PORTS 1961

PORTS DESIGN LIMITED

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

ANNUAL REPORT 2012

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CORPORATE PROFILE

PORTS DESIGN LIMITED (the "Company") and its subsidiaries (together with the Company, the "Group") is a vertically integrated international fashion and luxury goods company with its own design, manufacturing, marketing, distribution and retail capabilities. It is primarily engaged in the design, manufacture and retail distribution of ladies' and men's fashion garments and the sale of accessories such as shoes, handbags, scarves and fragrances in Mainland China, Hong Kong and Macau, under the PORTS brand name. The Group currently focuses most of its business activities on the PRC market and is one of the leading international fashion companies in China.

The Group markets and sells its PORTS branded products in the PRC through concessions in major department stores, retail stores located in shopping centers and stand-alone flagship retail stores. These retail outlets are located in over 60 cities in China, including, among others, Beijing, Shanghai, Chongqing, Shenzhen, Wuhan, Xi'an and Dalian.

The Group has also entered into various licensing and cooperation agreements with top tier international brands such as BMW Lifestyle, Armani, Versace and Ferrari, pursuant to which the Group has been granted with the right to sell their selected products in dedicated retail outlets operated by the Group in the PRC. In particular, Bayerische Motoren Werke AG ("BMW") has granted the Group the right to use the BMW trade mark and BMW logo on BMW Lifestyle products that are manufactured by the Group, which right includes the license to design and manufacture products such as watches, sunglasses and leather goods. The right to market BMW Lifestyle products in China, other than in BMW car dealer showrooms, is exclusive to the Group during the term of the license.

The Group reports its businesses under "Retail" and "Others"* segments. Retail segment mainly comprises the PORTS and BMW Lifestyle retail business. Others segment comprises the OEM business (which exports merchandise branded under brands requested by its OEM customers in North America, Europe and Asia), wholesale of PORTS branded eyewear products, exports of BMW Lifestyle goods to North America and Europe as well as the wholesale of PORTS goods.

* *The OEM segment, which was previously reported as a reportable segment, was aggregated within Others segment in FY2012.*

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
Kwun Tong
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. Rodney Cone *(Chairman)*
Mr. Alfred Chan
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

FIVE-YEAR FINANCIAL SUMMARY

(Expressed in Renminbi ("RMB") million)

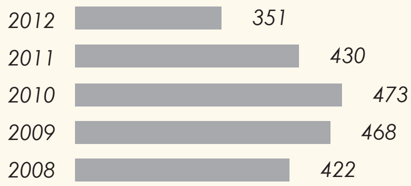
	for the year ended 31 December				
	2012	2011	2010	2009	2008
Operating results					
Turnover	2,098	1,985	1,718	1,538	1,489
Profit from operations	481	566	510	524	454
Profit attributable to shareholders	351	430	473	468	422
Assets and liabilities					
Non-current assets	703	583	396	315	206
Current assets	2,318	2,580	2,007*	2,516*	1,684
Current liabilities	1,087	1,312	746*	1,466*	778
Net current assets	1,231	1,268	1,261	1,050	906
Total assets less current liabilities	1,933	1,851	1,657	1,365	1,112
Non-current liabilities	81	7	8	7	—
Shareholders' equity	1,839	1,833	1,649	1,358	1,112

* *Restated*

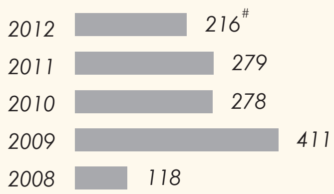
Turnover
(RMB million)

Profit from
Operations
(RMB million)

Profit Attributable
to Shareholders
(RMB million)



Dividend History*
(RMB million)



* *The figure illustrates dividends declared for the period indicated, not actual dividends paid during the period indicated.*

The interim dividend and special interim dividend for FY2012 paid to the shareholders of the Company were RMB0.15 per share and RMB0.10 per share, respectively. Final dividend proposed was RMB0.14 per share, which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

Although 2012 was a challenging year for retail in China, the Group responded positively and was able to build on its strong foundations. According to a report from the International Monetary Fund (IMF), issued in October 2012, "*growth in the Asia-Pacific region has slowed. External headwinds played a major role, as the recovery in advanced economies suffered setbacks. For Asia as a whole, GDP growth fell to its lowest rate since the 2008 global financial crisis during the first half of 2012. The weaker momentum in China weighed on regional economies.*" Despite this tough operational environment, the Group continued to expand its retail network to a total store count of 392 stores in the Greater China region by the end of the year, and witnessed stable sales growth in all areas of the business.

The IMF report continued: "*With inflationary pressures easing, macroeconomic policy stances remained generally supportive of domestic demand and in some cases were eased further in response to the slowdown.*" Growth is projected to pick up very gradually, and Asia should remain the global growth leader, expanding over 2 percentage points faster than the world average next year. Looking forward, the Group seeks to maintain a strong presence in the PRC in order to capture the growth potential of this exciting market, and at the same time, remains cautiously optimistic on exploring opportunities to enhance the Group's reputation globally.

Brand building again remained a key component of the Group's strategy, with the dedication of the Group's design and marketing team spearheading brand building efforts as we saw yet greater appreciation of the Ports brand and its collections worldwide. Brand awareness increased during the year within the industry, with global publications offering excellent coverage of both the Men's and Women's Spring Summer and Fall Winter 2013 Ports 1961 collections. Evidence of this came with the Ports 1961 Spring Summer 2013 Women's show being voted as one of the top ten runway shows of the Milan Fashion Week in September 2012 by a leading fashion magazine in China. Furthermore, Ports continued to enjoy good popularity among PRC consumers and was once again chosen as one of the top five most desired luxury women's fashion apparel brands in the PRC by a well-respected luxury sector research report in China. The Group also continued to reap dividends from its celebrity marketing efforts during the year, as Ports was often seen on celebrities from the movie and music industries, attending award ceremonies and other well-publicised international events. This level of recognition once again enabled our brand to solidify its position as an acknowledged member of the international fashion industry.

We value this recognition, which serves to reaffirm our brand's widespread acceptance among high-end consumers in the PRC market, as well as amongst the industry's most respected critics.

By leveraging an improved manufacturing base and an enhanced retail distribution capability through the new headquarters in Xiamen during the first full year of operation in 2012, management's strategy to implement greater operational efficiency through its new facilities has been successful. On the other hand, under the tight cost control by our experienced management team, the Group was able to keep its Group Gross Profit Margin at a stable level during the year 2012.

Our revenue contribution from our Licensed Brand Division remained a key focus of our Group's strategy, with the BMW Lifestyle, Ferrari, Armani and Versace businesses all performing to plan. According to a recent research report, Chinese consumers spent about 46 billion U.S. dollars on luxury goods in 2012, with 27.1 billion U.S. dollars spent abroad and 18.9 billion U.S. dollars at home. Looking ahead, the Group continues to study suitable brand cooperation opportunities for the Greater China region, with the objective of leveraging our rich China experience.

The Group strives to maintain a healthy financial position which provides us with strong financial resources backup to cope with the relatively difficult operational environment that we see extending into 2013. Moreover, it allows the Group to seize market opportunities that are seen as relevant and beneficial to the Group's long-term development.

Going forward, we continue to build upon the foundations which we have established during the past two decades, and look forward to developing and strengthening the brand yet further. The Group remains cautiously optimistic about its prospects in 2013, and anticipates a challenging year. With our focus on leveraging our growing China footprint, we plan to continue to identify suitable opportunities in both the Group's core Ports-branded business as well as in the Licensed Brand Division. Our many years of experience in China will allow us to maintain our objective of delivering the long-term growth and shareholder value that has always been key to the Group's success.

Alfred Chan
Chief executive officer and executive Director

28 March 2013
Xiamen, China

Turnover

Turnover of the Group increased from RMB1,985.0 million in FY2011 to RMB2,098.4 million in FY2012, representing an increase of 5.7%. Turnover comprises two reportable segments: Retail and Others. In both FY2011 and FY2012, OEM segment, which was previously one of the reportable segments of the Group, did not meet any of the quantitative thresholds for determining reportable segments and, hence, it was aggregated within Others segment. Please refer to note 3(b) under section "Notes to the financial statements" for further details.

Retail Turnover

Retail turnover rose from RMB1,869.2 million in FY2011 to RMB1,951.7 million in FY2012, representing a growth rate of 4.4%. As at 31 December 2012, the Group operated 392 retail stores in the PRC, Hong Kong and Macau as compared with 389 retail stores as at 31 December 2011. The contribution from Retail segment to total turnover decreased from 94.2% in FY2011 to 93.0% in FY2012.

Others Turnover

Others turnover increased by 26.7%, from RMB115.8 million in FY2011 to RMB146.7 million in FY2012. Such increase was predominantly contributed by the inclusion of the eyewear wholesale business in the segment. As such, the contribution from Others segment to total turnover increased from 5.8% in FY2011 to 7.0% in FY2012.

Gross Profit

Gross profit rose from RMB1,629.4 million in FY2011 to RMB1,719.6 million in FY2012, representing an increase of 5.5%. Gross profit margin slightly decreased to 81.9% in FY2012 (FY2011: 82.1%).

Retail Gross Profit

Retail gross profit increased by 4.2% from RMB1,610.4 million in FY2011 to RMB1,677.5 million in FY2012. Retail's gross profit margin remained stable at 85.9% (FY2011: 86.2%). Our tight cost control policy, improved operational efficiency following the full scale operation of our new headquarter as well as a moderate increase in average retail selling price helped to maintain the gross profit margin in a fairly stable condition.

Others Gross Profit

With the contribution from the eyewear wholesale business, the gross profit of Others segment increased from RMB19.0 million in FY2011 to RMB42.1 million in FY2012, representing an increase of 121.4%. Others segment's gross profit margin increased from 16.4% in FY2011 to 28.7% in FY2012 due to the inclusion of our eyewear wholesale business, which carried a higher gross profit margin than the rest of the business lines in Others segment.

Other Revenue and Other Net Income

Other revenue and other net income consisted of insurance compensation, design and decoration income, commission on liaison services as well as other receipts which may be recurrent or one-off in nature. Other revenue and other net income decreased by 85.9% or RMB50.1 million, from RMB58.3 million in FY2011 to RMB8.2 million in FY2012. Such reduction mainly attributed by the unconditional cash grant amounting RMB40.3 million in FY2011, which was given by the Xiamen local government to the Group and was one-off and non-recurrent in nature. In addition, royalty income decreased by 93.5%, from RMB8.5 million in FY2011 to RMB0.6 million in FY2012 since the eyewear business has been converted from a licensing arrangement to a joint venture operation with the former eyewear licensee in early 2012. Hence, no royalty income in connection to the eyewear business will be received in the future.

Operating Expenses

Operating expenses increased from RMB1,121.5 million in FY2011 to RMB1,246.7 million in FY2012, representing an increase of 11.2%. Operating expenses consisted of distribution costs, administrative expenses and other operating expenses. A more detailed breakdown is set out as follows:

Distribution costs

Distribution costs mainly comprised of rental charges, salaries and benefits, stores and mall expenses, depreciation charges and advertising costs. Distribution costs increased from RMB924.9 million in FY2011 to RMB973.4 million in FY2012, representing an increase of 5.3% (FY2011 versus FY2010: 26.2%). Distribution costs as a percentage of retail turnover remained stable at 49.9% in FY2012 (FY2011: 49.5%).

Rental charges increased by 1.9% (FY2011 versus FY2010: 15.0%) from RMB423.0 million in FY2011 to RMB431.1 million in FY2012. Rental charges as a percentage of retail turnover decreased slightly to 22.1% in FY2012 (FY2011: 22.6%).

Salaries and benefits to retail sales staff increased from RMB185.4 million in FY2011 to RMB197.0 million in FY2012, representing an increase of 6.3% (FY2011 versus FY2010: 23.9%). A fairly stable size of the retail network coupled with a moderate increase in retail growth accounted for the relatively mild increase of the expenses on retail sales staff salaries in 2012. Salaries and benefits as a percentage of retail turnover maintained stable at 10.1% in FY2012 (FY2011: 9.9%).

Advertising costs and promotion fee increased by 17.8%, from RMB73.3 million in FY2011 to RMB86.3 million in FY2012. Advertising costs and promotion fee as a percentage of retail turnover increased to 4.4% in FY2012 (FY2011: 3.9%).

Store and mall expenses increased by 12.4%, from RMB79.2 million in FY2011 to RMB89.0 million in FY2012. Depreciation charges increased from RMB75.4 million in FY2011 to RMB91.4 million in FY2012, representing an increase of 21.3%. These increases were attributable to the expenses incurred on the new stores and increased investments in upgrading the distribution facilities and retail outlets. Hence, store and mall expenses and depreciation charges as percentages of retail turnover increased to 4.6% and 4.7% in FY2012 (FY2011: 4.2% and 4.0%) respectively.

Administrative expenses

Administrative expenses increased from RMB70.1 million in FY2011 to RMB85.4 million in FY2012, representing an increase of 21.9%, due to the increases in the salaries and benefits for administrative staff, the single largest category of administrative expenses, office sundries as well as miscellaneous expenses. Administrative expenses as a percentage of total turnover increased slightly to 4.1% (FY2011: 3.5%).

Other operating expenses

Other operating expenses increased from RMB126.6 million in FY2011 to RMB187.8 million in FY2012, representing an increase of 48.4% or RMB61.2 million, mainly due to the increase in the stock provision. The Group closely monitored the inventory level and assessed 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 result of current year's assessment, the Group determines that increase in stock provision is appropriate in FY2012, leading to the significant increase in other operating expenses. In FY2012, the stock provision made as a percentage of retail turnover increased to 9.6% (FY2011: 6.7%).

Profit from Operations

As a result of the factors discussed above, in particular the impact from the one-off government cash grant granted in FY2011 (in the amount of RMB40.3 million) as well as the increase in the stock provision (in the amount of RMB62.4 million), the Group's profit from operations decreased from RMB566.4 million in FY2011 to RMB481.0 million in FY2012, representing a decrease of 15.1% or RMB85.5 million. Excluding the one-off government cash grant, profit from operations would have decreased by 8.6% or RMB45.2 million. The Group's operating margin (i.e. profit from operations expressed as a percentage of total turnover) declined from 28.5% in FY2011 to 22.9% in FY2012.

Net Finance Income

Net finance income diminished from RMB 22.5 million in FY2011 to RMB1.7 million in FY2012, representing a decrease of 92.5%. The decrease mainly arise from an exchange loss of RMB0.3 million in FY2012, as compared to a gain of RMB10.5 million in FY2011. We have enjoyed an exchange gain in FY2011 from our Hong Kong dollars ("HK$") and United States dollars ("US$") denominated borrowings but recorded an exchange loss in FY2012, given that the two currencies depreciated against RMB during FY2011 but appreciated against RMB during FY2012. In addition, the bank charges increased from RMB2.1 million in FY2011 to RMB9.2 million in FY2012. This increase was mainly due to the charges arising from the loan obtained during FY2012.

Income Tax

The Group's income tax expense decreased by 19.0% from RMB158.5 million in FY2011 to RMB128.4 million in FY2012 due to the lower profit before tax. The effective income tax rate slightly decreased from 26.9% in FY2011 to 26.6% in FY2012.

Profit attributable to shareholders

As a result of the factors discussed above, profit attributable to shareholders of the Company decreased from RMB429.9 million in FY2011 to RMB350.6 million in FY2012, representing a decrease of 18.5%.

Financial Position, Liquidity and Gearing Ratio

As at 31 December 2012, the Group had RMB1,292.3 million in cash and cash equivalents, fixed deposits with banks and pledged bank deposits, which was decreased by 6.0% as compared to RMB1,375.5 million as at 31 December 2011. The Group also had access to significant bank loans and overdraft facilities and as at 31 December 2012, the Group had interest-bearing borrowings of RMB845.4 million, increased from RMB702.0 million as at 31 December 2011 in connection with the Group's treasury management strategy and offshore dividend payment arrangement.

Net cash generated from operating activities was RMB345.1 million in FY2012 as compared with RMB445.5 million in FY2011, representing a decrease of 22.5% due to a higher income tax payment made in FY2012.

As at 31 December 2012, the Group's gearing ratio was 45.6% based on outstanding borrowings and total equity of RMB1,852.9 million (as at 31 December 2011: 38.1%). As at 31 December 2012, the current ratio was 2.13 based on current assets of RMB2,317.8 million and current liabilities of RMB1,087.0 million (as at 31 December 2011: 1.97).

Currency Risk Management

The Group's cash balances from normal business operations are mainly deposited in RMB, 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 2012, the Group had capital commitments of RMB117.3 million, as compared with RMB76.6 million as at 31 December 2011, which was authorized but not contracted for. The increase was attributable to the planned increase in investment for the distribution facilities and retail outlets.

Capital Structure of the Group

The Group required working capital to support its manufacturing, retail and other operations. As at 31 December 2012, the Group had cash, cash equivalents, fixed deposits with banks and pledged bank deposits of RMB 1,292.3 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.

Charges on Assets

As at 31 December 2012, the Group's bank deposits in the amount of RMB491.5 million were pledged to secure letter of credit, banking facilities and bank borrowings granted to the Group in connection with its operation in the ordinary course of business.

CORPORATE GOVERNANCE REPORT

The board of Directors of the Company (the "Board") strives to maintain a high standard of corporate governance practice, which would 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 Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code of Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 31 December 2012, as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for code provision A.5.2, where the Nomination Committee did not meet during FY2012 but given that the Board, including all members of the Nomination Committee, have considered the structure, size and composition of the Board and therefore the members of the Nomination Committee was of the view that a meeting was not necessary.

The Board

As of 31 December 2012, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors:

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

Non-executive Director:

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

Independent non-executive Directors:

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

* *Mr. Edward Tan resigned as the Chairman and executive Director with effect from 18 May 2012.*

** *Mr. Ian Hylton was appointed as a non-executive Director with effect from 27 April 2012.*

*** *Ms. Julie Enfield resigned as a non-executive Director with effect from 19 April 2012.*

**** *Mr. Rodney Cone and Ms. Valarie Fong have both resigned as independent non-executive Directors with effect from the conclusion of the forthcoming annual general meeting of the Company dated 30 May 2013.*

Details of the Directors and senior management are set out on pages 38 to 39 of this report.

As of 31 December 2012, the Board comprises six Directors, including two 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.

Mr. Edward Tan is the former Chairman of the Company, Mr. Alfred Chan is the Chief Executive Officer of the Company and they are brothers.

The Board is responsible for the management of the business and affairs of the Group and owes a fiduciary duty and statutory responsibility towards the Company. In particular, it formulates the overall strategies and policies of the Group. The Board is also responsible for providing leadership and control of the Company and monitoring the performance of the management, which is responsible for the day-to-day operations of the Company. Executive Directors and senior management assume the responsibilities on the daily operations of the Company. Decisions of the Board including strategic policies, financial plans and corporate objectives are communicated to the management through the executive Directors.

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 Board considers that there is reasonable balance between the executive Directors and non-executive Directors and has provided adequate checks and balances for safeguarding the interests of all shareholders and the Group. The Directors are given access to independent professional advice at the Group's expense, when the Directors deem it necessary to carry out their responsibilities.

The Board has received from its independent non-executive Directors a written annual confirmation of their independence and considers that 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 the Board for more than nine years (except for Mr. Rodney Cone and Ms. Valarie Fong who have served on the Board for more than nine years and whose resignation would be effective from the conclusion of the forthcoming annual general meeting of the Company dated 30 May 2013).

Our non-executive Director is appointed for a term of three years, subject to retirement and re-election according to the bye-laws of the Company.

During the course of FY2012, the Board held four full board meetings. Under each of the Board meetings, Directors are consulted and could include matters into the agenda for discussion at the Board meetings. All Directors have access to Board's papers and other materials from the Company so that they are able to make informed decisions on matters placed before them. When a Director is unable to attend a meeting, the Chief Executive Officer briefs him/her on the content and results of the Board meeting.

Directors's 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 42 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 Board 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 28 of this report.

Remuneration of Directors

In FY2012, 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 Remuneration Committee is chaired by Mr. Rodney Cone, an independent non-executive Director. The other two members are Mr. Alfred Chan and Mr. Peter Bromberger. The Remuneration Committee is responsible for the development and administration of procedures for the determination of remuneration policies on the remuneration of 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 is authorised by the Board to make recommendations to the Board on the remuneration payable to executive Directors and members of senior management, the emolument policies and the basis for determining such emoluments.

The Remuneration Committee did not hold any meeting during FY2012.

Nomination Committee

The Nomination Committee is chaired by the Chief Executive Officer, Mr. Alfred Chan. The other two members are Mr. Rodney Cone and Ms. Valarie Fong, both independent non-executive Directors. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee is also responsible for the development of the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship. The Nomination Committee shall also make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors when needed.

The Nomination Committee did not hold any meeting during FY2012 but given that the Board, including all members of the Nomination Committee, have considered the structure, size and composition of the Board and therefore the members of the Nomination Committee was of the view that a meeting was not necessary.

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 outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

The Audit Committee held two meetings during FY2012.

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 Audit Committee's review of the Group's results for FY2012, the Audit Committee has discussed with the senior management and the external auditors their respective audit findings, the accounting principles and practices adopted by the Group as well as the internal control, risk management and financial reporting matters.

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 this report. 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 FY2012, the fees paid to the Company's auditors were for audit services as no non-audit service assignments have been undertaken by them.

Internal Control

The Board acknowledges that it is responsible for the internal control system and reviewing its effectiveness. It has an overall responsibility for establishing and maintaining the Group's internal control systems and approval procedures. 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.

Working closely with the finance team and senior management of the Group, the Audit Committee reviews and monitors such internal control and approval procedures with a view to ensuring their effectiveness. The Company also develops a system of controls and procedures for the timely record, processing and reporting of information in the course of its operations.

Senior management of each of the operations within the Group would prepare a 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 has established guidelines and procedures for the approval and control of expenditures. Both operating and capital expenditures are subject to overall budget control. Operating expenditures are further controlled by approval ceilings for such expenditures, which are set by reference to the level of responsibilities of the relevant executives and officers. Capital expenditures (including material expenditures within the approved budget as well as unbudgeted expenditures) are subject to specific approval prior to commitment.

The Group's internal audit function provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations. Internal audit prepares its work plan taking into account the business activities of the Group, which is reviewed, from time to time during the year to ensure that objectives are met. Internal audit also follows up with management team on issues identified in the course of audit. It also evaluates the Group's internal control system and reports its findings to the Audit Committee, the Chief Executive Officer, the financial controller and relevant senior management within the Group.

The Directors confirm that they have reviewed the effectiveness of the system of internal controls of the Company and its subsidiaries and that they consider that such system is reasonably effective and adequate although they cannot provide absolute assurance that all material risks are appropriately identified, evaluated and managed. The review covered all material controls including financial, operational and compliance controls and the risk management function. Whilst the various procedures described above are designed to identify and manage risks that could potentially adversely affect the Group's ability to meet its business objectives and to properly record and report financial information, they do not provide absolute assurance against material misstatement or loss.

In FY2012, in order to continue to strengthen the Group's internal control, the Company engaged FTI Consulting ("FTI") to review the systems of internal control of the Company. In its report, FTI identified, among others, the following areas of concern:

(i) sufficiency of controls over the posting of accounting journal entries;

(ii) lack of a comprehensive written guidelines on the record and report of accounting transactions;

(iii) sufficiency of communication to staff regarding change of internal policy and procedures; and

(iv) sufficiency of staff training in relation to the relevant compliance requirements.

In view of the above areas of concern, FTI made certain recommendations, among others, which have been put forward to the Audit Committee for their consideration:

(i) to adopt clear procedures of posting journal entries including the setting of a periodic deadline for posting all journal entries of the month;

(ii) to review existing accounting guidelines with clean and defined politics;

(iii) to implement a more stringent control mechanism in correction with the operation of the corporate bank accounts;

(iv) to provide training for the staff on the Listing Rules and the compliance thereof from time to time; and

(v) to establish anti-corruption guidelines and other corporate governance related policies for best practices to its staff.

The report has been reviewed and discussed by the Audit Committee in their meeting on 25 March 2013, which approved the systems of internal control of the Company and their implementation having regard to the recommendations set out in the internal control report.

Following the issue of the report, the Company has taken and will continually be taken the following actions:

(i) formalize the control over the authorities and obligations of different positions within the finance and accounting department;

(ii) compile the "accounting manual" which will be updated from time to time going forward;

(iii) re-structure the bank account signatories, which includes the addition of signatories apart from the executive directors for payment approval process;

(iv) impose a more stringent accounting record and report system, which involves the introduction of further layers of confirmations during the entire data entry and record process;

(v) emphasize the importance of anti-corruption at department-level meetings; and

(vi) compile guidelines on the identification and dealing with connected parties transactions.

In view of the above procedures and measures taken or to be taken by the Company, the Directors consider that the Company has complied with the code provisions on internal control for FY2012.

Board Meetings

The number of full Board and Committee meetings attended by each Director during FY2012 is as follows:

	Full Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Executive Director				
Mr. Alfred Chan	4/4	N/A	0/0	0/0
Mr. Pierre Bourque	4/4	N/A	N/A	N/A
Mr. Edward Tan*	2/3	N/A	N/A	N/A
Non-executive Director				
Mr. Ian Hylton**	2/2	N/A	N/A	N/A
Ms. Julie Enfield***	0/1	N/A	N/A	N/A
Independent non-executive Director				
Mr. Rodney Cone	4/4	2/2	0/0	0/0
Ms. Valarie Fong	4/4	2/2	N/A	0/0
Mr. Peter Bromberger	4/4	2/2	0/0	N/A

* *resigned with effect from 18 May 2012*

** *appointed with effect from 27 April 2012*

*** *resigned with effect from 19 April 2012*

Continuous Professional Development

Professional training of Directors is essential for the purposes of developing and refreshing their knowledge and skills, and to ensure that their contribution to the Board remains informed and relevant. All Directors of the Company (including Mr. Alfred Chan, Mr. Pierre Bourque, Mr. Ian Hylton, Mr. Rodney Cone, Ms. Valarie Fong and Mr. Peter Bromberger) have attended two hours of professional training in FY2012 provided by the Company's external legal advisors, in relation to the Directors' duties and responsibilities in Hong Kong under the requirements of the Company's Bye-Laws, the Listing Rules, The Code on Takeovers and Mergers and Share Repurchases,the Companies Ordinance, as well as the Securities and Futures Ordinance.

	Professional training attended (No. of hours)
Executive Director	
Mr. Alfred Chan	2
Mr. Pierre Bourque	2
Mr. Edward Tan*	0
Non-executive Director	
Mr. Ian Hylton**	2
Ms. Julie Enfield***	0
Independent Non-executive Director	
Mr. Rodney Cone	2
Ms. Valarie Fong	2
Mr. Peter Bromberger	2

* *resigned with effect from 18 May 2012*
** *appointed with effect from 27 April 2012*
*** *resigned with effect from 19 April 2012*

Shareholders' Rights

Convening an Extraordinary General Meeting ("EGM") by Shareholders

Pursuant to section 74 of the Companies Act, a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may requisition the Directors to forthwith proceed duly to convene an EGM by depositing a written requisition at the registered office of the Company.

The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene an EGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

An EGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Making Enquiry to the Board

Shareholders may send written enquiries, either by post, by facsimiles or by email, together with his/her contact details, such as postal address, email or fax, addressing to the head office of the Company at the following address or facsimile number or via email:

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

Fax: (852) 2790 4815
Email: irene.wong@ports1961.com
Attention: Ms. Irene Wong

Putting Forward Proposals at General Meetings

Shareholders shall deposit a written notice at the Company's principal place of business in Hong Kong at Suite 102, Sunbeam Center, 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details, and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

REPORT OF THE DIRECTORS

The Directors are pleased to submit the annual report together with the audited financial results of the Group for FY2012.

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

During FY2012, the Group purchased approximately 13% and 26% 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 approximately 3% and 11% 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 FY2012 in the above suppliers or customers.

Financial Results & Appropriations

The results of the Group for FY2012 are set out in the "Consolidated statement of comprehensive income" on page 44.

An interim dividend of RMB0.15 per share and a special interim dividend of RMB0.10 per share were paid to shareholders during FY2012. The Directors proposed a final dividend of RMB0.14 per share.

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 confirms 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 RMB2.2 million from its profit attributable to shareholders before dividends to its reserves in FY2012, compared with RMB1.2 million in FY2011. Details of transfers to reserves are outlined on page 49.

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 pages 7 to 8.

Share Capital

Details of the movements in share capital of the Company are set out on pages 89 to 90.

Fixed Assets

In FY2012, the Group acquired fixed assets of approximately RMB116.8 million, compared with RMB252.7 million in FY2011. Details of the fixed asset acquisitions are outlined on page 78.

Directors

The Directors of the Company in FY2012 were:

Executive Directors

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

Non-Executive Director

Mr. Ian Hylton (Appointed with effect from 27 April 2012)
Ms. Julie Enfield (Resigned with effect from 19 April 2012)

Independent Non-executive Directors

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

* *Mr. Rodney Cone and Ms. Valarie Fong shall retire with effect from the conclusion of the forthcoming annual general meeting dated 30 May 2013 and will not offer themselves for re-election.*

A brief biography of each Director and each member of senior management of the Company can be found on pages 38 to 39.

Directors' Service Contracts

None of the Directors 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 2012, 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 Stock Exchange pursuant to the Model Code, were as follows:

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. Alfred Chan[1]	450,000 (L)[2]	235,445,273 (L)	235,895,273 (L)	42.57 (L)
	0	52,394,000 (S)	52,394,000 (S)	9.46 (S)
Mr. Pierre Bourque	130,000 (L)[2]	0	130,000 (L)	0.02 (L)
Mr. Ian Hylton	80,000 (L)[2]	0	80,000 (L)	<0.02 (L)
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. *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 235,445,273 Shares are owned by CFS International Inc. ("CFS"), a direct subsidiary of PIEL. Mr. Alfred Chan is deemed to be interested in 42.49% of the issued share capital of the Company by virtue of their respective interests in PIEL pursuant to Part XV of the SFO.*

2. *These interests represent interests in options granted by the Company under its Share Option Scheme. Mr. Alfred Chan owns 250,000 share options. For further details, please refer to pages 31 to 33 of this report.*

As at 31 December 2012, 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.

Substantial Shareholders

The Company has been notified that, as at 31 December 2012, 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:

Name of substantial shareholder	Capacity	Total number of Shares held	% of issued share capital
CFS International Inc.[1]	Beneficial Owner	235,445,273 (L)	42.49 (L)
Ports International Enterprises Limited[1]	Interest of Controlled Corporation	235,445,273 (L)	42.49 (L)
	Beneficial Owner	52,394,000 (S)	9.46 (S)
Mr. Edward Tan[2]	Beneficial Owner	250,000 (L)	0.05 (L)
	Interest of Controlled Corporation	235,445,273 (L)	42.49 (L)
	Interest of Controlled Corporation	52,394,000 (S)	9.46 (S)
FIL Limited	Investment Manager	44,370,000 (L)	8.01 (L)
Government of Singapore Investment Corporation Pte Ltd	Investment Manager	38,732,817 (L)	6.99 (L)

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 28.*

2. *Mr. Edward Tan has resigned as the Chairman and an executive Director of the Company with effect from 18 May 2012. Mr. Edward Tan is deemed to be interested in a long position of 235,445,273 Shares as well as a short position of 52,394,000 Shares held by PIEL by virtue of Mr. Edward Tan's interest in PIEL.*

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 2012 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 FY2012, save as disclosed in the paragraphs below headed "Continuing Connected Transactions".

Controlling Shareholders' Interests 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 controlling shareholder had a material interest, whether directly or indirectly, during FY2012, save as disclosed in the paragraphs below headed "Continuing Connected Transactions".

Purchase, Sale or Redemption of the Company's Listed or Redeemable Securities

During FY2012, the Company repurchased a total of 14,703,000 ordinary shares of the Company at an aggregate purchase price of HK$98.5 million on the Stock Exchange. All the shares were cancelled before 31 December 2012. Particulars of the shares repurchased are as follow:

Month of repurchase	**No. of ordinary shares repurchased** *('000)*	**Purchase price per share** *(HK$)*		**Aggregate consideration** *(HK$'000)*
		Highest	*Lowest*	
May	4,400	7.91	7.00	32,518
June	1,133	8.62	7.11	8,781
July	320	8.21	7.90	2,592
August	1,750	6.40	6.09	10,894
September	7,100	6.47	5.91	43,733
Total	14,703			98,518

Save as disclose above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed or redeemable securities during FY2012.

Pre-emptive Rights

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

Human Resources

As at 31 December 2012, the Group had approximately 5,300 employees. Total personnel expenses, comprised of wages, salaries, and benefits, amounted to RMB359.2 million in FY2012, compared with RMB330.5 million in FY2011, representing an increase of 9.0%. In FY2012, total personnel expenses as a percentage of the Group's turnover was at 17.1% (FY2011: 16.6%).The Group's remuneration policies are reviewed annually, and are formulated according to the experiences, skills and performance of individual employees, as well as prevailing market ratio. The Group has also adopted Share Option Scheme (as defined below) to enable the Company to grant options to selected employees as incentives or rewards for their contributions to the Group. Further details and breakdown of the personnel expenses is set out in Note 6 of "Notes to the financial statements".

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 first batch of share option grant, 1 September 2006 for the second batch of share option grant and 14 July 2009 for the third batch of share option grant, respectively.

8. As at 31 December 2012, the total number of securities available for issue under the Scheme is 5,141,525, which constitutes 0.93% of the total issued share capital of the Company.

Details of the share options outstanding as at 31 December 2012 under the Scheme were as follows:

First batch of Share option granted on 3 November 2003 (exercisable from 3 November 2003 until 2 November 2013 at exercise price of HK$2.625)[1]

	Options held at 1/1/2012	Options exercised during the year[2]	Options cancelled during the year	Options held at 31/12/2012
Mr. Rodney Cone	60,000	0	0	60,000
Ms. Valarie Fong	60,000	0	0	60,000
Continuous contract employees	315,427	19,667	0	295,760

Second batch of Share option granted on 1 September 2006 (exercisable from 1 September 2006 until 31 August 2016 at exercise price of HK$11.68)

	Options held at 1/1/2012	Options exercised during the year[2]	Options cancelled during the year	Options held at 31/12/2012
Mr. Pierre Bourque	80,000	0	0	80,000
Continuous contract employees	4,258,859	21,000	0	4,237,859

Third batch of Share option granted on 14 July 2009 (exercisable from 14 July 2009 until 13 July 2019 at exercise price of HK$17.32)

	Options held at 1/1/2012	Options exercised during the year[2]	Options cancelled during the year	Options held at 31/12/2012
Mr. Alfred Chan	250,000	0	0	250,000
Mr. Pierre Bourque	50,000	0	0	50,000
Mr. Ian Hylton	80,000	0	0	80,000
Mr. Rodney Cone	50,000	0	0	50,000
Ms. Valarie Fong	50,000	0	0	50,000
Continuous contract employees	22,156,546	1,000	259,780	21,895,766

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$10.05.*

   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.

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"), a wholly-owned subsidiary of CFS, which resells them in Europe and North America. 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 RMB23.0 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 FY2012, the total value of the Sales Transactions was RMB4.8 million.

(ii) Continuing Connected Transactions with PCD

The Group entered into an agreement with PCD Stores (Group) Limited ("PCD") on 5 December 2007, an indirect subsidiary of PIEL, 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 RMB50.0 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 2012, the total concessionaire fees paid by the Group to the PCD group was RMB35.0 million, which slightly exceeded the annual cap set for FY2012 by RMB0.3 million. Pursuant to Rule 14A.36(1) of the Listing Rules, the Company made an announcement on 1 March 2013 providing further details on the exceeding of annual cap for FY2012 in order to re-comply with the requirements under Rule 14A.35(3) of the Listing Rules.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 75 of this report in accordance with the Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The independent non-executive Directors have also reviewed the continuing connected transactions of the Company for FY2012 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. (pending to receive the confirmation)

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.

Details of the transactions between the Group and any related parties can be found on pages 74 to 77.

Significant Events

There have been no significant events affecting the Group which have occurred since 31 December 2012.

Pledging of Shares by Controlling Shareholders

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

Corporate Governance

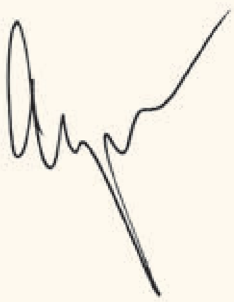
The corporate governance report of the Company is outlined on pages 17 to 23.

Auditors

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

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
Chief executive officer and executive Director

28 March 2013

CORPORATE SOCIAL RESPONSIBILITY

The Group has achieved satisfying results in different areas of corporate social responsibility initiatives and events. This report highlights some of our activities during FY2012.

Community Initiatives

— The Group has continued its support to 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 since then, it has organized and participated in many social services activities and charitable works to fulfill its target.

Supply Chain

— The Group strives to adhere to the principles outlined in the UN Global Compact. The Group works with suppliers and business partners who could meet the requisite 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

— We conduct regular training or talks on safety for our new staff, including safety in production, fire protection knowledge, food hygiene and living safety.

— The Company has arranged legal training and other seminars for our staff to enhance their legal awareness in daily operation as well as psychological health consciousness.

The Environment

— The management has looked to identify and explore possible energy saving opportunities in connection with its operation on a regular basis. For instance, the Group reviews its packaging reuse, waste paper and fabric recycling procedures from time to time to minimize harmful effect caused to the nearby environment.

Employees' Activities

— In March 2012, 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 towards an active and healthy lifestyle.

— During 2012, the Group hosted and sponsored various corporate sporting events for its employees with a view to promoting the importance of a healthy work-life balance. A talent quest was organized at our annual party where staff formed in groups for different performances, which brought a closer bonding and understanding among them.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Alfred Chan, aged 65, 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 Nomination Committee and member of the Remuneration 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's degree in electrical engineering in 1972. Mr. Chan is also the chairman and executive director of PCD Stores (Group) Limited, which shares are listed on the main board of the Stock Exchange (stock code: 331).

Mr. Pierre Bourque, aged 65, 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 International Inc.. Mr. Bourque joined the Group in August 2002.

Non-executive Director

Mr. Ian Hylton, aged 48, is the 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 with a degree of Bachelor of Arts in Fashion Design.

Independent non-executive Directors

Mr. Rodney Cone, aged 52, is the independent non-executive Director of the Company. He also serves as the chairman of the Audit Committee and Remuneration Committee as well as a member of the Nomination 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 39, is the 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 47, is the 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

Fiona Cibani, aged 47, 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 apparels and accessories. Ms. Cibani is the sister of Mr. Salem Cibani.

He Kun, aged 42, 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.

Irene Wong, aged 60, 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.

Salem Cibani, aged 34, is the global director of business development for the Group. He works closely with the chief executive officer, in overseeing the strategic initiatives of the Group globally. He joined the group in 2006. Prior to this he was an entrepreneur, operating his own real estate development company in Vancouver, Canada. He studied Mathematics and Kinesiology at the University of British Columbia, Canada. Mr. Cibani is the brother of Ms. Fiona Cibani.

Michelle Chen, aged 44, 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.

Chen Xi Fan, aged 43, 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.

PORTS DESIGN LIMITED

(Stock Code: 589)

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

(Prepared under International Financial Reporting Standards)

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 44 to 104, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 2012 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.

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

28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012
(Expressed in thousands of Renminbi Yuan, except share and per share data)

	Note	**2012** **RMB'000**	2011 RMB'000
Turnover	3	**2,098,435**	1,985,013
Cost of sales		**(378,798)**	(355,573)
Gross profit		**1,719,637**	1,629,440
Other revenue	4(a)	**8,232**	58,291
Other net (expense)/income	4(b)	**(214)**	220
Distribution costs		**(973,433)**	(924,853)
Administrative expenses		**(85,435)**	(70,082)
Other operating expenses	5	**(187,818)**	(126,586)
Profit from operations		**480,969**	566,430
Finance income		**34,695**	31,726
Finance costs		**(33,002)**	(9,274)
Net finance income	7(a)	**1,693**	22,452
Profit before taxation	7	**482,662**	588,882
Income tax	8(a)	**(128,439)**	(158,504)
Profit for the year		**354,223**	430,378
Other comprehensive income for the year, net of income tax			
Exchange difference on translation of: — Financial statements of overseas subsidiaries		**571**	—
Total comprehensive income for the year		**354,794**	430,378
Profit attributable to:			
Equity shareholders of the Company	11	**350,576**	429,910
Non-controlling interests		**3,647**	468
Profit for the year		**354,223**	430,378
Total comprehensive income attributable to:			
Equity shareholders of the Company		**351,142**	429,910
Non-controlling interests		**3,652**	468
Total comprehensive income for the year		**354,794**	430,378
Earnings per share (RMB)			
— Basic	12	**0.62**	0.76
— Diluted	12	**0.62**	0.75

The notes on pages 50 to 104 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 26(b).

CONSOLIDATED BALANCE SHEET

at 31 December 2012
(Expressed in thousands of Renminbi Yuan)

	Note	**At 31 December 2012** ***RMB'000***	At 31 December 2011 *RMB'000*
Non-current assets			
Lease prepayments	*14*	**3,272**	3,357
Property, plant and equipment	*15*	**514,144**	514,563
Deferred tax assets	*16(b)*	**105,190**	64,649
Non-current pledged bank deposits	*17*	**80,000**	—
		702,606	582,569
Current assets			
Inventories	*18*	**730,021**	632,972
Trade and other receivables, deposits and prepayments	*19(a)*	**375,557**	571,775
Pledged bank deposits	*17*	**411,517**	555,992
Fixed deposits with banks	*21*	**369,959**	439,852
Cash and cash equivalents	*22*	**430,787**	379,629
		2,317,841	2,580,220
Current liabilities			
Trade payables, other payables and accruals	*23(a)*	**280,342**	493,338
Interest-bearing borrowings	*25*	**771,221**	701,992
Current taxation	*16(a)*	**35,411**	116,727
		1,086,974	1,312,057
Net current assets		**1,230,867**	1,268,163
Total assets less current liabilities		**1,933,473**	1,850,732
Non-current liabilities			
Interest-bearing borrowings	*25*	**74,169**	—
Deferred tax liabilities	*16(b)*	**6,391**	7,058
		80,560	7,058
Net assets		**1,852,913**	1,843,674
Capital and reserves			
Share capital	*26(c)*	**1,473**	1,503
Reserves		**1,837,441**	1,831,903
Total equity attributable to equity shareholders of the Company		**1,838,914**	1,833,406
Non-controlling interests		**13,999**	10,268
Total equity		**1,852,913**	1,843,674

Approved and authorised for issue by the board of directors on 28 March 2013.

Alfred Chan
Chief Executive Officer and Executive Director

Pierre Bourque
Executive Director

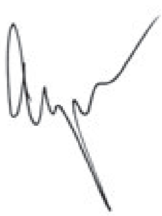
The notes on pages 50 to 104 form part of these financial statements.

BALANCE SHEET

at 31 December 2012
(Expressed in thousands of Renminbi Yuan)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Investments in subsidiaries	29	**327,048**	317,343
		327,048	317,343
Current assets			
Trade and other receivables, deposits and prepayments	19(b)	**271,034**	480,047
Cash and cash equivalents	22	**10,341**	5,121
		281,375	485,168
Current liabilities			
Trade payables, other payables and accruals	23(b)	**11,463**	11,591
Interest-bearing borrowings	25	**—**	121,605
		11,463	133,196
Net current assets		**269,912**	351,972
Net assets		**596,960**	669,315
Capital and reserves	26		
Share capital		**1,473**	1,503
Reserves		**595,487**	667,812
Total equity		**596,960**	669,315

Approved and authorised for issue by the board of directors on 28 March 2013.



Alfred Chan
Chief Executive Officer and Executive Director

Pierre Bourque
Executive Director

The notes on pages 50 to 104 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2012
(Expressed in thousands of Renminbi Yuan)

	Note	**2012** **RMB'000**	2011 RMB'000
Net cash generated from operating activities	*(a)*	**345,146**	445,480
Cash flow from investing activities			
Interest received		**34,840**	17,571
Advances paid to			
— related parties		**(16,941)**	(61,980)
— third party companies		**(140,404)**	(633,388)
Repayment of advances from			
— related parties		**99,648**	—
— third party companies		**140,404**	622,056
Acquisition of property, plant and equipment		**(130,180)**	(183,027)
Proceeds from disposal of property, plant and equipment		**87**	615
Decrease/(Increase) in pledged bank deposits		**64,475**	(54,063)
Decrease/(Increase) in fixed deposits with banks		**69,893**	(274,914)
Net cash generated from/(used in) investing activities		**121,822**	(567,130)
Cash flow from financing activities			
Interest expense paid		**(24,717)**	(6,940)
Advances received from			
— related parties		**114,228**	89,264
— third party companies		**—**	51,351
Repayment made by the Group for advances received from			
— related parties		**(273,683)**	(64,909)
— third party companies		**(21,351)**	—
Payment for repurchase of shares		**(80,191)**	—
Proceeds from interest-bearing borrowings		**967,167**	632,488
Repayment of interest-bearing borrowings		**(823,769)**	(286,279)
Dividends paid to equity shareholders of the Company		**(273,829)**	(278,668)
Proceeds from shares issued under share option scheme		**256**	7,437
Capital contribution from non-controlling shareholder		**79**	9,800
Net cash (used in)/generated from financing activities		**(415,810)**	153,544
Net increase in cash and cash equivalents		**51,158**	31,894
Cash and cash equivalents at 1 January		**379,629**	347,735
Cash and cash equivalents at 31 December		**430,787**	379,629

The notes on pages 50 to 104 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	**2012** **RMB'000**	2011 RMB'000
Profit before taxation		**482,662**	588,882
Adjustments for:			
Depreciation of property, plant and equipment	7(b)	**109,214**	86,823
Amortisation of lease prepayments	7(b)	**85**	85
Loss/(Gain) on disposal of property, plant and equipment	4(b)	**214**	(220)
Equity-settled share-based payment expenses	6	**8,108**	26,157
Interest expense	7(a)	**22,977**	7,186
Interest income	7(a)	**(34,695)**	(21,245)
Operating profit before changes in working capital		**588,565**	687,668
Increase in inventories		**(97,049)**	(88,112)
Increase in accounts receivable		**(24,057)**	(37,486)
Decrease/(Increase) in amounts due from related parties		**101,557**	(20,860)
Decrease/(Increase) in advances to suppliers		**18,990**	(22,123)
Decrease/(Increase) in other receivables, deposits and prepayments		**17,975**	(7,764)
Decrease in accounts payable		**(12,463)**	(2,268)
Decrease in amounts due to related parties		**(684)**	—
Increase in other creditors and accruals		**3,275**	24,515
Cash generated from operations		**596,109**	533,570
Income tax paid		**(250,963)**	(88,090)
Net cash generated from operating activities		**345,146**	445,480

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012
(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	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2011		1,501	94,581	61,419	512,854	54,634	—	923,580	1,648,569	—	1,648,569
Profit for the year		—	—	—	—	—	—	429,910	429,910	468	430,378
Other comprehensive income		—	—	—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	—	429,910	429,910	468	430,378
Dividends declared in respect of the previous year	26(b)	—	—	—	—	—	—	(136,476)	(136,476)	—	(136,476)
Shares issued under share option scheme	26(c) (iii)	2	(1,943)	—	9,378	—	—	—	7,437	—	7,437
Equity settled share-based payment transactions	6	—	26,157	—	—	—	—	—	26,157	—	26,157
Capital contribution from non-controlling shareholder		—	—	—	—	—	—	—	—	9,800	9,800
Dividends declared in respect of the current year	26(b)	—	—	—	—	—	—	(142,191)	(142,191)	—	(142,191)
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
Balance at 1 January 2012		**1,503**	**118,795**	**61,419**	**522,232**	**55,841**	**—**	**1,073,616**	**1,833,406**	**10,268**	**1,843,674**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**—**	**350,576**	**350,576**	**3,647**	**354,794**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**566**	**—**	**566**	**5**	**571**
Total comprehensive income		**—**	**—**	**—**	**—**	**—**	**566**	**350,576**	**351,142**	**3,652**	**354,794**
Dividends declared in respect of the previous year	26(b)	**—**	**—**	**—**	**—**	**—**	**—**	**(135,279)**	**(135,279)**	**—**	**(135,279)**
Purchase of own shares:	26(c) (ii)										
— par value paid		**(30)**	**—**	**—**	**—**	**—**	**—**	**—**	**(30)**	**—**	**(30)**
— premium paid		**—**	**—**	**—**	**(80,161)**	**—**	**—**	**—**	**(80,161)**	**—**	**(80,161)**
Shares issued under share option scheme	26(c) (iii)	**—**	**(73)**	**—**	**329**	**—**	**—**	**—**	**256**	**—**	**256**
Equity settled share-based payment transactions	6	**—**	**8,108**	**—**	**—**	**—**	**—**	**—**	**8,108**	**—**	**8,108**
Capital contribution from non-controlling shareholder		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**79**	**79**
Dividends declared in respect of the current year	26(b)	**—**	**—**	**—**	**—**	**—**	**—**	**(138,528)**	**(138,528)**	**—**	**(138,528)**
Transfer to reserve		**—**	**—**	**—**	**—**	**2,190**	**—**	**(2,190)**	**—**	**—**	**—**
Balance at 31 December 2012		**1,473**	**126,830**	**61,419**	**442,400**	**58,031**	**566**	**1,148,195**	**1,838,914**	**13,999**	**1,852,913**

The notes on pages 50 to 104 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 2012 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 few amendments to IFRS that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(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(g)).

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(g)).

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(s)).

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) 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.

1. Significant accounting policies *(continued)*

(f) Leased assets *(continued)*

(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(g)). Amortisation is provided to write off the cost of lease prepayment on a straight-line basis over the respective periods of the rights.

(g) 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)*

(g) 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; and

— investments in subsidiaries.

1. Significant accounting policies *(continued)*

(g) 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(g)(i) and (ii)).

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

(h) 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.

(i) 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(g)), 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(g)).

(j) 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.

(k) 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.

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

(l) 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(m)(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.

(m) 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(m)(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.

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

(n) 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.

(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.

(o) 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)*

(o) 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)*

(p) 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.

(q) 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.

(r) 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)*

(s) 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.

(t) 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(t)(a).

(vii) A person identified in note 1(t)(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.

(u) Dividends

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

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

(v) 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.

(w) 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 16, 27, 30 and 32 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.

3. 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 one reportable segment.

- 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.

(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)

3. 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		**Others(*)**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,951,747**	1,869,193	**146,688**	115,820#	**2,098,435**	1,985,013
Reportable segment revenue	**1,951,747**	1,869,193	**146,688**	115,820#	**2,098,435**	1,985,013
Reportable segment profit	**1,013,618**	979,984	**42,120**	19,022#	**1,055,738**	999,006
Distribution costs	**663,899**	630,434	**—**	—#	**663,899**	630,434
Reportable segment assets	**691,361**	622,192	**38,660**	10,780#	**730,021**	632,972

(*) Revenue from segments below the quantitative thresholds are mainly attributable to three operating segments of the Group. Those segments include OEM sales, export sales and wholesales. None of those segments met any of the quantitative thresholds for determining reportable segments. OEM sales, which did not meet the quantitative thresholds in both 2012 and 2011, was aggregated within others. The comparative figure was also restated as marked with # in note 3(b)(i) and 3(b)(ii) below.

(Expressed in thousands of Renminbi Yuan)

3. Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**1,951,747**	1,869,193#
Other revenue	**146,688**	115,820#
Consolidated turnover	**2,098,435**	1,985,013

	2012	2011
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**1,013,618**	979,984#
Other profit	**42,120**	19,022#
	1,055,738	999,006
Other revenue and other net (expense)/income	**8,018**	58,511
Distribution costs	**(309,534)**	(294,419)
Administrative expenses	**(85,435)**	(70,082)
Other operating expenses	**(187,818)**	(126,586)
Net finance income	**1,693**	22,452
Consolidated profit before taxation	**482,662**	588,882
Assets		
Reportable segment assets	**691,361**	622,192#
Other inventories	**38,660**	10,780#
Consolidated inventories	**730,021**	632,972
Non-current assets	**702,606**	582,569
Trade and other receivables, deposits and prepayments	**375,557**	571,775
Pledged bank deposits	**411,517**	555,992
Fixed deposits with banks	**369,959**	439,852
Cash and cash equivalents	**430,787**	379,629
Consolidated total assets	**3,020,447**	3,162,789

(Expressed in thousands of Renminbi Yuan)

3. Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(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 and lease prepayments ("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.

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

	Sales revenues from external customers		**Specified non-current assets**	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Mainland China	**1,944,123**	1,820,697	**481,243**	503,324
Others	**154,312**	164,316	**36,173**	14,596
	2,098,435	1,985,013	**517,416**	517,920

4. Other revenue and other net (expense)/income

(a) Other revenue

	2012	2011
	RMB'000	*RMB'000*
Liaison service income	**1,235**	743
Royalty income	**550**	8,500
Design and decoration income	**1,978**	6,870
Insurance compensation	**2,525**	1,878
Government subsidies (see note (i) below)	**660**	40,300
Others	**1,284**	—
	8,232	58,291

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

(Expressed in thousands of Renminbi Yuan)

4. Other revenue and other net (expense)/income *(continued)*

(b) Other net (expense)/income

	2012	2011
	RMB'000	*RMB'000*
Net (loss)/gain on sale of property, plant and equipment	**(214)**	220
	(214)	220

5. Other operating expenses

	2012	2011
	RMB'000	*RMB'000*
Inventory provision	**187,818**	125,448
Others	**—**	1,138
	187,818	126,586

6. Personnel expenses

	2012	2011
	RMB'000	*RMB'000*
Wages, salaries and staff benefits	**337,735**	296,704
Contributions to defined contribution retirement plan	**13,344**	7,595
Equity-settled share-based payment expenses (see note 27)	**8,108**	26,157
	359,187	330,456

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 14% (2011: 12%) of the minimum salary level of employees in Xiamen or 14% (2011: 14%) of employees' relevant income, subject to a cap of RMB11.5 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 (before 1 June 2012) or HK$25 thousand (after 1 June 2012). Contributions to the scheme vest immediately.

(Expressed in thousands of Renminbi Yuan)

7. Profit before taxation

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

(a) Net finance income

	2012	2011
	RMB'000	*RMB'000*
Interest income	**(34,695)**	(21,245)
Net foreign exchange gain	**—**	(10,481)
Finance income	**(34,695)**	(31,726)
Interest expense on bank loans repayable within five years	**22,977**	8,557
Less: interest expense capitalised into property, plant and equipment*	**—**	(1,371)
Interest expense, net	**22,977**	7,186
Net foreign exchange loss	**847**	—
Others	**9,178**	2,088
Finance costs	**33,002**	9,274
Net finance income	**(1,693)**	(22,452)

* *No interest expense has been capitalised into property, plant and equipment (2011: RMB1,371 was capitalised at a weighted average interest rate of 1.33% per annum).*

(b) Other items

	2012	2011
	RMB'000	*RMB'000*
Operating leases charges in respect of properties		
— minimum lease payments	**98,150**	99,248
— contingent rents	**332,911**	323,741
	431,061	422,989
Auditors' remuneration — audit services	**3,683**	2,087
Depreciation	**109,214**	86,823
Amortisation — lease prepayments	**85**	85
Cost of inventories# (see note 18)	**566,616**	481,021

\# *Cost of inventories includes RMB119,189 thousand (2011: RMB99,384 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 6 for each type of these expenses.*

(Expressed in thousands of Renminbi Yuan)

8. Income tax in the consolidated statement of comprehensive income

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

	2012 **RMB'000**	2011 *RMB'000*
Current tax — PRC Income Tax		
Provision for the year (see note 16(a))	**155,050**	166,679
Deferred tax		
Origination and reversal of temporary differences (see note 16(b))	**(26,611)**	(8,175)
	128,439	158,504

(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 2012 and 2011 as the subsidiaries in Hong Kong did not earn any assessable income for Hong Kong Profits tax purposes.

(iii) All PRC subsidiaries are subject to income tax at 25% for the year ended 31 December 2012 (2011: 25% except one subsidiary at 24% and another subsidiary at 12%) under the Enterprise Income Tax law ("EIT law") which was enacted on 16 March 2007.

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

	2012 **RMB'000**	2011 *RMB'000*
Profit from ordinary activities before taxation	**482,662**	588,882
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**120,665**	147,221
Rate differential	**3,376**	(2,543)
Tax holiday enjoyed by certain PRC subsidiaries	**—**	(9,081)
Tax effect of non-deductible expenses net of non-taxable income	**678**	5,978
Tax benefit from intrinsic value of share options exercised	**(6,642)**	—
Current year losses for which no deferred tax asset was recognised	**4,063**	3,629
Recognition/utilisation of previously unrecognised tax loss	**(7,631)**	—
Deferred withholding tax liabilities on the expected profits distribution by the Group's PRC subsidiaries	**13,930**	13,300
Actual tax expense	**128,439**	158,504

(Expressed in thousands of Renminbi Yuan)

9. 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 2012** *RMB'000*
Chairman					
Mr. Edward Tan Han Kiat#	**—**	**296**	**—**	**58**	**354**
Executive Directors					
Mr. Alfred Chan Kai Tai	**—**	**790**	**—**	**83**	**873**
Mr. Pierre Frank Bourque	**—**	**735**	**—**	**17**	**752**
Non-Executive directors					
Ian Richard Hylton^	**—**	**1,418**	**—**	**10**	**1,428**
Mr. Rodney Ray Cone*	**—**	**—**	**—**	**17**	**17**
Ms. Valarie Fong Wei Lynn*	**—**	**—**	**—**	**17**	**17**
Mr. Peter Nikolaus Bromberger*	**—**	**—**	**—**	**—**	**—**
	—	**3,239**	**—**	**202**	**3,441**

	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

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 was appointed as a 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)

9. 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 27.

(b) No bonuses were paid or payable as at 31 December 2012 and 2011 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 2012.

(d) During the year ended 31 December 2012 and 2011, the Group entered into certain transactions with Edward Tan and Alfred Chan, who fall within the definition of related parties mentioned in note 1(t)(a). Details of these transactions and the outstanding balances at the balance sheet dates are set out in note 13 and note 24 respectively.

10. Individuals with highest emoluments

Of the five individuals with the highest emoluments, one of them (2011: none) is a director whose remuneration is disclosed in note 9. The aggregate of the emoluments in respect of the five (2011: five) individuals are as follows:

	2012 *RMB'000*	2011 *RMB'000*
Basic salaries, allowances and other benefits	**7,922**	6,227
Share-based payments	**1,527**	8,604
	9,449	14,831

The emoluments of the five (2011: five) individuals with the highest emoluments are within the following bands:

		2012 Number of individuals	2011 Number of individuals
HKD1,000,001–1,500,000	(RMB equivalent: 813,001–1,220,000)	**1**	—
HKD1,500,001–2,000,000	(RMB equivalent: 1,220,001–1,627,000)	**1**	—
HKD2,000,001–2,500,000	(RMB equivalent: 1,627,001–2,033,000)	**1**	1
HKD2,500,001–3,000,000	(RMB equivalent: 2,033,001–2,440,000)	**1**	2
HKD3,000,001–4,000,000	(RMB equivalent: 2,440,001–3,254,000)	**1**	1
HKD6,500,001–7,000,000	(RMB equivalent: 5,287,001–5,694,000)	**—**	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)

11. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB4,044 thousand (2011: profit of RMB5,221 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:

	2012	2011
	RMB'000	*RMB'000*
Amount of consolidated (loss)/profit attributable to equity shareholders dealt with in the Company's financial statements	**(4,044)**	5,221
Final dividends from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	**277,323**	278,645
Company's profit for the year (see note 26 (a))	**273,279**	283,866

Details of dividends paid and payable to equity shareholders of the Company are set out in note 26 (b).

(Expressed in thousands of Renminbi Yuan)

12. 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 RMB350,576 thousand (2011: RMB429,910 thousand) and the weighted average of 561,954,275 (2011: 568,602,899) ordinary shares in issue during the year.

(i) Weighted average number of ordinary shares

	2012 Number of shares	2011 Number of shares
Issued ordinary shares at 1 January	**568,775,719**	568,074,897
Effect of shares repurchased (see note 26(c)(ii))	**(6,850,083)**	—
Effect of share options exercised (see note 26(c)(iii))	**28,639**	528,002
Weighted average number of ordinary shares for the year ended 31 December	**561,954,275**	568,602,899

(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 RMB350,576 thousand (2011: RMB429,910 thousand) and the weighted average number of 562,247,186 (2011: 570,319,689) 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)

	2012 Number of shares	2011 Number of shares
Weighted average number of ordinary shares for the year ended 31 December	**561,954,275**	568,602,899
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (see note 27)	**292,911**	1,716,790
Weighted average number of ordinary shares (diluted) for the year ended 31 December	**562,247,186**	570,319,689

(Expressed in thousands of Renminbi Yuan)

13. Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 2012 and December 2011.

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 (until 18 May 2012) 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 2012 and 2011 are as follows:

(a) Transactions with key management personnel

	2012	2011
	RMB'000	*RMB'000*
Short-term employee benefits	**4,435**	2,485
Equity compensation benefits	**244**	702
	4,679	3,187

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

(b) Contribution to defined contribution retirement plans

Details of post-employment benefit plans for the Group's employees are disclosed in note 6.

At 31 December 2012 and 31 December 2011, there was no material outstanding contribution to post-employment benefit plans.

(Expressed in thousands of Renminbi Yuan)

13. 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 2012, rental charges for the Premises amounted to Euro1,277,019 (equivalent to RMB10,523 thousand) (2011: Euro 937,500, equivalent to RMB8,529 thousand), which had been paid to Ports of Knightsbridge Limited by the Group as at 31 December 2012.

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

	2012	2011
	RMB'000	*RMB'000*
Sales of goods to:		
Ports International Retail Corporation	**4,834**	17,462
Purchases of goods from:		
PORTS 1961 S.P.A	**5,427**	1,601
Rental fee charged by:		
PCD Stores (Group) Limited and its subsidiaries (i)	**35,044**	26,497
Beijing Scitech (i)	**—**	8,756

(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. PCD Stores (Group) Limited completed the acquisition of Beijing Scitech in December 2011. Proceeds from the Group's sales made in these concession counters totalling RMB154,513 thousand and Nil in 2012 (2011: RMB103,445 thousand and RMB48,410 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)

13. Related party transactions *(continued)*

(e) Other transactions

	2012 **RMB'000**	2011 RMB'000
Interest-free advances made to:		
PORTS 1961 S.P.A	**8,698**	28,677
Edward Tan (see note 24)	**2,084**	30,198
Ports of Knightsbridge Limited	**1,585**	3,105
Ports International Retail Corporation	**4,574**	—
Repayment of interest-free advances from:		
Edward Tan	**38,000**	—
Ports International Retail Corporation	**10,583**	—
Ports of Knightsbridge Limited	**6,097**	—
PORTS 1961 S.P.A	**40,119**	—
Ports International Group Limited	**4,849**	—
Interest-free advances from:		
Ports International Enterprises Limited	**114,228**	86,264
Xiamen Paris Ltd.	**—**	3,000
Repayment made by the Group for interest-free advances received from:		
Ports International Enterprises Limited	**273,683**	61,909
Xiamen Paris Ltd.	**—**	3,000
Interest expenses charged to:		
Edward Tan (see note 24)	**1,190**	—
Interest expense received from:		
Edward Tan (see note 24)	**1,190**	—
Expenditure paid by the Group on behalf of:		
Ports International Enterprises Limited	**1,377**	6,290
Ports International Retail Corporation	**770**	1,917
PORTS 1961 S.P.A	**—**	184
Alfred Chan	**—**	310
Edward Tan	**—**	599
Xiamen Weiyida	**375**	1,584
Xiamen Paris Ltd.	**98**	195
Expenses re-imbursement from:		
Ports International Enterprises Limited	**1,377**	6,290
Ports International Retail Corporation	**5,017**	—
Alfred Chan	**—**	310
Edward Tan	**368**	231
PORTS 1961 S.P.A	**213**	—
Xiamen Weiyida	**4,610**	—
Ports International Group Limited	**1,862**	—
Xiamen Paris Ltd.	**398**	—

(Expressed in thousands of Renminbi Yuan)

13. Related party transactions *(continued)*

(e) Other transactions *(continued)*

	2012	2011
	RMB'000	*RMB'000*
Expenditure paid on behalf of the Group by:		
Ports International Enterprises Limited	**7**	—
Ports International Retail Corporation	**888**	4,113
Ports International Group Limited	**—**	509
Expenditure re-imbursement to:		
Ports International Enterprises Limited	**691**	—
Ports International Retail Corporation	**7,430**	—
Ports International Group Limited	**882**	—

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Edward Tan, Ports International Enterprises Limited, PORTS 1961 S.P.A, Ports of Knightsbridge Limited, Ports International Group Limited, Ports International Retail Corporation and PCD Stores (Group) Limited and its subsidiaries above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Reports of the directors. Other transactions are exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

14. Lease prepayments

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Cost		
Balance at beginning and end of year	**4,246**	4,246
Accumulated amortisation		
Balance at beginning of year	**(889)**	(804)
Amortisation charge for the year	**(85)**	(85)
Balance at end of year	**(974)**	(889)
Net book value		
At end of year	**3,272**	3,357

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)

15. 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 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
Balance at 1 January 2012	341,106	39,728	412,577	507	793,918
Acquisitions	—	1,702	110,233	4,896	116,831
Transfer from construction in progress	—	—	4,853	(4,853)	—
Disposals	—	(411)	(38,561)	—	(38,972)
Adjustment	(8,262)	—	—	—	(8,262)
Balance at 31 December 2012	332,844	41,019	489,102	550	863,515
Depreciation					
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
Balance at 1 January 2012	23,117	18,972	237,266	—	279,355
Depreciation charge for year	14,017	3,364	91,833	—	109,214
Disposals	—	(369)	(38,302)	—	(38,671)
Adjustment	(527)	—	—	—	(527)
Balance at 31 December 2012	36,607	21,967	290,797	—	349,371
Net book value					
At 31 December 2012	296,237	19,052	198,305	550	514,144
At 31 December 2011	317,989	20,756	175,311	507	514,563

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

As at 31 December 2012, the application for the property ownership certificates of a building with a carrying amount of approximately RMB264,004 thousand was still in progress (31 December 2011: RMB285,093 thousand).

(Expressed in thousands of Renminbi Yuan)

16. Income tax in the consolidated balance sheet represents:

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

	2012	2011
	RMB'000	*RMB'000*
Balance at beginning of year	**116,727**	23,473
Provision for income tax for the year	**155,050**	166,679
Transfer from deferred taxation (see note b(i) below)	**14,597**	14,665
Paid during the year	**(250,963)**	(88,090)
Balance at end of year	**35,411**	116,727

(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	**Other creditors and accruals**	**Un-distributed profits of subsidiaries**	**Tax losses carried forward**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	40,768	1,957	(8,423)	—	449	34,751
Credited/(charged) to profit or loss (see note 8 (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
At 1 January 2012	64,596	—	(7,058)	—	53	57,591
Credited/(charged) to profit or loss (see note 8 (a))	33,518	—	(13,930)	5,625	1,398	26,611
Transfer to current taxation	—	—	14,597	—	—	14,597
At 31 December 2012	98,114	—	(6,391)	5,625	1,451	98,799

(ii) Reconciliation to the balance sheet

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Net deferred tax asset recognised on the balance sheet	**105,190**	64,649
Net deferred tax liability recognised on the balance sheet	**(6,391)**	(7,058)
	98,799	57,591

(Expressed in thousands of Renminbi Yuan)

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

(c) Deferred tax asset not recognised

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

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Tax losses of subsidiaries	**20,669**	22,681

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

(d) Deferred tax liabilities not recognised

Pursuant to the EIT 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 2012, deferred tax liabilities of RMB82,602 thousand (31 December 2011: RMB70,061 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.

17. Pledged bank deposits

An analysis of the balance of pledged bank deposits is set out below:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Pledged bank deposits maturing within one year		
— For interest bearing borrowings (see note 25)	**130,000**	555,992
— For guarantee (see note 25)	**260,000**	—
— Others	**21,517**	—
	411,517	555,992
Pledged bank deposits maturing after one year but within two years		
— For guarantee (see note 25)	**80,000**	—
	491,517	555,992

(Expressed in thousands of Renminbi Yuan)

18. Inventories

Inventories comprise:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Raw materials	**95,204**	116,085
Work in progress	**54,075**	39,039
Finished goods	**578,322**	474,237
Goods in transit	**2,420**	3,611
	730,021	632,972

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

	2012	2011
	RMB'000	*RMB'000*
Cost of sales	**378,798**	355,573
Inventory provision	**187,818**	125,448
	566,616	481,021

19. Trade and other receivables, deposits and prepayments

(a) The Group

	At 31 December 2012	At 31 December 2011
	RMB'000	*RMB'000*
Accounts receivable (see note (i) below)	**232,995**	208,938
Amounts due from related parties (see note 24)	**21,113**	205,378
Advances to suppliers	**27,276**	46,908
Other receivables, deposits and prepayments	**94,173**	110,551
	375,557	571,775

(Expressed in thousands of Renminbi Yuan)

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

(a) The Group *(continued)*

(i) An ageing analysis of accounts receivable, based on the due date, is as follows:

	At 31 December 2012 ***RMB'000***	At 31 December 2011 *RMB'000*
Current	**167,899**	161,966
Less than 1 month past due	**51,720**	28,570
1–3 months past due	**11,351**	17,794
Over 3 months but less than 12 months past due	**2,025**	608
Amounts past due	**65,096**	46,972
	232,995	208,938

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

As at 31 December 2012, no impairment provision for loss of doubtful debts was made against the accounts receivable (2011: RMB nil). 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 30 (a).

(b) The Company

	2012 ***RMB'000***	2011 *RMB'000*
Amounts due from subsidiaries	**270,963**	480,027
Other receivables, deposits and prepayments	**71**	20
	271,034	480,047

(Expressed in thousands of Renminbi Yuan)

20. Balances and transactions with Jiazhong Company Limited

Included in other payables are amounts due to Jiazhong Company Limited as follows:

	At 31 December 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Due to Jiazhong Company Limited	**—**	21,351

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(t)), 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. During the year ended 31 December 2012, Liu Qinhua resigned as a director of Ports International Enterprises Limited.

Particulars of significant transactions entered between the Group and Jiazhong Company Limited during the years ended 31 December 2012 and 2011 are as follows:

	2012 *RMB'000*	2011 *RMB'000*
Sales of goods to Jiazhong Company Limited:	**260**	2,343
Purchase of goods from Jiazhong Company Limited:	**7,321**	5,559
Interest-free advances made to Jiazhong Company Limited:	**140,404**	543,388
Repayment of interest-free advances by Jiazhong Company Limited:	**140,404**	562,056
Interest-free advances from Jiazhong Company Limited:	**—**	51,351
Repayment made by the Group for interest-free advances from Jiazhong Company Limited:	**21,351**	—
Expenditure paid by the Group on behalf of Jiazhong Company Limited	**19**	—
Expenses re-imbursement from Jiazhong Company Limited:	**19**	—

In addition to the above transactions, pursuant to an agreement dated 15 May 2012 entered into amongst the Group, Jiazhong Company Limited and 廈門長和進出口有限公司 (referred to 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 was settled by Jiazhong Company Limited in May 2012 as mentioned above. The amount due from Changhe Company Limited was RMB Nil and RMB4 thousand at 31 December 2012 and 31 December 2011 respectively.

(Expressed in thousands of Renminbi Yuan)

21. 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.

22. Cash and cash equivalents

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand	**203,787**	249,629	**10,341**	5,121
Time deposits with banks	**227,000**	130,000	**—**	—
	430,787	379,629	**10,341**	5,121

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

23. Trade payables, other payables and accruals

(a) The Group

	At 31 December	At 31 December
	2012	2011
	RMB'000	*RMB'000*
Accounts payable (see note (i) below)	**81,213**	98,978
Other creditors and accruals	**199,129**	234,199
Amounts due to related parties (see note 24)	**—**	160,139
Dividends payable to the equity shareholders of the Company	**—**	22
	280,342	493,338

(i) An ageing analysis of accounts payable, based on the due date, is as follows:

	2012	2011
	RMB'000	*RMB'000*
Due within 1 month or on demand	**58,439**	74,978
Due after 1 month but within 3 months	**18,606**	15,778
Due after 3 months but within 6 months	**1,489**	6,376
Due after 6 months but within 12 months	**897**	783
Due after 1 year but within 2 years	**1,782**	1,063
	81,213	98,978

(Expressed in thousands of Renminbi Yuan)

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

(b) The Company

	2012	2011
	RMB'000	*RMB'000*
Other creditors and accruals	**1,816**	1,922
Dividends payable to the equity shareholders of the Company	**—**	22
Amounts due to subsidiaries	**9,647**	9,647
	11,463	11,591

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

24. Amounts due from/(to) related parties

	The Group	
	At 31 December 2012	At 31 December 2011
	RMB'000	*RMB'000*
Amounts due from related parties		
Ports International Retail Corporation	**1,091**	93,590
PCD Stores (Group) Limited and its subsidiaries	**20,022**	28,993
PORTS 1961 S.P.A	**—**	31,635
Ports International Group Limited	**—**	5,829
Edward Tan	**—**	36,284
Xiamen Weiyida	**—**	4,235
Ports of Knightsbridge Limited	**—**	4,512
Xiamen Paris Ltd.	**—**	300
	21,113	205,378

Pursuant to Hong Kong Companies Ordinance Section 161B, advances made to 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 2012 and 2011 are as follows:

	Edward Tan	**Ports 1961 S.P.A**
	RMB'000	*RMB'000*
Maximum balance outstanding		
— during 2012	39,558	40,333
— during 2011	36,284	31,635

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 were settled during the year ended 31 December 2012.

(Expressed in thousands of Renminbi Yuan)

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

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 2012	At 31 December 2011
	RMB'000	*RMB'000*
Amounts due to related parties		
Ports International Enterprises Limited	**—**	160,139
	—	160,139

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

25. Interest-bearing borrowings

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans repayable within one year or on demand				
— Secured	**155,092**	553,992	**—**	121,605
— Unsecured	**616,129**	148,000	**—**	—
	771,221	701,992	**—**	121,605
Bank loans repayable after one year but within two years				
— Unsecured	**74,169**	—	**—**	—
	74,169	—	**—**	—
	845,390	701,992	**—**	121,605

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

As at 31 December 2012, the current banking facilities of the Group and the Company were secured by certain subsidiaries' fixed deposits of RMB130,000 thousand (2011: RMB555,992 thousand) and RMB Nil (2011: RMB121,605 thousand) respectively, placed with banks located in the PRC.

As at 31 December 2012, certain unsecured banking facilities of the Group were guaranteed. The guarantee was secured by certain subsidiaries' fixed deposits of RMB340,000 thousand placed with banks located in the PRC.

The Renminbi equivalent of banking facilities of the Group and the Company amounted to RMB1,051,108 thousand (2011: RMB701,992 thousand) and RMB Nil (2011: RMB121,605 thousand) respectively, of which RMB1,041,390 thousand (2011: RMB701,992 thousand) and RMB Nil (2011: RMB121,605 thousand) were utilised as at 31 December 2012 respectively.

(Expressed in thousands of Renminbi Yuan)

26. 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 2011		1,501	94,581	512,854	9,578	12,008	630,522
Total comprehensive income for the year		—	—	—	—	283,866	283,866
Dividend declared in respect of the previous year	26(b)	—	—	—	—	(136,476)	(136,476)
Shares issued under share option scheme	26(c)(iii)	2	(1,943)	9,378	—	—	7,437
Equity settled share-based payment transactions	27	—	26,157	—	—	—	26,157
Dividend declared in respect of the current year	26(b)	—	—	—	—	(142,191)	(142,191)
Balance at 31 December 2011		1,503	118,795	522,232	9,578	17,207	669,315
Balance at 1 January 2012		**1,503**	**118,795**	**522,232**	**9,578**	**17,207**	**669,315**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**273,279**	**273,279**
Dividend declared in respect of the previous year	26(b)	**—**	**—**	**—**	**—**	**(135,279)**	**(135,279)**
Purchase of own shares	26(c)(ii)						
— par value paid		**(30)**	**—**	**—**	**—**	**—**	**(30)**
— premium paid		**—**	**—**	**(80,161)**	**—**	**—**	**(80,161)**
Shares issued under share option scheme	26(c)(iii)	**—**	**(73)**	**329**	**—**	**—**	**256**
Equity settled share-based payment transactions	27	**—**	**8,108**	**—**	**—**	**—**	**8,108**
Dividend declared in respect of the current year	26(b)	**—**	**—**	**—**	**—**	**(138,528)**	**(138,528)**
Balance at 31 December 2012		**1,473**	**126,830**	**442,400**	**9,578**	**16,679**	**596,960**

(Expressed in thousands of Renminbi Yuan)

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

(b) Dividends

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

	2012	2011
	RMB'000	*RMB'000*
Interim dividend approved and paid of RMB0.15 (2011: RMB0.25) per share	**83,117**	142,191
Special interim dividend approved and paid of RMB0.10 (2011: RMB nil) per share	**55,411**	—
Final dividend proposed after the balance sheet date of RMB0.14 (2011: RMB0.24) per share	**77,576**	136,506
	216,104	278,019

Pursuant to a board resolution dated 30 August 2012, the Company approved the payment of an interim dividend of RMB0.15 per share and a special interim dividend of RMB0.10 per share. The difference of RMB2,288 thousand between the interim dividend proposed in the interim report for the six months ended 30 June 2012 and the amount eventually paid represents the additional dividend distributable to the holders of shares which were issued upon the exercise of share options and reduced dividend distributable due to the share repurchase and cancellation 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

	2012	2011
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.24 per share (2011: RMB0.24 per share)	**135,279**	136,476

In respect of the final dividend for the year ended 31 December 2012, there was a difference of RMB1,227 thousand between the final dividend proposed in the 2011 annual report and the amount eventually approved and paid during the year ended 31 December 2012. The difference represents additional dividend distributable to the holders of shares which were issued upon the exercise of share options and reduced dividend distributable due to the share repurchase and cancellation before the closing date of the register of members based on which the final dividends for the year ended 31 December 2011 were actually paid.

(Expressed in thousands of Renminbi Yuan)

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

(c) Share capital

(i) Authorised and issued share capital

	The Group and the Company			
	2012		2011	
	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	**568,775,719**	**1,422**	568,074,897	1,420
Shares repurchased	**(14,703,000)**	**(37)**	—	—
Shares issued under share option scheme	**41,667**	**—**	700,822	2
At the end of the year	**554,114,386**	**1,385**	568,775,719	1,422
		***RMB'000* equivalent**		*RMB'000* equivalent
		1,473		1,503

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

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

(Expressed in thousands of Renminbi Yuan)

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

(c) Share capital *(continued)*

(ii) Purchase of own shares

During the year, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/Year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		HK$	*HK$*	*HK$'000*
May 2012	4,400,000	7.91	7.00	32,518
June 2012	1,133,000	8.62	7.11	8,781
July 2012	320,000	8.21	7.90	2,592
August 2012	1,750,000	6.40	6.09	10,894
September 2012	7,100,000	6.47	5.91	43,733
Total	14,703,000			98,518

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 40(2) (c) of the Bermuda Companies Act 1981, the premium paid on the repurchase of the shares of RMB80,161 thousand (HK$98,481 thousand) was deducted in share premium.

(iii) Shares issued under share option scheme

During the year ended 31 December 2012, options were exercised to subscribe for 41,667 ordinary shares of HK$0.0025 each of the Company at a total consideration of HK$314,226 (equivalent to RMB255,775), of which HK$104 (equivalent to RMB85) was credited to share capital. The excess of the consideration over the nominal value of the shares, amounting to RMB255,690 was credited to the share premium account. RMB73,480 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(o)(ii).

(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.

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

(d) Nature and purpose of reserves *(continued)*

The Group (continued)

(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 2012 was RMB26,257 thousand (2011: RMB26,785 thousand).

27. 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.

(Expressed in thousands of Renminbi Yuan)

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

(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		

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

	2012		2011	
	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$16.194**	**27,410,832**	HK$14.620	28,490,026
Exercised	**HK$7.541**	**(41,667)**	HK$12.631	(700,822)
Forfeited	**HK$17.320**	**(259,780)**	HK$17.320	(378,372)
Outstanding at end of year	**HK$16.196**	**27,109,385**	HK$16.194	27,410,832
Exercisable at the end of year	**HK$16.196**	**27,109,385**	HK$15.751	19,675,747

The options outstanding at 31 December 2012 have an exercise price in the range of HK$2.625 to HK$17.320 and a weighted average contractual life of 5.99 years (2011: 6.99 years).

(Expressed in thousands of Renminbi Yuan)

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

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

During the year ended 31 December 2012, 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 19,667 ordinary shares (2011: 90,067), 21,000 ordinary shares (2011: 347,998) and 1,000 ordinary shares (2011: 262,757) respectively. In addition, none (2011: 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 2012 are as follows:

Grant date	Exercise price	Weighted average closing price per share of the share options exercised	Proceeds received	Number of shares involved in the options
3 November 2003	HK$2.625	HK$8.68	HK$51,626	19,667
1 September 2006	HK$11.68	HK$12.34	HK$245,280	21,000
14 July 2009	HK$17.32	HK$12.34	HK$17,320	1,000

(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)

28. 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 2012, the Group's strategy, which was unchanged from 2011, 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 2012 and 2011 was as follows:

		The Group		**The Company**	
		2012	2011	**2012**	2011
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables, other payables and accruals	*23(a)*	**280,342**	493,338	**11,463**	11,591
Interest-bearing borrowings	*25*	**845,390**	701,992	**—**	121,605
Current taxation	*16(a)*	**35,411**	116,727	**—**	—
Total debt		**1,161,143**	1,312,057	**11,463**	133,196
Total equity		**1,852,913**	1,843,674	**596,946**	669,315
Debt-to-equity ratio		**63%**	71%	**2%**	20%
Gearing ratio		**46%**	38%	**—**	18%

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.

29. Investments in subsidiaries

	The Company	
	2012	2011
	RMB'000	*RMB'000*
Unlisted shares, at cost	**152,388**	152,388
Fair value of guarantee issued in favour of subsidiaries	**11,097**	9,460
Cumulative fair value of share options granted to employees of subsidiaries	**163,563**	155,495
	327,048	317,343

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

30. 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 2012, the interest-bearing borrowings of the Group and the Company amounted to RMB845,390 thousand (2011: RMB701,992 thousand) and RMB Nil thousand (2011: RMB121,605 thousand) respectively, which carry fixed interest rates ranging from 1.23% to 6.63% and nil respectively (2011: from 1.15% to 6.63% and 1.45% 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)

30. 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 2012		
	United States Dollars ***RMB'000***	**Hong Kong Dollars** ***RMB'000***	**Euro** ***RMB'000***
Trade and other receivables	**20,074**	**2,579**	**4,338**
Cash and cash equivalents	**39,467**	**27,021**	**21,197**
Trade and other payables	**(11,565)**	**(633)**	**(3,262)**
Interest-bearing borrowings	**(589,580)**	**(60,810)**	**—**
Overall net exposure	**(541,604)**	**(31,843)**	**22,273**

	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

(Expressed in thousands of Renminbi Yuan)

30. Financial Instruments *(continued)*

(c) Foreign currency risk *(continued)*

(i) Exposure to currency risk (continued)

The Company

	As at 31 December 2012	
	United States Dollars *RMB'000*	**Hong Kong Dollars** *RMB'000*
Trade and other receivables	**16,349**	**—**
Cash and cash equivalents	**424**	**9,897**
Overall net exposure	**16,773**	**9,897**

	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
Interest-bearing borrowings	—	(121,605)
Overall net exposure	59,910	(111,887)

(Expressed in thousands of Renminbi Yuan)

30. 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.

	2012		2011	
	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	**26,534**	**26,534**	(6,554)	(6,554)
— 5% weakening of RMB	**(26,534)**	**(26,534)**	6,554	6,554
Euros				
— 5% strengthening of RMB	**(820)**	**(820)**	(2,452)	(2,452)
— 5% weakening of RMB	**820**	**820**	2,452	2,452
Hong Kong Dollars				
— 5% strengthening of RMB	**1,974**	**1,974**	29,448	29,448
— 5% weakening of RMB	**(1,974)**	**(1,974)**	(29,448)	(29,448)

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 2012.

(Expressed in thousands of Renminbi Yuan)

30. 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 following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	As at 31 December 2012			
	Within 1 year or on demand *RMB'000*	**Within 2 years but over 1 year** *RMB'000*	**Undiscounted contractual cash flow** *RMB'000*	**Carrying amount** *RMB'000*
Trade and other payables excluding advance receipts from customers	**267,532**	**—**	**267,532**	**267,532**
Secured interest-bearing borrowings	**155,956**	**—**	**155,956**	**155,092**
Unsecured interest-bearing borrowings	**632,549**	**75,168**	**707,717**	**690,298**
Total	**1,056,037**	**75,168**	**1,132,205**	**1,112,922**

(Expressed in thousands of Renminbi Yuan)

30. Financial Instruments *(continued)*

(d) Liquidity risk *(continued)*

	As at 31 December 2011			
	Within 1 year or on demand *RMB'000*	Within 2 years but over 1 year *RMB'000*	Undiscounted contractual cash flow *RMB'000*	Carrying amount *RMB'000*
Trade and other payables excluding advance receipts from customers	487,933	—	487,933	487,933
Secured interest-bearing borrowings	557,246	—	557,246	553,992
Unsecured interest-bearing borrowings	149,310	—	149,310	148,000
Total	1,194,489	—	1,194,489	1,189,925

The Company's financial liabilities, including interest-bearing borrowings and trade and other payables, as at 31 December 2012 and 31 December 2011 are required to be settled within 1 year or on demand based on the contractual terms entered with the counterparties. 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. 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 2011 and 2012 because of the short maturities of all these financial instruments.

31. Commitments

(a) Operating lease commitments

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

	The Group	
	2012 ***RMB'000***	2011 *RMB'000*
Less than one year	**94,877**	77,679
Between one and five years	**147,113**	94,419
More than five years	**62,804**	65,745
	304,794	237,843

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)

31. Commitments *(continued)*

(b) Capital commitments

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2012 and 2011 but not provided for in the consolidated financial statements were as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Authorised but not contracted for	**117,264**	76,564
	117,264	76,564

32. Contingent liabilities

	The Company	
	2012	2011
	RMB'000	*RMB'000*
Guarantees issued to banks in favour of subsidiaries	**78,966**	336,025

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 2012, 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.

33. Subsequent events

After the balance sheet date, the directors proposed a final dividend on 28 March 2013. Further details are disclosed in note 26(b).

34. Immediate and ultimate controlling party

As at 31 December 2012, 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)

35. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2012

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2012 and have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
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	1 January 2013
IAS 28, Investments in associates and joint ventures	1 January 2013
Revised IAS 19, Employee benefits	1 January 2013
Annual Improvements to IFRSs — 2009–2011 Cycle	1 January 2013
Amendments to IFRS 7, Financial instruments: Disclosures — Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
Amendments to IFRS 10, Consolidated financial statements, IFRS 11, Joint arrangements and IFRS 12, Disclosure of interests in other entities — Transition guidance	1 January 2013
Amendments to IFRS 32, Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
IFRS 9, Financial instruments	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 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.

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