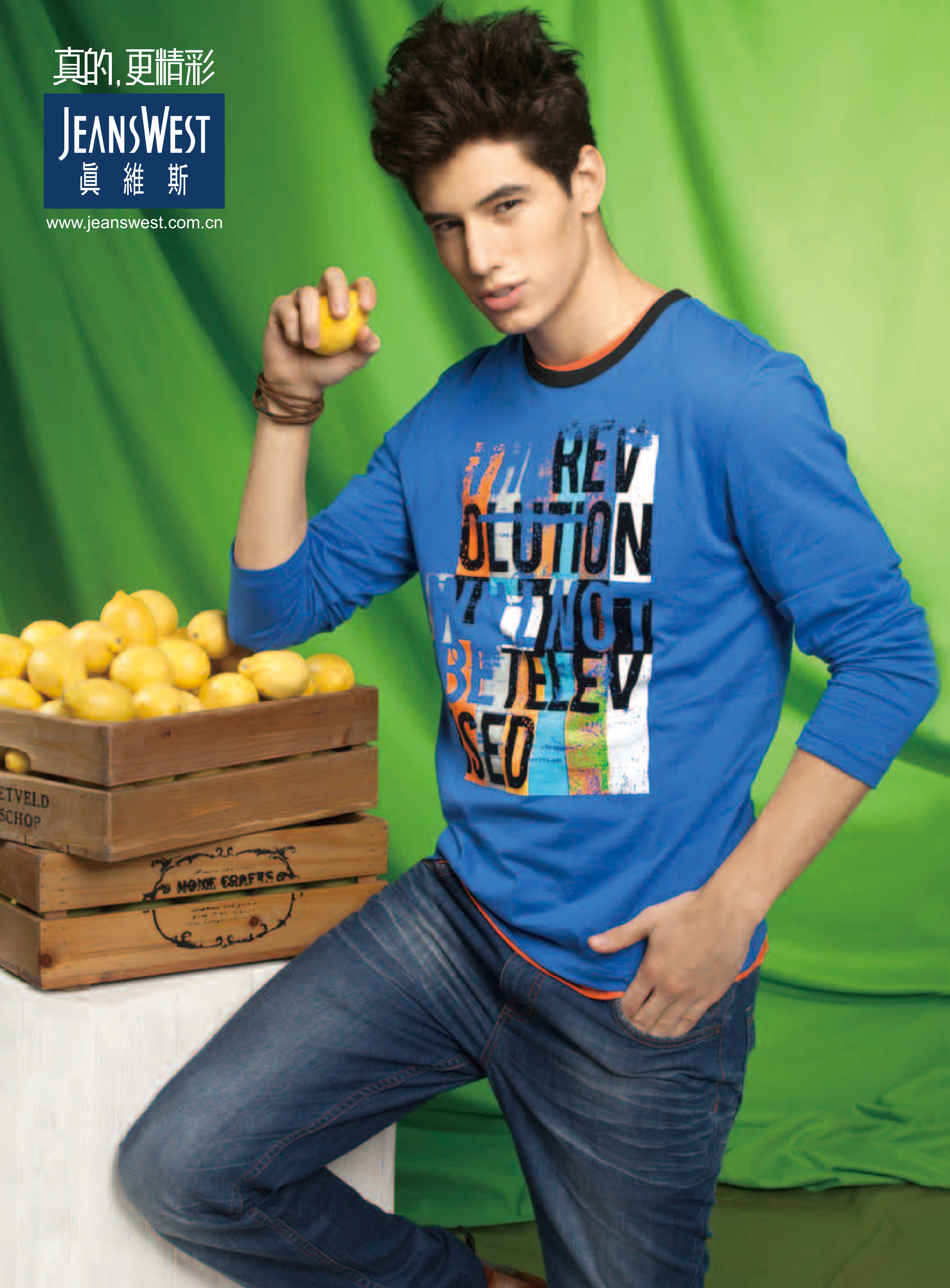
Stock Code : 393

GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2011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JEANSWEST
眞維斯
www.jeanswest.com.cn

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
Dr. 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 Dynasty I, 7th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 1 June 2012 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 2011.

(2) To declare the final dividend for the year ended 31 December 2011.

(3) (A) To elect each of the following directors by separate resolutions:

i. Mr. Yeung Chun Kam as an executive director of the Company;

ii. Mr. Yeung Chun Ho as an executive director of the Company;

iii. Mr. Hui Chung Shing, Herman as an executive director of the Company;

iv. Mr. Chan Wing Kan, Archie as an executive director of the Company; and

v. Mr. Wong Man Kong, Peter as an independent non-executive director of the Company;

(B) 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 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)."

NOTICE OF ANNUAL GENERAL MEETING

(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

(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, 24 April 2012

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

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

2. A form of proxy for the meeting is enclosed. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's principal place of business at 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.

3. The register of members of the Company will be closed from Wednesday, 30 May 2012 to Friday, 1 June 2012, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents 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, 29 May 2012.

4. The register of members of the Company will also be closed from Thursday, 7 June 2012 to Monday, 11 June 2012, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with 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 Wednesday, 6 June 2012.

5. In relation to agenda item No. (3)(A) in this Notice regarding election of directors, in accordance with bye-law 110(A) of the Company's Bye-laws, Dr. Charles Yeung, SBS, JP, shall not be subject to retirement by rotation. However, in view of good corporate governance practices and in compliance of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Dr. Charles Yeung, SBS, JP will voluntarily retire from his office and offer himself for re-election at the forthcoming annual general meeting of the Company. Mr. Yeung Chun Ho, Mr. Hui Chung Shing, Herman, BBS, MH, JP and Mr. Chan Wing Kan, Archie 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. Mr. Wong Man Kong, Peter, BBS, JP will also retire at the forthcoming annual general meeting of the Company at which his term of appointment will expire, and he is eligible for re-election.

6. 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.

7. The amount of emoluments paid for the year ended 31 December 2011 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.

8. 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 8 and in paragraphs 5 to 7 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 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.

    8.1 Dr. Yeung Chun Kam, SBS, JP, alias Charles Yeung, aged 65, is the Chairman and an executive director of the Company, a brother of Mr. Yeung Chun Fan and Mr. Yeung Chun Ho. As at 16 April 2012, being the latest practicable date prior to the printing of this notice (the "latest practicable date"), Dr. Charles Yeung, SBS, JP is deemed to hold 572,082,000 shares of the Company (being 414,842,000 shares (of which interests in 4,000,000 shares were short position) were held by Glorious Sun Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan), 138,540,000 shares were held by Advancetex Holdings (BVI) Limited (the entire issued voting share capital of which was held as to 51.934% by Dr. Charles Yeung, SBS, JP and as to 48.066% by Mr. Yeung Chun Fan) and 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), 16,000,000 shares were held by Dr. Charles Yeung, SBS, JP and Yeung Chun Fan jointly) within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO").

NOTICE OF ANNUAL GENERAL MEETING

Dr. Charles Yeung, SBS, JP was a 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 Dr. Charles Yeung, SBS, JP 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 Dr. Charles Yeung, SBS, JP in Generra Sportswear Company, Inc. for fraud, negligence or any conduct of dishonesty.

8.2 Mr. Yeung Chun Ho, aged 67, is an executive director of the Company, a brother of Dr. Charles Yeung, SBS, JP and Mr. Yeung Chun Fan. Mr. Yeung Chun Ho's interests 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.

8.3 Mr. Hui Chung Shing, Herman, BBS, MH, JP aged 61, is an executive director of the Company and his interests in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in this annual report and remain unchanged as at the latest practicable date.

Mr. Hui was a non-executive director of (i) Generra Sportswear Company, Inc. (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited and (iii) Generra Production Corporation). These three companies were dissolved as disclosed in paragraph 8.1 above. At all material time Mr. Hui had no duty in the day-to-day operations of Generra Sportswear Company, Inc. and so far, no allegation has been made against Mr. Hui in that company for fraud, negligence or any conduct of dishonesty.

8.4 Mr. Chan Wing Kan, Archie, aged 65, is an executive director of the Company. Mr. Chan was a non-executive director of (i) Generra Sportswear Company, Inc. (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited and (iii) Generra Production Corporation). These three companies were dissolved as disclosed in paragraph 8.1 above. At all material time Mr. Chan had no duty in the day-to-day operations of Generra Sportswear Company, Inc. and so far, no allegation has been made against Mr. Chan in that company for fraud, negligence or any conduct of dishonesty. Mr. Chan does not have any interest in the shares of the Company.

8.5 Mr. Wong Man Kong, Peter, BBS, JP, aged 63, is an independent non-executive director of the Company. Mr. Wong is also a director of Hong Kong Ferry (Holdings) Co. Ltd., China Travel International Investment Hong Kong Limited, Sun Hung Kai & Co. Limited, Chinney Investments, Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited and New Times Energy Corporation Limited. Mr. Wong does not have any interest in the shares of the Company.

Mr. Wong has substantial business experience and particularly in the People's Republic of China and is a highly valued and respected member of the Board. Mr. Wong has provided the Company with confirmation of his independence in accordance with the relevant requirements as set out in Rule 3.13 of the Listing Rules and it is in the belief of the Board that Mr. Wong is independent and is eligible for re-election. Accordingly, the Board is of the view that the re-election of Mr. Wong as an independent non-executive director of the Company is in the interests of the Company notwithstanding that he has served in such capacity for more than nine years.

9. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the meeting will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CHAIRMAN'S STATEMENT

GROUP RESULTS

In the year under review, the world economic development was overwhelmed by the delicate recovery in US and the Euro-Zone sovereign debt crisis that was lingering on the brink of default. Emerging countries were also affected because most of their economies were export-led. Although PRC managed to have 9.2% rise in GDP, the growth momentum decelerated quarterly. The aftermath of the stimulating measures implemented following the financial tsunami unfolded the mounting of regional government debts to RMB10.7 billion, the soaring of real estate prices and general inflation particularly on food cost, drove the central government to keep on tightening the monetary supply. The consequential impact struck the retail market particularly in the second half of the year under review. As a result, the performance of the Group's retail operations in Mainland China was inferior to that of last year. Attributed to the re-adjusted product design approach which regained the support of our patrons since the third quarter of 2010, the Group's retail operations in Australia and New Zealand performed better than last year even under a fairly sluggish retail environment. The lower comparative basis was also one of the reasons.

The Group's consolidated turnover increased by 10.58% but the profit attributable to equity holders reduced by 12.74%. This was mainly caused by the reduced profit made in the Mainland retail operations when compared with that of last year.

CHAIRMAN'S STATEMENT

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

	2011	2010 (Restated)	Changes
(Unit: HK$'000)			
Consolidated sales	**6,841,585**	6,186,864	↑10.58%
of which:			
A. Total retail sales in Mainland China	**4,729,559**	4,158,324	↑13.74%
B. Total retail sales in Australia & New Zealand	**1,228,918**	1,061,629	↑15.76%*
Sub-total	**5,958,477**	5,219,953	↑14.15%
C. Total export sales	**768,628**	807,936	↓4.87%
Profit attributable to ordinary equity holders of the Company	**317,268**	363,608	↓12.74%
(Unit: HK cents)			
Earnings per share (basic)	**29.95**	34.32	↓12.73%
Dividend			
– Final	**16.60**	16.60	–
– Total	**20.60**	20.60	–
(Unit: HK$'000)			
Net cash in hand	**1,425,965**	1,514,955	↓5.87%

* In the year, the Australian dollars exchange rate was volatile. Turnover in Australian dollars just increased 2.90% year-on-year.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK16.60 cents (2010: HK16.60 cents) per share for the year ended 31 December 2011 at the forthcoming annual general meeting to be held on Friday, 1 June 2012. The final dividend amounting to HK$175,863,000, if approved by the shareholders, are to be paid on Tuesday, 19 June 2012 to those shareholders whose names appear on the register of members of the Company on Monday, 11 June 2012.

CHAIRMAN'S STATEMENT

REVIEW OF BUSINESSES

Retailing

At the beginning of the year under review, the market sentiment in the Mainland was quite resilient. The soaring of the ex-factory prices and operational expenses drove Jeanswest to raise its retail price to absorb the additional costs. However, the consumer's response was quite reluctant, as their purchasing power had already been encroached by the continuous increases of living costs especially in food prices. The slow down of the global economic development due to the deepening of the Euro Zone crisis and the prolongation of the enforcement of austere measures in the Mainland turned retail market there lackluster since the beginning of the third quarter. The market environment became even tougher due to the late advent of cold winter weather. Aggressive markdown was the common marketing strategy in the fourth quarter. The Management promptly adjusted operating strategy to cope with the situation and managed to keep the turnover growth in double digits at the expense of a narrow margin shrinkage. The retail market situation in Australia and New Zealand also could not get away from the dismayed global economic development and further hit by the aftermath of local natural disasters. Consumers' spending therefore slowed down. The new strategy implemented since the third quarter in 2010 was warmly accepted in the market and Jeanswest managed to have a better margin on top of a reasonable same store turnover growth.

CHAIRMAN'S STATEMENT

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 3,261 retail shops at the year-end 2011 (2010: 3,009), of which 1,781 (2010: 1,623) were operated under franchise arrangements. For the financial year under review, the Group's aggregate sales from its retail operations amounted to HK$5,958,477,000 (2010: HK$5,219,953,000) representing a year-on-year increase of 14.15%. Contribution from its retail operations to the Group's consolidated sales had increased to 87.09% from 84.37% recorded in the corresponding period in the previous year. Inventory turnover days increased from 54 days to 62 days due to the late coming of cold winter weather and the cool down of retail sentiment in the Mainland.

1. The PRC

i. Jeanswest

The brand name "Jeanswest" still remained the Group's flagship business in Mainland China. In the year under review, the operation costs kept on increasing while the margin shrinking, Jeanswest had to raise its retail price in the second quarter of the year. Even though the product mix was enhanced with trendy touch, the price raising could not turn around the results under the stagflation environment. In the period, the newly opened stores generally could not achieve the sales target. Medium and small enterprises being affected by the tight monetary measures had already stretched their cash flow to its limit. Coupled with the rising of living costs, the consumer spending was dampened. Thus the performance of our franchisees particularly those in the fourth and fifth tier cities were immensely affected. Furthermore the late coming of cold weather brought about the general dumping of merchandise in the market. Management therefore adjusted its marketing strategy accordingly and managed to keep the turnover continuously to grow in double digits but the operation margin was squeezed. Consequently inventory was higher than that of last year.

CHAIRMAN'S STATEMENT

In the year under review, turnover of PRC retails lifted by 13.74% to HK$4,729,559,000 (2010: HK$4,158,324,000), accounting for 69.13% of the Group's consolidated sales. As at 31 December 2011, Jeanswest operated 2,927 stores (2010: 2,671) covering 250 cities in the Mainland, among which 1,710 stores (2010: 1,549) were under franchise arrangements.

ii. *Quiksilver Glorious Sun*

In the period under review, the market competition was fierce. Attributed to the stringent cost control measures and appropriate pricing, the Management managed to safeguard the operating margin and to bring the annual turnover up by 13% when compared to previous year. During the period, in addition to the relocation of some shops in Tsim Sha Tsui, Causeway Bay and Shatin Districts to better locations, new stores were also added in Olympian City, Kowloon Bay and Lok Fu. The retail network in the Mainland had extended to Yaohan Shanghai; Fuzhou, Xiamen, Changsha and Nanning. In addition to the e-shop in taobao.com, Quiksilver Glorious Sun also collaborated with other portal networks to operate e-shops there. The market response was encouraging.

2. Australia and New Zealand

In the financial year under review, except those sectors related to natural resources, all other key businesses in Australia and New Zealand registered lackluster growth. On top of the already significant downside risks both in the US and the Euro Zone, the natural disasters resulted in careful spending of the general consumers as indicated in the rising of saving rate to the record high in the last two decades. Local retailers also suffered from the strong Australian dollars, which inspired more consumers to buy directly from abroad via internet. During the period, Jeanswest strategically improved stronger inter-active communication with its customers to gather information for fine tuning its product design and to strike the number of its loyal patrons to the 1.25 million level by the third quarter of 2010. Jeanswest managed to grow the same store sales by 6% with a better gross margin than the previous year thereby out-performed its competitors in a tough retail environment.

CHAIRMAN'S STATEMENT

For the year under review, turnover of HK$1,228,918,000 (2010: HK$1,061,629,000) was registered in Australia and New Zealand markets showing an increase of 15.76% on year-on-year basis. As at the end of 2011, Jeanswest operated a network of 229 stores (2010: 236) in Australia and New Zealand, among which 6 stores (2010: 6) were under franchise arrangements.

3. Overseas Franchise Operations

In the period, Jeanswest had 44 franchised stores (2010: 42) in Dubai, Oman, Abu Dhabi, Kuwait, Bahrain, Saudi Arabia, Iran, Singapore, Vietnam, Mongolia and Venezuela.

Export

In the year under review, the production costs kept on ascending and the raw material cost soared up due to speculative flipping till the second half of the year. Labour cost and other operation expenses rose endlessly to push up the cost of products. However, the average export price even with upward adjustment was insufficient to absorb the additional costs. The business environment was arduous. The Group's export and manufacturing operations for the first time recorded a loss. Though the amount was trifle, the Management resolutely shut down those factories which did not have the competitive edge and the effect to the Group's performance was immaterial.

For the year, the Group's sales from exports amounted to HK$768,628,000 (2010: HK$807,936,000) slipped 4.87% from last year.

Other Businesses

Products manufactured by our factories in the Mainland China and sold locally to third parties were the principal activity of the Group's other businesses. Its revenue contributed aggregate sales of HK$114,480,000 (2010: HK$158,975,000) showing a decrease of 27.99% year-on-year.

FINANCIAL POSITION

The Group's financial position remained very solid. In the year under review, the Group was in net cash position and 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 2011, the Group employed about 21,000 employees (2010: 26,000). Bonus and share options may be granted based on the Group's results and individual performance from time to time.

CHAIRMAN'S STATEMENT

SOCIAL RESPONSIBILITY

The Management firmly believes that while maximizing returns for shareholders through improvement of profitability, the Group has to take up its social responsibilities. Adhering to stringent environmental protection policies and regulations, the Group also made direct contributions to the society. Every year the Group continues with 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 made donations to Tsinghua University and South China Agricultural University.

PROSPECTS

Looking forward to 2012, global economic prospects appear to be fairly gloomy. Even the Euro Zone crisis can be contained temporarily, the implementation of the de-leveraging measures are expected to push Euro Zone into recession. Recent economic data in the US happened to be quite upbeat but the sustainability of recovery is still a concern. Emerging markets look better. However, most of them just rely on exports to Europe and America as the driving force to grow their economies and will inevitably be affected. Asia including Hong Kong already worries about the withering of exports leading to the shrinking of internal consumption and capital investment. The PRC is expected to uphold its austere measures in the ensuing period but will lean to a marginal easing. The market expects the PRC's GDP growth at 7.5%. Therefore, economic hard landing in the Mainland is no longer an issue. However, the possibly extreme scenario such as the disintegration of Euro Zone or drastic changes of economic policy after the elections in either the PRC, US, Russia or France all bother us. Therefore, prudence is of essence in formulating the Group strategy for 2012. We have to enhance our alertness to the market changes and be flexible to adjust our operations accordingly. To provide our patrons with "value for dollars" products is our commitment. Jeanswest in the Mainland has to further uplift the efficiency along the supply chain so as to compress the production lag time and to reduce the sourcing costs to enable us to provide our customers with good quality stylish apparel at competitive price. Front store services and inventory management have to be further meliorated. In short, the Management will strive for improvement of margin in the ensuing year.

Last year, Jeanswest in Australia and New Zealand performed satisfactorily amidst the lethargic retail sentiment. It is attributed to the improvement of our product design based on the market feedback gathered from the inter-active communication with our patrons. This strategy is proven to be very useful in enticing customers spending and in uplifting our margin. The perseverance of this strategy will be upheld in future. The Management will also upgrade the automation of our logistic system to further reduce our operational cost in 2012.

CHAIRMAN'S STATEMENT

In 2012, Quiksilver Glorious Sun is planning to add more stores in prime tourists shopping areas in Hong Kong. In the Mainland, Quiksilver Glorious Sun will commit more investment in brand building especially before and after the event of "2012 Hainan Riyue Bay International Surfing Festival Presented by Quiksilver" which is a function collaborated with International Surfing Association and Association of Surfing Professionals in Hainan Province.

In respect of the export and manufacturing businesses, the Management expects the operations to have a mild improvement in 2012. It is because the rising of production costs and appreciation of RMB against the US dollars seems to be inhibited. Measures to tighten cost control and uplift efficiency will be re-enforced so as to enhance our competitiveness pending the recovery from the present tough environment. The Management will overhaul or even shut down factories which incurred losses last year.

Barring unforeseen circumstances, the Management is confident that the Group will continue to bring reasonable returns to its shareholders in 2012.

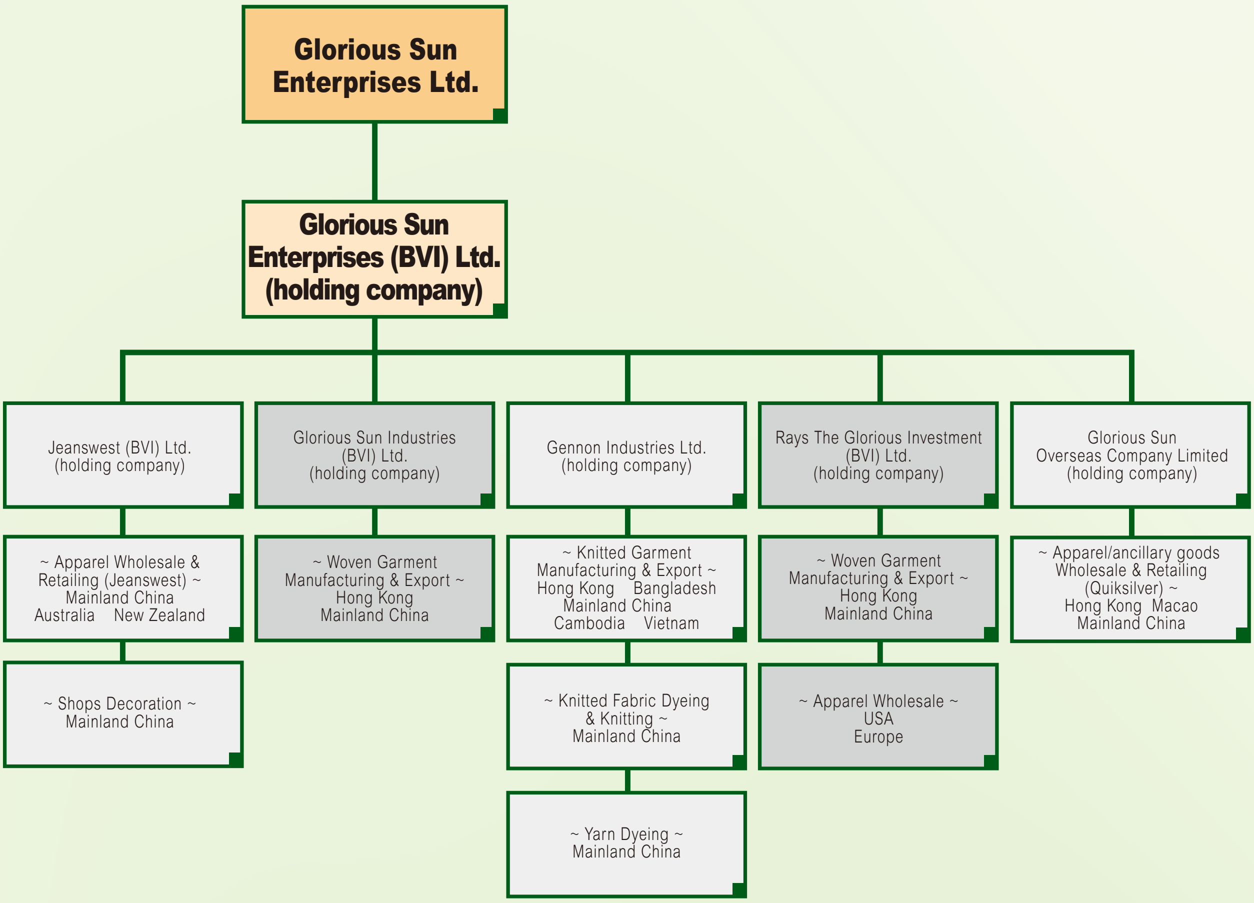
APPRECIATION

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

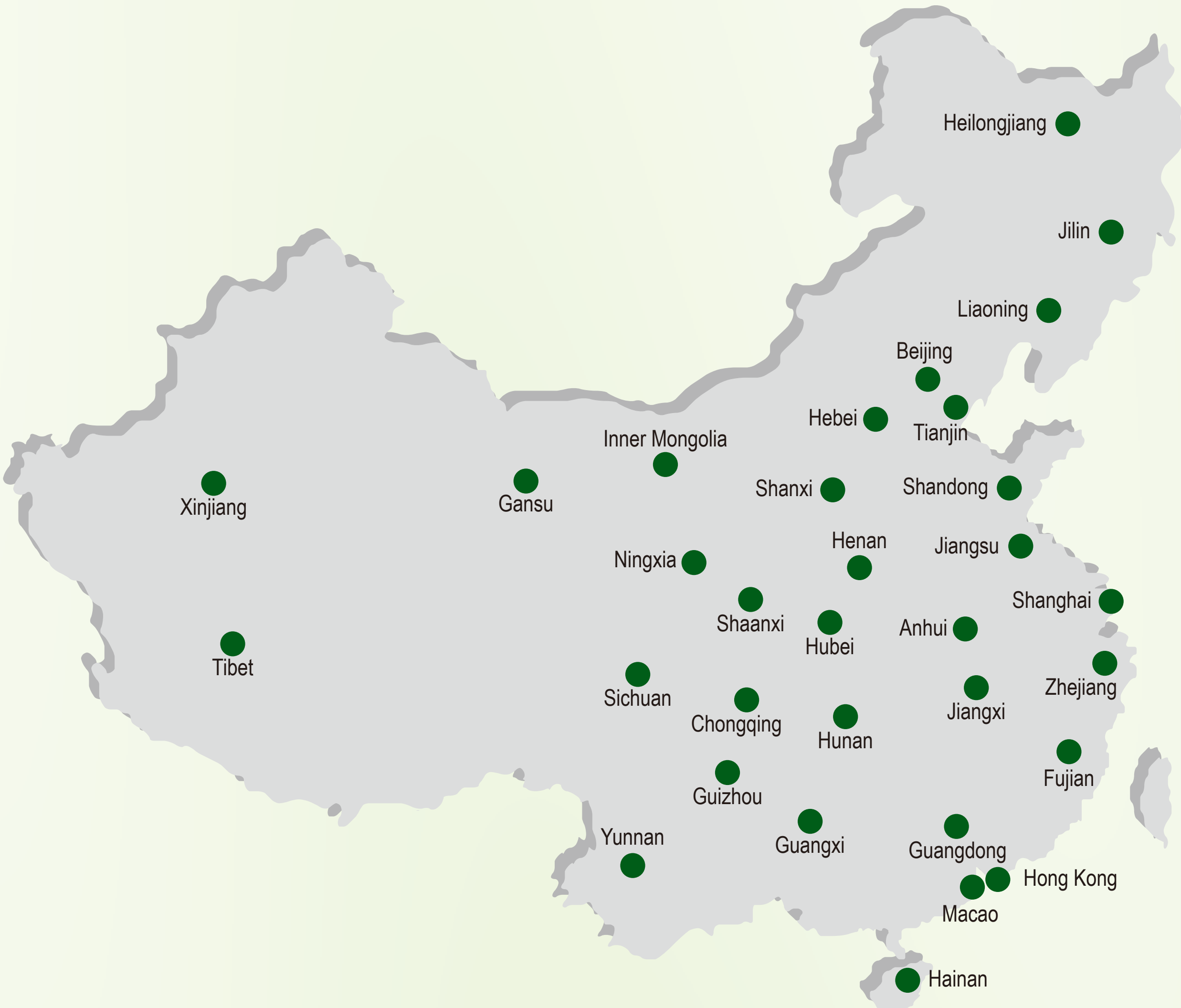
Hong Kong, 23 March 2012

GROUP BUSINESS STRUCTURE



Retail Networks In China

Total no. of shops :	Mainland China	2,956
	Hong Kong	28
	Macao	4
	Total	2,988



Retail Network In Australia And New Zealand

Total no. of shops : 229

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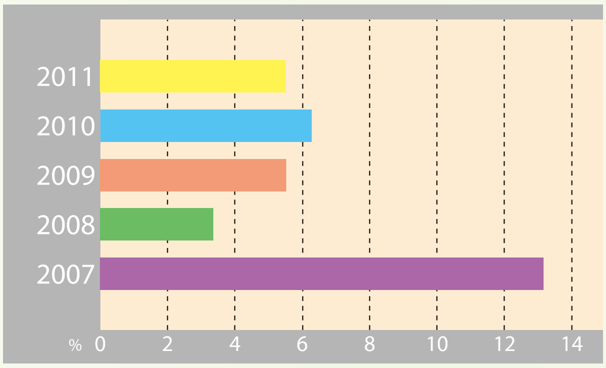
真維斯
www.jeanswest.com.cn

FINANCIAL HIGHLIGHTS

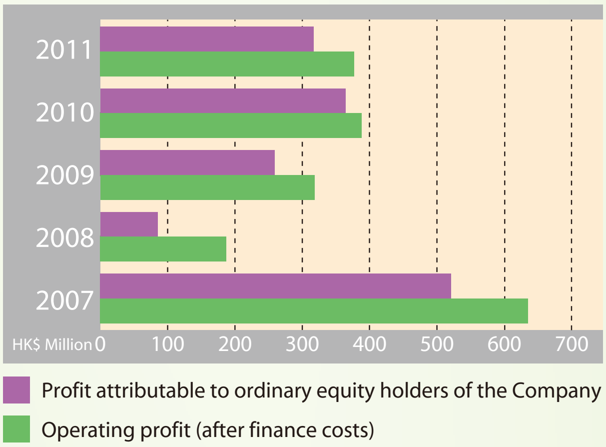
	2011	2010 (Restated)	2009 (Restated)	2008 (Restated)	2007 (Restated)
Revenue (HK$'000)	**6,841,585**	6,186,864	5,767,808	5,573,751	4,783,880
Increase in revenue in percentage	**10.58%**	7.27%	3.48%	16.51%	8.79%
Revenue analysis:					
1. Retail					
a. Mainland China (HK$'000)	**4,729,559**	4,158,324	3,750,275	3,335,253	2,586,631
b. Australia & New Zealand (HK$'000)	**1,228,918**	1,061,629	982,220	1,114,208	1,041,195
2. Export (HK$'000)	**768,628**	807,936	855,904	876,690	938,193
3. Others (HK$'000)	**114,480**	158,975	179,409	247,600	217,861
Operating margin (%)	**5.51%**	6.27%	5.52%	3.36%	13.27%
Profit attributable to ordinary equity holders of the Company (HK$'000)	**317,268**	363,608	259,462	85,387	521,092
Increase/(Decrease) in profit attributable to ordinary equity holders of the Company in percentage	**(12.74%)**	40.14%	203.86%	(83.61%)	94.17%
Equity attributable to ordinary equity holders of the Company (HK$'000)	**2,512,798**	2,504,008	2,003,309	1,775,007	2,040,099
Working capital (HK$'000)	**1,075,451**	1,131,556	841,801	780,961	833,166
Total liabilities to equity ratio	**0.99**	0.97	1.03	1.26	0.95
Net cash/(bank borrowings) to equity ratio	**0.57**	0.61	0.56	0.51	0.50
Current ratio	**1.43**	1.47	1.41	1.35	1.43
Inventory turnover (days)	**62**	54	47	55	50
Return on total assets (%)	**6.18%**	7.16%	6.17%	2.06%	12.67%
Return on equity (%)	**12.63%**	14.52%	12.95%	4.81%	25.54%
Return on sales (%)	**4.64%**	5.88%	4.50%	1.53%	10.89%
Earnings per share (HK cents)					
Basic	**29.95**	34.32	24.49	8.06	49.23
Diluted	**29.95**	34.32	24.49	8.06	49.01
Dividend per share (HK cents)	**20.60**	20.60	17.11	17.11	25.79

FINANCIAL HIGHLIGHTS

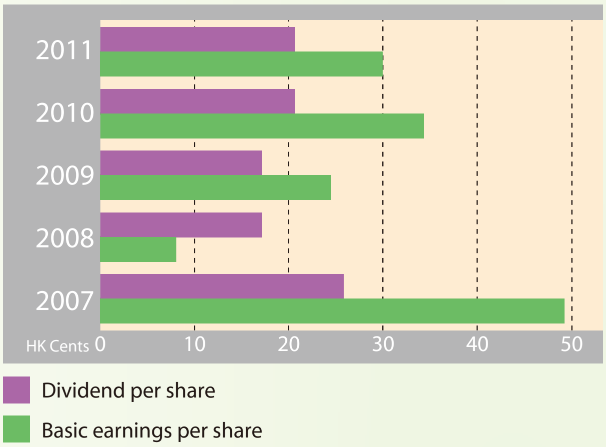
OPERATING MARGIN
(AFTER FINANCE COSTS)



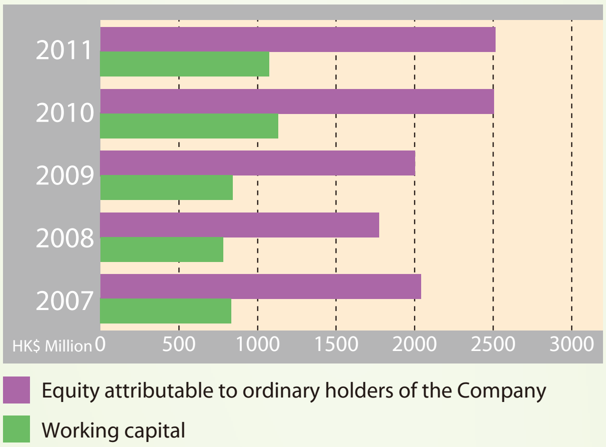
OPERATING PROFIT AND PROFIT ATTRIBUTABLE
TO ORDINARY EQUITY HOLDERS OF THE COMPANY



BASIC EARNINGS PER SHARE AND
DIVIDEND PER SHARE

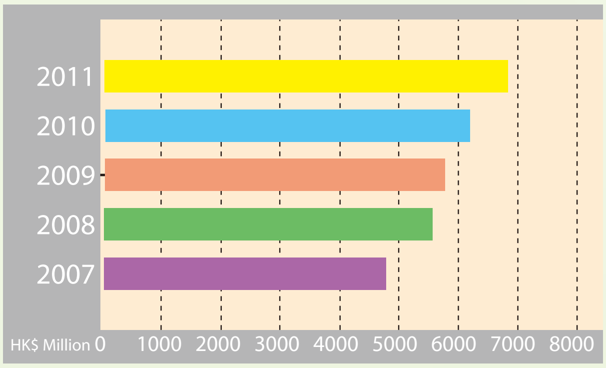


WORKING CAPITAL AND EQUITY ATTRIBUTABLE
TO ORDINARY EQUITY HOLDERS OF THE COMPANY

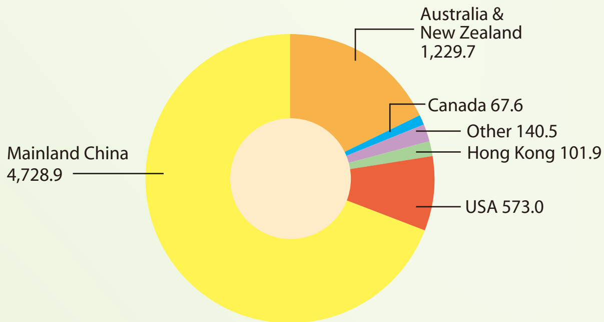


FINANCIAL HIGHLIGHTS

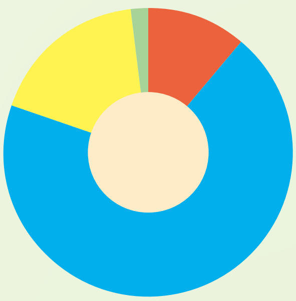
REVENUE (HK$ Million)



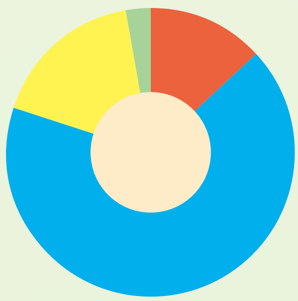
REVENUE BY GEOGRAPHICAL LOCATIONS
(HK$ Million)



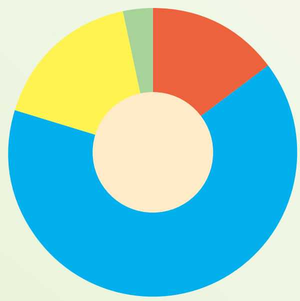
TURNOVER BY ACTIVITIES (HK$ Million)


2011

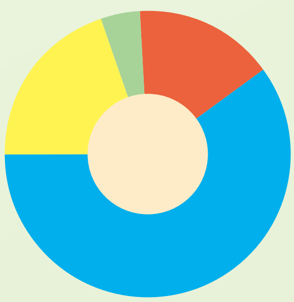
Export	768.6
Retail – Mainland China	4,729.6
Retail – Australia & New Zealand	1,228.9
Other	114.5


2010

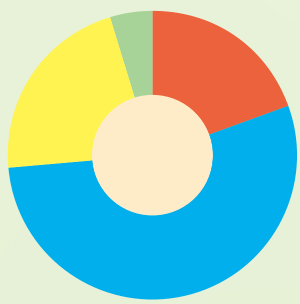
Export	807.9
Retail – Mainland China	4,158.4
Retail – Australia & New Zealand	1,061.6
Other	159.0


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

OPERATION HIGHLIGHTS

Year ended 31 December 2011

RETAIL OPERATION HIGHLIGHTS

	2011	2010	2009	2008	2007
Net sales for the Year (HK$'000)	**5,958,477**	5,219,953	4,732,495	4,449,461	3,627,826
Mainland China	**4,729,559**	4,158,324	3,750,275	3,335,253	2,586,631
Australia & New Zealand	**1,228,918**	1,061,629	982,220	1,114,208	1,041,195
Retail floor area of directly managed shops (sq.ft.)	**1,718,881**	1,557,529	1,422,868	1,355,104	1,116,724
Mainland China	**1,376,922**	1,203,851	1,100,998	1,069,945	859,421
Australia & New Zealand	**341,959**	353,678	321,870	285,159	257,303
Number of sales persons	**10,062**	9,680	9,681	9,888	8,837
Mainland China	**8,774**	8,409	8,286	8,396	7,343
Australia & New Zealand	**1,288**	1,271	1,395	1,492	1,494
Number of employees	**12,584**	11,929	11,824	11,937	10,641
Mainland China	**11,165**	10,529	10,302	10,324	9,013
Australia & New Zealand	**1,419**	1,400	1,522	1,613	1,628
Number of directly managed shops	**1,440**	1,352	1,253	1,159	987
Mainland China	**1,217**	1,122	1,027	939	768
Australia & New Zealand	**223**	230	226	220	219
Number of franchised shops	**1,716**	1,555	1,288	1,075	905
Mainland China	**1,710**	1,549	1,282	1,069	899
Australia & New Zealand	**6**	6	6	6	6
Total number of retail shops	**3,156**	2,907	2,541	2,234	1,892
Mainland China	**2,927**	2,671	2,309	2,008	1,667
Australia & New Zealand	**229**	236	232	226	225

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

OPERATION HIGHLIGHTS

Year ended 31 December 2011

GARMENT MANUFACTURING HIGHLIGHTS

	2011	2010	2009	2008	2007
Sales for the year (including sales to retail operation) (HK$'000)	**1,528,930**	1,685,465	1,750,946	1,794,233	1,527,795
Monthly capacity at year end (dozens)	**164,000**	186,000	278,000	272,000	317,000
Production floor area (sq.ft.)	**787,000**	911,000	1,292,000	1,442,000	2,028,000
Number of workers	**4,800**	8,100	9,500	11,900	14,600
Percentage of sales to:					
Group	**42.30%**	42.59%	40.88%	38.78%	37.58%
Third parties	**57.70%**	57.41%	59.12%	61.22%	62.42%
USA	**37.42%**	36.35%	36.48%	35.01%	51.19%
Canada	**4.42%**	3.68%	3.66%	3.88%	3.99%
Others	**15.86%**	17.38%	18.98%	22.33%	7.24%

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high standard of corporate governance and has applied throughout the year ended 31 December 2011 (the "year under review") 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") in force prior to 1 April 2012.

Throughout the year under review, the Company has complied with the Code Provisions set out in the CG Code.

BOARD OF DIRECTORS

The Board of Directors of the Company (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
Dr. Chung Shui Ming, Timpson, GBS, JP

Non-executive
Dr. Lam Lee G.

CORPORATE GOVERNANCE REPORT

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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the 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

In the year under review, the Board was responsible for reviewing its size, structure and composition (including the skills, knowledge and experience) of the members of the Board to ensure that the Board had a balance of expertise, skills, knowledge and experience appropriate for the business of the Company. During the year 2011, no new Director had been selected or recommended for directorship.

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 1 June 2012.

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	4/4	1/2	2/2
Mr. Lau Hon Chuen, Ambrose, GBS, JP	4/4	2/2	
Dr. Chung Shui Ming, Timpson, GBS, JP	2/4	1/2	2/2
Non-executive			
Dr. Lam Lee G.	4/4	2/2	

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

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 Dr. 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.

The Audit Committee held two meetings during the year under review. The work of the Audit Committee in 2011 included the following:

– review of the annual results announcement, financial statements and report of the Directors for the year 2010

– review of the 2011 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 2010 and for the six months ended 30 June 2011

– review of tenancy agreements of continuing connected transactions nature entered into by the Group in 2011

– 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 Dr. Chung Shui Ming, Timpson, GBS, JP. Written terms of reference of the Remuneration Committee were formulated in accordance with the Code Provisions of the CG Code.

CORPORATE GOVERNANCE REPORT

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 2011 included the following:

– approval of 2011 salary increases, 2010 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.

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 and information disclosed under statutory requirements.

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 significant 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 areas of business of the Group and all material controls 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 were reported to the Audit Committee. The Board considers the existing internal control system is reasonably effective and adequate to the Group.

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 2011 amounted to approximately HK$3,734,000 and HK$164,100 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 2011 annual general meeting, the Chairman of the Board, the Chairmen of the Audit Committee and 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 2011.

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 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 48 to 138.

An interim dividend of HK4.00 cents per ordinary share was paid on 5 September 2011. 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 11 June 2012.

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 139 and 140 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

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 36 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.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$523,350,000, 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$828,000.

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
Dr. Chung Shui Ming, Timpson, GBS, JP

Non-executive
Dr. Lam Lee G.

REPORT OF THE DIRECTORS

DIRECTORS *(CONTINUED)*

In accordance with bye-law 110(A) of the Company's Bye-laws, Dr. Charles Yeung, SBS, JP, the executive Chairman of the Board of Director of the Company, shall not be subject to retirement by rotation. However, in view of good corporate governance practices and in compliance of the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Dr. Charles Yeung, SBS, JP will voluntarily retire from his office and offer himself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 110(A) of the Company's Bye-laws, Mr. Yeung Chun Ho, Mr. Hui Chung Shing, Herman, BBS, MH, JP and Mr. Chan Wing Kan, Archie will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Wong Man Kong, Peter, BBS, JP will also retire at the forthcoming annual general meeting at which his term of appointment will expire, and he is eligible for re-election.

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.

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 41 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2011, 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 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
Dr. Chung Shiu Ming, Timpson, GBS, JP	Beneficial owner	408,000	408,000	0.039

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 2011, 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 employees of the Company are set out in note 36 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive Directors

Dr. YEUNG Chun Kam, SBS, JP, alias Charles YEUNG, aged 65, 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 substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this report).

Mr. YEUNG Chun Fan, aged 59, 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, a Vice-chairman of the China Association of Enterprises with Foreign Investment 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 substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this report).

REPORT OF THE DIRECTORS

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

Executive Directors *(continued)*

Mr. YEUNG Chun Ho, aged 67, 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 60, joined the Group in 1987 and is a Deputy General Manager of the Group. Mr. Pau graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. Before joining the Group, he had worked in several financial institutions and a listed trading company in the United Kingdom for more than 10 years. He is responsible for the Group's retail operations in Australasia and the Middle East.

Mr. HUI Chung Shing, Herman, BBS, MH, JP, aged 61, 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. In 2010, he was conferred Honorary Fellow of the Vocational Training Council.

Ms. CHEUNG Wai Yee, aged 60, 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 65, 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.

REPORT OF THE DIRECTORS

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

Independent Non-Executive Directors

Mr. WONG Man Kong, Peter, BBS, JP, aged 63, 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 64, 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, Yuexiu Transport Infrastructure 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)*

Dr. CHUNG Shui Ming, Timpson, GBS, JP, aged 60, has been an Independent Non-executive Director of the Company since September 2004. Dr. 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. Dr. 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 52, has been a Non-executive Director of the Company since September 2004. He holds a Bachelor of Science Degree in Mathematics and Sciences, a Master of Science Degree in Systems Science, and a Master of Business Administration Degree, 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 Degree from the University of Hong Kong. Dr. Lam has over 29 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 the 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 (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference, a Member of the Hong Kong Institute of Bankers, a Member of the Young Presidents' Organization, a Member of the Chief Executives Organization, a Fellow of the Hong Kong Institute of Directors and 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 Board Member of the Australian Chamber of Commerce in Hong Kong, 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 63, 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 62, 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 64, 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 62, 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 61, 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. Mark Stephen DAYNES, aged 53, is the Chief Executive Officer for the Group's retail operations of Jeanswest Australia and New Zealand as well as the Middle East franchise operation. Before joining the Group in 2011, Mr. Daynes' previous international retail experience spanned over 30 years working for major retail companies in the United Kingdom and Australia, as well as extensive apparel experience in the USA, Mexico and Canada.

Mr. LAI Man Sum, alias Sam LAI, aged 50, 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.

REPORT OF THE DIRECTORS

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

Senior Management *(continued)*

Mr. MUI Sau Keung, alias Isaac MUI, aged 49, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, 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
Dr. Jens Alfred Karl Ehrhardt	Investment manager	105,798,000 *(note)*	9.986
DJE Kapital AG (formerly known as Dr. Jens Ehrhardt Kapital AG)	Investment manager	105,798,000 *(note)*	9.986
DJE Investment S.A.	Investment manager	105,798,000 *(note)*	9.986
Short position			
Glorious Sun Holdings (BVI) Limited	Beneficial owner	4,000,000	0.378

Note:

105,798,000 shares were held by DJE Investment S.A. which was 100% controlled by DJE Kapital AG, and DJE Kapital AG was 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

SUBSTANTIAL SHAREHOLDERS *(CONTINUED)*

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 2011.

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	**2011** **HK$'000**	2010 HK$'000
Rental expenses paid to:	(i)		
G. S. (Yeungs) Limited		**790**	702
Gantin Limited		**313**	288
Harbour Guide Limited		**3,916**	3,379
Rank Profit Industries Limited		**8,754**	8,228
銀富房產（惠州）有限公司		**882**	355
惠州市惠富置業有限公司		**1,259**	336
瀋陽市惠富房產有限公司		**1,059**	–
Yeung Cheung Yip and Yeung Hon Yip		**395**	159
Gloryear Management Limited		**629**	261
		17,997	13,708
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		**48**	19
		1,968	1,939

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.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

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.

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.

REPORT OF THE DIRECTORS

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 pages 25 to 30.

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:

Dr. Lam Lee G. has been appointed as a director of Sunwah International Limited, a company listed in Canada and resigned as a director of CDC Software Corporation, a company listed in the USA.

Dr. Lam Lee G. is a director of SW Kingsway Capital Holdings Limited, a public listed company in Hong Kong which has changed its name to Sunwah Kingsway Capital Holdings Limited.

Dr. Lam Lee G. is a director of Next-Generation Statellite Communications Limited, a public listed company in Singapore which has changed its name to Next-Generation Statellite Communications Limited新一代衞星通訊有限公司.

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, 23 March 2012

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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 48 to 138, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

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.

INDEPENDENT AUDITORS' REPORT

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

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 2011, 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

22nd Floor,
CITIC Tower,
1 Tim Mei Avenue, Central
Hong Kong

23 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
REVENUE	5	**6,841,585**	6,186,864
Cost of sales		**(4,009,253)**	(3,550,883)
Gross profit		**2,832,332**	2,635,981
Other income and gains	5	**219,306**	156,295
Compensation income in relation to resumption of properties, net		**125,286**	–
Net gain from disposal of an available-for-sale investment		**–**	137,734
Selling and distribution costs		**(1,976,549)**	(1,715,201)
Administrative expenses		**(757,458)**	(775,840)
Other expenses		**(58,323)**	(38,381)
Finance costs	6	**(7,630)**	(12,411)
OPERATING PROFIT		**376,964**	388,177
Share of profits and losses of:			
A jointly-controlled entity		**–**	(418)
Associates		**4,455**	41,058
PROFIT BEFORE TAX	7	**381,419**	428,817
Income tax expense	10	**(71,430)**	(71,388)
PROFIT FOR THE YEAR		**309,989**	357,429
Attributable to:			
Ordinary equity holders of the Company	11	**317,268**	363,608
Non-controlling interests		**(7,279)**	(6,179)
		309,989	357,429
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13	**HK cents**	HK cents
Basic		**29.95**	34.32
Diluted		**29.95**	34.32

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 2011

	Note	2011 HK$'000	2010 HK$'000 (Restated)
PROFIT FOR THE YEAR		**309,989**	357,429
OTHER COMPREHENSIVE INCOME			
Available-for-sale investment:			
Changes in fair value		**(110,812)**	406,184
Reclassification adjustment for gains included in the consolidated income statement on disposal	7	**–**	(139,570)
		(110,812)	266,614
Other comprehensive income released upon disposal of a jointly-controlled entity		**–**	(2,069)
Exchange differences on translation of foreign operations		**33,211**	59,785
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(77,601)**	324,330
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**232,388**	681,759
Attributable to:			
Ordinary equity holders of the Company		**226,816**	681,693
Non-controlling interests		**5,572**	66
		232,388	681,759

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**829,049**	903,645	877,158
Investment properties	15	**–**	–	52,667
Prepaid land lease payments	16	**18,537**	18,392	18,460
Goodwill	17	**39,048**	39,048	36,119
Investment in a jointly-controlled entity	19	**–**	–	7,911
Investments in associates	20	**120,656**	115,017	146,807
Held-to-maturity investments	21	**127,699**	–	–
Available-for-sale investment	22	**294,582**	405,394	155,269
Prepayments		**116,641**	–	–
Deferred tax assets	34	**27,522**	35,717	17,583
Total non-current assets		**1,573,734**	1,517,213	1,311,974
CURRENT ASSETS				
Inventories	23	**1,164,523**	918,329	749,840
Trade and bills receivables	24	**401,576**	442,119	487,532
Prepayments, deposits and other receivables	25	**495,239**	442,900	332,389
Derivative financial instruments		**–**	–	157
Due from associates	41(b)	**2,220**	1,285	1,266
Due from other related companies	26	**1,760**	2,308	4,088
Equity investments at fair value through profit or loss	27	**17,336**	12,018	–
Pledged deposits	28	**1,505**	28,799	24,508
Cash and cash equivalents	28	**1,477,380**	1,712,043	1,291,638
Total current assets		**3,561,539**	3,559,801	2,891,418
CURRENT LIABILITIES				
Trade and bills payables	29	**981,056**	838,661	645,764
Other payables and accruals	30	**1,010,887**	933,203	828,125
Due to a jointly-controlled entity		**–**	–	9,921
Due to associates	41(b)	**7,761**	10,624	7,013
Interest-bearing bank and other borrowings	31	**52,642**	225,318	188,691
Tax payable		**433,742**	420,439	370,103
Total current liabilities		**2,486,088**	2,428,245	2,049,617
NET CURRENT ASSETS		**1,075,451**	1,131,556	841,801
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,649,185**	2,648,769	2,153,775

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

31 December 2011

	Notes	**31 December 2011 HK$'000**	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	31	**279**	568	471
Long term loans from non-controlling shareholders	33	**–**	9,400	9,400
Deferred tax liabilities	34	**928**	1,947	1,967
Total non-current liabilities		**1,207**	11,915	11,838
Net assets		**2,647,978**	2,636,854	2,141,937
EQUITY				
Equity attributable to ordinary equity holders of the Company				
Issued capital	35	**105,941**	105,941	105,941
Reserves	37(a)	**2,406,857**	2,398,067	1,897,368
		2,512,798	2,504,008	2,003,309
Non-controlling interests		**135,180**	132,846	138,628
Total equity		**2,647,978**	2,636,854	2,141,937

Charles Yeung, SBS, JP
Director

Yeung Chun Fan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

		Attributable to ordinary equity holders of the Company											
	Notes	Issued capital HK$'000 (note 35)	Share premium account* HK$'000	Contributed surplus* HK$'000 (note 37(a)(i))	Share option reserve* HK$'000 (note 37(a)(ii))	Asset revaluation reserve* HK$'000	Available-for-sale investment revaluation reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Non-distributable reserves* HK$'000 (note 37(a)(iii))	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011													
As previously reported		105,941	384,521	113,902	636	69,502	372,012	99,362	4,523	1,421,887	2,572,286	145,019	2,717,305
Prior year adjustment	2.2	–	–	–	–	(68,220)	–	61	–	(119)	(68,278)	(12,173)	(80,451)
As restated		105,941	384,521	113,902	636	1,282	372,012	99,423	4,523	1,421,768	2,504,008	132,846	2,636,854
Profit for the year		–	–	–	–	–	–	–	–	317,268	317,268	(7,279)	309,989
Other comprehensive income for the year:													
Changes in fair value of an available–for-sale investment		–	–	–	–	–	(110,812)	–	–	–	(110,812)	–	(110,812)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	20,360	–	–	20,360	12,851	33,211
Total comprehensive income for the year		–	–	–	–	–	(110,812)	20,360	–	317,268	226,816	5,572	232,388
Capital contribution by non-controlling interests		–	–	–	–	–	–	–	–	–	–	1,498	1,498
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(4,736)	(4,736)
Equity-settled share option arrangements	36	–	–	–	214	–	–	–	–	–	214	–	214
Final 2010 dividend	12	–	–	–	–	–	–	–	–	(175,863)	(175,863)	–	(175,863)
Interim 2011 dividend	12	–	–	–	–	–	–	–	–	(42,377)	(42,377)	–	(42,377)
Transfer from/(to) retained profits		–	–	–	–	(1,282)	–	–	1,538	(256)	–	–	–
At 31 December 2011		105,941	384,521	113,902	850	–	261,200	119,783	6,061	1,520,540	2,512,798	135,180	2,647,978

* These reserve accounts comprise the consolidated reserves of HK$2,406,857,000 (2010 (Restated): HK$2,398,067,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

Year ended 31 December 2011

	Notes	Issued capital HK$'000 (note 35)	Share premium account* HK$'000	Contributed surplus* HK$'000 (note 37(a)(i))	Share option reserve* HK$'000 (note 37(a)(ii))	Asset revaluation reserve* HK$'000	Available-for-sale investment revaluation reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Non-distributable reserves* HK$'000 (note 37(a)(iii))	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to ordinary equity holders of the Company											
At 1 January 2010													
As previously reported		105,941	384,521	113,902	364	69,617	105,398	46,899	3,537	1,240,900	2,071,079	150,743	2,221,822
Prior year adjustment	2.2	–	–	–	–	(68,335)	–	702	–	(137)	(67,770)	(12,115)	(79,885)
As restated		105,941	384,521	113,902	364	1,282	105,398	47,601	3,537	1,240,763	2,003,309	138,628	2,141,937
Profit for the year		–	–	–	–	–	–	–	–	363,608	363,608	(6,179)	357,429
Other comprehensive income for the year:													
Available-for-sale investment:													
Changes in fair value		–	–	–	–	–	406,184	–	–	–	406,184	–	406,184
Reclassification adjustment for gains included in the consolidated income statement on disposal		–	–	–	–	–	(139,570)	–	–	–	(139,570)	–	(139,570)
Other comprehensive income released upon disposal of a jointly-controlled entity		–	–	–	–	–	–	(1,718)	(351)	–	(2,069)	–	(2,069)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	53,540	–	–	53,540	6,245	59,785
Total comprehensive income for the year		–	–	–	–	–	266,614	51,822	(351)	363,608	681,693	66	681,759
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(5,848)	(5,848)
Equity-settled share option arrangements	36	–	–	–	272	–	–	–	–	–	272	–	272
Final 2009 dividend		–	–	–	–	–	–	–	–	(138,889)	(138,889)	–	(138,889)
Interim 2010 dividend	12	–	–	–	–	–	–	–	–	(42,377)	(42,377)	–	(42,377)
Transfer from retained profits		–	–	–	–	–	–	–	1,337	(1,337)	–	–	–
At 31 December 2010		105,941	384,521	113,902	636	1,282	372,012	99,423	4,523	1,421,768	2,504,008	132,846	2,636,854

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**381,419**	428,817
Adjustments for:			
Finance costs	6	**7,630**	12,411
Share of profits and losses of a jointly-controlled entity and associates		**(4,455)**	(40,640)
Bank interest income	5	**(16,644)**	(8,581)
Other interest income from held-to-maturity investments	5	**(7,467)**	–
Compensation income in relation to resumption of properties, net	7	**(125,286)**	–
Fair value gains, net:			
Available-for-sale investment (transfer from equity)	7	**–**	(139,570)
Equity investments at fair value through profit or loss	5	**(1,265)**	(1,084)
Depreciation	7	**185,020**	186,117
Amortisation of prepaid land lease payments	7	**504**	487
Gain on disposal of an investment property	5	**–**	(555)
Dividend income from an available-for-sale investment	5	**(8,879)**	(13,688)
Impairment/(reversal of impairment) of items of property, plant and equipment	7	**(3,805)**	15,361
Impairment of trade receivables	7	**777**	2,971
Loss on disposal/write-off of items of property, plant and equipment	7	**10,321**	12,187
Loss on disposal of a jointly-controlled entity	7	**–**	5,548
Write-down of inventories to net realisable value	7	**5,350**	52,645
Equity-settled share option expense	7	**214**	272
Effect of foreign exchange rate changes, net		**(11,122)**	8,012
		412,312	520,710

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (Restated)
	412,312	520,710
Increase in inventories	**(251,544)**	(221,134)
Decrease in trade and bills receivables	**39,766**	42,442
Increase in prepayments, deposits and other receivables	**(53,768)**	(110,511)
Decrease in derivative financial instruments	**–**	157
Decrease in amounts due from other related companies	**548**	1,780
Increase in amounts due from associates	**(935)**	(19)
Increase in equity investments at fair value through profit or loss	**(4,053)**	(10,934)
Increase in trade and bills payables	**142,395**	192,897
Increase in other payables and accruals	**68,284**	105,078
Decrease in an amount due to a jointly-controlled entity	**–**	(9,921)
Increase/(decrease) in amounts due to associates	**(2,863)**	3,611
Cash generated from operations	**350,142**	514,156
Interest paid	**(7,599)**	(12,352)
Interest element on finance lease rental payments	**(31)**	(59)
Dividend received from associates	**–**	73,144
Hong Kong profits taxes paid	**(1,805)**	(5,024)
Overseas taxes paid	**(48,544)**	(30,939)
Net cash flows from operating activities	**292,163**	538,926

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	**16,644**	8,581
Other interest income received from held-to-maturity investments	**7,467**	–
Dividends received from an available-for-sale investment	**8,879**	13,688
Purchases of items of property, plant and equipment	**(209,198)**	(177,464)
Purchases of held-to-maturity investments	**(127,699)**	–
Prepayments of items of property, plant and equipment	**(116,641)**	–
Proceeds from disposal of items of property, plant and equipment	**7,844**	19,313
Proceeds from compensations received in relation to resumption of properties	**232,619**	–
Proceeds from disposal of an investment property	**–**	4,555
Proceeds from disposal of a jointly-controlled entity	**–**	56
Proceeds from disposal of an available-for-sale investment	**–**	156,059
Decrease/(increase) in pledged deposits	**27,294**	(4,291)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	**(214)**	22,174
Net cash flows from/(used in) investing activities	**(153,005)**	42,671
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**8,808**	332,065
Repayment of other loans	**–**	(2,790)
Repayment of bank loans	**(173,202)**	(295,074)
Capital contributions by non-controlling interests	**1,498**	–
Capital element of finance lease rental payments	**(176)**	(286)
Dividends paid	**(218,240)**	(181,266)
Dividends paid to non-controlling shareholders	**(4,736)**	(5,848)
Net cash flows used in financing activities	**(386,048)**	(153,199)

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(246,890)**	428,398
Cash and cash equivalents at beginning of year		**1,666,374**	1,224,522
Effect of foreign exchange rate changes, net		**22,245**	13,454
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,441,729**	1,666,374
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**1,088,469**	915,430
Non-pledged time deposits with original maturity of three months or less when acquired		**385,053**	792,969
Non-pledged time deposits with original maturity of more than three months when acquired		**3,858**	3,644
Cash and cash equivalents as stated in the statement of financial position		**1,477,380**	1,712,043
Bank overdrafts	31	**(31,793)**	(42,025)
Non-pledged time deposits with original maturity of more than three months when acquired		**(3,858)**	(3,644)
Cash and cash equivalents as stated in the statement of cash flows		**1,441,729**	1,666,374

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investment in a subsidiary	18	**619,193**	604,214
CURRENT ASSETS			
Other receivables	25	**159**	119
Cash and cash equivalents	28	**395,509**	610,666
Total current assets		**395,668**	610,785
CURRENT LIABILITIES			
Other payables	30	**199**	192
NET CURRENT ASSETS		**395,469**	610,593
Net assets		**1,014,662**	1,214,807
EQUITY			
Issued capital	35	**105,941**	105,941
Reserves	37(b)	**908,721**	1,108,866
Total equity		**1,014,662**	1,214,807

Charles Yeung, SBS, JP
Director

Yeung Chun Fan
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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 equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(i) The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 41 to the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

(i) *(continued)*

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

(ii) Impact of change in the accounting policy for leasehold land and buildings

In accordance with HKAS 16 *Property, Plant and Equipment*, leasehold land and buildings can either be accounted for using the cost model or the revaluation model. The Group accounted for its leasehold land and buildings using the revaluation model in previous years.

Given the fact that most of the leasehold land and buildings held by listed companies in Hong Kong in the manufacturing and retail industries are accounted for using the cost model, during the year, the Group aligned its accounting policy with the industry practice and stated its leasehold land and buildings at cost less accumulated depreciation and any impairment losses. In addition, the Group's leasehold land and buildings are not expected to be sold in the normal course of business, instead, the future economic benefits embodied in the properties will be recovered principally through use in the Group's operation. In the opinion of the directors, this change in the accounting policy enables the Group to provide more relevant information in the financial statements about its performance.

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

(ii) Impact of change in the accounting policy for leasehold land and buildings *(continued)*

The effects of this change in accounting policy are summarised as below:

	Year ended 31 December 2011 HK$'000	2010 HK$'000
Consolidated income statement		
Increase in other income and gains	**(15,094)**	–
Increase/(decrease) in administrative expenses	**30**	(29)
Decrease in other expenses	**–**	(138)
Increase in income tax expense	**2,920**	34
	(12,144)	(133)
Non-controlling interests	**(16)**	–
	(12,160)	(133)
Increase in basic earnings per share (HK cents)	**1.15**	0.01
Increase in diluted earnings per share (HK cents)	**1.15**	0.01
Consolidated statement of other comprehensive income		
Decrease in other comprehensive income	**10,815**	–

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

(ii) Impact of change in the accounting policy for leasehold land and buildings *(continued)*

Consolidated statement of financial position	**As at 31 December 2011 HK$'000**	As at 31 December 2010 HK$'000
Decrease in property, plant and equipment	**(83,382)**	(98,278)
Decrease in deferred tax liabilities	**14,907**	17,827
Decrease in asset revaluation reserve	**57,405**	68,220
Decrease/(increase) in exchange fluctuation reserve	**107**	(61)
Decrease/(increase) in retained profits	**(1,226)**	119
Decrease in non-controlling interests	**12,189**	12,173
	–	–

	As at 1 January 2010 HK$'000
Decrease in property, plant and equipment	(97,745)
Decrease in deferred tax liabilities	17,860
Decrease in asset revaluation reserve	68,335
Increase in exchange fluctuation reserve	(702)
Decrease in retained profits	137
Decrease in non-controlling interests	12,115
	–

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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial and Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015, and the application of HKFRS 9 might have impact on amounts reported in respect of the Group's financial amounts. However, it is not applicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12. The Company is in the process of determining the financial impacts of the application of HKFRS 10.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The Company is in the process of determining the financial impacts of the application of HKFRS 11.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures and HKAS 28 Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and HKAS 27 (2011) and HKAS 28 (2011) from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of “currently has a legally enforceable right of set-off” and some gross settlement systems may be considered equivalents to net settlements. The Group expects to adopt the amendments from 1 January 2014.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Associates *(continued)*

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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Business combinations and goodwill

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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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 will be 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 will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(continued)*

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 identifiable net 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.

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.

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, financial assets 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets *(continued)*

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

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.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is controlled or jointly controlled by a person identified in (a); and

(vi) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost 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 depreciates them accordingly.

In prior years, leasehold land and buildings were stated at valuation. Valuations were 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 were dealt with as movements in the asset revaluation reserve. As further detailed in note 2.2(ii), the Group has voluntarily changed its accounting policy for leasehold land and buildings which are now stated at cost less accumulated depreciation and any impairment losses. The change in accounting policy has been applied retrospectively with comparatives restated as shown in note 2.2(ii).

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Depreciation is calculated on the straight-line basis to write off the cost 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 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.

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 over the shorter of the lease terms and the estimated useful lives of the assets. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases *(continued)*

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.

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, held-to-maturity 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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, trade and other receivables, and quoted and unquoted financial instruments.

Subsequent measurement

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

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31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

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, in rare circumstances, 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. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity financial investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

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 other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments 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 fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity investments. 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 revaluation 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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income and gains in accordance with the policies set out for "Revenue recognition" below.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

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 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 and all collateral has been realised or has been transferred to the Group.

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 other expenses in the income statement.

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 a 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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments (continued)

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 plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to associates and interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

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 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.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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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 a 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or 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.

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.

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31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the 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:

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

- when 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.

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31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

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

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

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

(e) 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 36 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payment transactions *(continued)*

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 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.

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.

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

Other employee benefits

Pension schemes

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

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Other employee benefits *(continued)*

Pension schemes (continued)

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. These schemes are still operating at the end of the reporting period and up to the date of this report.

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.

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 arising on settlement or translation of monetary items are taken to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(continued)*

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 gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2011 was HK$27,522,000 (2010: HK$35,717,000). The amount of unrecognised tax losses at 31 December 2011 was HK$40,774,000 (2010: HK$31,070,000). Further details are contained in note 34 to the financial statements.

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 described below.

Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, where it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods. The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of 3 to 60 years depending on the fixed assets' category. The policy on depreciation is detailed in note 2.4 to the financial statements. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Any change in this estimation may have a material impact on the Group's results.

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

Estimation uncertainty *(continued)*

Write-down of inventories to net realisable value

Management reviews the aging analysis of inventories of the Group at the end of each reporting period, and makes provision for 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 has been made on obsolete and slow-moving inventories has been made in the consolidated financial statements.

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 2011 was HK$39,048,000 (2010: HK$39,048,000). Further details are given in note 17.

Income taxes and deferred taxes

The Group is subject to income taxes mainly in Hong Kong, Mainland China, Australia and New Zealand. Significant judgement is required in determining the amount of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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 as well as head office and corporate expenses are excluded from such measurement.

By Business

	Retail operations		Export operations		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment revenue:								
Sales to external customers	**5,958,477**	5,219,953	**768,628**	807,936	**114,480**	158,975	**6,841,585**	6,186,864
Other income and gains	**38,102**	31,338	**75,937**	53,318	**29,333**	25,919	**143,372**	110,575
Total	**5,996,579**	5,251,291	**844,565**	861,254	**143,813**	184,894	**6,984,957**	6,297,439
Segment results	**284,791**	327,543	**(9,230)**	1,056	**8,004**	(259)	**283,565**	328,340
Interest income							**24,111**	8,581
Unallocated revenue							**177,109**	175,040
Corporate and other unallocated expenses							**(100,191)**	(111,373)
Finance costs							**(7,630)**	(12,411)
Share of profits and losses of:								
A jointly-controlled entity	**–**	–	**–**	(418)	**–**	–	**–**	(418)
Associates	**–**	–	**4,455**	41,058	**–**	–	**4,455**	41,058
Profit before tax							**381,419**	428,817
Income tax expense							**(71,430)**	(71,388)
Profit for the year							**309,989**	357,429

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

	Retail operations		Export operations		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)		(Restated)		(Restated)
Other segment information:								
Depreciation and amortisation	**131,039**	121,226	**10,833**	7,792	**43,652**	57,586	**185,524**	186,604
Impairment/(reversal of impairment) of items of property, plant and equipment	**(3,805)**	7,851	**–**	111	**–**	7,399	**(3,805)**	15,361
Impairment of trade receivables	**–**	–	**777**	2,971	**–**	–	**777**	2,971
Other non-cash expenses/(income)	**19,588**	64,656	**612**	1,558	**(5,580)**	(2,056)	**14,620**	64,158
Investments in associates	**2,140**	1,454	**118,516**	113,563	**–**	–	**120,656**	115,017
Capital expenditure*	**164,093**	114,305	**4,514**	22,747	**40,591**	40,999	**209,198**	178,051

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

By region

	Mainland China	Hong Kong	Australia and New Zealand	United States of America	Canada	Others	Con-solidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Restated)						(Restated)
Year ended 31 December 2011							
Revenue from external customers	**4,728,906**	**101,844**	**1,229,725**	**573,030**	**67,610**	**140,470**	**6,841,585**
Non-current assets	**800,524**	**83,243**	**145,442**	**58,800**	**–**	**35,922**	**1,123,931**
Year ended 31 December 2010							
Revenue from external customers	4,183,431	116,073	1,061,494	612,741	61,960	151,165	6,186,864
Non-current assets	703,904	103,203	162,762	52,920	–	53,313	1,076,102

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

NOTES TO FINANCIAL STATEMENTS

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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	
	2011	2010
	HK$'000	HK$'000
Revenue		
Retailing of casual wear	**5,958,477**	5,219,953
Export of apparel	**768,628**	807,936
Trading of fabric and other businesses	**114,480**	158,975
	6,841,585	6,186,864
Other income		
Bank interest income	**16,644**	8,581
Other interest income from held-to-maturity investments	**7,467**	–
Services and sub-contracting fee income	**44,418**	53,158
Other sales income	**5,826**	4,889
Commission and management fee income	**7,435**	5,767
Decoration and renovation income	**29,483**	19,894
Dividend income from an available-for-sale investment	**8,879**	13,688
Claims received	**7,125**	389
Others	**42,166**	30,992
	169,443	137,358
Gains		
Foreign exchange differences, net	**36,333**	16,799
Gain on disposal of an investment property	**–**	555
Gain on disposal of equity investments at fair value through profit or loss	**12,265**	–
Fair value gain on equity investments at fair value through profit or loss, net	**1,265**	1,084
Others	**–**	499
	49,863	18,937
	219,306	156,295

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2011 HK$'000	Group 2010 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**7,599**	12,352
Interest on finance leases	**31**	59
	7,630	12,411

7. PROFIT BEFORE TAX

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

	Notes	Group 2011 HK$'000	Group 2010 HK$'000 (Restated)
Employee benefit expenses (including directors' remuneration (note 8)):			
Wages and salaries		**1,134,499**	1,026,576
Equity-settled share option expense	36	**214**	272
Pension scheme contributions		**27,695**	23,982
Total employee benefit expenses		**1,162,408**	1,050,830
Cost of inventories sold		**4,003,903**	3,498,238
Depreciation	14	**185,020**	186,117
Amortisation of prepaid land lease payments	16	**504**	487
Minimum lease payments under operating leases in respect of land and buildings		**1,029,625**	845,024
Auditors' remuneration		**6,440**	7,398
Impairment/(reversal of impairment) of items of property, plant and equipment	14	**(3,805)**	15,361
Impairment of trade receivables#	24	**777**	2,971
Loss on disposal/write-off of items of property, plant and equipment#		**10,321**	12,187

NOTES TO FINANCIAL STATEMENTS

31 December 2011

7. PROFIT BEFORE TAX *(CONTINUED)*

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Loss on disposal of a jointly-controlled entity#	**–**	5,548
Write-down of inventories to net realisable value*	**5,350**	52,645
Compensation income in relation to resumption of properties, net	**(125,286)**	–
Net gains from disposal of an available-for-sale investment:		
Fair value gain transfer from equity	**–**	(139,570)
Less: transaction costs	**–**	1,836
	–	(137,734)

* Write-down of inventories to net realisable value of HK$5,350,000 (2010: HK$52,645,000) for the year is included in "Cost of sales" in the consolidated income statement.

\# 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	
	2011	2010
	HK$'000	HK$'000
Fees	**480**	480
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**8,839**	8,848
Discretionary bonuses*	**14,846**	12,602
Pension scheme contributions	**349**	339
	24,034	21,789
	24,514	22,269

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of operational performance of the Group.

8. DIRECTORS' REMUNERATION *(CONTINUED)*

(a) Independent non-executive directors

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

	2011	2010
	HK$'000	HK$'000
Mr. Wong Man Kong, Peter, BBS, JP	**120**	120
Mr. Lau Hon Chuen, Ambrose, GBS, JP	**120**	120
Dr. 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 (2010: Nil).

(b) Executive directors and a non-executive director

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011					
Executive directors:					
Dr. Charles Yeung, SBS, JP	–	99	2,416	5	2,520
Mr. Yeung Chun Fan	–	1,746	5,133	59	6,938
Mr. Yeung Chun Ho	–	1,382	584	69	2,035
Mr. Pau Sze Kee, Jackson	–	2,189	2,811	93	5,093
Mr. Hui Chung Shing, Herman, BBS, MH, JP	–	1,200	448	60	1,708
Ms. Cheung Wai Yee	–	1,023	3,154	51	4,228
Mr. Chan Wing Kan, Archie	–	1,200	300	12	1,512
	–	8,839	14,846	349	24,034
Non-executive director:					
Dr. Lam Lee G.	120	–	–	–	120
	120	8,839	14,846	349	24,154

NOTES TO FINANCIAL STATEMENTS

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8. DIRECTORS' REMUNERATION *(CONTINUED)*

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2010: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: two) non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,737**	3,540
Discretionary bonuses	**4,634**	4,018
Pension scheme contributions	**146**	141
	8,517	7,699

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

	Number of employees	
	2011	2010
HK$3,500,001 – HK$4,000,000	**1**	2
HK$4,500,001 – HK$5,000,000	**1**	–
	2	2

NOTES TO FINANCIAL STATEMENTS

31 December 2011

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

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% (2010: 25%) on the taxable income.

The tax rates applicable to subsidiaries incorporated and operating in Australia and New Zealand are 30% (2010: 30%) and 28% (2010: 30%) respectively. 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.

	2011	2010
	HK$'000	HK$'000
		(Restated)
Group:		
Current – Hong Kong		
Charge for the year	**3,907**	5,898
Underprovision/(overprovision) in prior years	**(267)**	557
Current – Elsewhere		
Charge for the year	**77,586**	82,548
Overprovision in prior years	**(16,739)**	(3,649)
Deferred (note 34)	**6,943**	(13,966)
Total tax charge for the year	**71,430**	71,388

10. INCOME TAX EXPENSE *(CONTINUED)*

The tax on the Group's profit before tax differs from theoretical amounts that would arise using the weighted average rate applicable to profit/(loss) on the consolidated entities as follows:

Group

	2011 HK$'000	**2011** %	2010 HK$'000 (Restated)	2010 %
Profit before tax	**381,419**		428,817	
Tax calculated at domestic tax rates applicable to profits in the respective countries	**86,964**	**22.8**	86,192	20.1
Adjustments in respect of current tax of previous periods	**(17,006)**		(3,092)	
Profits and losses attributable to associates	**(735)**		(6,842)	
Income not subject to tax	**(48,180)**		(30,824)	
Expenses not deductible for tax	**23,029**		8,357	
Tax losses utilised from previous periods	**(2,511)**		(1,905)	
Effect of withholding tax of 5% on the distributable profits of the Group's PRC subsidiaries	**440**		–	
Tax losses not recognised	**28,794**		18,812	
Others	**635**		690	
Tax charge at the Group's effective rate	**71,430**	**18.7**	71,388	16.6

The weighted average applicable tax rate was 22.8% (2010: 20.1%). The increase is caused by a change in the profitability of the Group's subsidiaries in the respective jurisdictions.

The share of tax attributable to associates amounting to HK$1,057,000 (2010: HK$19,460,000) is included in "Share of profits and losses of associates" in the consolidated income statement. There was no share of tax attributable to the Group's jointly-controlled entity in the prior year.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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 2011 includes a profit of HK$17,881,000 (2010: HK$277,440,000), which has been dealt with in the financial statements of the Company (note 37(b)).

12. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Interim – HK4.00 cents (2010: HK4.00 cents) per ordinary share	**42,377**	42,377
Proposed final – HK16.60 cents (2010: HK16.60 cents) per ordinary share	**175,863**	175,863
	218,240	218,240

The final dividend proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period and 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$317,268,000 (2010 (Restated): HK$363,608,000) and the weighted average number of ordinary shares of 1,059,414,000 (2010: 1,059,414,000) in issue during the year.

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

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the exercise price of the share options of the Company outstanding during the year is higher than the average market price of the Company's ordinary shares during the year and, accordingly, they have no dilutive effect on the basic earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Leasehold land and buildings HK$'000 (Restated)	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000 (Restated)
31 December 2010							
At 1 January 2010							
As previously reported		440,296	194,317	156,539	169,729	14,022	974,903
Prior year adjustment	2.2	(97,745)	–	–	–	–	(97,745)
As restated		342,551	194,317	156,539	169,729	14,022	877,158
Additions		49,644	67,745	8,316	48,756	3,590	178,051
Disposals/write-off		(195)	(14,443)	(12,004)	(3,952)	(906)	(31,500)
Depreciation provided during the year	7	(13,277)	(73,853)	(30,397)	(63,655)	(4,935)	(186,117)
Impairment during the year	7	–	(3,133)	(11,190)	(1,038)	–	(15,361)
Transfer from investment properties	15	49,773	–	–	–	–	49,773
Exchange realignment		7,537	4,466	3,830	15,349	459	31,641
At 31 December 2010, net of accumulated depreciation and impairment		436,033	175,099	115,094	165,189	12,230	903,645
31 December 2011							
At 1 January 2011							
As previously reported		**534,311**	**175,099**	**115,094**	**165,189**	**12,230**	**1,001,923**
Prior year adjustment	2.2	**(98,278)**	**–**	**–**	**–**	**–**	**(98,278)**
As restated		**436,033**	**175,099**	**115,094**	**165,189**	**12,230**	**903,645**
Additions		**16,373**	**106,898**	**28,640**	**52,864**	**4,423**	**209,198**
Disposals/write-off		**(107,403)**	**(7,875)**	**(4,212)**	**(5,896)**	**(112)**	**(125,498)**
Depreciation provided during the year	7	**(12,280)**	**(73,558)**	**(31,473)**	**(62,988)**	**(4,721)**	**(185,020)**
Reversal of impairment	7	**–**	**–**	**3,805**	**–**	**–**	**3,805**
Exchange realignment		**11,298**	**6,175**	**4,104**	**1,066**	**276**	**22,919**
At 31 December 2011, net of accumulated depreciation and impairment		**344,021**	**206,739**	**115,958**	**150,235**	**12,096**	**829,049**

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

Group *(continued)*

	Leasehold land and buildings HK$'000 (Restated)	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000 (Restated)
Net carrying amount:						
At 1 January 2010:						
Cost	404,159	469,620	607,165	484,480	50,649	2,016,073
Accumulated depreciation and impairment	(61,608)	(275,303)	(450,626)	(314,751)	(36,627)	(1,138,915)
Net carrying amount	342,551	194,317	156,539	169,729	14,022	877,158
At 31 December 2010 and at 1 January 2011:						
Cost	512,277	496,311	609,851	530,550	47,466	2,196,455
Accumulated depreciation and impairment	(76,244)	(321,212)	(494,757)	(365,361)	(35,236)	(1,292,810)
Net carrying amount	436,033	175,099	115,094	165,189	12,230	903,645
At 31 December 2011:						
Cost	**426,106**	**561,597**	**622,828**	**508,179**	**47,148**	**2,165,858**
Accumulated depreciation and impairment	**(82,085)**	**(354,858)**	**(506,870)**	**(357,944)**	**(35,052)**	**(1,336,809)**
Net carrying amount	**344,021**	**206,739**	**115,958**	**150,235**	**12,096**	**829,049**

The Group's land included in property, plant and equipment with a net carrying amount of HK$19,947,000 (2010 (Restated): HK$20,674,000) is situated in Hong Kong and held under a medium term lease.

The net carrying amount of the Group's fixed assets held under finance leases included in the total amounts of plant and machinery, and motor vehicles at 31 December 2011 amounted to HK$473,000 (2010: HK$1,100,000).

At 31 December 2011, certain of the Group's buildings with a net carrying amount of HK$89,152,000 (2010 (Restated): HK$137,847,000) and plant and machinery with a net carrying amount of HK$1,864,000 (2010: HK$2,681,000) were pledged to secure general banking facilities granted to the Group (note 31).

15. INVESTMENT PROPERTIES

	Group 2010 HK$'000
Carrying amount at 1 January	52,667
Disposal	(4,000)
Transfer to owner-occupied property (note 14)	(49,773)
Exchange realignment	1,106
Carrying amount at 31 December	–

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2011 HK$'000	2010 HK$'000
Carrying amount at 1 January	**18,879**	18,937
Recognised during the year (note 7)	**(504)**	(487)
Exchange realignment	**666**	429
Carrying amount at 31 December	**19,041**	18,879
Current portion included in prepayments, deposits and other receivables	**(504)**	(487)
Non-current portion	**18,537**	18,392

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

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31 December 2011

17. GOODWILL

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January		
Cost	**45,288**	41,891
Accumulated impairment	**(6,240)**	(5,772)
Net carrying amount	**39,048**	36,119
Cost at 1 January, net of accumulated impairment	**39,048**	36,119
Exchange realignment	**–**	2,929
At 31 December	**39,048**	39,048
At 31 December		
Cost	**45,288**	45,288
Accumulated impairment	**(6,240)**	(6,240)
Net carrying amount	**39,048**	39,048

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.

In 2011, 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 16.5% and cash flows beyond the five-year period were extrapolated using the growth rate of 4.2% which was 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.

17. GOODWILL *(CONTINUED)*

Impairment testing of goodwill *(continued)*

Key assumptions were used in the value in use calculation of the retail operations cash-generating unit for 31 December 2011 and 31 December 2010. 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.

The values assigned to the key assumptions on budgeted gross margins and discount rates are consistent with external information sources.

18. INVESTMENT IN A SUBSIDIARY

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**377,717**	377,717
Due from a subsidiary	**241,209**	226,444
Capital contribution in respect of employee share-based compensation	**267**	53
	619,193	604,214

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 46 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

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 for the year ended 31 December 2010 upon completion of the disposal.

	2010 HK$'000
Share of the jointly-controlled entity's results:	
Revenue	5,024
Other income	–
	5,024
Total expenses	(5,442)
Loss after tax	(418)

20. INVESTMENTS IN ASSOCIATES

		Group	
	Notes	**2011** **HK$'000**	2010 HK$'000
Share of net assets	(a)	**114,521**	108,882
Loans to associates	(b)	**52,495**	52,495
		167,016	161,377
Provision for loans to associates		**(46,360)**	(46,360)
		120,656	115,017

NOTES TO FINANCIAL STATEMENTS

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20. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

Notes:

(a) The following table illustrates the summarised financial information of the Group's associates, on a 100% basis, extracted from their management accounts or audited financial statements:

	2011 HK$'000	2010 HK$'000
Assets	**577,351**	618,498
Liabilities	**(366,026)**	(424,212)
Revenues	**392,952**	999,109
Profit	**14,670**	87,346

(b) 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.

(c) Particulars of the principal associates are as follows:

Name	Nominal value of issued and paid-up capital	Place of incorporation or registration/ operation	Percentage of ownership interest attributable to the Group 2011	2010	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 of 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.

(d) The Group has discontinued the recognition of its share of losses from certain of its associates because the share of losses of these associates exceeded the Group's interest in them. The amount of the Group's unrecognised share of profit for the current year was HK$2,880,000 (2010: HK$2,615,000).

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21. HELD-TO-MATURITY INVESTMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Listed debt investments, at amortised cost	**127,699**	–

The effective interest rates of the held-to-maturity investments ranged from 7.63% to 9.68% per annum and these investments mature in 2014 to 2015.

22. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2011	2010
	HK$'000	HK$'000
Hong Kong listed equity investments, at fair value	**294,582**	405,394

During the year, the gross loss in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK$110,812,000 (2010: gross gain of HK$406,184,000). In the prior year, a gross gain of HK$139,570,000 was reclassified from other comprehensive income to the income statement for the year upon partial disposal of the investment.

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

23. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**38,131**	90,412
Work in progress	**139,681**	111,189
Finished goods	**986,711**	716,728
	1,164,523	918,329

None of the Group's inventories was pledged as at 31 December 2011. As at 31 December 2010, the Group's inventories with a carrying amount of HK$79,006,000 were pledged as security for the Group's bank borrowings.

24. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**375,309**	398,766
Bills receivable	**35,686**	51,995
	410,995	450,761
Impairment	**(9,419)**	(8,642)
	401,576	442,119

The credit period is generally 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 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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 and bills receivables as at the end of the reporting period, based on the payment due date and net of impairment, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Current	**223,437**	263,484
Less than 4 months	**164,044**	169,357
4 to 6 months	**8,647**	3,576
Over 6 months	**5,448**	5,702
	401,576	442,119

NOTES TO FINANCIAL STATEMENTS

31 December 2011

24. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

The movement in provision for impairment of trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**8,642**	5,671
Impairment losses recognised (note 7)	**777**	2,971
At 31 December	**9,419**	8,642

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$9,419,000 (2010: HK$8,642,000) with a carrying amount before provision of HK$9,419,000 (2010: HK$8,642,000).

The individually impaired trade receivables related to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**223,437**	263,484
Less than 6 months past due	**137,005**	120,938
Over 6 months past due	**5,448**	5,702
	365,890	390,124

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.

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31 December 2011

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**296,930**	236,288	**–**	–
Deposits and other receivables	**198,309**	206,612	**159**	119
	495,239	442,900	**159**	119

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The carrying amounts of the Group's prepayments, deposits and other receivables approximate to their fair values.

26. DUE FROM OTHER RELATED COMPANIES

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

Group

Name	Balance at 31 December 2011 HK$'000	Maximum amount outstanding during the year HK$'000	Balance at 1 January 2011 HK$'000
G.S. Property Management Limited	**90**	340	39
Golden Sunshine Enterprises Limited	**23**	245	19
Harbour Guide Limited	**109**	938	73
Gloryear Management Limited	**608**	739	630
Rank Profit Industries Limited	**930**	1,567	1,547
	1,760		2,308

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

The amounts due from other related companies are unsecured, interest-free and have no fixed terms of repayment.

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27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**17,336**	12,018

The above equity investments at 31 December 2011 and 2010 were classified as held for trading.

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

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2011	2010	**2011**	2010
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**1,088,469**	915,430	**139,724**	10,848
Time deposits		**390,416**	825,412	**255,785**	599,818
		1,478,885	1,740,842	**395,509**	610,666
Less: Bank balances and time deposits pledged for bank overdrafts	31	**(1,505)**	(28,799)	**–**	–
Cash and cash equivalents		**1,477,380**	1,712,043	**395,509**	610,666

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$610,583,000 (2010: HK$663,812,000). 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 one year 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.

29. TRADE AND BILLS PAYABLES

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

	Group	
	2011	2010
	HK$'000	HK$'000
Less than 4 months	**742,549**	827,252
4 to 6 months	**236,049**	7,185
Over 6 months	**2,458**	4,224
	981,056	838,661

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

30. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2011	2010	**2011**	2010
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other payables	(a)	**216,063**	231,824	**199**	192
Accruals		**794,824**	701,379	**–**	–
		1,010,887	933,203	**199**	192

Other payables are non-interest-bearing and have an average term of three months.

(a) Included in the other payable are loans from non-controlling shareholders HK$9,400,000 (2010: Nil) of which were unsecured, interest-free and were repayable within one year.

NOTES TO FINANCIAL STATEMENTS

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31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Effective interest rate (%)	Maturity	2011 HK$'000
Current			
Finance lease payables (note 32)	3.50 – 8.66	2012	286
Bank overdrafts – unsecured	5.25 – 5.75	On demand	2,286
Bank overdrafts – secured	14.25	On demand	29,507
Bank loans – unsecured	4.86 – 7.60	2012	18,670
Trust receipt loans – secured	1.33	2012	1,893
			52,642
Non-current			
Finance lease payables (note 32)	3.50	2013 – 2015	279
			52,921

	Effective interest rate (%)	Maturity	2010 HK$'000
Current			
Finance lease payables (note 32)	3.50 – 8.66	2011	177
Bank overdrafts – unsecured	5.25 – 5.75	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	1.28	2011	79,781
Advances from banks as consideration for the discounted bills – secured	1.05	2011	509
Trust receipt loans – secured	1.05	2011	22,924
			225,318
Non-current			
Finance lease payables (note 32)	3.50 – 8.66	2012 – 2015	568
			225,886

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

	Group 2011 HK$'000	2010 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**52,356**	225,141
Other borrowings repayable:		
Within one year or on demand	**286**	177
In the second year	**124**	289
In the third to fifth years, inclusive	**155**	279
	565	745
	52,921	225,886

Notes:

(a) Certain of the Group's bank overdrafts 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$89,152,000 (2010 (Restated): HK$137,847,000);

(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$1,864,000 (2010: HK$2,681,000);

(iii) certain bank deposits at the end of the reporting period of HK$1,505,000 (2010: HK$28,799,000); and

(iv) floating charges over certain of the Group's inventories with an aggregate carrying amount as at 31 December 2010 of HK$79,006,000.

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

(c) The carrying amounts of the Group's current and floating rate borrowings approximate to their fair values.

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31 December 2011

32. 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 2011, 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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**312**	226	**286**	177
In the second year	**138**	316	**124**	289
In the third to fifth years, inclusive	**161**	299	**155**	279
Total minimum finance lease payments	**611**	841	**565**	745
Future finance charges	**(46)**	(96)		
Total net finance lease payables	**565**	745		
Portion classified as current liabilities (note 31)	**(286)**	(177)		
Non-current portion (note 31)	**279**	568		

33. LONG-TERM LOANS FROM NON-CONTROLLING SHAREHOLDERS

The long-term loans from non-controlling shareholders were unsecured, interest-free and were repayable beyond one year. At 31 December 2011, the balance was repayable within one year and was classified as current liability (note 30).

34. DEFERRED TAX

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

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January						
As previously reported	**431**	369	**19,343**	19,458	**19,774**	19,827
Prior year adjustments (note 2.2)	**–**	–	**(17,827)**	(17,860)	**(17,827)**	(17,860)
As restated	**431**	369	**1,516**	1,598	**1,947**	1,967
Deferred tax charged/(credited) to the income statement during the year (note 10)	**–**	56	**(1,025)**	(82)	**(1,025)**	(26)
Exchange realignment	**6**	6	**–**	–	**6**	6
Gross deferred tax liabilities at 31 December	**437**	431	**491**	1,516	**928**	1,947

Deferred tax assets

Group

	Losses available for offsetting against future taxable profits	
	2011	2010
	HK$'000	HK$'000
At 1 January	**35,717**	17,583
Deferred tax credited/(charged) to the income statement during the year (note 10)	**(7,968)**	13,940
Exchange realignment	**(227)**	4,194
Gross deferred tax assets at 31 December	**27,522**	35,717

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34. DEFERRED TAX *(CONTINUED)*

The Group has tax losses arising in Hong Kong of HK$40,774,000 (2010: HK$31,707,000) 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 established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2011, 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$441,315,000 at 31 December 2011 (2010: HK$325,548,000).

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

35. SHARE CAPITAL

Shares

	Number of ordinary shares			
	2011	2010	**2011**	2010
	'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

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36. 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.

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

	2011		2010	
	Weighted average subscription price HK$ per share	**Number of options '000**	Weighted average subscription price HK$ per share	Number of options '000
At 1 January	**3.315**	**4,000**	3.310	2,000
Granted during the year	**–**	**–**	3.320	2,000
At 31 December	**3.315**	**4,000**	3.315	4,000

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36. SHARE OPTION SCHEME *(CONTINUED)*

No share options were exercised during the years ended 31 December 2011 and 31 December 2010.

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

	Number of options				
	2011	2010	**Subscription price***		
Grant date	**'000**	'000	**HK$ per share**	**Fully vested by**	**Exercise period**
23 September 2008	**2,000**	2,000	3.31	23 September 2010	1 October 2010 to 22 September 2018
8 October 2010	**2,000**	2,000	3.32	8 October 2014	8 October 2014 to 7 October 2020
	4,000	4,000			

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

The Group recognised a share option expense of HK$214,000 (2010: HK$272,000) during the year ended 31 December 2011.

The fair value of equity-settled share options 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:

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$ per share)	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.

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).

36. SHARE OPTION SCHEME *(CONTINUED)*

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.

37. 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 52 and 53 of the financial statements.

(i) Contributed surplus

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.

(ii) Share option reserve

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.

(iii) Non-distributable reserves

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

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37. RESERVES *(CONTINUED)*

(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 2010		384,521	377,567	364	249,968	1,012,420
Total comprehensive income for the year	11	–	–	–	277,440	277,440
Equity-settled share option arrangements	36	–	–	272	–	272
Final 2009 dividend		–	–	–	(138,889)	(138,889)
Interim 2010 dividend	12	–	–	–	(42,377)	(42,377)
At 31 December 2010 and at 1 January 2011		**384,521**	**377,567**	**636**	**346,142**	**1,108,866**
Total comprehensive income for the year	**11**	**–**	**–**	**–**	**17,881**	**17,881**
Equity-settled share option arrangements	**36**	**–**	**–**	**214**	**–**	**214**
Final 2010 dividend		**–**	**–**	**–**	**(175,863)**	**(175,863)**
Interim 2011 dividend	**12**	**–**	**–**	**–**	**(42,377)**	**(42,377)**
At 31 December 2011		**384,521**	**377,567**	**850**	**145,783**	**908,721**

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.

38. CONTINGENT LIABILITIES

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank guarantees provided for facilities granted to subsidiaries	**–**	–	**622,224**	660,684
Extent of the guaranteed facilities utilised by subsidiaries	**–**	–	**12,136**	8,942

(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 as judgement debts. 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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39. OPERATING LEASE ARRANGEMENTS

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 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**673,265**	618,343
In the second to fifth years, inclusive	**928,057**	1,034,847
After five years	**212,117**	204,327
	1,813,439	1,857,517

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted, but not provided for:		
Land and buildings	**77,200**	–
Leasehold improvements	**2,326**	–
Plant and machinery	**79**	8,757
	79,605	8,757
Authorised, but not contracted for:		
Leasehold improvements	**328**	–
Plant and machinery	**–**	68
	79,933	8,825

At the end of the reporting period, the Company had no significant commitments.

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41. RELATED PARTY TRANSACTIONS

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

		Group	
		2011	2010
	Notes	**HK$'000**	HK$'000
Sales of goods to associates	(i)	**–**	322
Purchases of goods from associates	(ii)	**18,827**	23,983
Rental expenses paid to companies controlled by certain directors of the Company	(iii)	**17,602**	13,549
Rental expenses paid to sons of a director of the Company	(iii)	**395**	159
Management fees paid to companies controlled by certain directors of the Company	(iv)	**1,968**	1,939

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 the published prices and conditions offered by the associates to their major customers.

(iii) The rental expenses were charged according to the 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 regards 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 other related companies of HK$1,760,000 (2010: HK$2,308,000) as at the end of the reporting period. The receivables are unsecured, interest-free and have no fixed terms of repayment.

(ii) Details of the Group's loans to associates as at the end of the reporting period are included in note 20(b) to the financial statements. The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

(iii) Details of the Group's loans from the non-controlling shareholders of subsidiary are included in notes 30 and 33 to the financial statements.

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41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	2011 HK$'000	2010 HK$'000
Short term employee benefits	**42,326**	38,347
Post-employment benefit	**845**	800
Total compensation paid to key management personnel	**43,171**	39,147

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

The related party transactions in respect of items (a)(iii) and (a)(iv) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. 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 – 2011

Financial assets

	Financial assets at fair value through profit or loss-held for trading HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Held-to-maturity investments	–	127,699	–	–	127,699
Available-for-sale investment	–	–	–	294,582	294,582
Trade and bills receivables	–	–	401,576	–	401,576
Financial assets included in prepayments, deposits and other receivables	–	–	198,309	–	198,309
Due from other related companies	–	–	1,760	–	1,760
Due from associates	–	–	2,220	–	2,220
Equity investments at fair value through profit or loss	17,336	–	–	–	17,336
Pledged deposits	–	–	1,505	–	1,505
Cash and cash equivalents	–	–	1,477,380	–	1,477,380
	17,336	127,699	2,082,750	294,582	2,522,367

42. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

Group – 2011 *(continued)*

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	**981,056**
Financial liabilities included in other payables and accruals	**488,627**
Due to associates	**7,761**
Interest-bearing bank and other borrowings	**52,921**
	1,530,365

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 other related companies	–	2,308	–	2,308
Due from associates	–	1,285	–	1,285
Equity investments 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

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42. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

Group – 2010 *(continued)*

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

Company

Financial assets

	Loans and receivables	
	2011	2010
	HK$'000	HK$'000
Other receivables	**159**	119
Cash and cash equivalents	**395,509**	610,666
	395,668	610,785

Financial liabilities

	Financial liabilities at amortised cost	
	2011	2010
	HK$'000	HK$'000
Other payables and accruals	**199**	192

43. 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:

The fair values of trade and bills receivables, financial assets included in prepayments, deposits and other receivables, amounts due from/to subsidiaries, other related parties 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 the non-current portion 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.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values 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)

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

Fair value hierarchy *(continued)*

Assets measured at fair value:

Group

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Available-for-sale equity investments	**294,582**	**–**	**–**	**294,582**
Equity investments at fair value through profit or loss	**17,336**	**–**	**–**	**17,336**
	311,918	**–**	**–**	**311,918**

	2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale equity investments	405,394	–	–	405,394
Equity investments at fair value through profit or loss	12,018	–	–	12,018
	417,412	–	–	417,412

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 (2010: Nil).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, finance leases, other interest-bearing borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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.

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

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 2011 and 2010 would have decreased/increased the Group's profit before tax by HK$21,000 and HK$542,000, 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 2011 and 2010 would have increased/decreased the Group's profit before tax by HK$5,426,000 and HK$4,560,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise 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.

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 other related companies and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

Credit risk *(continued)*

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

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

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 its financial instruments and financial assets (e.g., trade and bills 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 overdrafts, 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.

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		**2011**		
	On demand or within 1 year HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	981,056	–	–	981,056
Financial liabilities included in other payables and accruals	488,627	–	–	488,627
Due to associates	7,761	–	–	7,761
Finance lease payables	312	299	–	611
Interest-bearing bank borrowings	52,622	–	–	52,622
	1,530,378	299	–	1,530,677

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

Liquidity risk *(continued)*

Group

	2010			
	On demand or within 1 year 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 borrowings	226,279	–	–	226,279
Long term loans from non-controlling shareholders	–	–	9,400	9,400
	1,556,712	615	9,400	1,566,727

Company

	On demand or within 1 year	
	2011 **HK$'000**	2010 HK$'000
Other payables and accruals	**199**	192
Bank guarantees provided for facilities utilised by subsidiaries	**12,136**	8,942

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 22) as at 31 December 2011. 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.

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

Equity price risk *(continued)*

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 2011	**High/low 2011**	31 December 2010	High/low 2010
Hong Kong – Hang Seng Index	**18,434**	**24,469/16,170**	23,035	24,989/18,972

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

	Carrying amount of equity investments HK$'000	**Increase/ decrease in profit before tax HK$'000**	**Increase/ decrease in equity* HK$'000**
2011			
Investment listed in:			
Hong Kong – Available-for-sale	**294,582**	**–**	**29,458**
– Held-for-trading	**17,336**	**1,734**	**–**
2010			
Investment listed in:			
Hong Kong – Available-for-sale	405,394	–	40,539
– Held-for-trading	12,018	1,202	–

* Excluding retained profits

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

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 maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. 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 2011 and 31 December 2010.

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 ordinary 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

	2011 **HK$'000**	2010 HK$'000 (Restated)
Interest-bearing bank and other borrowings (note 31)	**52,921**	225,886
Loans from non-controlling shareholders	**–**	9,400
Total borrowings	**52,921**	235,286
Total shareholders' equity	**2,512,798**	2,504,008
Total borrowings and total shareholders' equity	**2,565,719**	2,739,294
Gearing ratio	**2.1%**	8.6%

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45. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the change in accounting policy for leasehold land and buildings during the current year, the presentation of certain items in the financial statements have been revised. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2010 has been presented.

46. PARTICULARS OF THE 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		Principal activities
			2011	2010	
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

46. PARTICULARS OF THE 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 2011	2010	Principal activities
Jeanswest Corporation Pty. Ltd.	Australia	A$11,000,000 Ordinary A$1,000,000 A class shares	**100**	100	Retail of apparel in Australia
Goldpromise Limited#	British Virgin Islands/ Hong Kong	US$2 Ordinary	**100**	100	Investment holding
Jeanswest Corporation (New Zealand) Limited	New Zealand	NZ$1,191,264 Ordinary	**100**	100	Retail of apparel in New Zealand
Jeanswest International (H.K.) Limited	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	**100**	100	Retail of apparel in Mainland China
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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

46. PARTICULARS OF THE 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 2011	2010	Principal activities
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
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

46. PARTICULARS OF THE 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 2011	2010	Principal activities
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

* 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.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2012.

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.

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**6,841,585**	6,186,864	5,767,808	5,573,751	4,783,880
Operating profit*	**376,964**	388,177	318,479	187,232	634,745
Share of profits and losses of jointly-controlled entities and associates	**4,455**	40,640	24,816	3,758	8,987
Profit before tax	**381,419**	428,817	343,295	190,990	643,732
Income tax expense	**(71,430)**	(71,388)	(67,444)	(93,712)	(85,114)
Profit for the year	**309,989**	357,429	275,851	97,278	558,618
Attributable to:					
Ordinary equity holders of the Company	**317,268**	363,608	259,462	85,387	521,092
Non-controlling interests	**(7,279)**	(6,179)	16,389	11,891	37,526
	309,989	357,429	275,851	97,278	558,618

* 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 Limited ("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 of 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.

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
TOTAL ASSETS	**5,135,273**	5,077,014	4,203,392	4,143,876	4,114,230
TOTAL LIABILITIES	**2,487,295**	2,440,160	2,061,455	2,242,368	1,929,198
NON-CONTROLLING INTERESTS	**135,180**	132,846	138,628	126,501	144,933
	2,512,798	2,504,008	2,003,309	1,775,007	2,040,099

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