	161,285	5,767,808
Non-current assets	859,198	109,865	54,160	167,661	–	45,983	1,236,867

The revenue information above is based on the location of the customers. The non-current assets information above is based on the location of assets and excludes financial instruments and deferred tax assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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	
		2010	2009
	Note	**HK$'000**	HK$'000
Revenue			
Retailing of casual wear		**5,219,953**	4,732,495
Export of apparel		**807,936**	855,904
Trading of fabric and other businesses		**158,975**	179,409
		6,186,864	5,767,808
Other income			
Bank interest income		**8,581**	7,460
Services and sub-contracting fee income		**53,158**	47,003
Other sales income		**4,889**	3,316
Commission and management fee income		**5,767**	3,008
Decoration and renovation income		**19,894**	15,727
Gross rental income		**3,529**	6,027
Dividend income from an available-for-sale investment		**13,688**	–
Others		**27,852**	23,113
		137,358	105,654
Gains			
Fair value gains on investment properties	15	**–**	1,556
Foreign exchange differences, net		**16,799**	33,562
Gain on disposal of an investment property		**555**	–
Fair value gain on equity investment at fair value through profit or loss – held for trading		**1,084**	–
Others		**499**	4,221
		18,937	39,339
		156,295	144,993

NOTES TO FINANCIAL STATEMENTS

31 December 2010

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**12,352**	9,674
Interest on finance leases	**59**	49
	12,411	9,723

7. PROFIT BEFORE TAX

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

		Group	
		2010	2009
	Notes	**HK$'000**	HK$'000
Cost of inventories sold*		**3,550,883**	3,257,172
Depreciation	14	**186,146**	184,436
Amortisation of prepaid land lease payments	16	**487**	487
Minimum lease payments under operating leases in respect of land and buildings		**845,024**	758,210
Auditors' remuneration		**7,398**	7,161
Employee benefit expenses (including directors' remuneration (note 8)):			
Wages and salaries		**1,026,576**	944,117
Equity-settled share option expense		**272**	291
Pension scheme contributions		**23,982**	20,536
Total employee benefit expenses		**1,050,830**	964,944
Impairment/(reversal of impairment) of items of property, plant and equipment	14	**15,361**	(1,601)
Loss on disposal/write-off of items of property, plant and equipment#		**12,325**	15,711
Loss on disposal of a jointly-controlled entity#		**5,548**	–
Fair value losses on derivative financial instruments#		**–**	1,137
Net gain from disposal of available-for-sale investment:			
Fair value gain transfer from equity		**(139,570)**	–
Less: transaction costs		**1,836**	–
		(137,734)	–

NOTES TO FINANCIAL STATEMENTS

31 December 2010

7. PROFIT BEFORE TAX *(CONTINUED)*

		Group	
	Notes	**2010 HK$'000**	2009 HK$'000
Impairment of goodwill#	17	**–**	1,330
Impairment of trade receivables#	23	**2,971**	943
Write-off of bills receivable#		**–**	14,200
Write-down of inventories to net realisable value*		**52,645**	4,826
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**151**	363

* The cost of inventories sold and the cost of sales include the write-down of inventories to net realisable value of HK$52,645,000 (2009: HK$4,826,000).

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

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	
	2010 HK$'000	2009 HK$'000
Fees	**480**	480
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**8,848**	8,529
Discretionary bonuses	**12,602**	14,032
Pension scheme contributions	**339**	326
	21,789	22,887
	22,269	23,367

(a) Independent non-executive directors

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

	2010 HK$'000	2009 HK$'000
Mr. Wong Man Kong, Peter, BBS, JP	**120**	120
Mr. Lau Hon Chuen, Ambrose, GBS, JP	**120**	120
Mr. Chung Shui Ming, Timpson, GBS, JP	**120**	120
	360	360

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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
2010					
Executive directors:					
Dr. Charles Yeung, SBS, JP	**–**	**96**	**1,292**	**5**	**1,393**
Mr. Yeung Chun Fan	**–**	**1,976**	**4,130**	**57**	**6,163**
Mr. Yeung Chun Ho	**–**	**1,310**	**505**	**66**	**1,881**
Mr. Pau Sze Kee, Jackson	**–**	**2,082**	**2,826**	**90**	**4,998**
Mr. Hui Chung Shing, Herman, BBS, MH, JP	**–**	**1,200**	**450**	**60**	**1,710**
Ms. Cheung Wai Yee	**–**	**984**	**3,099**	**49**	**4,132**
Mr. Chan Wing Kan, Archie	**–**	**1,200**	**300**	**12**	**1,512**
	–	**8,848**	**12,602**	**339**	**21,789**
Non-executive director:					
Dr. Lam Lee G.	**120**	**–**	**–**	**–**	**120**
	120	**8,848**	**12,602**	**339**	**21,909**
2009					
Executive directors:					
Dr. Charles Yeung, SBS, JP	–	72	1,812	4	1,888
Mr. Yeung Chun Fan	–	1,883	5,265	56	7,204
Mr. Yeung Chun Ho	–	1,272	444	64	1,780
Mr. Pau Sze Kee, Jackson	–	2,037	3,203	87	5,327
Mr. Hui Chung Shing, Herman, BBS, MH, JP	–	1,200	467	60	1,727
Ms. Cheung Wai Yee	–	865	2,541	43	3,449
Mr. Chan Wing Kan, Archie	–	1,200	300	12	1,512
	–	8,529	14,032	326	22,887
Non-executive director:					
Dr. Lam Lee G.	120	–	–	–	120
	120	8,529	14,032	326	23,007

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2010

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: three) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,540**	5,181
Discretionary bonuses	**4,018**	7,775
Pension scheme contributions	**141**	224
	7,699	13,180

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

	Number of employees	
	2010	2009
HK$3,500,001 – HK$4,000,000	**2**	2
HK$5,500,001 – HK$6,000,000	**–**	1
	2	3

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) 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.

	2010	2009
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**5,898**	4,836
Underprovision/(overprovision) in prior years	**557**	(323)
Current – Elsewhere		
Charge for the year	**82,548**	61,616
Underprovision/(overprovision) in prior years	**(3,649)**	100
Deferred (note 32)	**(14,000)**	1,215
Total tax charge for the year	**71,354**	67,444

NOTES TO FINANCIAL STATEMENTS

31 December 2010

10. INCOME TAX *(CONTINUED)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which 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 effective tax rate, are as follows:

	Group			
	2010		2009	
	HK$'000	**%**	HK$'000	%
Profit before tax	**428,650**		343,371	
Tax at the statutory tax rate	**70,727**	**16.5**	56,656	16.5
Higher tax rates of other jurisdictions	**15,267**	**3.5**	19,139	5.6
Adjustments in respect of current tax of previous periods	**(3,092)**	**(0.7)**	(223)	(0.1)
Profits and losses attributable to a jointly-controlled entity and associates	**(6,842)**	**(1.6)**	(4,095)	(1.2)
Income not subject to tax	**(30,824)**	**(7.2)**	(27,139)	(7.9)
Expenses not deductible for tax	**8,357**	**1.9**	9,589	2.8
Tax losses utilised from previous periods	**(1,905)**	**(0.4)**	(580)	(0.2)
Tax losses not recognised	**18,812**	**4.4**	13,377	3.9
Others	**854**	**0.2**	720	0.2
Tax charge at the Group's effective rate	**71,354**	**16.6**	67,444	19.6

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 25% on the taxable income.

The tax rate applicable to subsidiaries incorporated and operating in Australia and New Zealand is 30%. 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 was no share of tax credit/expense attributable to the Group's jointly-controlled entity during the year (2009: Nil). The share of tax expense attributable to associates during the year amounting to HK$19,460,000 (2009: HK$9,378,000) is included in "Share of profits and losses of a jointly-controlled entity and associates" on the face of the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS

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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 2010 includes a profit of HK$277,440,000 (2009: HK$180,907,000), which has been dealt with in the financial statements of the Company (note 35).

12. DIVIDENDS

	2010	2009
	HK$'000	HK$'000
Interim – HK4.00 cents (2009: HK4.00 cents) per ordinary share (note 35)	**42,377**	42,377
Proposed final – HK16.60 cents (2009: HK13.11 cents) per ordinary share (note 35)	**175,863**	138,889
	218,240	181,266

The proposed final dividend for the year is 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 the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$363,475,000 (2009: HK$259,538,000) and the weighted average number of ordinary shares of 1,059,414,000 (2009: 1,059,414,000) in issue during the year.

As the subscription prices of the share options outstanding during the years ended 31 December 2010 and 2009 are higher than the respective average market prices of the Company's shares during the years ended 31 December 2010 and 2009, there is no dilution effect on the basic earnings per share.

NOTES TO FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2010						
At 31 December 2009 and at 1 January 2010:						
Cost or valuation	451,969	469,620	607,165	484,480	50,649	2,063,883
Accumulated depreciation and impairment	(11,673)	(275,303)	(450,626)	(314,751)	(36,627)	(1,088,980)
Net carrying amount	440,296	194,317	156,539	169,729	14,022	974,903
At 1 January 2010, net of accumulated depreciation and impairment	440,296	194,317	156,539	169,729	14,022	974,903
Additions	49,644	67,745	8,316	48,756	3,590	178,051
Disposals/write-off	(333)	(14,443)	(12,004)	(3,952)	(906)	(31,638)
Depreciation provided during the year	(13,306)	(73,853)	(30,397)	(63,655)	(4,935)	(186,146)
Impairment	–	(3,133)	(11,190)	(1,038)	–	(15,361)
Transfer from investment properties (note 15)	49,773	–	–	–	–	49,773
Exchange realignment	8,237	4,466	3,830	15,349	459	32,341
At 31 December 2010, net of accumulated depreciation and impairment	534,311	175,099	115,094	165,189	12,230	1,001,923
At 31 December 2010:						
Cost or valuation	560,223	496,311	609,851	530,550	47,466	2,244,401
Accumulated depreciation and impairment	(25,912)	(321,212)	(494,757)	(365,361)	(35,236)	(1,242,478)
Net carrying amount	534,311	175,099	115,094	165,189	12,230	1,001,923
Analysis of cost or valuation:						
At cost	–	496,311	609,851	530,550	47,466	1,684,178
At valuation	560,223	–	–	–	–	560,223
	560,223	496,311	609,851	530,550	47,466	2,244,401

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'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 2009							
At 1 January 2009:							
Cost or valuation	368,447	462,190	587,348	370,795	48,885	774	1,838,439
Accumulated depreciation and impairment	–	(238,219)	(415,748)	(234,594)	(32,797)	–	(921,358)
Net carrying amount	368,447	223,971	171,600	136,201	16,088	774	917,081
At 1 January 2009, net of accumulated depreciation and impairment	368,447	223,971	171,600	136,201	16,088	774	917,081
Additions	82,351	54,249	14,450	78,455	3,535	–	233,040
Disposals/write-off	–	(12,389)	(369)	(3,068)	(978)	–	(16,804)
Depreciation provided during the year	(11,913)	(72,645)	(32,921)	(61,798)	(5,159)	–	(184,436)
Reversal of impairment	–	–	1,601	–	–	–	1,601
Transfer from construction in progress	–	774	–	–	–	(774)	–
Exchange realignment	1,411	357	2,178	19,939	536	–	24,421
At 31 December 2009, net of accumulated depreciation and impairment	440,296	194,317	156,539	169,729	14,022	–	974,903
At 31 December 2009:							
Cost or valuation	451,969	469,620	607,165	484,480	50,649	–	2,063,883
Accumulated depreciation and impairment	(11,673)	(275,303)	(450,626)	(314,751)	(36,627)	–	(1,088,980)
Net carrying amount	440,296	194,317	156,539	169,729	14,022	–	974,903
Analysis of cost or valuation:							
At cost	–	469,620	607,165	484,480	50,649	–	1,611,914
At valuation	451,969	–	–	–	–	–	451,969
	451,969	469,620	607,165	484,480	50,649	–	2,063,883

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

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

	Hong Kong		Elsewhere		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Long term leases	**–**	–	**49,830**	51,454	**49,830**	51,454
Medium term leases	**26,674**	6,825	**457,807**	382,017	**484,481**	388,842
	26,674	6,825	**507,637**	433,471	**534,311**	440,296

The net carrying amounts of the Group's property, plant and equipment held under finance leases at 31 December 2010 amounted to HK$1,100,000 (2009: HK$791,000).

In 2008, 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$266,216,000 based on their existing use.

At 31 December 2010, certain of the Group's buildings with a net carrying amount of HK$186,569,000 (2009: HK$117,769,000) and plant and machinery with a net carrying amount of HK$2,681,000 (2009: HK$3,294,000) were pledged to secure banking facilities granted to the Group (note 29).

15. INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**52,667**	51,111
Net profit from a fair value adjustment (note 5)	**–**	1,556
Disposal	**(4,000)**	–
Transfer to owner-occupied property (note 14)	**(49,773)**	–
Exchange realignment	**1,106**	–
Carrying amount at 31 December	**–**	52,667

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31 December 2010

15. INVESTMENT PROPERTIES *(CONTINUED)*

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

	Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong – medium term leases	**–**	4,000
Mainland China – medium term leases	**–**	48,667
	–	52,667

The Group's investment properties were revalued on 31 December 2009 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$52,667,000 on an open market, existing use basis. The investment properties were leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

At 31 December 2009, certain of the Group's investment properties with a value of HK$48,667,000 were pledged to secure banking facilities granted to the Group (note 29).

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**18,937**	19,414
Recognised during the year	**(487)**	(487)
Exchange realignment	**429**	10
Carrying amount at 31 December	**18,879**	18,937
Current portion included in prepayments, deposits and other receivables	**(487)**	(477)
Non-current portion	**18,392**	18,460

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

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17. GOODWILL

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January:		
Net carrying amount	**36,119**	30,388
Net carrying amount at 1 January	**36,119**	30,388
Impairment during the year (note 7)	**–**	(1,330)
Exchange realignment	**2,929**	7,061
Net carrying amount at 31 December	**39,048**	36,119
At 31 December:		
Cost	**45,288**	41,891
Accumulated impairment	**(6,240)**	(5,772)
Net carrying amount	**39,048**	36,119

Impairment testing of goodwill

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

The recoverable amount of the retail operations cash-generating unit has been 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 11.5% and cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% 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, based on the Group's past experience in the retail operations in New Zealand.

Key assumptions were used in the value in use calculation of the retail operations cash-generating unit for 31 December 2010 and 31 December 2009. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin 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.

NOTES TO FINANCIAL STATEMENTS

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18. INVESTMENT IN A SUBSIDIARY

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**377,717**	377,717
Due from a subsidiary	**226,444**	326,212
Capital contribution in respect of employee share-based compensation	**53**	–
	604,214	703,929

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiary. Particulars of the Company's principal subsidiaries are set out in note 43 to the financial statements.

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group 2010 HK$'000	2009 HK$'000
Share of net assets	**–**	7,911

On 30 April 2010, the Group entered into a share transfer agreement to dispose of its 45% equity interest in Nanjing Jiangda Clothes Co., Limited for a consideration of HK$56,000 and a loss on disposal of a jointly-controlled entity of HK$5,548,000 was recognised upon completion of the disposal.

Particulars of the jointly-controlled entity are as follows:

Name	Registered capital	Place of registration	Percentage of equity attributable to the Group* 2010	2009	Principal activity
Nanjing Jiangda Clothes Co., Ltd.	US$1,500,000	Mainland China	**–**	45	Manufacture of apparel

The jointly-controlled entity was held indirectly through subsidiaries.

The above jointly-controlled entity is not audited by Ernst & Young, Hong Kong or another 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. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY *(CONTINUED)*

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

	2010	2009
	HK$'000	HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**–**	8,301
Non-current assets	**–**	4,271
Current liabilities	**–**	(4,661)
Net assets	**–**	7,911
Share of the jointly-controlled entity's results:		
Revenue	**5,024**	28,437
Other income	**–**	1
	5,024	28,438
Total expenses	**(5,442)**	(29,194)
Loss after tax	**(418)**	(756)

20. INVESTMENTS IN ASSOCIATES

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**108,882**	140,672
Loans to associates	**52,495**	52,495
	161,377	193,167
Provision for loans to associates	**(46,360)**	(46,360)
	115,017	146,807

The loans to associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as quasi-equity investments in the associates.

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20. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

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 2010	2009	Principal activities
RTG Garments Manufacturing (HK) Limited	Ordinary shares of HK$1,000,000	Hong Kong	**50**	50	Manufacture of apparel
Quiksilver Glorious Sun JV Limited	Ordinary shares of HK$10,000	Hong Kong	**50**	50	Retail of apparel
Rays Industries (BVI) Ltd	Ordinary shares of US$2	British Virgin Islands/ Hong Kong	**50**	50	Investment holding

All associates are held indirectly through subsidiaries.

All the above associates are not audited by Ernst & Young, Hong Kong or another 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.

The Group has discontinued the recognition of its share of losses from Quiksilver Glorious Sun JV Limited because the share of losses of this associate exceeded the Group's interest in it. The amounts of the Group's unrecognised share of profit for the current year and the cumulative losses were HK$2,615,000 (2009: HK$900,000) and HK$2,956,000 (2009: HK$5,571,000), respectively.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts or financial statements:

	2010 HK$'000	2009 HK$'000
Assets	**618,498**	677,913
Liabilities	**(424,212)**	(425,276)
Revenues	**999,109**	761,643
Profit	**87,346**	52,943

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21. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong listed equity investment, at fair value	**405,394**	155,269

During the year, the gross gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK$406,184,000 (2009: HK$105,398,000), of which HK$139,570,000 (2009: Nil) was reclassified from other comprehensive income to the income statement for the year upon partial disposal of the investment.

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

22. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**90,412**	72,439
Work in progress	**111,189**	106,622
Finished goods	**716,728**	570,779
	918,329	749,840

At 31 December 2010, the Group's inventories with a carrying amount of HK$79,006,000 (2009: HK$98,341,000) were pledged as security for the Group's bank loans, as further detailed in note 29 to the financial statements.

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23. TRADE AND BILLS RECEIVABLES

	Group 2010 HK$'000	2009 HK$'000
Trade receivables	**398,766**	357,187
Bills receivable	**51,995**	136,016
Impairment	**(8,642)**	(5,671)
	442,119	487,532

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.

The bills receivable aged less than four months at the end of the reporting period. An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date and net of impairment, is as follows:

	Group 2010 HK$'000	2009 HK$'000
Current	**263,484**	277,964
Less than 4 months	**117,362**	67,104
4 to 6 months	**3,576**	4,258
Over 6 months	**5,702**	2,190
	390,124	351,516

The movements in provision for impairment of trade receivables are as follows:

	Group 2010 HK$'000	2009 HK$'000
At 1 January	**5,671**	5,098
Impairment losses recognised (note 7)	**2,971**	943
Amount written off as uncollectible	**–**	(370)
At 31 December	**8,642**	5,671

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23. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$8,642,000 (2009: HK$5,671,000) with a carrying amount before provision of HK$8,642,000 (2009: HK$5,671,000). The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**263,484**	277,964
Less than 6 months past due	**120,938**	71,362
Due more than 6 months	**5,702**	2,190
	390,124	351,516

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.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Derivative financial assets – Forward currency contracts	**–**	157

During the year ended 31 December 2009, the Group entered into forward currency contracts to manage its foreign currency risk exposures which did not meet the criteria for hedge accounting. Losses on changes in the fair value of non-hedging currency derivatives amounting to HK$1,137,000 were debited to the income statement for the year ended 31 December 2009.

NOTES TO FINANCIAL STATEMENTS

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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 2010 HK$'000	Maximum amount outstanding during the year HK$'000	Balance at 1 January 2010 HK$'000
G.S. Property Management Limited	**39**	227	227
Golden Sunshine Enterprises Limited	**19**	140	140
Harbour Guide Limited	**73**	957	214
Gloryear Management Limited	**630**	664	574
Rank Profit Industries Limited	**1,547**	2,933	2,933
	2,308		4,088

All of the above companies are controlled by Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan, both being 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 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2010 HK$'000	2009 HK$'000
Listed equity investment, at market value:		
Hong Kong	**12,018**	–

The above equity investment at 31 December 2010 was classified as held for trading.

The fair value of the above investment was determined based on quoted prices in the market.

NOTES TO FINANCIAL STATEMENTS

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27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2010	2009	**2010**	2009
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**915,430**	764,756	**10,848**	65,514
Time deposits		**825,412**	551,390	**599,818**	349,094
		1,740,842	1,316,146	**610,666**	414,608
Less: Bank balances and time deposits pledged for bank overdrafts and long term bank loan facilities	29	**(28,799)**	(24,508)	**–**	–
Cash and cash equivalents		**1,712,043**	1,291,638	**610,666**	414,608

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$663,812,000 (2009: HK$506,786,000). 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.

28. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on payment due date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Less than 4 months	**827,252**	637,441
4 to 6 months	**7,185**	4,167
Over 6 months	**4,224**	4,156
	838,661	645,764

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

NOTES TO FINANCIAL STATEMENTS

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29. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group – 2010

	Effective contractual interest rate (%)	Maturity	HK$'000
Current			
Finance lease payables (note 30)	3.50 – 8.66	2011	177
Bank overdrafts – unsecured	Prime – Prime+0.5	On demand	10,165
Bank overdrafts – secured	11.75	On demand	31,860
Bank loans – unsecured	1.25 – 7.60	2011	79,902
Bank loans – secured	HIBOR+1	2011	79,781
Advances from banks as consideration for the discounted bills – secured	LIBOR+0.75	2011	509
Trust receipt loans – secured	LIBOR+0.75	2011	22,924
			225,318
Non-current			
Finance lease payables (note 30)	3.50 – 8.66	2012 – 2015	568
			225,886

NOTES TO FINANCIAL STATEMENTS

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

Group – 2009

	Effective contractual interest rate (%)	Maturity	HK$'000
Current			
Finance lease payables (note 30)	4.25 – 8.66	2010	192
Bank overdrafts – unsecured	Prime – Prime+0.5	On demand	13,841
Bank overdrafts – secured	11.75	On demand	27,457
Bank loan – unsecured	5.346	2010	18,317
Bank loans – secured	HIBOR+0.75	2010	73,095
Other loan – unsecured	0.55	2010	2,728
Advances from banks as consideration for the discounted bills – secured	LIBOR+0.75	2010	6,661
Trust receipt loans – secured	LIBOR+0.75	2010	46,400
			188,691
Non-current			
Finance lease payables (note 30)	4.25 – 8.66	2011 – 2012	207
Bank loans – secured	12.75	2011	264
			471
			189,162

NOTES TO FINANCIAL STATEMENTS

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

	Group	
	2010	2009
	HK$'000	HK$'000
Analysed into:		
Bank and other loans, trust receipt loans and overdrafts repayable:		
Within one year or on demand	**225,141**	188,499
In the second year	**–**	264
	225,141	188,763
Finance leases repayable:		
Within one year or on demand	**177**	192
In the second year	**289**	60
In the third to fifth years, inclusive	**279**	147
	745	399
	225,886	189,162

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 end of the reporting period of HK$186,569,000 (2009: HK$117,769,000);

(ii) mortgages over certain of the Group's plant and machinery which had an aggregate carrying value at the end of the reporting period of HK$2,681,000 (2009: HK$3,294,000);

(iii) mortgages over the Group's investment properties which had an aggregate carrying value of HK$48,667,000 as at 31 December 2009;

(iv) certain bank deposits at the end of the reporting period of HK$28,799,000 (2009: HK$24,508,000); and

(v) floating charges over certain of the Group's inventories with an aggregate carrying amount at the end of the reporting period of HK$79,006,000 (2009: HK$98,341,000).

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

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30. 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 one to four years.

At 31 December 2010, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**226**	256	**177**	192
In the second year	**316**	76	**289**	60
In the third to fifth years, inclusive	**299**	152	**279**	147
Total minimum finance lease payments	**841**	484	**745**	399
Future finance charges	**(96)**	(85)		
Total net finance lease payables	**745**	399		
Portion classified as current liabilities (note 29)	**(177)**	(192)		
Non-current portion (note 29)	**568**	207		

31. LONG TERM LOANS FROM NON-CONTROLLING SHAREHOLDERS

The long term loans from non-controlling shareholders are unsecured, interest-free and are repayable beyond one year.

NOTES TO FINANCIAL STATEMENTS

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32. DEFERRED TAX

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

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**369**	358	**19,458**	19,154	**19,827**	19,512
Deferred tax charged/(credited) to the income statement during the year (note 10)	**56**	–	**(115)**	304	**(59)**	304
Exchange differences	**6**	11	**–**	–	**6**	11
Gross deferred tax liabilities at 31 December	**431**	369	**19,343**	19,458	**19,774**	19,827

Deferred tax assets

Group

	Provisions	
	2010	2009
	HK$'000	HK$'000
At 1 January	**17,583**	14,369
Deferred tax credited/(charged) to the income statement during the year (note 10)	**13,941**	(911)
Exchange differences	**4,193**	4,125
Gross deferred tax assets at 31 December	**35,717**	17,583

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32. DEFERRED TAX *(CONTINUED)*

The Group has tax losses arising in Hong Kong of HK$31,707,000 (2009: HK$31,375,000) 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and the jointly-controlled entity established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$325,548,000 at 31 December 2010 (2009: HK$240,432,000).

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

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33. SHARE CAPITAL

Shares

	Number of ordinary shares		Company	
	2010	2009	**2010**	2009
	’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**	1,059,414	**105,941**	105,941

34. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) which was adopted by the Company on 1 September 2005. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years from the date of adoption.

The purpose of the 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 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 Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme in any 12-month period is limited to 1% of the ordinary shares of the Company in issue.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

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 quotation 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.

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34. SHARE OPTION SCHEME *(CONTINUED)*

The following share options were granted to an employee and were outstanding under the Scheme during the year:

	2010		2009	
	Weighted average subscription price	**Number of options**	Weighted average subscription price	Number of options
	HK$	**'000**	HK$	'000
At 1 January	**3.310**	**2,000**	3.310	2,000
Granted during the year	**3.320**	**2,000**	–	–
At 31 December	**3.315**	**4,000**	3.310	2,000

No share options were exercised during the years ended 31 December 2010 and 31 December 2009.

Particulars of the share options outstanding as at the end of the reporting period are as follows:

Grant date	Number of options 2010 '000	Number of options 2009 '000	Subscription price* HK$ per share	Closing price on the date of grant HK$ per share	Fully vested by	Exercise period
23 September 2008	**2,000**	2,000	3.31	3.15	23 September 2010	1-10-2010 to 22-9-2018
8 October 2010	**2,000**	–	3.32	3.32	8 October 2014	8-10-2014 to 7-10-2020
	4,000	2,000				

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

The fair value of the share options granted during the year was HK$855,000 (HK$0.428 each) (2009: Nil).

The Group recognised a share option expense of HK$272,000 (2009: HK$291,000) during the year ended 31 December 2010.

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34. SHARE OPTION SCHEME *(CONTINUED)*

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2010
Dividend yield (%)	**7.26**
Expected volatility (%)	**32**
Historical volatility (%)	**32**
Risk-free interest rate (%)	**1.58**
Expected life of options (year)	**7**
Weighted average share price (HK$)	**3.12**

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 4,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,000,000 additional ordinary shares of the Company and additional share capital of HK$400,000 and share premium of HK$12,860,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 4,000,000 share options outstanding under the Scheme, which represented approximately 0.38% of the Company's shares in issue as at that date.

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35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 49 to 52 of the financial statements.

The Group's contributed surplus represents the excess of 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.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2009		384,521	377,567	73	111,438	873,599
Total comprehensive income for the year	11	–	–	–	180,907	180,907
Equity-settled share option arrangement	34	–	–	291	–	291
Interim 2009 dividend	12	–	–	–	(42,377)	(42,377)
Proposed final 2009 dividend	12	–	–	–	(138,889)	(138,889)
At 31 December 2009 and at 1 January 2010		384,521	377,567	364	111,079	873,531
Total comprehensive income for the year	11	–	–	–	277,440	277,440
Equity-settled share option arrangement	34	–	–	272	–	272
Interim 2010 dividend	12	–	–	–	(42,377)	(42,377)
Proposed final 2010 dividend	12	–	–	–	(175,863)	(175,863)
At 31 December 2010		384,521	377,567	636	170,279	933,003

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.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

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36. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank guarantees provided for facilities granted to subsidiaries	**–**	–	**660,684**	635,320
Extent of the guaranteed facilities utilised by subsidiaries	**–**	–	**8,942**	8,321

(b) In prior years, 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. The Subsidiaries were requested by the IRD for additional taxes. In addition, the Subsidiaries were found by the District Court liable to pay the Commissioner of the IRD of HK$115,111,000 (of which HK$60,414,000 is attributable to the equity holders of the Company), which represented a portion of the above additional taxes. The investigation together with additional assessments by the IRD are under vigorous objection by the Subsidiaries and are not yet finalised at the date on which these financial statements were approved.

Management of the Subsidiaries believes 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 presently available information, believe that the amount of additional taxes to be shared by the Group would not have any material adverse impact on 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 financial statements.

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37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At the end of each reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**–**	4,781
In the second to fifth years, inclusive	**–**	3,106
	–	7,887

(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 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**618,343**	534,403
In the second to fifth years, inclusive	**1,034,847**	954,188
After five years	**204,327**	196,781
	1,857,517	1,685,372

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38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for:		
Plant and machinery	**8,757**	–
Motor vehicle	**–**	538
Construction in progress	**–**	139
	8,757	677
Authorised, but not contracted for:		
Plant and machinery	**68**	–
Construction in progress	**–**	2,836
	8,825	3,513

At the end of the reporting period, neither the Group nor the Company had any significant commitments.

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39. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	Group 2010 HK$'000	Group 2009 HK$'000
Sales of goods to associates	(i)	**322**	593
Purchases of goods from associates	(ii)	**23,983**	17,278
Rental expenses paid to Companies controlled by certain directors of the Company	(iii)	**13,549**	12,383
Rental expenses paid to sons of a director of the Company	(iii)	**159**	–
Management fees paid to companies controlled by certain directors of the Company	(iv)	**1,939**	1,920

Notes:

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

(ii) The purchases of goods from associates were made according to terms and conditions comparable to those offered to other customers of the associates.

(iii) The rental expenses were charged according to rental agreements which were based on the prevailing open market rentals.

(iv) The management fees were charged according to the management services agreements signed between the parties having regard to the cost of services provided.

(b) Outstanding balances with related parties:

(i) As disclosed in the consolidated statement of financial position, the Group had outstanding receivables from its related companies of HK$2,308,000 (2009: HK$4,088,000) as at the end of the reporting period. The receivables are unsecured, interest-free and have no fixed terms of repayment.

(ii) The balances with associates and a jointly-controlled entity are unsecured, interest-free and have no fixed terms of repayment.

(iii) Details of the Group's long term loans from its non-controlling shareholders are included in note 31 to the financial statements.

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

	Group 2010 HK$'000	Group 2009 HK$'000
Short term employee benefits	**38,347**	41,842
Post-employment benefit	**800**	759
Total compensation paid to key management personnel	**39,147**	42,601

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

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40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group – 2010

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investment	–	–	405,394	405,394
Trade and bills receivables	–	442,119	–	442,119
Financial assets included in prepayments, deposits and other receivables	–	206,612	–	206,612
Due from related companies	–	2,308	–	2,308
Due from associates	–	1,285	–	1,285
Equity investment at fair value through profit or loss	12,018	–	–	12,018
Pledged deposits	–	28,799	–	28,799
Cash and cash equivalents	–	1,712,043	–	1,712,043
	12,018	2,393,166	405,394	2,810,578

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	838,661
Financial liabilities included in other payables and accruals	480,922
Due to associates	10,624
Interest-bearing bank and other borrowings	225,886
Long term loans from non-controlling shareholders	9,400
	1,565,493

NOTES TO FINANCIAL STATEMENTS

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40. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

Group – 2009

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investment	–	–	155,269	155,269
Trade and bills receivables	–	487,532	–	487,532
Financial assets included in prepayments, deposits and other receivables	–	168,544	–	168,544
Derivative financial instruments	157	–	–	157
Due from related companies	–	4,088	–	4,088
Due from associates	–	1,266	–	1,266
Pledged deposits	–	24,508	–	24,508
Cash and cash equivalents	–	1,291,638	–	1,291,638
	157	1,977,576	155,269	2,133,002

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	645,764
Financial liabilities included in other payables and accruals	463,721
Due to a jointly-controlled entity	9,921
Due to associates	7,013
Interest-bearing bank and other borrowings	189,162
Long term loans from non-controlling shareholders	9,400
	1,324,981

NOTES TO FINANCIAL STATEMENTS

31 December 2010

40. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

Company

Financial assets

	Loans and receivables	
	2010	2009
	HK$'000	HK$'000
Other receivables	**119**	10
Cash and cash equivalents	**610,666**	414,608
	610,785	414,618

Financial liabilities

	Financial liabilities at amortised cost	
	2010	2009
	HK$'000	HK$'000
Other payables and accruals	**192**	186

41. FAIR VALUE AND FAIR VALUE HIERARCHY

At the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Trade and bills receivables, financial assets included in prepayments, deposits and other receivables, amounts due from/to subsidiaries, related parties, a jointly-controlled entity and associates, pledged deposits, cash and cash equivalents, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of finance lease payables, interest-bearing bank and other borrowings and long term loans from non-controlling shareholders have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices.

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41. FAIR VALUE AND FAIR VALUE HIERARCHY *(CONTINUED)*

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

2010

	Level 1 HK$'000	**Level 2 HK$'000**	**Total HK$'000**
Available-for-sale equity investment	**405,394**	**–**	**405,394**
Equity investment at fair value through profit or loss	**12,018**	**–**	**12,018**
	417,412	**–**	**417,412**

2009

	Level 1 HK$'000	**Level 2** HK$'000	**Total** HK$'000
Available-for-sale equity investment	155,269	–	155,269
Derivative financial instruments	–	157	157
	155,269	157	155,426

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009: Nil).

NOTES TO FINANCIAL STATEMENTS

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are 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 end of the reporting period was outstanding for the whole year, a 50 basis-point increase/decrease in interest rates at 31 December 2010 and 2009 would have decreased/increased the Group's profit before tax by HK$542,000 and HK$790,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

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 2010 and 2009 would have increased/decreased the Group's profit before tax by HK$4,560,000 and HK$3,804,000, respectively. The sensitivity to the 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 exposures arising from sales and purchases by operating units in currencies other than the units' functional currency, mostly in United States dollars. As the Hong Kong dollar is pegged to the United States dollar, the Group does not anticipate significant movements in the exchange rate. The Group monitors the foreign exchange rate risk on an ongoing basis, and the Group also enters into foreign contracts to hedge the foreign currency risk.

NOTES TO FINANCIAL STATEMENTS

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

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, an available-for-sale financial investment, amounts due from associates and related companies, other receivables and derivative financial 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 23 to the financial statements.

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 inflows from the relevant assets acquired to ensure proper funding.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group – 2010

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	–	838,661	–	–	838,661
Financial liabilities included in other payables and accruals	–	480,922	–	–	480,922
Due to associates	–	10,624	–	–	10,624
Finance lease payables	–	226	615	–	841
Interest-bearing bank and other borrowings	42,025	184,254	–	–	226,279
Long term loans from non-controlling shareholders	–	–	–	9,400	9,400
	42,025	1,514,687	615	9,400	1,566,727

Group – 2009

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	–	645,764	–	–	645,764
Financial liabilities included in other payables and accruals	–	463,721	–	–	463,721
Due to a jointly-controlled entity	–	9,921	–	–	9,921
Due to associates	13	7,000	–	–	7,013
Finance lease payables	–	256	228	–	484
Interest-bearing bank and other borrowings	41,298	148,940	298	–	190,536
Long term loans from non-controlling shareholders	–	–	–	9,400	9,400
	41,311	1,275,602	526	9,400	1,326,839

NOTES TO FINANCIAL STATEMENTS

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

Liquidity risk *(continued)*

Company

	Less than 12 months	
	2010	2009
	HK$'000	HK$'000
Other payables and accruals	**192**	186

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 its available-for-sale investment (note 21) and equity investment at fair value through profit or loss (note 26) as at 31 December 2010. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period.

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

	31 December 2010	**High/low 2010**	31 December 2009	High/low 2009
Hong Kong – Hang Seng Index	**23,035**	**24,989/18,972**	21,873	23,100/11,345

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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

Equity price risk *(continued)*

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investment, with all other variables held constant and before any impact on tax, based on its carrying amount at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investment 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
2010			
Investment listed in:			
Hong Kong			
– Available-for-sale	**405,394**	**–**	**40,539**
– Held-for-trading	**12,018**	**1,202**	**–**
2009			
Investment listed in:			
Hong Kong – Available-for-sale	155,269	–	15,527

* Excluding retained profits

Capital management

The primary objectives of the Group's capital management are 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 shareholders' 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 for managing capital during the years ended 31 December 2010 and 31 December 2009.

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

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity plus total borrowings. Total borrowings include interest-bearing bank and other borrowings and long term loans from non-controlling 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 end of the reporting periods were as follows:

Group

	2010	2009
	HK$'000	HK$'000
Interest-bearing bank and other borrowings (note 29)	**225,886**	189,162
Long term loans from non-controlling shareholders	**9,400**	9,400
Total borrowings	**235,286**	198,562
Total shareholders' equity	**2,572,286**	2,071,079
Total borrowings and total shareholders' equity	**2,807,572**	2,269,641
Gearing ratio	**8.4%**	8.7%

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43. 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/ registered capital	Percentage of equity attributable to the Group 2010	2009	Principal activities
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
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

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43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2010	2009	Principal activities
Jeanswest International (H.K.) Limited	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	**100**	100	Retail of apparel in Mainland China
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
Advancetex Fashion Garment Mfy. (Hui Zhou) Limited**	Mainland China	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
Gennon Industries Limited	Hong Kong	HK$10,000 Ordinary	**100**	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2010

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2010	2009	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	Macao	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
惠州新安製衣廠有限公司***	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$194,895,600	**50.4**	50.4	Provision of dyeing and knitting services
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

NOTES TO FINANCIAL STATEMENTS

31 December 2010

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

* Directly held by the Company.

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

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

\# Not audited by Ernst & Young, Hong Kong or another member firm of the 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.

44. EVENT AFTER THE REPORTING PERIOD

At 31 December 2010, two of the Group's leasehold land and buildings located in the Mainland China with an aggregate carrying amount of HK$118,393,000 were in the progress of resumption by the local governments for re-development. Subsequent to the year end on 7 January 2011, a cash compensation of HK$131,250,000 was agreed with the local government for one of the leasehold land and buildings with a carrying amount of HK$63,135,000 and is expected to result in a gain on disposal before tax of HK$68,115,000. For the remaining leasehold land and buildings with a carrying amount of HK$55,258,000, the Group was still under negotiation with the relevant governmental authorities and the final terms of compensation is expected to be agreed upon in mid 2011.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2011.

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.

	2010 **HK$'000**	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
REVENUE	**6,186,864**	5,767,808	5,573,751	4,783,880	4,397,359
Operating profit*	**388,010**	318,555	188,650	629,402	362,294
Share of profits and losses of jointly-controlled entities and associates	**40,640**	24,816	3,758	8,987	28,950
Profit before tax	**428,650**	343,371	192,408	638,389	391,244
Tax	**(71,354)**	(67,444)	(94,386)	(85,114)	(77,586)
Profit for the year	**357,296**	275,927	98,022	553,275	313,658
Attributable to:					
Ordinary equity holders of the Company	**363,475**	259,538	84,718	515,749	271,582
Non-controlling interests	**(6,179)**	16,389	13,304	37,526	42,076
	357,296	275,927	98,022	553,275	313,658

* Concerning the financial impacts of the Group's investment in G.S-i.t Limited ("GS-it"), an ex-associate of the Group, and I.T Limtied ("IT"), a listed company in Hong Kong, in the past years, the Group had disposed of its equity interest in GS-it in 2007 in return for 9% equity interest in IT as part of the consideration and recorded a gain on disposal of HK$265,686,000. Due to the financial crisis in 2008, the Group had recorded an impairment loss on available-for-sale investment of HK$214,396,000 in the consolidated income statement for the shares in IT. In 2010, the Group had disposed of partial shares in IT and thus recorded a net gain of HK$137,734,000.

FINANCIAL SUMMARY *(CONTINUED)*

A summary of the published assets, liabilities and non-controlling 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.

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Property, plant and equipment	**1,001,923**	974,903	917,081	777,291	737,086
Investment properties	**–**	52,667	51,111	40,367	21,433
Prepaid land lease payments	**18,392**	18,460	18,937	17,863	17,510
Goodwill	**39,048**	36,119	30,388	38,612	38,612
Investments in jointly-controlled entities and associates	**115,017**	154,718	136,806	169,189	246,914
Available-for-sale investment	**405,394**	155,269	49,871	298,200	–
Financial asset at fair value through profit or loss	**–**	–	–	24,511	–
Deposit paid for purchase of a property	**–**	–	11,430	–	–
Deferred tax assets	**35,717**	17,583	14,369	18,434	16,966
Current assets	**3,559,801**	2,891,418	3,011,081	2,751,489	2,656,042
TOTAL ASSETS	**5,175,292**	4,301,137	4,241,074	4,135,956	3,734,563
Current liabilities	**2,428,245**	2,049,617	2,230,120	1,918,323	1,855,989
Interest-bearing bank and other borrowings (non-current portion)	**568**	471	953	1,102	671
Long term loans from non-controlling shareholders	**9,400**	9,400	9,400	9,400	9,400
Deferred tax liabilities	**19,774**	19,827	19,512	374	269
TOTAL LIABILITIES	**2,457,987**	2,079,315	2,259,985	1,929,199	1,866,329
NET ASSETS	**2,717,305**	2,221,822	1,981,089	2,206,757	1,868,234
NON-CONTROLLING INTERESTS	**145,019**	150,743	138,497	148,924	145,232