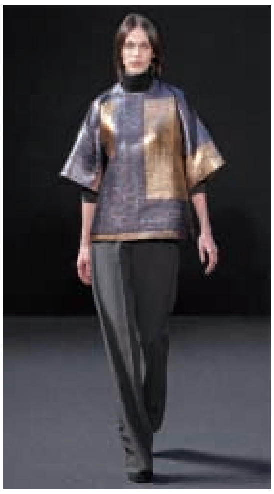
PORTS
1961

PORTS DESIGN LIMITED

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

ANNUAL REPORT 2011

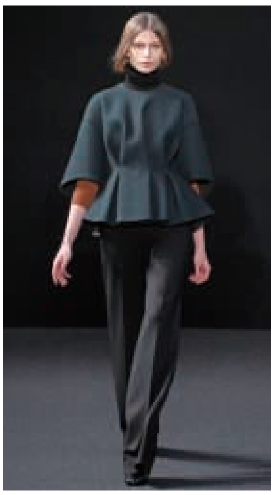








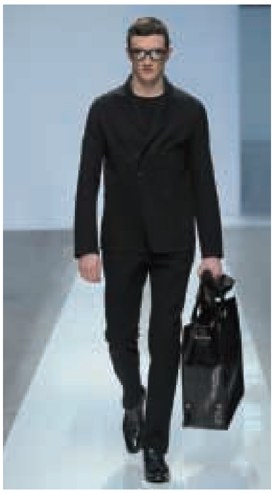


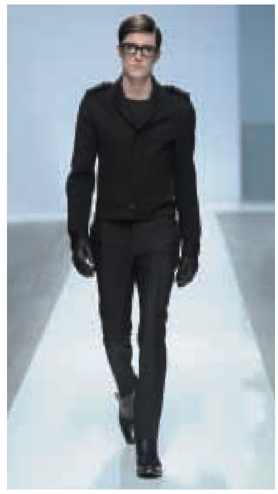











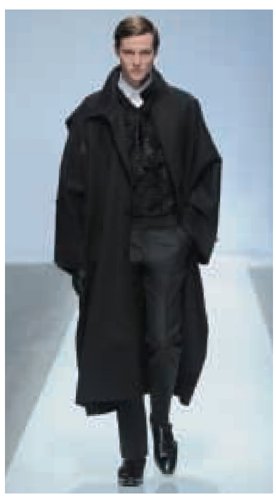










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FINANCIAL HIGHLIGHTS

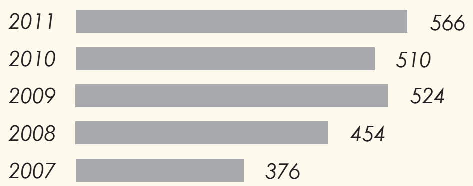
Five-Year Statistics
(Financial figures are expressed in Renminbi ("RMB") million)

	for the year ended 31 December				
	2011	2010	2009	2008	2007
Results					
Turnover	1,985	1,718	1,538	1,489	1,355
Profit from Operations	566	510	524	454	376
Profit attributable to shareholders	430	473	468	422	397
Assets and liabilities					
Non-current assets	583	396	315	206	175
Current assets	2,580	2,007*	2,516*	1,684	1,186
Current liabilities	1,312	746*	1,466*	778	432
Net current assets	1,268	1,261	1,050	906	754
Total assets less current liabilities	1,851	1,657	1,365	1,112	929
Non-current liabilities	7	8	7	—	—
Shareholders' Equity	1,833	1,649	1,358	1,112	929

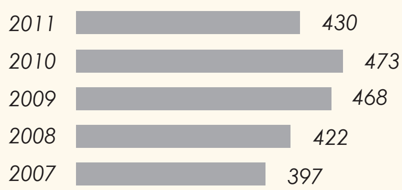
* *Restated*

Turnover (RMB millions)

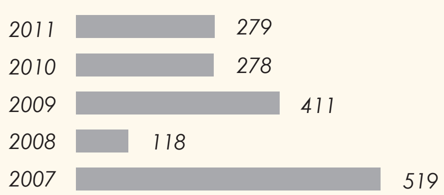
Profit from Operations (RMB millions)



Profit Attributable to Shareholders (RMB millions)



Dividend History* (RMB millions)



** The figure illustrates dividends declared for the period indicated, not actual dividends paid during the period indicated. The total amount of dividends declared for the year 2011 assumes the declaration of an interim dividend of RMB0.25 per share and proposed final dividend of RMB0.24 per share, which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.*

HIGHLIGHTS FROM 2011

PORTS DESIGN LIMITED (the "Company" and together with its subsidiaries, the "Group") began the financial year by resuming the expansion of the retail network following the completion of the store repositioning program towards the end of 2010. Turnover increased by 15.5% from RMB1,718.1 million in the year ended 31 December 2010 ("FY2010") to RMB1,985.0 million in the year ended 31 December 2011 ("FY2011").

The contribution from the Retail segment continued to significantly exceed the export-driven OEM segment and Others segment in FY2011, resulting in the higher margin Retail segment to account for the largest proportion of the total turnover and net profit of the Company. Turnover from the Retail segment increased by 19.2%, from RMB1,568.4 million in FY2010 to RMB1,869.2 million in FY2011, representing 94.2% of the total turnover of the Company in FY2011. With an increasing recognition of the core PORTS brand leading to the ability to command a higher average retail selling price ("ARSP") as well as the imposition of a tight manufacturing cost control, the gross profit margin for the Retail segment was slightly improved to 86.2% in FY2011 (FY2010: 85.3%).

Profit from operations for the Company improved from RMB510.1 million in FY2010 to RMB566.4 million in FY2011, representing an increase of 11.1%. The operating margin of the Company (i.e. profit from operations expressed as a percentage of turnover) declined from 29.7% in FY2010 to 28.5% in FY2011.

Profit attributable to the shareholders of the Company decreased from RMB473.1 million in FY2010 to RMB429.9 million in FY2011, representing a decrease of 9.1%.

The Company continued to enjoy a strong financial position and generate strong cash inflow from its operating activities. The Company remained in a net cash position with cash, cash equivalents, fixed deposits with banks and pledged bank deposits of RMB1,375.5 million as at 31 December 2011, representing an increase of 35.6% as compared to RMB1,014.6 million as at 31 December 2010. Bank borrowings of the Group increased from RMB355.8 million in FY2010 to RMB702.0 million in FY2011, in connection with the Group's treasury management strategy and offshore dividend payment arrangement.

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

Year 2011 represented a very important stage of development for the Company. Following the completion of the store repositioning program towards the year end of 2010, the Group resumed a positive expansion of its retail network in 2011 and added 36 new stores to its well penetrated network. As at 31 December 2011, the Group operated 389 retail stores in the PRC, Hong Kong and Macau, which clearly illustrated our strong confidence in our brands, our products and our commitment to the Chinese high end fashion apparels market.

With the view to enhancing quality manufacturing to support our development in the retail front, the Group devoted significant resources to the construction of its new headquarters in Xiamen, which had commenced full operation in the second half of 2011. Transitioning from six clustered buildings to one consolidated modern manufacturing complex, the Company is now better equipped to impose tighter internal control and facilitate operational efficiency for its vertically-integrated business model. With our gross profit margin standing at 82.1% for the FY2011, a positive outlook for the Group is evident.

Our Licensed Brands Division remains an important part of our business which allows us to enjoy operational leverage. Currently, there are four brands under the division, namely, BMW Lifestyles, Armani (including Armani Jeans and Armani Collezioni), Versace Collection and Ferrari. We witnessed progress in the stores roll-out and performances of each of the aforesaid brands in 2011. With a deeper understanding and consensus over the distribution strategy between us and our counterparts, we are confident of further bolstering their retail growth in 2012. At the same time, we will continue to explore the opportunities of adding quality international brands to complement the current brand portfolio under the division.

The positive reception of our PORTS 1961 Spring Summer 2012 Ladies Ready-To-Wear collection, which was shown at the prominent Mercedes-Benz Fashion Week in New York in September 2011, represented a very important assurance to the members of our fashion team, who tirelessly contribute and inject revolutionary fashion ideas to our product offerings. At the same time, there is also a growing level of attention to PORTS among reputable fashion critics, evidenced by a strong editorial coverage in both Chinese and international fashion publications including VOGUE, ELLE, HARPER'S BAZAAR and MARIE CLAIRE.

A LOOK FORWARD TO 2012

Within the PORTS core brand, the showcase of the PORTS 1961 Menswear Fall 2012 collection during the Milan Menswear Fashion Week in January 2012 attracted spotlight and reports from leading fashion critics. Outstanding reviews and feedback coupled with increasing revenue contribution from our menswear line reinforce the success of the management's strategy in aggressively pursuing the expansion of our menswear retail distribution and support our target of increasing the number of standalone PORTS menswear stores for the years to come. To capture different segment of customers in the diversified male consumption market in China, we are in the process of exploring a diffusion line for our menswear with a less lucrative pricing but equally fashionable product offerings. No doubt, we are excited by the potential and prospect of this initiative. We believe that the Company would be able to leverage on its existing platform, resources and vast experience in the planning and execution of this exciting project but nevertheless, the management will keep a close eye on the market situation and fashion trend in deciding the most suitable roadmap for its long term development. At this stage, it is hopeful that this diffusion line can be launched in some of our stores in tier one and tier two cities towards the second half of 2012.

Recognition by influential market organizations is always exciting as well as a very precious achievement for the Company and our hardworking employees. In this connection, the PORTS brand was once again chosen by the 2012 HURUN Report as one of the top five most desired and preferred international luxury women's fashion apparel brands in the PRC. We are very pleased with this recognition which reaffirms our popularity and widespread acceptance among the high-end consumers in the PRC market. Nonetheless, we will continue to build upon the foundation which we have established during the past two decades and will strive to reach further milestones in the future.

Although there were signs of a softer retail sentiment after the end of the third quarter of 2011, we nevertheless were pleased that we recorded a number of record sales in different areas across our retail network. In terms of our pricing strategy, we seek to increase and solidify our market share by implementing a moderate 5% increment in our average retail sales prices for the Spring Summer 2012 Collection to be introduced to the market at the end of the first quarter of 2012.

Notwithstanding the credit tightening policy implemented by the PRC Government, we remain cautiously optimistic of the economy's growth in China and the high-end consumption market in general, which is evidenced by our expansion target of our retail network for both the PORTS core brands as well as the brands under the Licensed Brands Division for the year 2012. We will leverage on our 20 years of retail experience in China to ensure that the Company is always capable of promptly and timely responding to the very challenging, competitive yet exciting high-end fashion apparels market and is committed to delivering long-term sustainable growth for the Company.

Alfred Chan
Chief Executive Officer

21 May 2012
Xiamen, China

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Turnover

Turnover of the Group increased from RMB1,718.1 million in FY2010 to RMB1,985.0 million in FY2011, representing an increase of 15.5%. Turnover comprises three different segments: Retail, OEM and Others. In FY2011, the Retail segment continued to maintain its strong contribution to the overall turnover, which accounted for 94.2% of the Group's total turnover in FY2011.

Retail Turnover

Retail turnover rose from RMB1,568.4 million in FY2010 to RMB1,869.2 million in FY2011, representing an increase of 19.2%. The increase was contributed by a combination of increases in volume of product units sold, average retail selling price ("ARSP") and net increase in the number of retail stores after the completion of the Group's store repositioning program in the end of 2010. As at 31 December 2011, the Group operated 389 retail stores in the PRC, Hong Kong and Macau, representing a net expansion of approximately 10% as compared to 353 retail stores at the year end of 2010.

OEM Turnover

OEM turnover declined from RMB117.1 million in FY2010 to RMB76.9 million in FY2011, representing a decline of 34.3%, and as a result, the contribution from OEM segment to the Group's turnover decreased from 6.8% in FY2010 to 3.9% in FY2011. Going forward, the Group will continue its focus and resources allocation strategy towards the Retail segment, which contributes the highest gross profit margin to the Group's business.

Others Turnover

Others turnover mainly comprises of the export of BMW Lifestyle apparels to BMW AG in Germany and the wholesale export of PORTS branded apparels. Others Turnover rose by approximately 19.2%, from RMB32.6 million in FY2010 to RMB38.9 million in FY2011 due to increase in the orders for BMW products from the Group's German counterpart.

Cost of Sales

Cost of sales fell from RMB358.3 million in FY2010 to RMB355.6 million in FY2011, representing a decrease of 0.8%. This decrease was primarily contributed by the decline in the OEM turnover. Cost of sales as a percentage of turnover fell to 17.9% in FY2011 (FY2010: 20.9%).

Gross Profit

Gross profit rose from RMB1,359.8 million in FY2010 to RMB1,629.4 million in FY2011, representing an increase of 19.8%. Gross profit margin increased to 82.1% in FY2011 (FY2010: 79.1%). The increase in gross profit margin was driven predominantly by the increasing contribution and improving performance from the Group's Retail segment, which enjoys a significantly higher gross profit margin than the OEM and Others segments.

Retail Gross Profit

Retail gross profit increased by 20.4% from RMB1,337.5 million in FY2010 to RMB1,610.4 million in FY2011, accounting for 98.8% of the gross profit of the Group. The Group recorded retail gross profit margin at 86.2% in FY2011 (FY2010: 85.3%). With the increasing recognition of the Group's core brands leading to its ability to command higher ARSP as well as tight manufacturing cost control, the Group is able to achieve a stable improvement over the retail gross profit margin.

OEM Gross Profit

As a result of the diminishing importance and contribution from OEM segment, OEM gross profit decreased from RMB11.7 million in FY2010 to RMB8.8 million in FY2011, representing a decrease of 24.1%. OEM gross profit margin rose from 10.0% in FY2010 to 11.5% in FY2011.

Others Gross Profit

Others gross profit moderately decreased from RMB10.6 million in FY2010 to RMB10.2 million in FY2011, representing a decrease of 4.2%. Others gross profit margin declined from 32.5% in FY2010 to 26.1% in FY2011. The decline in gross profit margin was a combine effect of the decrease in the wholesale export of PORTS branded apparels, which generated a higher gross profit margin, and on the other hand, the increase in the volume of transaction for the BMW Lifestyle apparels, which contributed a relatively lower gross profit margin.

Other Revenue and Other Net Income

Other revenue and Other net income increased by 95.6%, from RMB29.9 million in FY2010 to RMB58.5 million in FY2011. The significant increase was largely due to the unconditional cash grant from the Xiamen Government during 2011 as a result of the contribution of the Group to the development of Xiamen. Apart from the aforementioned cash grant, Other revenue also consisted of other operating income and other income from royalty as well as the provision of decoration services provided to third parties, including department stores that contained new PORTS concessions.

Royalty income received from the license of PORTS sunglass sales rose by 44.8%, from RMB5.9 million in FY2010 to RMB8.5 million.

Design and decoration income fell by 17.4%, from RMB8.3 million in FY2010 to RMB6.9 million.

Operating Expenses

Operating expenses increased from RMB879.6 million in FY2010 to RMB1,121.5 million in FY2011, representing an increase of 27.5%. Operating expenses consisted of distribution costs, administrative expenses and other operating expenses. A more detailed breakdown is listed as follows:

Distribution costs

Distribution costs increased from RMB733.0 million in FY2010 to RMB924.9 million in FY2011, representing an increase of 26.2% (FY2010 versus FY2009: 11.4%). The increase was due to increases in rental payments, salaries and benefits, depreciation charges, store and mall expenses, advertising costs and product sale surplus taxation. Distribution costs as a percentage of retail turnover rose to 49.5% in FY2011 (FY2010: 46.7%).

Rental charges increased from RMB367.6 million in FY2010 to RMB423.0 million in FY2011, representing an increase of 15.0% (FY2010 versus FY2009: 4.4%). The increase was largely resulted from the new retail store openings for FY2011 since the Group's resumption of positive retail store growth in FY2011. Rental charges as a percentage of Retail turnover continued to improve steadily and was at 22.6% in FY2011 (FY2010: 23.4%), as a result of the relatively stable concessionaire rates charged by the department store landlords at which the Group's retail stores are predominantly located.

Salaries and benefits to retail sales staff increased from RMB149.6 million in FY2010 to RMB185.4 million in FY2011, representing an increase of 23.9% (FY2010 versus FY2009: 14.0%). Increase in the number of staff due to retail network expansion and increasing salary expectation for high-end retail staff accounted for such increase. Salaries and benefits as a percentage of Retail turnover increased slightly to 9.9% in FY2011 (FY2010: 9.5%).

Store and mall expenses increased by 32.0%, from RMB60.0 million in FY2010 to RMB79.2 million in FY2011. The resumption of retail store network growth and the Group's commitment to upgrade and improve the layout of the existing department store concessions and mall locations explained the significant increase in this category of expense.

Depreciation charges increased from RMB55.4 million in FY2010 to RMB75.4 million in FY2011, representing an increase of 36.1%, as a result of increased investments in distribution facilities and retail outlets.

Advertising costs increased by 26.8%, from RMB51.4 million in FY2010 to RMB65.1 million in FY2011, mainly due to the increased advertising rate, as well as the Group's emphasis on brand building following the completion of the retail store repositioning program. The advertisement costs as a percentage of retail turnover was maintained at 3.5% of Retail turnover (FY2010: 3.3%).

Product sale surplus taxation rose by 686.4%, from RMB3.2 million in FY2010 to RMB25.5 million in FY2011. The significant increase was due to the PRC government's policy of the cessation of tax concession previously granted to all wholly foreign owned enterprises, including the Group's entity responsible for tax payment of this nature.

Administrative expenses

Administrative expenses decreased from RMB73.7 million in FY2010 to RMB70.1 million in FY2011, representing a decrease of 4.9%. Administrative expenses as a percentage of total turnover declined to 3.5% (FY2010: 4.3%). This decline was principally attributed by declines in share based payments.

Salaries and benefits for administrative staff, the single largest category of administrative expenses, decreased from RMB55.6 million in FY2010 to RMB43.5 million in FY2011, representing a decrease of 21.8%. The decline was mainly due to the impact from the decrease in the amortization expense related to the Company's Share Option Scheme granted in 2009. In FY2011, salaries and benefits for administrative staff as a percentage of total turnover declined to 2.2% (FY2010: 3.2%).

Other operating expenses

Other operating expenses increased from RMB72.9 million in FY2010 to RMB126.6 million in FY2011, representing an increase of 73.7% due to the increase in stock provision. The Group closely monitors the inventory level and assesses the amount of stock provision from time to time based on historical experience, current market condition and the Group's business plan in future. Based on the results of current year's assessment which also covers current season merchandise, the Group determines that increase in stock provision is required in FY2011, leading to the significant increase in other operating expenses. In FY2011, the stock provision made as a percentage of Retail turnover increased to 6.7% (FY2010: 4.6%).

Profit from Operations

As a result of the factors discussed above, the Group's profit from operations rose from RMB510.1 million in FY2010 to RMB566.4 million in FY2011, representing an increase of 11.1%. The Group's operating margin (i.e. profit from operations expressed as a percentage of turnover) declined from 29.7% in FY2010 to 28.5% in FY2011, reasons for which have been discussed above.

Net Finance Costs/(Income)

Net finance income diminished from RMB22.6 million in FY2010 to RMB22.5 million in FY2011, representing a decrease of 0.7%. In FY2011, the Group reported an interest income of RMB21.2 million, representing an increase of 29.0% from RMB16.5 million in FY2010. The Group recorded an exchange gain of RMB10.5 million in FY2011, as compared to a gain of RMB11.3 million in FY2010. This exchange gain was mainly related to the Hong Kong dollars ("HK$") denominated loan, which caused a net finance income gain due to the strengthening of RMB. The interest expense for the Group rose from RMB3.6 million in FY2010 to RMB7.2 million in FY2011 due to increase in the interest-bearing loans in accordance with the Group's treasury management strategy.

Income Tax

The Group's income tax expense rose significantly by 158.4% from RMB61.3 million in FY2010 to RMB158.5 million in FY2011, as the effective income tax rate increased from 11.5% in FY2010 to 26.9% in FY2011 due to the expiry of tax holiday previously enjoyed by our subsidiaries in the PRC.

Profit attributable to shareholders

As a result of the factors discussed above, the Group's profit attributable to shareholders decreased from RMB473.1 million in FY2010 to RMB429.9 million in FY2011, representing a decrease of 9.1%.

Financial Position, Liquidity and Gearing Ratio

As at 31 December 2011, the Group had approximately RMB1,375.5 million in cash, cash equivalents, fixed deposits with banks and pledged bank deposits, which was increased by 35.6% as compared to RMB1,014.6 million as at 31 December 2010. The Group also had access to significant bank loans and overdraft facilities and as at 31 December 2011, the Group had interest-bearing borrowings of RMB702.0 million, increased from RMB355.8 million in FY2010 in connection with the Group's treasury management strategy and offshore dividend payment arrangement.

The Group continued to maintain a healthy operation which was evidenced by positive and improving cash reserves being generated from normal business operations. Net cash inflows from operating activities increased from RMB388.0 million in FY2010 to RMB445.5 million in FY2011, representing an increase of 14.8%. As at 31 December 2011, the Group's gearing ratio was 38.1% based on outstanding bank debt and total equity of approximately RMB1,843.7 million (FY2010: 21.6%). As at 31 December 2011, the current ratio was 1.97 based on current assets of RMB2,580.2 million and current liabilities of RMB1,312.1 million (FY2010: 2.69).

Acquisitions and Disposal of subsidiaries and associate companies

The Group did not engage in any material acquisitions or disposals of any subsidiaries or associated companies during the reporting period.

Currency Risk Management

The Group's cash balances from normal business operations are mainly deposited in RMB, United States dollars ("US$"), "HK$ and the European Union common currency ("Euro"), with major banks in Hong Kong and the PRC. The Group considers its risk exposure to currency fluctuations to be minimal.

Capital Commitments and Contingent Liabilities

As at 31 December 2011, the Group had capital commitments of RMB76.6 million, as compared to RMB211.1 million as at 31 December 2010, which was authorized but not contracted for. The significant reduction was due to the completion of the contracts and agreements associated with the construction of the Group's Xiamen headquarters. The Company provides corporate guarantees to banks in respect of certain bank loans facilities utilised by the subsidiaries. As at 31 December 2011, the Company had contingent liability of RMB336.0 million (FY2010:RMB304.7 million).

Capital Structure of the Group

The Group requires working capital to support its manufacturing, retail, OEM and other operations. As at 31 December 2011, the Group had cash, cash equivalents, fixed deposits with banks and pledged bank deposits of approximately RMB1,375.5 million, denominated principally in RMB, US$, HK$ and Euros. The Directors believe that the cash balances and net cash inflow from operating activities are sufficient to support the operating activities of the Group.

Major Customers and Suppliers

During FY2011, the Group purchased approximately 9% and 21% of its goods (primarily being raw materials) and services from its largest supplier and five largest suppliers respectively. The percentages of turnover attributable to the Group's largest customer and its five largest customers combined were roughly 3% and 12% respectively.

None of the Directors, their associates or shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's share capital) were interested at any time in the year 2011 in the above suppliers or customers.

Charges on Assets

As at 31 December 2011, the Group's bank deposits in the amount of RMB556.0 million were pledged to secure banking facilities and bank borrowings granted to the Group.

Human Resources

As at 31 December 2011, the Group had approximately 5,300 employees. Total personnel expenses, comprised of wages, salaries, and benefits, amounted to RMB330.5 million in FY2011, compared with RMB300.7 million in FY2010, representing an increase of 9.9%. In FY2011, total personnel expenses as a percentage of the Group's turnover was at 16.6% (FY2010: 17.5%).

Purchase, Sales or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

CORPORATE GOVERNANCE REPORT

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

The Board and senior management

Board Composition

The Board currently comprises two Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

Executive Directors:

Mr. Edward Tan *(Chairman)**
Mr. Alfred Chan *(Chief Executive Officer)*
Mr. Pierre Bourque

Non-executive Directors:

Mr. Ian Hylton**
Ms. Julie Enfield***

Independent non-executive Directors:

Mr. Rodrey Cone
Ms. Valarie Fong
Mr. Peter Bromberger

* *As disclosed in the announcement of the Company dated 21 May 2012. Mr. Edward Tan has resigned as the Chairman and an Executive Director of the Company with effect from 18 May 2012.*

** *As disclosed in the announcement of the Company dated 27 April 2012. Mr. Ian Hylton has been appointed as a Non-executive Director of the Company with effect from 27 April 2012.*

*** *As disclosed in the announcement of the Company dated 27 April 2012. Ms. Julie Enfield has resigned as a Non-executive Director of the Company with effect from 19 April 2012.*

Details of the Directors and senior management are set out on pages 34 to 36 of this report.

As of 31 December 2011, the Board comprises seven Directors, including three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Therefore, the Company has complied with the requirement of the Listing Rules in having at least three independent non-executive directors.

Pursuant to bye-law 99 of the bye-laws of the Company, Mr. Ian Hylton and Mr. Peter Bromberger shall retire by rotation in the forthcoming annual general meeting and all, being eligible, offer themselves for re-election.

Mr. Edward Tan, the former Chairman of the Company, is responsible for managing and providing leadership to the Board. The Chairman is also responsible for approving the agenda for each Board meeting taking into account, where appropriate, any matters proposed by other Directors for inclusion in the agenda. Given that Mr. Edward Tan has resigned as the Chairman and an Executive Director of the Company with effect from 18 May 2012. In this interim period, Mr. Pierre Bourque, an Executive Director of the Company, is currently assuming the duties of the Chairman. The Company will identify suitable candidate to assume the duties of the Chairman and announce the appointment in due course.

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

The Board is responsible for the management of the business and affairs of the Group and formulates the overall strategies and policies of the Group.

The Independent Non-executive Directors would constructively challenge proposals on strategy and bring strong and independent judgment, knowledge and experience to the Board's deliberations. The Independent Non-executive Directors are of sufficient calibre that their views carry significant weight in the Board's decision making process. The Directors are given access to independent professional advice at the Group's expense when the Directors deem necessary to carry out their responsibilities.

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

- has been an employee of the Group within the last five years;
- has, or has had within the last three years, a material business relationship with the Group;
- receives remuneration other than a director's fee;
- has close family ties with any of the Group's advisors, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the Board for more than nine years.

During the year 2011, the Board held three full board meetings and one other Board meeting by way of written resolution. Although this is a deviation from the Listing Rules Code on Corporate Governance Practices Rule A.1.1, the Board had provided Board members with sufficient information and communication channels among the members and senior management prior to the approval of the subject matters under the written resolution. Going forward, the Board would seek to ensure that full Board meeting will be held to the extent practicable and failing which, sufficient interaction and discussion has been done in respect of any matters that are discussed under written resolutions. In each of the Board meetings, Directors are consulted and provided with an opportunity to include matters into the agenda for discussion at the Board meetings. All Directors have access to Board's papers and other materials either from the company secretary or the Chairman so that they are able to make informed decisions on matters placed before them.

Pursuant to the bye-laws of the Company, at least one-third of the Directors including Non-executive Directors shall retire by rotation in the forthcoming annual general meeting and all, being eligible, offer themselves for re-election.

Directors Responsibility

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but be distinguished from, the Report of the Auditors on page 38 which states the reporting responsibilities of the Group's auditors.

Annual Report and Accounts

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies that are consistently applied, and that all applicable accounting standards have been followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the Companies Ordinance of Hong Kong and the applicable accounting standards.

Safeguarding Assets

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code in their securities transactions throughout the year. Directors' interests in the shares of the Company are set out on page 26 of this report.

Remuneration of Directors

In the year 2011, the remuneration of Directors and senior management was determined by the Board with reference to the performance and profitability of the Group as well as remuneration benchmarks from other companies in the high-end retail industry and the prevailing market conditions. Details of the remuneration and emoluments awarded can be found on pages 70 to 71 of this report.

Remuneration Committee

The Board has established a Remuneration Committee which comprises three Board members. The Committee is chaired by the Chief Executive Officer, Mr. Alfred Chan. The other two members are Mr. Peter Bromberger and Mr. Rodney Cone, both Independent Non-executive Directors. The Remuneration Committee is responsible for the development and administration of procedures for the determination of remuneration policies for the Directors and senior management of the Company, including their remuneration packages. Executive Directors, however, do not participate in the determination of their own remuneration.

The Remuneration Committee held one meeting in the year 2011, at which the policy for the remuneration of the Executive Directors and senior management of the Company, the performance of Executive Directors and the terms of Executive Directors' service contracts were considered.

The Remuneration Committee adopted a new terms of reference on 28 March 2012.

Nomination Committee

The Nomination Committee was established, and its terms of reference was adopted on 28 March 2012. It consists of 3 members, in which Mr. Alfred Chan is the chairman, together with Mr. Rodney Cone and Ms. Valarie Fong. The Nomination Committee is responsible for considering, selecting and recommending appropriate candidates to serve as Director(s), having regard to the balance of skills and experience appropriate to the business of the Group.

As the Nomination Committee was established after 31 December 2011, it did not hold any meeting in the year 2011.

Audit Committee

The Audit Committee consists of Mr. Rodney Cone, Ms. Valarie Fong and Mr. Peter Bromberger, all of whom are Independent Non-executive Directors. The Audit Committee is chaired by Mr. Rodney Cone. All committee members possess appropriate business and financial experience. The Audit Committee is authorized to obtain external professional advice if it considers necessary.

The Audit Committee is responsible for monitoring the preparation of financial statements of the Company. In addition to the review of financial information of the Company, other primary duties of the Audit Committee include the monitoring and maintaining of the relationship with the Company's external auditors and overseeing of the Company's financial reporting system, internal control and risk management procedures. With respect to the Group's results for FY2011, the Audit Committee has reviewed with its senior management and the external auditors their respective audit findings, the accounting principles and practices adopted by the Group as well as issues relating to the internal control, risk management and financial reporting.

The Audit Committee held two meetings in the year 2011 and it adopted a new terms of reference on 28 March 2012.

Auditors' remuneration

The amount of fees charged by the Company's auditors in respect of their audit and non-audit services is disclosed in the notes to the financial statements of the Company. The Audit Committee is responsible for approving the remuneration and terms of engagement of the external auditors and for making recommendations to the Board regarding any non-audit services to be provided to the Company by the external auditors. In FY2011, the total fees paid to the Company's auditors amounted to approximately RMB2.2 million, which were primarily for audit services as no significant non-audit service assignments have been undertaken by the external auditors.

Internal controls and risk management

The Board has overall responsibility for establishing and maintaining the Group's internal control systems and approval procedures. As disclosed in the announcement of the Company dated 21 May 2012, the Company has discovered certain discloseable transactions and connected transactions which occurred during the period of 1 January 2010 to 11 May 2012. As a result of the discovery of these transactions, the Company has appointed FTI Consulting, an independent professional adviser, to conduct a thorough review of and make recommendations to improve the Company's internal controls. The Company will consult with and seek advice from the internal control adviser with regards to the implementation of the adviser's recommendations so as to ensure future compliance with the Listing Rules. The Board, with the recommendation of the Audit Committee, will approve and monitor any measures recommended by the adviser. The Company will announce separately the results of the internal control review, the recommendations of the internal control adviser and the measures which the Company will adopt pursuant to the advice given.

Internal Control Environment

The Board has overall responsibility for monitoring the Group's operations. Executive Directors are appointed to the boards of all material operating subsidiaries in order to work closely with the senior management of the Group and monitor their performance to ensure that strategic objectives are implemented and business performance targets are met.

Senior management of each of the operations within the Group would prepare business plan and budget on an annual basis, which is subject to review and approval by the Executive Directors. When setting budgets and forecasts, senior management identifies, evaluates and reports on the likelihood and potential financial impact of any significant business risks. Budgets are prepared on an annual basis and forecasts are usually prepared on a quarterly basis.

The financial controller monitors and supervises the overall approval and control of the expenditures of the Group. Both operating and capital expenditures are subject to overall budget control. Operating expenditures are further controlled by approval ceilings, which are set by reference to the seniority of the relevant executives and officers. Capital expenditures (including material expenditures within the approved budget as well as the unbudgeted expenditures) are subject to specific approval prior to commitment.

The Group's internal audit team provides independent control over the risk management in the Group's business operations. Taking into account the dynamics of the Group's activities, the internal audit team derives its yearly audit plan. The plan could be reassessed from time to time during the year as required to ensure that adequate resources are deployed and that objectives are met. Internal audit also follows up on all findings to ensure that identified issues are satisfactorily resolved. Internal audit also assesses the Group's internal control system and reports its findings to the Audit Committee, the financial controller and relevant senior management members for consideration. As disclosed above, the Company has appointed FTI

Consulting, an independent professional adviser, to conduct a thorough review of and make recommendations to improve the Company's internal controls. The Company's internal audit team will work closely with the adviser to improve the Company's internal control system. In particular, the internal audit team will report to the Audit Committee on the progress and status of the review and the subsequent implementation of the recommendations of the adviser.

Review of Internal Controls

The Directors confirm that they have reviewed the effectiveness of the system of internal controls of the Company and its subsidiaries and they have identified certain deficiencies in the Company's internal control system, in particular deficiencies in relation to compliance with certain requirements of the Listing Rules. As disclosed above, the Company has appointed FTI Consulting, an independent professional adviser, to conduct a thorough review of and make recommendations to improve the Company's internal controls, The review will cover material controls including financial, operational and compliance controls and the risk management function.

Code on Corporate Governance Practices

In the opinion of the Directors, the Company was in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year 2011, save and except as disclosed above.

Board Meetings

The number of full Board and Committee meetings attended by each Director during the year 2011 is as follows:

	Full Board Meetings	**Remuneration Committee Meetings**	**Audit Committee Meetings**
Alfred Chan, *Executive Director*	3/3	1/1	n/a
*Edward Tan, *Executive Director*	3/3	n/a	n/a
Pierre Bourque, *Executive Director*	3/3	n/a	n/a
**Julie Enfield, *Non-executive Director*	2/3	n/a	n/a
Rodney Cone, *Independent non-executive Director*	3/3	1/1	2/2
Valarie Fong, *Independent Non-executive Director*	3/3	n/a	2/2
Peter Bromberger, *Independent Non-executive Director*	2/3	1/1	2/2

* *Resigned with effect from 18 May 2012.*

** *Resigned with effect from 19 April 2012.*

Shareholders' Rights

Pursuant to the by-laws of the Company, any shareholder entitled to receive notice of and to attend and vote at a general meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Shareholders who hold not less than one-tenth of the paid up capital of the Company shall have the right, by depositing written requisition to the Board at the principal office of the Company in Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

REPORT OF THE DIRECTORS

The Directors are pleased to submit the annual report together with the audited financial results of the Group for the year ended 31 December 2011.

Principal Activities

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

Major Customers & Suppliers

An overview of the Group's major customers and suppliers is set out on page 14.

Financial Results & Appropriations

The results of the Group for FY2011 are set out in the consolidated profit and loss account on page 40.

An interim dividend of RMB0.25 per share, amounting to RMB142.2 million in total, was paid to the shareholders of the Company during FY2011. The Directors propose that a final dividend of RMB0.24 per share, amounting to RMB136.5 million, be declared and paid to the shareholders of the Company.

The Board has reviewed the Group's business strategy, the macro-economic environment, the Group's medium-term capital requirements and financial position in the determination of the final dividend, and confirm that the Company, upon payment of this final dividend, will remain solvent and able to meet all of its obligations as they become due.

Transfer to Reserves

The Group transferred approximately RMB1.2 million from its profit attributable to shareholders before dividends to its reserves in FY2011, compared with RMB1.4 million in FY2010. Details of transfers to reserves are outlined on page 45.

Group Financial Summary

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 4.

Share Capital

Details of the movements in the share capital of the Company are set out on page 89.

Fixed Assets

During FY2011, the Group acquired fixed assets of approximately RMB252.7 million, as compared to RMB150.3 million during FY2010. Details of the fixed asset acquisitions are outlined on page 76.

Donations

Charitable donation made by the Group during the year amounted to approximately RMB0.1 million.

Directors

The Directors of the Company during the year 2011 were:

Executive Directors

Mr. Edward Tan (Resigned with effect from 18 May 2012)
Mr. Alfred Chan
Mr. Pierre Bourque

Non-Executive Director

Ms. Julie Enfield (Resigned with effect from 19 April 2012)

Independent Non-executive Directors

Mr. Rodney Cone
Ms. Valarie Fong
Mr. Peter Bromberger

The Company has received from each of its Independent Non-executive Directors an annual confirmation of his or her independence and accordingly, the Company considers all its Independent Non-executive Directors to be independent.

A brief biography of each Director and each member of senior management of the Company can be found on pages 34 to 35.

Directors' Service Contracts

None of the Directors who were proposed for re-election at the forthcoming annual general meeting has a service contract with the Group that is not determinable within one year without payment of compensation other than statutory compensation.

Directors' and Chief Executives Interests

As at 31 December 2011, the interests or short positions of each Director or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, were as follows:

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

Name of directors	Personal Interest	Corporate Interest	Total interest	Percentage of total issued Shares
Mr. Edward Tan *(Note 1)*	250,000 (L)[2]	235,445,273 (L)	235,695,273 (L)	41.44% (L)
	0	52,394,000 (S)	52,394,000 (S)	9.21% (S)
Mr. Alfred Chan *(Note 1)*	450,000 (L)[2]	235,445,273 (L)	235,895,273 (L)	41.47% (L)
	0	52,394,000 (S)	52,394,000 (S)	9.21% (S)
Mr. Pierre Bourque	130,000 (L)[2]	0	130,000 (L)	0.02% (L)
Ms. Julie Enfield	0	0	0	0
Mr. Rodney Cone	110,000 (L)[2]	0	110,000 (L)	<0.02% (L)
Ms. Valarie Fong	110,000 (L)[2]	0	110,000 (L)	<0.02% (L)
Mr. Peter Bromberger	0	0	0	0

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

Notes:

1. *Each of Mr. Edward Tan and Mr. Alfred Chan owns 50% of the shareholding interest of Ports International Enterprises Limited ("PIEL"). PIEL holds a short position of 52,394,000 Shares and CFS International Inc. ("CFS"), its direct subsidiary, owns 235,445,273 Shares. Mr. Tan and Mr. Chan are deemed to be interested in 41.43% of the issued share capital of the Company by virtue of their respective interests in PIEL pursuant to Part XV of the SFO. Mr. Edward Tan's resignation was effective from 18 May 2012.*

2. *These interests represent interests in options granted by the Company under its Share Option Scheme. Mr. Alfred Chan owns 250,000 share options.*

(ii) Options

Name of directors	Number of outstanding share options	Percentage of issued share capital
Mr. Edward Tan	250,000	0.04%
Mr. Alfred Chan	250,000	0.04%
Mr. Pierre Bourque	130,000	0.02%
Mr. Rodney Cone	110,000	<0.02%
Ms. Valarie Fong	110,000	<0.02%
Mr. Peter Bromberger	0	0%

As at 31 December 2011, other than the holdings disclosed above, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company adopted a Share Option Scheme (the "Scheme") pursuant to the resolutions of the shareholders of the Company passed on 14 October 2003:

1. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

2. The participants of the Scheme are (i) any employee of the Company, any of its subsidiaries or any entity in which any member of the Group holds an equity interest ("Invested Entity"), including any Executive Director of the Company (but excluding Mr. Alfred Chan and Mr. Edward Tan and each of their respective associates, any of its subsidiaries or any Invested Entity; (ii) any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to any member of the Group or any Invested Entity.

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

4. An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during a period to be notified by the Directors to each grantee. The period for exercise may commence on the date upon which the offer for grant of options is made ("Offer Date") but shall expire on the day immediately preceding the tenth anniversary of the Offer Date.

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

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

7. The options granted under the Scheme shall be exercisable within a period of 10 years commencing on 3 November 2003 for the initial share option grant, 1 September 2006 for the second share option grant and 14 July 2009 for the subsequent share option grant, respectively.

8. As at 31 December 2011, the total number of securities available for issue under the Scheme is 1,222,275, which constitutes 0.215% of the total issued share capital of the Company.

Details of the share options outstanding as at 31 December 2011 under the Scheme were as follows:

First Share option granted on 3 November 2003

	Options held at 1/1/2011	Options Granted during the period	Options exercised during the period *(Note 1)*	Options cancelled during the period	Exercise price per option *(HK$)*	Options held at 31/12/2011	Exercisable from	Exercisable until
Mr. Edward Tan	0	0	0	0	N/A	0	N/A	N/A
Mr. Alfred Chan	0	0	0	0	N/A	0	N/A	N/A
Mr. Pierre Bourque	0	0	0	0	N/A	0	N/A	N/A
Ms. Julie Enfield	0	0	0	0	N/A	0	N/A	N/A
Mr. Rodney Cone	60,000	0	0	0	2.625	60,000	3 Nov 2003	2 Nov 2013
Ms. Valarie Fong	60,000	0	0	0	2.625	60,000	3 Nov 2003	2 Nov 2013
Mr. Peter Bromberger	0	0	0	0	N/A	0	N/A	N/A
Continuous contract employees	405,494	0	90,067	0	2.625	315,427	3 Nov 2003	2 Nov 2013

Second Share option granted on 1 September 2006

	Options held at 1/1/2011	Options Granted during the period	Options exercised during the period *(Note 1)*	Options cancelled during the period	Exercise price per option *(HK$)*	Options held at 31/12/2011	Exercisable from	Exercisable until
Mr. Edward Tan	0	0	0	0	N/A	0	N/A	N/A
Mr. Alfred Chan	0	0	0	0	N/A	0	N/A	N/A
Mr. Pierre Bourque	80,000	0	0	0	11.68	80,000	1 Sep 2006	31 Aug 2016
Ms. Julie Enfield	0	0	0	0	N/A	0	N/A	N/A
Mr. Rodney Cone	0	0	0	0	N/A	0	N/A	N/A
Ms. Valarie Fong	0	0	0	0	N/A	0	N/A	N/A
Mr. Peter Bromberger	0	0	0	0	N/A	0	N/A	N/A
Continuous contract employees	4,606,857	0	347,998	0	11.68	4,258,859	1 Sep 2006	31 Aug 2016

Third Share option granted on 14 July 2009

	Options held at 1/1/2011	Options Granted during the period	Options exercised during the period *(Note 1)*	Options cancelled during the period	Exercise price per option *(HK$)*	Options held at 31/12/2011	Exercisable from	Exercisable until
Mr. Edward Tan	250,000	0	0	0	17.32	250,000	14 Jul 2009	13 Jul 2019
Mr. Alfred Chan	250,000	0	0	0	17.32	250,000	14 Jul 2009	13 Jul 2019
Mr. Pierre Bourque	50,000	0	0	0	17.32	50,000	14 Jul 2009	13 Jul 2019
Ms. Julie Enfield	0	0	0	0	N/A	0	N/A	N/A
Mr. Rodney Cone	50,000	0	0	0	17.32	50,000	14 Jul 2009	13 Jul 2019
Ms. Valarie Fong	50,000	0	0	0	17.32	50,000	14 Jul 2009	13 Jul 2019
Mr. Peter Bromberger	0	0	0	0	N/A	0	N/A	N/A
Continuous contract employees	22,627,675	0	262,757	428,372	17.32	21,936,546	14 Jul 2009	13 Jul 2019

Notes:

1. *The exercise price for each option granted in November 2003 was originally fixed at HK$10.50, but was adjusted to HK$2.625 following the 4 for 1 Share split in November 2004.*

2. *The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$25.*

   On and subject to the terms of the Scheme, the options shall only be exercisable in respect of such part thereof that has been vested in accordance with the following manner:

Fraction of the Shares covered under the option	Vesting date
1/3	*First anniversary of the offer date*
1/3	*Second anniversary of the offer date*
1/3	*Third anniversary of the offer date*

   The Board may in its absolute discretion relax or accelerate all or any of the above vesting periods in such manner as it may deem fit.

Substantial Shareholders

The Company has been notified that, as at 31 December 2011, the persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Names of shareholders	Capacity	Number of Shares	Total number of Shares held	Percentage of issued share capital
CFS International Inc.[1]	Beneficial Owner	235,445,273 (L)	235,445,273 (L)	41.43% (L)
Ports International Enterprises Limited[1]	Interest of Controlled Corporation	235,445,273 (L)	235,445,273 (L)	41.43% (L)
	Beneficial Owner	52,394,000 (S)	52,394,000 (S)	9.21% (S)
JP Morgan Chase & Co	Investment Manager	51,532,432 (L)	51,532,432 (L)	9.06% (L)
		660,000 (S)	660,000 (S)	0.12% (S)
		33,246,432 (LP)	33,246,432 (LP)	5.85% (LP)
Government of Singapore Investment Corp. Pte. Ltd	Interest of Controlled Corporation	41,303,417(L)	41,303,417 (L)	7.26% (L)

(L) — Long Position, (S) — Short Position and (LP) — Lending Pool.

Notes:

1. *PIEL is deemed to be interested in the 235,445,273 Shares held by CFS by virtue of PIEL's interest in CFS. Please also see Note 1 on page 26.*

Save as disclosed above, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares of the Company as at 31 December 2011 as recorded in the register required to be kept under section 336 of the SFO.

Directors’ Interest in Contracts of Significance

There were no contracts of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, during FY2011, save as disclosed in the paragraphs below headed “Continuing Connected Transactions” and “Other Connected Transactions”.

Purchase, Sale or Redemption of the Company’s Listed Securities

During FY2011, the Company did not redeem, and neither the Company nor any of its subsidiaries purchased or sold, any of the Company’s listed securities.

Pre-emptive Rights

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

Properties

Details of the major properties and property interests of the Group are outlined on page 76.

Retirement Scheme

The Group participates in the pension plan benefit scheme mandated by the PRC government for its employees based in the PRC, and the Mandatory Provident Plan mandated by the Hong Kong Government for its employees in Hong Kong.

Continuing Connected Transactions

(i) Continuing Connected Transactions with PIRC

The Group has sold ladies and men’s fashion garments and accessories and other merchandise or products branded with the PORTS INTERNATIONAL and PORTS 1961 brands (“PORTS Products”) to Ports International Retail Corporation (“PIRC”), which resells them in Europe and North America. PIRC is a wholly-owned subsidiary of CFS International Inc., the controlling shareholder of the Company. Accordingly PIRC is an associate of a connected person of the Group. The Group supplies PORTS products to PIRC on a contract basis, with each contract specifying the quantity to be sold, the price and the date of delivery (the “Sales Transactions”). On 1 November 2006, the Company and PIRC entered into an agreement for the supply of PORTS Products to PIRC and its affiliated companies (the “Master Agreement”). The Master Agreement was subsequently renewed on 1 September 2009 and 29 September 2011 and shall expire on 31 December 2014 (the “Renewed Master Agreement”). The annual cap in respect of the aggregate amount of the Sales Transactions under the Renewed Master Agreement for each of the three years ending 31 December 2012, 2013 and 2014 is RMB23 million, RMB25.3 million and RMB27.8 million, respectively, which have been determined by reference to a projected additional 10% growth rate each year.

During the financial year ended 31 December 2011, the total value of the Sales Transactions was RMB17,462,212.

For further information relating to the above transactions, please refer to the Company’s announcement dated 30 December 2011.

(ii) Continuing Connected Transactions with PCD

The Group entered into an agreement with PCD Stores (Group) Limited ("PCD") on 5 December 2007, PCD is owned as to over 30% by Ports International Enterprises Limited ("PIEL"), a controlling shareholder of the Company. Accordingly PCD is an associate of a connected person of the Group. Pursuant to which PCD would procure members of the PCD group to enter into concessionaire agreements with members of the Group (the "Master Concessionaire Agreement"). Members of the PCD group would provide certain designated counters within their respective department stores located in the PRC to the Group for the sale of clothing, accessories, and apparel, and in consideration of which the Group would pay a rental fee to the respective members of the PCD group. The Master Concessionaire Agreement was subsequently renewed on 29 November 2009 and 29 September 2011 with substantially the same scope and terms of the Master Concessionaire Agreement, and shall be valid until 31 December 2014 (the "Renewed Master Concessionaire Agreement"). The annual cap in respect of the aggregate amount of the concessionaire fees paid under the Renewed Master Concessionaire Agreement for each of the three years ending 31 December 2012, 2013 and 2014 is RMB34.7 million, RMB41.6 million and RMB50 million, respectively, which have been determined taking into account the acquisition by the PCD Group of the operator of Beijing Scitech Premium Outlet Mall, an outlet in which the Group currently has 3 stores, in December 2011 and with reference to a projected additional 20% growth rate each year.

During the financial year ended 31 December 2011, the total concessionaire fees paid by the Group to the PCD group was RMB26,496,701, which included the concessionaire fees paid for the 3 stores in Beijing Scitech Premium Outlet Mall from 16 December 2011 (i.e. the date of completion of the acquisition) to 31 December 2011.

For further information relating to the above transactions, please refer to the Company's announcement dated 30 December 2011.

The Independent Non-executive Directors have reviewed the above continuing connected transactions of the Company and have confirmed that:

(a) the continuing connected transactions had been entered into in the ordinary and usual course of business of the Group;

(b) the continuing connected transactions had been entered into either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

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

Details of the transactions between the Group and any related parties can be found on pages 72 to 73.

Other Connected Transactions

As disclosed in the announcement of the Company dated 21 May 2012, the Group entered into certain transactions with Edward Tan, PIEL, Ports 1961 SpA and Ports of Knightsbridge Limited ("PKL") which should have been disclosed in the past as connected transactions, brief details of these connected transactions are set out below.

1. Advances by the Group to Edward Tan

During 2010, CPAX Ltd. ("CPAX"), a subsidiary of the Company, made three interest-free advances to Edward Tan. Separately in 2011, CPAX made two advances to Edward Tan and on 5 April 2012, the parties entered into an agreement which confirmed the two advances in 2011 with an effective interest rate of 6.56% per annum. Full repayment of the outstanding principal (and interest thereon, with respect to the 2011 Advances) were made by Edward Tan to CPAX in respect of the three interest-free advances in 2010 and the two interest-bearing advances in 2011 on 15 May 2012. The above arrangements were one-off and no further advances will be made by the Group to Edward Tan.

2. Advances between PAHL and PIEL, Ports 1961 SpA and PKL

Between the period of 1 January 2010 and 11 May 2011, PIEL made interest-free advances to Ports Asia Holdings Limited ("PAHL") while PAHL itself and through its subsidiaries, each being a member of the Group, also made interest-free advance to PIEL (the "PIEL Advance") and Ports 1961 SpA (the "Ports 1961 Advances"). During the same period, PAHL also made interest-free advances to PKL (the "PKL Advances"). PIEL, Ports 1961 SpA and PKL are associates of Alfred Chan and Edward Tan, the controlling shareholders of the Company. As of 31 December 2011, the outstanding balance in respect of the PIEL Advances was nil. As of the same date, PIEL had interest-free advances to the Group of RMB160,139,000. PIEL had an average daily balance of interest-free advances of RMB146,345,000 to the Group in 2011. All outstanding sums under the PIEL advances, the Ports 1961 Advances have been repaid in full to the Group as at 16 May 2012, and the outstanding sum under the PKL Advances have been repaid in full to the Group as at 15 May 2012.

Pledging of shares by controlling shareholders

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

Corporate Governance

The corporate governance report of the Company is outlined on pages 17 to 23.

Auditors

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

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.

On behalf of the Board
Alfred Chan
Director

21 May 2012

CORPORATE SOCIAL RESPONSIBILITY

The Group has achieved satisfying results in the continuing development and implementation of its corporate social responsibility strategy. This report highlights some of our activities during FY2011.

Community Initiatives

— The Group supported the Red Cross China branch and local charities by making corporate clothing donations.

— In August 2010, the Company established "Ke Xiude Charity Foundation" to support the education of the children in poverty and the poverty relief and to participate in other social service. During FY2011, this charity foundation has also provided financial support to our employees who, or whose family members, suffered from unfortunate events such as long term illness or accidents.

Supply Chain

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

Health and Safety

— The Company established a medical office in its manufacturing facility, providing first aid services to the staff. Training was given to the staff to equip them with the necessary first aid skills and knowledge.

— The Company arranged fire prevention training and conducted fire drills for the staff to improve their awareness on fire protection.

The Environment

— The management of the Company identified and explored possible energy saving opportunities in connection with the operation Group's business on a regular basis.

— The Group reviewed its packaging reuse, waste paper and fabric recycling procedures from time to time.

— The Group's commitment to the environment was also highlighted by the eco-friendly designs that were incorporated into the Group's new all-in-one headquarters that had commenced full operation since the second half of 2011.

Employees' Activities

— In April 2011, the Group made donations as well as encouraged its staff to join the "Think Pink" walkathons. The event aimed to enhance and promote public awareness on breast cancer and advocate the participants for an active and healthy lifestyle.

— In June 2011, the Group organized a carnival party and encouraged its employees and their children to participate to promote and build harmonious relations among the family members of the Group's employees.

— During FY2011, the Group hosted and sponsored various corporate sporting events for its employees, promoting the importance of a healthy work-life balance. A talent quest was also organized at our annual party to promote closer bonding and understanding between employees.

SENIOR MANAGEMENT AND DIRECTORS

Executive Directors

Mr. Edward Tan, aged 69, is the ex-Chairman of the Company and one of the founders of the Group. Mr. Tan has more than 35 years' experience in the textile, garment and trading business. Mr. Tan is responsible for setting the general direction of the Group. Mr. Tan has extensive experience in carrying out business in both Canada and the PRC. Mr. Tan has been an executive director of CFS since 1989. Mr. Tan is also an executive director of PCD, a company whose shares are listed in the main board of Hong Kong Stock Exchange. Mr. Edward Tan is the elder brother of Mr. Alfred Chan.

Mr. Edward Tan has resigned as the Chairman and Executive Director of the Company with effect from 18 May 2012.

Mr. Alfred Chan, aged 64, is the Chief Executive Officer, Executive Director of the Company and one of the founders of the Group. He is also the chairman of the Remuneration Committee and the Nomination Committee. Mr. Alfred Chan has over 30 years' experience in the garment and fashion industry in North America and Asia. He was nominated as one of the 200 top chief executive officers in Canada by the Financial Post of Canada in 1992. He is responsible for the overall management and operations of the Group. Mr. Chan graduated from McGill University in Canada with a Bachelor of Science degree in physics in 1970 and a Master degree in electrical engineering in 1972. Mr. Chan is also the chairman and executive director of PCD. Mr. Alfred Chan is the younger brother of Mr. Edward Tan.

Mr. Pierre Bourque, aged 64, is the executive vice president and Executive Director of the Company. Mr. Bourque has over 30 years' experience in the garment and fashion industry with extensive knowledge of inventory management, inventory quality control, marketing, merchandising and sales. Mr. Bourque joined the Canadian operations of Ports International in 1997 and was appointed as the vice president of CFS. Mr. Bourque joined the Group in August 2002.

Non-executive Directors

Ms. Julie Enfield, aged 55, is a former non-executive Director of the Company. Ms. Enfield is also a full time writer and a former lecturer at Ryerson University in Toronto, Canada from 1997 to 2002. She was employed as a consultant of the public relations department of CFS from August 2002 to July 2005. Ms. Enfield currently holds certain share options granted by CFS, which may, upon full exercise, be converted into 10,000 shares in the capital of CFS. Ms. Enfield graduated from Ryerson University in Toronto, Canada with a Bachelor degree in Journalism in 1997. Ms. Enfield joined the Group in September 2005.

Ms. Julie Enfield has resigned as a Non-executive Director of the Company with effect from 27 April 2012.

Mr. Ian Hylton, aged 47, is a Non-executive Director of the Company. Mr. Hylton joined the Group in December 2005. Prior to joining the Group, Mr. Hylton was the Men's Fashion Director of Holt Renfrew, Canada's premier fashion department store chain. In 1997, Mr. Hylton left Holt Renfrew to join the well-known Canadian fashion magazine "Flare" as the Fashion Director. Mr. Hylton left Flare in 1999 to join Joseph Mimran & Associates Inc. as a partner, helping to establish the Club-Monaco-Caban concept in Canada. Mr. Hylton was a founding member of the Fashion Designer Council of Canada. He graduated in 1986 from the Nottingham Trent University with a Bachelor degree of Arts in Fashion Design.

Independent Non-executive Directors

Mr. Rodney Cone, aged 51, is an Independent Non-executive Director of the Company. He also serves as the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. Mr. Cone joined the Group in October 2002. Prior to joining the Group, he was the general manager of Healthcare Asia (Taiwan) Ltd. from 1993 to 1996. He is currently an independent businessman with business operations in Hong Kong, Taiwan and the PRC. Mr. Cone graduated from the Wharton School, the University of Pennsylvania in the United States of America with a Master of Business Administration degree in 1993.

Ms. Valarie Fong, aged 38, is an Independent Non-executive Director and a member of the Audit Committee and Nomination Committee. Ms. Fong joined the Group in August 2002. Ms. Fong is a current member of CPA Australia. She is a certified practicing accountant and served as an auditor with Ernst & Young, Hong Kong from 1996 to 1998. Ms. Fong has also served many years in the art business with Contrasts Gallery and Connoisseur Art Gallery, respectively, in Hong Kong where she is responsible for managing the gallery, art consulting, organizing exhibitions and events, and preparing schedules and budgets. Ms. Fong graduated from Australian National University with a Bachelor of Commerce degree in 1995.

Mr. Peter Bromberger, aged 46, is an Independent Non-executive Director and a member of the Audit Committee and Remuneration Committee. Mr. Bromberger joined the Group in April 2010. He is currently the general manager of Speaker Electronic (Jia Shan) Co., Ltd. Mr. Bromberger moved to and resided in China in 1996 and since then, he has assumed various senior executive and financial roles as well as directorship positions in different organizations. Mr. Bromberger graduated from Wirtschaftsakademie Hamburg in Germany with a Bachelor of Business Administration degree in 1994. Prior to that, He also obtained various diplomas relating to Asian studies and Chinese language both in Germany and in Taiwan.

Senior Management

Irene Wong, aged 59, is the company secretary of the Company. Ms. Wong joined the Group in September 2003. Ms. Wong is an associate member of the Institute of Chartered Secretaries and Administrators, a fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Hong Kong Institute of Certified Public Accountants. She is also a practicing certified public accountant in Hong Kong and has been practicing accounting for over 20 years.

He Kun, aged 41, is the financial controller of the Group. He is responsible for budget control and financial reporting of the Group. Mr. He joined the Group in 1992. He graduated from Xiamen University, China with a Professional Accounting degree in 1992 and a Master of Business Administration degree in 2004.

Fiona Cibani, aged 46, is the creative director of the Group. Ms. Cibani joined the Group in 1989. She is responsible for the overall artistic direction of the Group and leads and supervises the design team comprising designers and assistant designers in the creation of the Group's products, which include clothing and accessories.

Zheng Kai Mei, aged 42, is the manager of the information technology department of the Group. He joined the Group in 1993. Mr. Zheng is responsible for the day-to-day operations of the Group's information and technology services. He obtained a college diploma and was majored in computer information management from Dalian Maritime University, China in 1990.

Chen Xi Fan, aged 42, is the manager of merchandising of the Group. Ms. Chen joined the Group in 1992. Ms. Chen is responsible for the management and coordination of merchandise ordering for the Group, as well as the development of the BMW Lifestyle export business to BMW dealers worldwide. Ms. Chen graduated from Fuzhou University, China with a Bachelor of Arts degree in 1991.

Michelle Chen, aged 43, is the marketing director of the Group. Ms. Chen is responsible for the advertising and marketing activities of the retail business of the Group. Ms. Chen first joined the Group in 1997 and left in 2004 before rejoining the Group in 2006. She graduated from Xiamen University, China majoring in international journalism in 1991, and graduated from the Paris ESSEC Business School Luxury Brand Management Program with a Master of Business Administration degree in 2005.

PORTS DESIGN LIMITED

(Stock Code: 589)

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

(Prepared under International Financial Reporting Standards)

KPMG

Independent auditor's report to the shareholders of Ports Design Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Ports Design Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 40 to 102, which comprise the consolidated and company balance sheets as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

REPORT OF THE AUDITORS

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 International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

We draw attention to note 3 to the consolidated financial statements which describes the prior period adjustments made by the Group to restate the consolidated financial statements for the year ended 31 December 2010 for the correction of certain presentation errors and omitted disclosures. Our opinion is not qualified in respect of this matter.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 May 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011
(Expressed in thousands of Renminbi Yuan, except share and per share data)

	Note	2011 RMB'000	2010 RMB'000
Turnover	4	**1,985,013**	1,718,125
Cost of sales		**(355,573)**	(358,354)
Gross profit		**1,629,440**	1,359,771
Other revenue	5(a)	**58,291**	18,199
Other net income	5(b)	**220**	11,713
Distribution costs		**(924,853)**	(733,029)
Administrative expenses		**(70,082)**	(73,731)
Other operating expenses	6	**(126,586)**	(72,869)
Profit from operations		**566,430**	510,054
Finance income		**31,726**	27,756
Finance costs		**(9,274)**	(5,153)
Net finance income	8(a)	**22,452**	22,603
Profit before taxation	8	**588,882**	532,657
Income tax	9(a)	**(158,504)**	(61,336)
Profit for the year		**430,378**	471,321
Other comprehensive income for the year, net of income tax		**—**	—
Total comprehensive income for the year		**430,378**	471,321
Profit attributable to:			
Equity shareholders of the Company	10	**429,910**	473,061
Non-controlling interests		**468**	(1,740)
Profit for the year		**430,378**	471,321
Total comprehensive income attributable to:			
Equity shareholders of the Company		**429,910**	473,061
Non-controlling interests		**468**	(1,740)
Total comprehensive income for the year		**430,378**	471,321
Earnings per share (RMB)			
— Basic	11	**0.76**	0.84
— Diluted	11	**0.75**	0.83

The notes on pages 46 to 102 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

CONSOLIDATED BALANCE SHEET

at 31 December 2011
(Expressed in thousands of Renminbi Yuan)

	Note	**At 31 December 2011 RMB'000**	At 31 December 2010 RMB'000 (Restated) (see Note 3)	At 1 January 2010 RMB'000 (Restated) (see Note 3)
Non-current assets				
Lease prepayments	15	**3,357**	3,442	3,527
Property, plant and equipment	16	**514,563**	349,040	262,080
Intangible assets	17	**—**	—	21,065
Deferred tax assets	18(b)	**64,649**	43,174	28,490
		582,569	395,656	315,162
Current assets				
Inventories	19	**632,972**	544,860	448,479
Trade and other receivables, deposits and prepayments	20(a)	**571,775**	447,337	607,684
Pledged bank deposits	26	**555,992**	501,929	626,792
Fixed deposits with banks	22	**439,852**	164,938	38,732
Cash and cash equivalents	23	**379,629**	347,735	793,821
		2,580,220	2,006,799	2,515,508
Current liabilities				
Trade payables, other payables and accruals	24(a)	**493,338**	366,207	712,036
Interest-bearing borrowings	26	**701,992**	355,783	734,117
Current taxation	18(a)	**116,727**	23,473	19,916
		1,312,057	745,463	1,466,069
Net current assets		**1,268,163**	1,261,336	1,049,439
Total assets less current liabilities		**1,850,732**	1,656,992	1,364,601
Non-current liabilities				
Deferred tax liabilities	18(b)	**7,058**	8,423	6,845
		7,058	8,423	6,845
Net assets		**1,843,674**	1,648,569	1,357,756
Capital and reserves				
Share capital	27(c)	**1,503**	1,501	1,492
Reserves		**1,831,903**	1,647,068	1,356,264
Total equity attributable to equity shareholders of the Company		**1,833,406**	1,648,569	1,357,756
Non-controlling interests		**10,268**	—	—
Total equity		**1,843,674**	1,648,569	1,357,756

Approved and authorised for issue by the board of directors on 18 May 2012.

Alfred Kai Tai Chan
Chief Executive Officer

Pierre Frank Bourque
Executive Vice President

The notes on pages 46 to 102 form part of these financial statements.

BALANCE SHEET

at 31 December 2011
(Expressed in thousands of Renminbi Yuan)

	Note	**2011** **RMB'000**	2010 RMB'000
Non-current assets			
Investments in subsidiaries	30	**317,343**	289,653
		317,343	289,653
Current assets			
Trade and other receivables, deposits and prepayments	20(b)	**480,047**	395,369
Cash and cash equivalents	23	**5,121**	8,216
		485,168	403,585
Current liabilities			
Trade payables, other payables and accruals	24(b)	**11,591**	11,662
Interest-bearing borrowings	26	**121,605**	51,054
		133,196	62,716
Net current assets		**351,972**	340,869
Net assets		**669,315**	630,522
Capital and reserves	27		
Share capital		**1,503**	1,501
Reserves		**667,812**	629,021
Total equity		**669,315**	630,522

Approved and authorised for issue by the board of directors on 18 May 2012.

Alfred Kai Tai Chan
Chief Executive Officer

Pierre Frank Bourque
Executive Vice President

The notes on pages 46 to 102 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011
(Expressed in thousands of Renminbi Yuan)

	Note	**2011**	2010
		RMB'000	*RMB'000*
			(Restated)
			(see Note 3)
Net cash generated from operating activities	*(a)*	**445,480**	388,030
Cash flow from investing activities			
Interest received		**17,571**	15,963
Advances paid to			
— related parties		**(61,980)**	(8,152)
— third party companies		**(633,388)**	(368,980)
Repayment of advances from			
— related parties		**—**	280,890
— third party companies		**622,056**	350,312
Acquisition of property, plant and equipment		**(183,027)**	(155,433)
Proceeds from disposal of property, plant and equipment		**615**	940
Proceeds from disposal of intangible assets, net of settlement of related payable		**—**	16,676
(Increase)/Decrease in pledged bank deposits		**(54,063)**	124,863
Increase in fixed deposits with banks		**(274,914)**	(126,206)
Net cash (used in)/generated from investing activities		**(567,130)**	130,873
Cash flow from financing activities			
Interest expense paid		**(6,940)**	(6,182)
Advances received from			
— related parties		**89,264**	343,067
— third party companies		**51,351**	88,050
Repayment made by the Group for advances received from			
— related parties		**(64,909)**	(207,968)
— third party companies		**—**	(430,039)
Proceeds from interest-bearing borrowings		**632,488**	337,291
Repayment of interest-bearing borrowings		**(286,279)**	(715,625)
Dividends paid to equity shareholders of the Company		**(278,668)**	(418,277)
Proceeds from shares issued under share option scheme		**7,437**	44,694
Capital contribution from non-controlling shareholder		**9,800**	—
Net cash generated from/(used in) financing activities		**153,544**	(964,989)
Net increase/(decrease) in cash and cash equivalents		**31,894**	(446,086)
Cash and cash equivalents at 1 January		**347,735**	793,821
Cash and cash equivalents at 31 December		**379,629**	347,735

The notes on pages 46 to 102 form part of these financial statements.

(Expressed in thousands of Renminbi Yuan)

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

	Note	**2011** **RMB'000**	2010 RMB'000 (Restated) (see Note 3)
Profit before taxation		**588,882**	532,657
Adjustments for:			
Depreciation of property, plant and equipment	8(b)	**86,823**	62,381
Amortisation of lease prepayments	8(b)	**85**	85
Gain on disposal of intangible asset	5(b)	**—**	(11,713)
Gain on disposal of property, plant and equipment	5(b)	**(220)**	—
Equity-settled share-based payment expenses	7	**26,157**	52,156
Interest expense	8(a)	**7,186**	3,582
Interest income	8(a)	**(21,245)**	(16,464)
Operating profit before changes in working capital		**687,668**	622,684
Increase in inventories		**(88,112)**	(96,381)
Increase in accounts receivable		**(37,486)**	(3,470)
Increase in amounts due from related parties		**(20,860)**	(38,615)
Increase in advances to suppliers		**(22,123)**	(13,280)
Increase in other receivables, deposits and prepayments		**(7,764)**	(26,847)
(Decrease)/increase in accounts payable		**(2,268)**	43,407
Increase in amounts due to related parties		**—**	322
Increase/(decrease) in other creditors and accruals		**24,515**	(28,905)
Cash generated from operations		**533,570**	458,915
Income tax paid		**(88,090)**	(70,885)
Net cash generated from operating activities		**445,480**	388,030

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011
(Expressed in thousands of Renminbi Yuan)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Capital reserve-staff share options issued (undistributable) RMB'000	Capital reserve RMB'000	Share premium RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2010		1,492	53,743	63,159	456,851	151,617	9,868	621,026	1,357,756	—	1,357,756
Dividends to equity holders	27(b)	—	—	—	—	—	—	(277,358)	(277,358)	—	(277,358)
Shares issued under share option scheme		9	(11,318)	—	56,003	—	—	—	44,694	—	44,694
Equity settled share-based payment transactions	7	—	52,156	—	—	—	—	—	52,156	—	52,156
Total comprehensive income for the year		—	—	—	—	—	—	473,061	473,061	(1,740)	471,321
Acquisition of Non-controlling interest		—	—	(1,740)	—	—	—	—	(1,740)	1,740	—
Transfer upon liquidation of subsidiary		—	—	—	—	(98,346)	(9,868)	108,214	—	—	—
Transfer to reserve		—	—	—	—	1,363	—	(1,363)	—	—	—
Balance at 31 December 2010		1,501	94,581	61,419	512,854	54,634	—	923,580	1,648,569	—	1,648,569
Balance at 1 January 2011		**1,501**	**94,581**	**61,419**	**512,854**	**54,634**	**—**	**923,580**	**1,648,569**	**—**	**1,648,569**
Dividends to equity holders	27(b)	**—**	**—**	**—**	**—**	**—**	**—**	**(278,667)**	**(278,667)**	**—**	**(278,667)**
Shares issued under share option scheme	27(c)(ii)	**2**	**(1,943)**	**—**	**9,378**	**—**	**—**	**—**	**7,437**	**—**	**7,437**
Equity settled share-based payment transactions	7	**—**	**26,157**	**—**	**—**	**—**	**—**	**—**	**26,157**	**—**	**26,157**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**429,910**	**429,910**	**468**	**430,378**
Capital contribution from non-controlling shareholder		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**9,800**	**9,800**
Transfer to reserve		**—**	**—**	**—**	**—**	**1,207**	**—**	**(1,207)**	**—**	**—**	**—**
Balance at 31 December 2011		**1,503**	**118,795**	**61,419**	**522,232**	**55,841**	**—**	**1,073,616**	**1,833,406**	**10,268**	**1,843,674**

The notes on pages 46 to 102 form part of these financial statements.

1. Significant accounting policies

Ports Design Limited (the "Company") is a company incorporated in Bermuda with limited liability. The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis. These financial statements are presented in Renminbi ("RMB"). Except for share and per share data, all financial information presented in Renminbi has been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgements made by management in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and significant areas of estimation uncertainty are discussed in note 2.

1. Significant accounting policies *(continued)*

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of the Group's financial statements.

(d) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

1. Significant accounting policies *(continued)*

(e) Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

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

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

—	Plant and buildings	20–50 years
—	Machinery	10 years
—	Fixtures, fittings and other fixed assets	3–5 years

No depreciation is provided on construction in progress.

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

(f) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(h)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

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

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of leased assets leased to the Group

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

(ii) Operating leases charges

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

(iii) Lease prepayments

Lease prepayments represent prepayment made for land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 1(h)). Amortisation is provided to write off the cost of lease prepayment on a straight-line basis over the respective periods of the rights.

(h) Impairment of assets

(i) Impairment of trade and other receivables

Receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

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

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

(h) Impairment of assets *(continued)*

(i) Impairment of trade and other receivables (continued)

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

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

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

— property, plant and equipment;

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

— intangible assets; and

— investments in subsidiaries.

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

(h) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

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

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversal of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(h)(i) and (ii)).

1. Significant accounting policies *(continued)*

(i) Inventories

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

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

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

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

(j) Trade and other receivables

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

(k) Cash and cash equivalents

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

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(n)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1. Significant accounting policies *(continued)*

(n) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(n)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

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

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

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the costs of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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

(o) Employee benefits *(continued)*

(ii) Share-based payments

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

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiary in the Company's balance sheet which is eliminated on consolidation.

(p) Income tax

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

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

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

1. Significant accounting policies *(continued)*

(p) Income tax *(continued)*

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

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

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

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

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. Significant accounting policies *(continued)*

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Services rendered

Revenue from services rendered is recognised when the service is rendered.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

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

(r) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Translation of foreign currencies

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

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

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

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(v) Dividends

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

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

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(x) Earnings per share

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

2. **Accounting estimates and judgements**

Notes 18, 28, 31 and 33 contain information about significant areas of estimation uncertainty and critical judgements in applying accounting policies of deferred taxes on unused tax losses, measurement of share-based payments, valuation of financial instruments and contingent liabilities respectively that have the most significant effect on the amounts recognised in the financial statements. Other key sources of estimation uncertainty are as follows:

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(b) Net realisable value of inventories

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

(Expressed in thousands of Renminbi Yuan)

3. Restatement of financial statements

In preparing the consolidated financial statements for the year ended 31 December 2011, the Company identified errors and omissions in its presentation and disclosures of certain transactions and balances with certain related parties, including its directors, and unrelated parties in the previously issued consolidated financial statements for the year ended 31 December 2010. Those errors include offsetting certain receivable and payable balances due from/to related parties and a company named 廈門加中軟件開發有限公司 (referred as "Jiazhong Company Limited") in its consolidated balance sheet, omitting to disclose certain advances made and received by the Group in the consolidated cash flow statement, and omitting to disclose details relating to certain related party transactions. Consequently, the Company's consolidated balance sheet as at 31 December, 2010, consolidated cash flow statement for the year ended 31 December 2010 and disclosures for related party transactions for the year ended 31 December 2010 (note 14) have been restated to correct those errors and details of the Group's transactions and balances with Jiazhong Company Limited are set out in note 21. The errors did not affect the figures presented in the Group's consolidated statement of comprehensive income or consolidated statement of changes in equity for the year ended 31 December 2010.

The following table reflects the effects of the restatement for each financial statement line item affected in respect of the year ended 31 December 2010 together with the amount of correction at the beginning of the earliest prior period presented, which is 1 January 2010:

Consolidated Balance Sheet

	At 31 December 2010		
	As reported	**Adjustment**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other receivables, deposits and prepayments	311,553	135,784	447,337
— Accounts receivable	174,756	(3,304)	171,452
— Amounts due from related parties	24,898	97,640	122,538
— Other receivables, deposits and prepayments	77,951	41,448	119,399
Current assets	1,871,015	135,784	2,006,799
Trade payables, other payables and accruals	230,423	135,784	366,207
— Amounts due to related parties	—	135,784	135,784
Current liabilities	609,679	135,784	745,463

	At 1 January 2010		
	As reported	**Adjustment**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other receivables, deposits and prepayments	265,333	342,351	607,684
— Accounts receivable	176,666	(8,684)	167,982
— Amounts due from related parties	12,211	344,450	356,661
— Other receivables, deposits and prepayments	65,833	6,585	72,418
Current assets	2,173,157	342,351	2,515,508
Trade payables, other payables and accruals	369,685	342,351	712,036
— Amounts due to related parties	—	362	362
— Other creditors and accruals	175,163	341,989	517,152
Current liabilities	1,123,718	342,351	1,466,069

(Expressed in thousands of Renminbi Yuan)

3. Restatement of financial statements *(continued)*

Consolidated Cash Flow Statement

	Year-ended 31 December 2010		
	As reported	**Adjustment**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation of profit before taxation to cash generated from operating activities			
Decrease/(Increase) in accounts receivable	1,910	(5,380)	(3,470)
Increase in amounts due from related parties	(12,687)	(25,928)	(38,615)
Increase in other receivables, deposits and prepayments	(10,653)	(16,194)	(26,847)
Increase in amounts due to related parties	—	322	322
Cash generated from operations	506,095	(47,180)	458,915
Net cash generated from operating activities	435,210	(47,180)	388,030
Cash flow from investing activities			
Advances paid to			
— related parties	—	(8,152)	(8,152)
— third party companies	—	(368,980)	(368,980)
Repayment of advances from			
— related parties	—	280,890	280,890
— third party companies	—	350,312	350,312
Net cash (used in)/generated from investing activities	(123,197)	254,070	130,873
Cash flow from financing activities			
Advances received from			
— related parties	—	343,067	343,067
— third party companies	—	88,050	88,050
Repayment made by the Group for advances received from			
— related parties	—	(207,968)	(207,968)
— third party companies	—	(430,039)	(430,039)
Net cash used in financing activities	(758,099)	(206,890)	(964,989)

4. Turnover and segment reporting

(a) Turnover

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

The Group's customer base is diversified and the Group does not have any single customer with whom transactions have exceeded 10% of the Group's revenue.

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

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments.

- Retail: this segment primarily derives revenue from retail sales in the People's Republic of China ("the PRC"). The products are either sourced externally or are manufactured in the Group's manufacturing facilities located in the PRC. Individual retail shops are identified as operating segments and have been aggregated to form this reportable segment as they have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

- OEM: this segment exports merchandise to retailers and customers in North America, Europe and Asia. The manufacture of OEM merchandise is outsourced and is branded under brands requested by the OEM customers.

(i) Segment results and assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets represent inventories only.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is gross profit less selling and distribution costs directly attributable to the segment.

(Expressed in thousands of Renminbi Yuan)

4. Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results and assets (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Retail		OEM		Others(i)		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,869,193**	1,568,421	**76,933**	117,073	**38,887**	32,631	**1,985,013**	1,718,125
Reportable segment revenue	**1,869,193**	1,568,421	**76,933**	117,073	**38,887**	32,631	**1,985,013**	1,718,125
Reportable segment profit	**979,984**	808,750	**8,843**	11,651	**10,179**	10,611	**999,006**	831,012
Distribution costs	**630,434**	528,759	**—**	—	**—**	—	**630,434**	528,759
Reportable segment assets	**622,192**	535,037	**3,942**	4,698	**6,838**	5,125	**632,972**	544,860

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

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

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**1,946,126**	1,685,494
Other revenue	**38,887**	32,631
Consolidated turnover	**1,985,013**	1,718,125

	2011	2010
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**988,827**	820,401
Other profit	**10,179**	10,611
	999,006	831,012
Other revenue and other net income	**58,511**	29,912
Distribution costs	**(294,419)**	(204,270)
Administrative expenses	**(70,082)**	(73,731)
Other operating expenses	**(126,586)**	(72,869)
Net finance income	**22,452**	22,603
Consolidated profit before taxation	**588,882**	532,657

(Expressed in thousands of Renminbi Yuan)

4. Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Assets		
Reportable segment assets	**626,134**	539,735
Other inventories	**6,838**	5,125
Consolidated inventories	**632,972**	544,860
Non-current assets	**582,569**	395,656
Trade and other receivables, deposits and prepayments	**571,775**	447,337
Pledged bank deposits	**555,992**	501,929
Fixed deposits with banks	**439,852**	164,938
Cash and cash equivalents	**379,629**	347,735
Consolidated total assets	**3,162,789**	2,402,455

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's sales revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments and intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of lease prepayments and property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets.

The Group's business is mainly based and operated in Mainland China.

	Sales revenues from external customers		**Specified non-current assets**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**1,820,697**	1,530,977	**503,324**	333,642
Others	**164,316**	187,148	**14,596**	18,840
	1,985,013	1,718,125	**517,920**	352,482

(Expressed in thousands of Renminbi Yuan)

5. Other revenue and other net income

(a) Other revenue

	2011	2010
	RMB'000	*RMB'000*
Liaison service income	**743**	1,570
Royalty income	**8,500**	5,869
Design and decoration income	**6,870**	8,317
Insurance compensation	**1,878**	1,852
Government subsidies (see note (i) below)	**40,300**	—
Others	**—**	591
	58,291	18,199

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

(b) Other net income

	2011	2010
	RMB'000	*RMB'000*
Net gain on sale of property, plant and equipment	**220**	—
Net gain on disposal of intangible assets and settlement of related payable (see note 17)	**—**	11,713
	220	11,713

6. Other operating expenses

	2011	2010
	RMB'000	*RMB'000*
Inventory provision	**125,448**	72,869
Others	**1,138**	—
	126,586	72,869

(Expressed in thousands of Renminbi Yuan)

7. Personnel expenses

	2011	2010
	RMB'000	*RMB'000*
Wages, salaries and staff benefits	**296,704**	243,066
Contributions to defined contribution retirement plan	**7,595**	5,522
Equity-settled share-based payment expenses (see note 28)	**26,157**	52,156
	330,456	300,744

The Group participates in a defined contribution plan managed by the local government authorities of Xiamen whereby the Group is required to contribute to the plan. The applicable rates of contribution are either 12% (2010: 6%) of the minimum salary level of employees in Xiamen or 14% (2010: 14%) of employees' relevant income, subject to a cap of RMB10 thousand per month. The Group has no obligation for the payment of retirement benefits other than the contributions described above.

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

8. Profit before taxation

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

(a) Net finance income

	2011	2010
	RMB'000	*RMB'000*
Interest income from bank deposits	**(21,245)**	(16,464)
Net foreign exchange gain	**(10,481)**	(11,292)
Finance income	**(31,726)**	(27,756)
Interest expense on bank loans repayable within five years	**8,557**	5,220
Less: interest expense capitalised into property, plant and equipment*	**(1,371)**	(1,638)
Interest expense, net	**7,186**	3,582
Others	**2,088**	1,571
Finance costs	**9,274**	5,153
Net finance income	**(22,452)**	(22,603)

* *The borrowing costs have been capitalised at a weighted average interest rate of 1.33% per annum (2010: 1.16%).*

(Expressed in thousands of Renminbi Yuan)

8. Profit before taxation *(continued)*

(b) Other items

	2011	2010
	RMB'000	*RMB'000*
Operating leases charges in respect of properties		
— minimum lease payments	**99,248**	88,381
— contingent rents	**323,741**	279,209
	422,989	367,590
Auditors' remuneration — audit services	**2,087**	2,099
Depreciation	**86,823**	62,381
Amortisation — lease prepayments	**85**	85
Cost of inventories# (see note 19)	**481,021**	431,223

\# *Cost of inventories includes RMB99,384 thousand (2010: RMB85,068 thousand) relating to personnel expenses, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 7 for each type of these expenses.*

9. Income tax in the consolidated statement of comprehensive income

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

	2011	2010
	RMB'000	*RMB'000*
Current tax — PRC Income Tax		
Provision for the year (see note 18(a))	**166,679**	67,597
	166,679	67,597
Deferred tax		
Origination and reversal of temporary differences (see note 18(b))	**(8,175)**	(6,261)
	158,504	61,336

(i) Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda. Also, certain subsidiaries located in British Virgin Islands or Samoa Islands are not subject to any income tax in their local jurisdictions.

(ii) No provision for Hong Kong Profits tax has been made during the years ended 31 December 2011 and 2010 as the subsidiaries in Hong Kong did not earn any assessable income for Hong Kong Profits tax purposes.

9. Income tax in the consolidated statement of comprehensive income *(continued)*

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

(iii) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rates and regulations of the PRC.

A majority of the subsidiaries in the PRC ("PRC subsidiaries") are located within special economic zones in the PRC and were previously subject to preferential PRC Enterprise income tax of 15% pursuant to the income tax rules and regulations of the PRC concerning foreign investment and foreign enterprises (the "FEIT Law"). In addition, under the FEIT Law, all the PRC subsidiaries were entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, to a 50% reduction of the applicable income tax rate for the following three years.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law"). According to the New Tax Law, the new enterprise income tax rate for all companies in the PRC is unified at 25% effective from 1 January 2008 when the FEIT Law was ended. Pursuant to the transitional arrangement under the New Tax Law, the income tax rate applicable to the Group's relevant PRC subsidiaries will be gradually increased from the applicable rate under the FEIT Law of 15% to the unified rate of 25% over a 5-year transition period. The PRC subsidiaries will also continue to enjoy the tax-exemption or 50% reduction on the applicable income tax rate under the New Tax Law until the expiry of the above-mentioned tax holiday previously granted under the FEIT Law, and thereafter they will be subject to the unified rate of 25%.

In accordance with the transitional provisions, one of the Group's subsidiaries located in the Xiamen Economic Zone is subject to income tax rate of 24% for 2011 (2010: 11%) and another subsidiary of the Group located in the Xiamen Economic Zone is subject to income tax rate of 12% for 2011 (2010:11%). Both of the above PRC subsidiaries will be subject to the unified tax rate of 25% from 2012 onwards.

The applicable income tax rate of the Group's other PRC subsidiaries is 25%.

(Expressed in thousands of Renminbi Yuan)

9. Income tax in the consolidated statement of comprehensive income *(continued)*

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

	2011	2010
	RMB'000	*RMB'000*
Profit from ordinary activities before taxation	**588,882**	532,657
Computed tax using the Group's applicable tax rate at 25% (2010: 25%)	**147,221**	133,165
Rate differential	**(2,543)**	(4,606)
Tax holiday enjoyed by certain PRC subsidiaries	**(9,081)**	(91,356)
Tax effect of non-deductible expenses net of non-taxable income	**5,978**	11,561
Deferred tax asset not recognised	**3,629**	4,149
Deferred withholding tax liabilities on the expected profits distribution by the Group's PRC subsidiaries	**13,300**	8,423
Actual tax expense	**158,504**	61,336

10. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB5,221 thousand (2010: profit of RMB4,151 thousand) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2011	2010
	RMB'000	*RMB'000*
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**5,221**	4,151
Final dividends from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	**278,645**	119,169
Company's profit for the year (see note 27(a))	**283,866**	123,320

Details of dividends paid and payable to equity shareholders of the Company are set out in note 27(b).

(Expressed in thousands of Renminbi Yuan)

11. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB429,910 thousand (2010: RMB473,061 thousand) and the weighted average of 568,602,899 (2010: 566,146,959) ordinary shares in issue during the year.

(i) Weighted average number of ordinary shares

	2011 Number of shares	2010 Number of shares
Issued ordinary shares at 1 January	**568,074,897**	563,769,586
Effect of share options exercised (see note 27(c)(ii))	**528,002**	2,377,373
Weighted average number of ordinary shares for the year ended 31 December	**568,602,899**	566,146,959

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB429,910 thousand (2010: RMB473,061 thousand) and the weighted average number of 570,319,689 (2010: 571,052,226) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's share option scheme.

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

	2011 Number of shares	2010 Number of shares
Weighted average number of ordinary shares for the year ended 31 December	**568,602,899**	566,146,959
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (see note 28)	**1,716,790**	4,905,267
Weighted average number of ordinary shares (diluted) for the year ended 31 December	**570,319,689**	571,052,226

(Expressed in thousands of Renminbi Yuan)

12. Directors' remuneration

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

	Director's fees *RMB'000*	**Basic salaries, allowances and other benefit** *RMB'000*	**Contributions to retirement benefits scheme** *RMB'000*	**Share-based payments** *RMB'000*	**Total 2011** *RMB'000*
Chairman					
Mr. Edward Tan Han Kiat#	**—**	**781**	**—**	**270**	**1,051**
Executive Directors					
Mr. Alfred Chan Kai Tai	**—**	**781**	**—**	**270**	**1,051**
Mr. Pierre Frank Bourque	**—**	**671**	**—**	**54**	**725**
Non-Executive directors					
Ms. Julie Ann Enfield^	**—**	**252**	**—**	**—**	**252**
Mr. Rodney Ray Cone*	**—**	**—**	**—**	**54**	**54**
Ms. Valarie Fong Wei Lynn*	**—**	**—**	**—**	**54**	**54**
Mr. Peter Nikolaus Bromberger*	**—**	**—**	**—**	**—**	**—**
	—	**2,485**	**—**	**702**	**3,187**

	Director's fees *RMB'000*	Basic salaries, allowances and other benefit *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Share-based payments *RMB'000*	Total 2010 *RMB'000*
Chairman					
Mr. Edward Tan Han Kiat	—	775	—	536	1,311
Executive Directors					
Mr. Alfred Chan Kai Tai	—	775	—	536	1,311
Mr. Pierre Frank Bourque	—	703	—	107	810
Non-Executive directors					
Ms. Julie Ann Enfield^	—	251	—	—	251
Mr. Rodney Ray Cone*	—	—	—	107	107
Ms. Valarie Fong Wei Lynn*	—	—	—	107	107
Ms. Lara Magno Lai*	—	—	—	57	57
Mr. Peter Nikolaus Bromberger*	—	—	—	—	—
	—	2,504	—	1,450	3,954

Note 1: * *independent non-executive directors*

^ *Julie Ann Enfield resigned as non-executive director of the Company with effect from 19 April 2012.*

Ian Richard Hylton has been appointed as the non-executive director of the Company with effect from 27 April 2012.

Edward Tan resigned as an executive Director and chairman of the Company with effect from 18 May 2012.

(Expressed in thousands of Renminbi Yuan)

12. Directors' remuneration *(continued)*

(a) The above emoluments include the value of share options granted to certain directors under the Company's share option scheme as estimated at the date of grant. The details of these benefits in kind are disclosed under the paragraph "Share Option Scheme" section in the Report of the Directors and note 28.

(b) No bonuses were paid or payable as at 31 December 2011 and 2010 by the Group to the directors which were discretionary or based on the Group's or any member of the Group's performance.

(c) Save as disclosed above, no directors' remuneration has been paid or is payable by the Group for the year ended 31 December 2011.

(d) During the year ended 31 December 2011 and 2010, the Group entered into certain transactions with Edward Tan and Alfred Chan, who fall within the definition of related parties mentioned in note 1(u)(a). Details of these transactions and the outstanding balances at the balance sheet dates are set out in note 14 and note 25 respectively.

13. Individuals with highest emoluments

Of the five individuals with the highest emoluments, none of them (2010: none) is a director whose remuneration is disclosed in note 12. The aggregate of the emoluments in respect of the five (2010: five) individuals are as follows:

	2011	2010
	RMB'000	*RMB'000*
Basic salaries, allowances and other benefits	**6,227**	2,010
Share-based payments	**8,604**	19,834
	14,831	21,844

The emoluments of the five (2010: five) individuals with the highest emoluments are within the following bands:

		2011	2010
		Number of individuals	Number of individuals
HKD1,500,001–2,000,000	(RMB equivalent: 1,242,001–1,656,000)	**—**	1
HKD2,000,001–2,500,000	(RMB equivalent: 1,656,001–2,070,000)	**1**	1
HKD2,500,001–3,000,000	(RMB equivalent: 2,070,001–2,484,000)	**2**	1
HKD3,500,001–4,000,000	(RMB equivalent: 2,898,001–3,312,000)	**1**	—
HKD6,500,001–7,000,000	(RMB equivalent: 5,381,001–5,795,000)	**1**	—
HKD7,500,001–8,000,000	(RMB equivalent: 6,209,001–6,623,000)	**—**	1
HKD11,500,001–12,000,000	(RMB equivalent: 9,521,001–9,935,000)	**—**	1
		5	5

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

(Expressed in thousands of Renminbi Yuan)

14. Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 2011 and December 2010.

Name of party	Relationship
Ports International Enterprises Limited	Ultimate parent company
CFS International Inc.	Immediate parent company
Ports International Retail Corporation	Fellow subsidiary company
Ports International Group Limited	Fellow subsidiary company
PCD Stores (Group) Limited and its subsidiaries	Fellow subsidiary company
PORTS 1961 S.P.A	Fellow subsidiary company
Alfred Chan	Director of the Company and 50% equity interest holder of ultimate parent company
Edward Tan	Director of the Company and 50% equity interest holder of ultimate parent company
Ports of Knightsbridge Limited	Company over which Edward Tan and Alfred Chan have significant influence
北京賽特奧特萊斯商貿有限公司 (referred as "Beijing Scitech")	Company controlled by Alfred Chan and Edward Tan
廈門威益達汽車零配件有限公司 (referred as "Xiamen Weiyida")	Company of which Alfred Chan and Edward Tan are directors
廈門巴黎春天百貨有限公司 (referred as "Xiamen Paris Ltd.")	Company controlled by Alfred Chan

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

Particulars of significant transactions between the Group and the above related parties for the years ended 31 December 2011 and 2010 are as follows:

(a) Transactions with key management personnel

	2011	2010
	RMB'000	*RMB'000*
Short-term employee benefits	**2,485**	2,504
Equity compensation benefits	**702**	1,450
	3,187	3,954

Total remuneration is included in "personnel expenses" (see note 7).

(b) Contribution to defined contribution retirement plans

Details of post-employment benefit plans for the Group's employees are disclosed in note 7.

At 31 December 2011 and 31 December 2010, there was no material outstanding contribution to post-employment benefit plans.

(Expressed in thousands of Renminbi Yuan)

14. Related party transactions *(continued)*

(c) Lease arrangement with Ports of Knightsbridge Limited

Ports of Knightsbridge Limited entered into a lease agreement (the "Principal agreement") dated 9 November 2010 with Societe Fonciere Lyonnaise ("SFL") to lease from SFL a property ("the Premises") located in Paris. Ports of Knightsbridge Limited also entered into a lease agreement (the "Sub-lease agreement") dated 5 December 2010 with the Group, pursuant to which the Group leased the Premises from Ports of Knightsbridge Limited. The lease terms under the Principal agreement and the Sub-lease agreement are both 12 years effective from 1 April 2011. In addition, annual rental charges under both agreements are the same, which amount to EUR 1,250,000 for the first year and will be adjusted with reference to certain index for the remaining lease period.

The Group entered into a Deed of Cancellation and Confirmation (the "Deed of Cancellation") and a Deed of Confirmation and Agency Agreement (the "New Agreement") dated 25 April 2012 with Ports of Knightsbridge Limited. Pursuant to the Deed of Cancellation, both parties confirmed and acknowledged that the Sub-lease agreement was cancelled, nullified and terminated as from 5 December 2010. Pursuant to the New Agreement, the Group confirmed and agreed that Ports of Knightsbridge Limited had been appointed as the Group's exclusive agent from 1 November, 2010 for handling the lease of the Premises. In addition, the term of the agency shall be from 1 November 2010 for one year, but shall be automatically renewed on expiry of the term. All demands for payment, including but not limited to rent payments, security deposits, and bank guarantees shall be settled by Ports of Knightsbridge Limited on behalf of the Group and the Group shall reimburse Ports of Knightsbridge Limited for all such payments. The Group shall pay to Ports of Knightsbridge Limited an agency fee of 0.5% of the amount of any payments transmitted to Ports of Knightsbridge Limited by the Group for its services under the New Agreement.

During the year ended 31 December 2011, rental charges for the Premises amounted to Euro937,500 (equivalent to RMB8,529 thousand), which had been paid to Ports of Knightsbridge Limited by the Group at 31 December 2011.

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

	2011 ***RMB'000***	2010 *RMB'000* *(Restated)*
Sales of goods to:		
Ports International Retail Corporation	**17,462**	24,228
Purchases of goods from:		
PORTS 1961 S.P.A	**1,601**	589
Rental fee charged by:		
PCD Stores (Group) Limited and its subsidiaries (i)	**26,497**	23,511
Beijing Scitech (i)	**8,756**	4,085

(i) The Group leased a number of concession counters located within shopping arcades in the PRC owned by certain subsidiaries of PCD Stores (Group) Limited and Beijing Scitech. Proceeds from the Group's sales made in these concession counters totalling RMB103,445 thousand and RMB48,410 thousand in 2011 (2010: RMB86,180 thousand and RMB21,972 thousand) were collected by PCD Stores (Group) Limited and Beijing Scitech respectively. Settlement in respect of these concession sales was made net of the lease rental payable to these two related parties.

(Expressed in thousands of Renminbi Yuan)

14. Related party transactions *(continued)*

(e) Other transactions

	2011	2010
	RMB'000	*RMB'000*
		(Restated)
Interest-free advances made to:		
PORTS 1961 S.P.A	**28,677**	2,745
Edward Tan (see note 25)	**30,198**	4,000
Ports of Knightsbridge Limited	**3,105**	1,407
Repayment of interest-free advances from:		
Ports International Enterprises Limited	**—**	276,090
Edward Tan	**—**	4,800
Interest-free advances from:		
Ports International Enterprises Limited	**86,264**	343,067
Xiamen Paris Ltd.	**3,000**	—
Repayment made by the Group for interest-free advances received from:		
Ports International Enterprises Limited	**61,909**	207,968
Xiamen Paris Ltd.	**3,000**	—
Expenditure paid by the Group on behalf of:		
Ports International Enterprises Limited	**6,290**	6,301
Ports International Retail Corporation	**1,917**	860
Ports International Group Limited	**—**	1,419
PORTS 1961 S.P.A	**184**	—
Alfred Chan	**310**	—
Edward Tan	**599**	—
Xiamen Weiyida	**1,584**	1,471
Xiamen Paris Ltd.	**195**	—
Expenses re-imbursement from:		
Ports International Enterprises Limited	**6,290**	6,301
Alfred Chan	**310**	—
Edward Tan	**231**	—
Expenditure paid on behalf of the Group by:		
Ports International Enterprises Limited	**—**	685
Ports International Retail Corporation	**4,113**	2,429
Ports International Group Limited	**509**	373

(Expressed in thousands of Renminbi Yuan)

15. Lease prepayments

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Cost		
Balance at beginning and end of year	**4,246**	4,246
Accumulated amortisation		
Balance at beginning of year	**(804)**	(719)
Amortisation charge for the year	**(85)**	(85)
Balance at end of year	**(889)**	(804)
Net book value		
At end of year	**3,357**	3,442

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

(Expressed in thousands of Renminbi Yuan)

16. Property, plant and equipment

The Group

	Plant and buildings *RMB'000*	**Machinery** *RMB'000*	**Fixtures, fittings and other fixed assets** *RMB'000*	**Construction in progress** *RMB'000*	**Total** *RMB'000*
Cost					
Balance at 1 January 2010	48,181	30,802	264,240	106,090	449,313
Acquisitions	—	4,806	64,117	81,358	150,281
Transfer from construction in progress	—	—	6,169	(6,169)	—
Disposals	—	—	(22,688)	—	(22,688)
Balance at 31 December 2010	48,181	35,608	311,838	181,279	576,906
Balance at 1 January 2011	48,181	35,608	311,838	181,279	576,906
Acquisitions	4,312	4,465	83,888	160,076	252,741
Transfer from construction in progress	289,062	—	51,786	(340,848)	—
Disposals	(449)	(345)	(34,935)	—	(35,729)
Balance at 31 December 2011	341,106	39,728	412,577	507	793,918
Depreciation					
Balance at 1 January 2010	11,929	13,718	161,586	—	187,233
Depreciation charge for year	3,752	2,407	56,222	—	62,381
Disposals	—	—	(21,748)	—	(21,748)
Balance at 31 December 2010	15,681	16,125	196,060	—	227,866
Balance at 1 January 2011	15,681	16,125	196,060	—	227,866
Depreciation charge for year	7,575	3,171	76,077	—	86,823
Disposals	(139)	(324)	(34,871)	—	(35,334)
Balance at 31 December 2011	23,117	18,972	237,266	—	279,355
Net book value					
At 31 December 2011	317,989	20,756	175,311	507	514,563
At 31 December 2010	32,500	19,483	115,778	181,279	349,040

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

As at 31 December 2011, the application for the property ownership certificates of a building with a carrying amount of approximately RMB285,093 thousand was still in progress.

(Expressed in thousands of Renminbi Yuan)

17. Intangible assets

The Group

	Trademark *RMB'000*	Exclusive license right *RMB'000*	Total *RMB'000*
Cost:			
Balance at 1 January 2010	6,451	21,065	27,516
Disposal	—	(21,065)	(21,065)
Balance at 31 December 2010	6,451	—	6,451
Balance at 1 January 2011 and at 31 December 2011	6,451	—	6,451
Accumulated amortisation:			
Balance at 1 January 2010	(6,451)	—	(6,451)
Charge for the year	—	—	—
Balance at 31 December 2010	(6,451)	—	(6,451)
Balance at 1 January 2011	(6,451)	—	(6,451)
Charge for the year	—	—	—
Balance at 31 December 2011	(6,451)	—	(6,451)
Net book value:			
At 31 December 2011	—	—	—
At 31 December 2010	—	—	—

On 8 November 2010, the Group and Chinanow Associates Limited ("CNOW") terminated the agreement ("the Agreement") to engage in the business relating to the Vivienne Tam brand within the PRC. A gain of RMB11,713 thousand arose on settlement and was recognized as other net income for the year ended 31 December 2010.

(Expressed in thousands of Renminbi Yuan)

18. Income tax in the consolidated balance sheet represents:

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

	2011 *RMB'000*	2010 *RMB'000*
Balance at beginning of year	**23,473**	19,916
Provision for income tax for the year	**166,679**	67,597
Transfer from deferred taxation (see note b(i) below)	**14,665**	6,845
Paid during the year	**(88,090)**	(70,885)
Balance at end of year	**116,727**	23,473

(b) Deferred tax assets and liabilities recognised

(i) The Group

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Stock provision *RMB'000*	**Other creditors and accruals** *RMB'000*	**Undistributed profits of subsidiaries** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2010	24,642	3,327	(6,845)	521	21,645
Credited/(charged) to profit or loss (see note 9(a))	16,126	(1,370)	(8,423)	(72)	6,261
Transfer to current taxation	—	—	6,845	—	6,845
At 31 December 2010	40,768	1,957	(8,423)	449	34,751
At 1 January 2011	40,768	1,957	(8,423)	449	34,751
Credited/(charged) to profit or loss (see note 9(a))	23,828	(1,957)	(13,300)	(396)	8,175
Transfer to current taxation	—	—	14,665	—	14,665
At 31 December 2011	64,596	—	(7,058)	53	57,591

(Expressed in thousands of Renminbi Yuan)

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

(b) Deferred tax assets and liabilities recognised *(continued)*

(ii) Reconciliation to the balance sheet

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Net deferred tax asset recognised on the balance sheet	**64,649**	43,174
Net deferred tax liability recognised on the balance sheet	**(7,058)**	(8,423)
	57,591	34,751

(c) Deferred tax asset not recognised

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Tax losses of subsidiaries	**22,681**	19,073

A deferred tax asset has not been recognised in respect of the above item because it is not probable that sufficient future taxable profits will be available against which the subsidiaries can utilise the benefits therefrom.

(d) Deferred tax liabilities not recognised

Pursuant to the New Tax Law, 10% withholding tax is levied on the foreign investor, (foreign investors which are registered in Hong Kong and meet certain requirements specified in the relevant tax regulations in the PRC may be entitled to a preferential 5% rate), in respect of dividend distributions arising from profit earned by a foreign investment enterprise in the PRC after 1 January 2008. As at 31 December 2011, deferred tax liabilities of RMB70,061 thousand (31 December 2010: 59,583 thousand) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits earned by the Group's subsidiaries in the PRC will not be distributed in the foreseeable future.

(Expressed in thousands of Renminbi Yuan)

19. Inventories

Inventories comprise:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Raw materials	**116,085**	100,196
Work in progress	**39,039**	35,864
Finished goods	**474,237**	405,836
Goods in transit	**3,611**	2,964
	632,972	544,860

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

	2011	2010
	RMB'000	*RMB'000*
Cost of sales	**355,573**	358,354
Inventory provision	**125,448**	72,869
	481,021	431,223

20. Trade and other receivables, deposits and prepayments

(a) The Group

	At 31 December 2011	At 31 December 2010	At 1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	*(Restated)*
Accounts receivable (see note (i) below)	**208,938**	171,452	167,982
Amounts due from related parties (see note 25)	**205,378**	122,538	356,661
Advances to suppliers	**46,908**	33,948	10,623
Other receivables, deposits and prepayments (see note 21)	**110,551**	119,399	72,418
	571,775	447,337	607,684

(Expressed in thousands of Renminbi Yuan)

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

(a) The Group *(continued)*

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

	At 31 December 2011 ***RMB'000***	At 31 December 2010 *RMB'000* *(Restated)*
Current	**161,966**	141,291
Less than 1 month past due	**28,570**	20,094
1–3 months past due	**17,794**	10,035
Over 3 months but less than 12 months past due	**608**	32
Amounts past due	**46,972**	30,161
	208,938	171,452

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

As at 31 December 2011, no impairment provision for loss of doubtful debts was made against the accounts receivable (2010: RMBnil). Receivables that were past due but not impaired related to a number of individual customers including wholesellers, retailers, owners of shopping arcades that have a good track record with the Group. Based on past experience, management believe that no impairment allowance is necessary in respect of these balances as they are considered fully recoverable.

Details of the Group's credit policy and credit risk exposure are set out in note 31(a).

(b) The Company

	2011 ***RMB'000***	2010 *RMB'000*
Amounts due from subsidiaries	**480,027**	393,414
Other receivables, deposits and prepayments	**20**	1,955
	480,047	395,369

(Expressed in thousands of Renminbi Yuan)

21. Balances and transactions with Jiazhong Company Limited

Included in other receivables and other payables are amounts due from/(to) Jiazhong Company Limited as follows:

	At 31 December 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)	At 1 January 2010 RMB'000 (Restated)
Due from Jiazhong Company Limited	**—**	18,668	—
Due to Jiazhong Company Limied	**(21,351)**	—	(341,989)

Jiazhong Company Limited, a company incorporated in the PRC, is held as to 40% by Ge Weiying and 60% by Liu Qinhua. During the year ended 31 December 2011, both Ge Weiying and Liu Qinhua were directors of Ports International Enterprises Limited, the ultimate parent company of the Group. The Board of Directors of the Company has determined that Jiazhong Company Limited is an independent third party, and not a related party of the Group (see note 1(u)), on the basis that the equity interest of Ge Weiying and Liu Qinhua are held on trust for the benefit of Huang Jun, who is an independent third party to the Group.

Particulars of significant transactions entered between the Group and Jiazhong Company Limited during the year ended 31 December 2011 and 2010 are as follows:

	2011 RMB'000	2010 RMB'000
Sales of goods to Jiazhong Company Limited:	**2,343**	134
Purchase of goods from Jiazhong Company Limited:	**5,559**	10,551
Interest-free advances made to Jiazhong Company Limited:	**543,388**	368,980
Repayment of interest-free advances by Jiazhong Company Limited:	**562,056**	350,312
Interest-free advances from Jiazhong Company Limited:	**51,351**	88,050
Repayment made by the Group for interest-free advances from Jiazhong Company Limited:	**—**	430,039
Expenditure paid by the Group on behalf of Jiazhong Company Limited:	**—**	5,160
Expenses re-imbursement from Jiazhong Company Limited:	**—**	5,160

In addition to the above transactions, pursuant to an agreement dated 15 May 2012 entered amongst the Group, Jiazhong Company Limited and 廈門長和進出口有限公司 (referred as "Changhe Company Limited"), all parties acknowledged and confirmed that it had been agreed at the date of the transaction that interest-free advances of RMB30 million made by the Group to Changhe Company Limited during the year ended 31 December 2011 were to be settled by Jiazhong Company Limited on behalf of Changhe Company Limited.

Changhe Company Limited is a company incorporated in the PRC with three natural persons as shareholders. None of these individuals are directors or shareholders of the Company or the Company's parent companies. Liu Qinhua is one of the three directors of Changhe Company Limited. During the year ended 31 December 2011, the Group made interest-free advances to Changhe Company Limited totalling RMB90 million, of which RMB60 million had been repaid as at 31 December 2011 and the remaining RMB30 million is to be settled by Jiazhong Company Limited as mentioned above. The amount due from Changhe Company Limited was RMB4 thousand at both 31 December 2011 and 2010.

(Expressed in thousands of Renminbi Yuan)

22. Fixed deposits with banks

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

23. Cash and cash equivalents

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand	**249,629**	185,627	**5,121**	8,216
Time deposits with banks	**130,000**	162,108	**—**	—
	379,629	347,735	**5,121**	8,216

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

24. Trade payables, other payables and accruals

(a) The Group

	At 31 December 2011	At 31 December 2010	At 1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	*(Restated)*
Accounts payable (see note (i) below)	**98,978**	100,243	53,580
Other creditors and accruals(see note 21)	**234,199**	130,157	517,152
Amounts due to related parties (see note 25)	**160,139**	135,784	362
Dividends payable to the equity shareholders of the Company	**22**	23	140,942
	493,338	366,207	712,036

(Expressed in thousands of Renminbi Yuan)

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

(a) The Group *(continued)*

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

	2011 RMB'000	2010 RMB'000
Due within 1 month or on demand	**74,978**	85,992
Due after 1 month but within 3 months	**15,778**	10,525
Due after 3 months but within 6 months	**6,376**	2,117
Due after 6 months but within 12 months	**783**	1,186
Due after 1 year but within 2 years	**1,063**	423
	98,978	100,243

(b) The Company

	2011 RMB'000	2010 RMB'000
Other creditors and accruals	**1,922**	1,991
Dividends payable to the equity shareholders of the Company	**22**	23
Amounts due to subsidiaries	**9,647**	9,648
	11,591	11,662

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

25. Amounts due from/(to) related parties

	The Group		
	At 31 December 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)	At 1 January 2010 RMB'000 (Restated)
Amounts due from related parties			
Ports International Enterprises Limited	**—**	—	276,090
Ports International Retail Corporation	**93,590**	78,324	55,665
PCD Stores (Group) Limited and its subsidiaries	**28,993**	21,918	10,231
PORTS 1961 S.P.A	**31,635**	2,774	—
Ports International Group Limited	**5,829**	6,337	5,291
Edward Tan	**36,284**	5,718	6,518
Beijing Scitech	**—**	3,304	1,577
Xiamen Weiyida	**4,235**	2,651	1,180
Ports of Knightsbridge Limited	**4,512**	1,407	—
Xiamen Paris Ltd.	**300**	105	109
	205,378	122,538	356,661

(Expressed in thousands of Renminbi Yuan)

25. Amounts due from/(to) related parties *(continued)*

Pursuant to Hong Kong Companies Ordinance Section 161 B, advances made to Ports International Enterprises Limited and Ports 1961 S.P.A, over which Edward Tan and Alfred Chan have controlling equity interests, and the advances made to Edward Tan constitute loans to officers. The maximum outstanding balances due from these parties during the year of 2011 and 2010 are as follows:

	Edward Tan	**Ports International Enterprises Limited**	**Ports 1961 S.P.A**
	RMB'000	*RMB'000*	*RMB'000*
Maximum balance outstanding			
— during 2011	36,284	—	31,635
— during 2010	8,518	276,169	2,774

The Group entered into an agreement dated 5 April 2012 with Edward Tan. Pursuant to the agreement, both parties agreed that the advances made to Edward Tan of approximately RMB30 million during the year ended 31 December 2011 ("Tan Loans") are subject to an interest rate of 6.56 per cent per annum from the date of advances. The advances together with the loan interest shall be repayable on 17 April 2012. The advances and loan interest were fully repaid by Edward Tan on 15 May 2012.

Except for the Tan Loans, which are interest-bearing pursuant to the agreement dated 5 April 2012, all amounts due from related parties are unsecured, interest-free and repayable on demand.

	The Group		
	At 31 December 2011	At 31 December 2010	At 1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	*(Restated)*
Amounts due to related parties			
Ports International Enterprises Limited	**160,139**	135,784	—
PORTS 1961 S.P.A	**—**	—	362
	160,139	135,784	362

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

(Expressed in thousands of Renminbi Yuan)

26. Interest-bearing borrowings

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans — secured	**553,992**	355,783	**121,605**	51,054
Bank loans — unsecured	**148,000**	—	**—**	—
	701,992	355,783	**121,605**	51,054

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

As at 31 December 2011, the banking facilities of the Group and the Company were secured by certain subsidiaries' fixed deposits of RMB555,992 thousand (2010: RMB501,929 thousand) and RMB121,605 thousand (2010: RMB51,054 thousand) respectively, placed with banks located in the PRC and Hong Kong. The Renminbi equivalent of banking facilities of the Group and the Company amounted to RMB701,992 thousand (2010: RMB829,628 thousand) and RMB121,605 thousand (2010: RMB127,635 thousand) respectively, of which RMB701,992 thousand (2010: RMB355,783 thousand) and RMB121,605 thousand (2010: RMB51,054 thousand) were utilised as at 31 December 2011 respectively.

(Expressed in thousands of Renminbi Yuan)

27. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Capital reserve-staff share options issued (undistributable) RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2010		1,492	53,743	456,851	151,259	24,365	687,710
Dividend declared	27(b)	—	—	—	(141,681)	(135,677)	(277,358)
Shares issued under share option scheme		9	(11,318)	56,003	—	—	44,694
Equity settled share-based payment transactions		—	52,156	—	—	—	52,156
Total comprehensive income for the year		—	—	—	—	123,320	123,320
Balance at 31 December 2010		1,501	94,581	512,854	9,578	12,008	630,522
Balance at 1 January 2011		**1,501**	**94,581**	**512,854**	**9,578**	**12,008**	**630,522**
Dividend declared	27(b)	**—**	**—**	**—**	**—**	**(278,667)**	**(278,667)**
Shares issued under share option scheme	27(c)(ii)	**2**	**(1,943)**	**9,378**	**—**	**—**	**7,437**
Equity settled share-based payment transactions	28	**—**	**26,157**	**—**	**—**	**—**	**26,157**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**283,866**	**283,866**
Balance at 31 December 2011		**1,503**	**118,795**	**522,232**	**9,578**	**17,207**	**669,315**

(Expressed in thousands of Renminbi Yuan)

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

(b) Dividends

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

	2011	2010
	RMB'000	*RMB'000*
Interim dividend approved and paid of RMB0.25 (2010: RMB0.25) per share	**142,191**	141,681
Final dividend proposed after the balance sheet date of RMB0.24 (2010: RMB0.24) per share	**136,506**	136,338
	278,697	278,019

Pursuant to a board resolution dated 25 August 2011, the Company approved the payment of an interim dividend of RMB0.25 per share. The difference of RMB22 thousand between the interim dividend proposed in the interim report for the six months ended 30 June 2011 and the amount eventually paid represents the additional dividend distributed to the holders of shares which were issued upon the exercise of share options between the date the interim report was authorised for issue and the closing date of the register of members based on which interim dividends were actually paid.

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

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

	2011	2010
	RMB'000	*RMB'000*
Special interim dividend approved in the previous financial year and paid during the year of RMBnil per share (2010: RMB0.25 per share)	**—**	140,942
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.24 per share (2010: RMB0.24 per share)	**136,476**	135,677

In respect of the final dividend for the year ended 31 December 2010, there was a difference of RMB138 thousand between the final dividend proposed in the 2010 annual report and the amount eventually approved and paid during the year ended 31 December 2011. The difference represents additional dividend distributed to the holders of shares which were issued upon the exercise of share options before the closing date of the register of members based on which the final dividends for the year ended 31 December 2010 were actually paid.

(Expressed in thousands of Renminbi Yuan)

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

(c) Share capital

(i) Authorised and issued share capital

	The Group and the Company			
	2011		2010	
	Number of shares	**Amount *HK$'000***	Number of shares	Amount *HK$'000*
Authorised:				
Ordinary shares of HK$0.0025 each	**3,600,000,000**	**9,000**	3,600,000,000	9,000
	3,600,000,000	**9,000**	3,600,000,000	9,000
Issued and fully paid:				
At the beginning of the year	**568,074,897**	**1,420**	563,769,586	1,409
Shares issued under share option scheme	**700,822**	**2**	4,305,311	11
At the end of the year	**568,775,719**	**1,422**	568,074,897	1,420
		***RMB'000* equivalent**		*RMB'000* equivalent
		1,503		1,501

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

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

(ii) Shares issued under share option scheme

During the year ended 31 December 2011, options were exercised to subscribe for 700,822 ordinary shares of HK$0.0025 each of the Company at a total consideration of HK$8,852 thousand (equivalent to RMB7,437 thousand), of which HK$2 thousand (equivalent to RMB2 thousand) was credited to share capital. The excess of the consideration over the nominal value of the shares, amounting to RMB7,435 thousand was credited to the share premium account. RMB1,943 thousand has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(o)(ii).

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

(d) Nature and purpose of reserves

The Group

PRC statutory reserves

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

(i) General reserve fund

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

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

(ii) Enterprise expansion fund

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

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

The Company

(i) Share premium

Under the Companies Act 1981 of Bermuda (as amended), the share premium account is distributable in the form of fully paid bonus shares.

(ii) Contributed surplus

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Pursuant to a shareholders' special resolution dated 1 June 2010, the Company's Bye-laws were amended so that dividends may be paid out of contributed surplus.

(iii) Distributability of reserves

In the opinion of the directors, the aggregate amount of reserves available for distribution to shareholders of the Company at 31 December 2011 was RMB26,785 thousand (2010: RMB21,586 thousand).

(Expressed in thousands of Renminbi Yuan)

28. Equity settled share-based transactions

The Company adopted a share option scheme pursuant to the resolutions of the shareholders of the Company passed on 14 October 2003 whereby the Company may grant options to any Qualified Person (as defined in the Share Option Scheme) for subscription of shares in the capital of the Company upon and subject to the terms of the Share Option Scheme. Pursuant to the Share Option Scheme, the options are exercisable in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period commencing on the date upon which the offer for the grant of options is made but shall expire on the date immediately preceding the tenth anniversary of the date of offer.

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

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

On 14 July 2009, under the terms of the Share Option Scheme, the Company granted an additional 24,324,000 share options to certain employees and directors of the Group to subscribe for 24,324,000 ordinary shares at an exercise price of HK$17.32 per share. The options vest as to one-third on each of the first, second and third anniversary dates of the offer.

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

	Number of shares involved in the options	Vesting conditions	Contractual life of options
Options granted to directors:			
— on 3 November 2003	300,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
— on 1 September 2006	80,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
— on 14 July 2009	700,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
Options granted to employees:			
— on 3 November 2003	13,700,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
— on 1 September 2006	15,920,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
— on 14 July 2009	23,624,000	One-third on each of the first, second and third anniversary dates of the offer	10 years
Total share options	54,324,000		

(Expressed in thousands of Renminbi Yuan)

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

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

	2011		2010	
	Weighted average exercise price	**Number of shares involved in the options**	Weighted average exercise price	Number of shares involved in the options
Outstanding at beginning of year	**HK$14.620**	**28,490,026**	HK$15.592	33,223,809
Granted	**—**	**—**	—	—
Exercised	**HK$12.631**	**(700,822)**	HK$11.915	(4,305,311)
Forfeited	**HK$17.320**	**(378,372)**	HK$17.320	(428,472)
Outstanding at end of year	**HK$16.194**	**27,410,832**	HK$16.123	28,490,026
Exercisable at the end of year	**HK$15.751**	**19,675,747**	HK$14.620	12,650,352

The options outstanding at 31 December 2011 have an exercise price in the range of HK$2.625 to HK$17.320 and a weighted average contractual life of 6.99 years (2010: 7.96 years).

During the year ended 31 December 2011, the employees of the Group exercised options relating to the share options granted on 3 November 2003, 1 September 2006 and 14 July 2009 to subscribe for 90,067 ordinary shares (2010: 240,985), 347,998 ordinary shares (2010: 3,497,923) and 262,757 ordinary shares (2010: 566,403) respectively. In addition, none (2010: none) of the Company's directors exercised options to subscribe for any ordinary shares of the Company.

Details of share options exercised during the year ended 31 December 2011 are as follows:

Grant date	**Exercise price**	**Weighted average closing price per share of the share options exercised**	**Proceeds received HK$'000**	**Number of shares involved in the options**
3 November 2003	HK$2.625	HK$20.63	236	90,067
1 September 2006	HK$11.68	HK$19.50	4,065	347,998
14 July 2009	HK$17.32	HK$19.40	4,551	262,757

(Expressed in thousands of Renminbi Yuan)

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

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

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

Fair value of shares involved in the options and assumptions

	Granted in 2009	**Granted in 2006**	**Granted in 2003**
Fair value at grant date (HK$'000)	HK$137,297	HK$38,422	HK$12,400
Share price	HK$17.32	HK$11.68	HK$3.45
Exercise price	HK$17.32	HK$11.68	HK$2.625
Expected volatility	64.333%–68.855%	40.12%	32%
Option life	10 years	10 years	10 years
Expected dividends	1.38%	2.07%	2.66%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes Rate)	0.090%–1.037%	3.774%–3.967%	3.885%

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

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

(Expressed in thousands of Renminbi Yuan)

29. Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of debt-to-equity ratio and gearing ratio, calculated as interest-bearing borrowings over equity. For this purpose the Group defines debt and equity as total liabilities excluding deferred tax liabilities and total equity respectively.

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the debt-to-equity ratio and gearing ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions and in compliance with financial covenants imposed by the bankers. In order to maintain or adjust the ratios, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing.

The debt-to-equity ratio and gearing ratio at 31 December 2011 and 2010 was as follows:

		The Group		**The Company**	
		2011	2010	**2011**	2010
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
			(Restated)		
Current liabilities:					
Trade payables, other payables and accruals	*24(a)*	**493,338**	366,207	**11,591**	11,662
Interest-bearing borrowings	26	**701,992**	355,783	**121,605**	51,054
Current taxation	*18(a)*	**116,727**	23,473	**—**	—
Total debt		**1,312,057**	745,463	**133,196**	62,716
Total equity		**1,843,674**	1,648,569	**669,315**	630,522
Debt-to-equity ratio		**71%**	45%	**20%**	10%
Gearing ratio		**38%**	22%	**18%**	8%

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

30. Investments in subsidiaries

	The Company 2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	**152,388**	152,388
Fair value of guarantee issued in favour of subsidiaries	**9,460**	7,796
Cumulative fair value of share options granted to employees of subsidiaries	**155,495**	129,469
	317,343	289,653

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

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

Name of subsidiary	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up share/ authorised capital (in thousands)	Paid-up/ registered capital (in thousands)	Principal activities
Ports Asia Holdings Limited	British Virgin Islands	100	—	USD11/USD50	—	Sales of garments and investment holding
Ports International Marketing Ltd.	British Virgin Islands	100	—	USD0.1/USD0.1	—	Sales of garments
Smythe Trading Company Limited	Samoa Islands	99.9	0.1	USD1/USD1,000	—	Sales of garments
Ports Asia Holding (Hong Kong) Limited	Hong Kong	—	100	HK$300/HK$300	—	Sales of garments and investment holding
Ports 1961 Macau Limited	Macau	—	100	MOP25/MOP25	—	Sales of garments
Ports Retail (H.K.) Limited	Hong Kong	—	100	HK$300/HK$300	—	Sales of garments
Xiamen Xiangyu Ports Trading Co., Ltd.	PRC	—	100	—	USD2,020/ USD2,020	Sales of garments
Ports International (Beijing) Co., Ltd.	PRC	—	100	—	USD1,850/ USD1,850	Manufacturing and sales of garments
Ports International Marketing (Xiamen) Ltd.	PRC	—	100	—	USD14,100/ USD14,100	Manufacturing and sales of garments
Cpax Ltd. (formerly known as Century Ports Apparel (Xiamen) Ltd.)	PRC	—	100	—	USD374/ USD374	Manufacturing and sales of garments
Ports Fashion (Xiamen) Ltd.	PRC	—	100	—	RMB322,000/ RMB322,000	Manufacturing and sales of garments
Xiamen Weijue Optical Co., Ltd.	PRC	—	51	—	RMB20,000/ RMB20,000	Manufacturing and sales of glasses

31. Financial Instruments

Exposure to credit, interest rate, liquidity and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

More than 60 percent of the Group's customers have been transacting with the Group for at least 2 years, and losses have occurred infrequently. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer. Normally, the Group does not obtain collateral from customers.

The Group does not provide any other guarantees which would expose the Group to credit risk. No single customer of the Group accounted for greater than 10% of the Group's revenue.

(b) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk, and fair value interest rate risk respectively. The Group normally borrows short-term bank loans which have short-term maturity ranging from 1–12 months and carry fixed rates in order to limit its exposure to interest rate risk.

As at 31 December 2011, the interest-bearing borrowings of the Group and the Company amounted to RMB701,992 thousand (2010: RMB355,783 thousand) and RMB121,605 thousand (2010: RMB51,054 thousand) respectively, which carry fixed interest rates ranging from 1.15% to 6.63% and 1.45% respectively (2010: from 1.09% to 1.32% and 1.29% respectively).

(c) Foreign currency risk

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

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

In respect of trade and other receivables, trade and other payables and borrowings held in a currency other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate where necessary to address short-term imbalances.

(Expressed in thousands of Renminbi Yuan)

31. Financial Instruments *(continued)*

(c) Foreign currency risk *(continued)*

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

The Group

	As at 31 December 2011		
	United States Dollars *RMB'000*	**Hong Kong Dollars** *RMB'000*	**Euro** *RMB'000*
Trade and other receivables	**122,592**	**11,810**	**44,621**
Cash and cash equivalents	**33,556**	**21,248**	**23,835**
Trade and other payables	**(12,578)**	**(161,583)**	**(15,131)**
Interest-bearing borrowings	**—**	**(453,992)**	**—**
Overall net exposure	**143,570**	**(582,517)**	**53,325**

	As at 31 December 2010 *(Restated)*		
	United States Dollars *RMB'000*	Hong Kong Dollars *RMB'000*	Euro *RMB'000*
Trade and other receivables	111,975	20,150	9,105
Cash and cash equivalents	47,936	148,980	11,983
Trade and other payables	(28,110)	(136,068)	(9,203)
Interest-bearing borrowings	—	(355,783)	—
Overall net exposure	131,801	(322,721)	11,885

(Expressed in thousands of Renminbi Yuan)

31. Financial Instruments *(continued)*

(c) Foreign currency risk *(continued)*

(i) Exposure to currency risk (continued)

The Company

	As at 31 December 2011	
	United States Dollars *RMB'000*	**Hong Kong Dollars** *RMB'000*
Trade and other receivables	**59,390**	**5,136**
Cash and cash equivalents	**520**	**4,582**
Trade and other payables	**—**	**—**
Interest-bearing borrowings	**—**	**(121,605)**
Overall net exposure	**59,910**	**(111,887)**

	As at 31 December 2010	
	United States Dollars *RMB'000*	Hong Kong Dollars *RMB'000*
Trade and other receivables	38,429	4,541
Cash and cash equivalents	1,176	7,019
Trade and other payables	—	—
Interest-bearing borrowings	—	(51,054)
Overall net exposure	39,605	(39,494)

(Expressed in thousands of Renminbi Yuan)

31. Financial Instruments *(continued)*

(c) Foreign currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous increase/(decrease) in the Group's profit after tax and consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	2011		2010 (Restated)	
	Increase/ (decrease) in the Group's profit after tax	**Increase/ (decrease) in consolidated equity**	Increase/ (decrease) in the Group's profit after tax	Increase/ (decrease) in consolidated equity
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
United States Dollars				
— 5% strengthening of RMB	**(6,554)**	**(6,554)**	(5,948)	(5,948)
— 5% weakening of RMB	**6,554**	**6,554**	5,948	5,948
Euros				
— 5% strengthening of RMB	**(2,452)**	**(2,452)**	(502)	(502)
— 5% weakening of RMB	**2,452**	**2,452**	502	502
Hong Kong Dollars				
— 5% strengthening of RMB	**29,448**	**29,448**	18,086	18,086
— 5% weakening of RMB	**(29,448)**	**(29,448)**	(18,086)	(18,086)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2011.

(Expressed in thousands of Renminbi Yuan)

31. Financial Instruments *(continued)*

(d) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group's and the Company's financial liabilities, including interest-bearing borrowings and trade and other payables, as at 31 December 2011 and 31 December 2010 are required to be settled within 1 year or on demand based on the contractual terms entered with the counterparties. Except for bank loans, the carrying amounts of all financial liabilities as at the respective balance sheet dates represent the total contractual undiscounted cash flows for settling these financial liabilities within the next year. In respect of the Group's and the Company's bank loans of RMB701,992 thousand and RMB121,605 thousand respectively as at 31 December 2011, their total contractual undiscount cash outflow amounted to RMB706,556 thousand and RMB121,700 thousand respectively, which are to be paid within the next year. At the balance sheet dates, the Group and the Company do not have any derivative financial liabilities.

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2011 because of the short maturities of all these financial instruments.

32. Commitments

(a) Operating lease commitments

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Less than one year	**77,679**	72,324
Between one and five years	**94,419**	64,947
More than five years	**65,745**	2,641
	237,843	139,912

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

(Expressed in thousands of Renminbi Yuan)

32. Commitments *(continued)*

(b) Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2011 and 2010 but not provided for in the consolidated financial statements were as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Contracted for	**—**	47,563
Authorised but not contracted for	**76,564**	163,500
	76,564	211,063

33. Contingent liabilities

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Guarantees issued to banks in favour of subsidiaries	**336,025**	304,729

The Company provides corporate guarantees to banks in respect of certain bank loans facilities utilised by the subsidiaries. The Company closely monitors the conditions that are subject to the guarantees to identify whether it is probable that a loss has occurred. At 31 December 2011, it is not probable that the Company will be required to make payments under the guarantees, thus no liability has been accrued in the Company's balance sheet for a loss related to the Company's obligation under the guarantees arrangement.

34. Subsequent events

(a) In April 2012, the Group entered into a loan agreement and lease agreement with Edward Tan and Ports of Knightsbridge Limited respectively, details of which are disclosed in note 25 and note 14(c) respectively.

(b) After the balance sheet date, the Group has entered into further advances transactions with Jiazhong Company Limited and a number of related parties. Prior to the issuance date of the consolidated financial statements for the year ended 31 December 2011, the Group has made full settlement in cash with Jiazhong Company Limited and each of these related parties, except for PCD Stores (Group) Limited and its subsidiaries, which had outstanding receivable and payable balances with the Group at the date of settlement. The Group has entered into agreements with each of these parties confirming the full settlement of the outstanding balances.

(c) After the balance sheet date, the directors proposed a final dividend on 18 May 2012. Further details are disclosed in note 27(b).

35. Immediate and ultimate controlling party

As at 31 December 2011, the directors consider the immediate parent and ultimate controlling party of the Group to be CFS International Inc. and Ports International Enterprises Limited respectively, which are incorporated in Canada and British Virgin Islands respectively.

(Expressed in thousands of Renminbi Yuan)

36. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2011

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements.

	Effective for accounting period beginning on or after
Amendments to IFRS 7, Financial instruments: Disclosures — Transfers of financial assets	1 July 2011
Amendments to IAS 12, Income taxes — Deferred tax: Recovery of underlying assets	1 January 2012
Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income	1 July 2012
IFRS 10, Consolidated financial statements	1 January 2013
IFRS 11, Joint arrangements	1 January 2013
IFRS 12, Disclosure of interests in other entities	1 January 2013
IFRS 13, Fair value measurement	1 January 2013
IAS 27, Separate financial statements (2011)	1 January 2013
IAS 28, Investments in associates and joint ventures (2011)	1 January 2013
Revised IAS 19, Employee benefits	1 January 2013
Amendments to IFRS 7, Financial instruments: Disclosures — Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
Amendments to IFRS 32, Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
IFRS 9, Financial instruments (2009)	1 January 2015
IFRS 9, Financial instruments (2010)	1 January 2015
Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: Disclosure — Mandatory effective date and transition disclosures	1 January 2015

The Group is in the process of making an assessment on what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

CORPORATE INFORMATION

Directors

Executive Directors:

Mr. Alfred Chan *(Chief Executive Officer)*
Mr. Pierre Bourque

Non-executive Director:

Mr. Ian Hylton

Independent Non-executive Directors:

Mr. Rodney Cone
Ms. Valarie Fong
Mr. Peter Bromberger

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Headquarters

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

Principal Place of Business in Hong Kong

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

Company Secretary

Ms. Irene Wong

Authorized Representatives

Mr. Alfred Chan
Suite 102, Sunbeam Center
27 Shing Yip Street
Kowloon
Hong Kong

Ms. Irene Wong
37G, Block 1
The Merton, 28 New Praya
Kennedy Town, Hong Kong

Audit Committee

Mr. Rodney Cone *(Chairman)*
Ms. Valarie Fong
Mr. Peter Bromberger

Remuneration Committee

Mr. Alfred Chan *(Chairman)*
Mr. Rodney Cone
Mr. Peter Bromberger

Nomination Committee

Mr. Alfred Chan *(Chairman)*
Mr. Rodney Cone
Ms. Valarie Fong

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar

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

Principal Bankers

Hong Kong & Shanghai
Banking Corporation
Limited, Xiamen Branch

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

Company Website

www.portsdesign.com

Stock Code

00589.HK

BMW Lifestyle

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Driving Pleasure