High Fashion International Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 608)

No.1

SILK ENTERPRISE IN THE WORLD

ANNUAL REPORT **2010**


丝绸世界
SILK WORLD

CONTENTS

CHAIRMAN'S

STATEMENT

I am pleased to report that our strategic focus on strengthening the Group's platform for long term growth produced encouraging solid result in 2010.

- Revenue for the year ended 31 December 2010 was HK$2.7 billion, up 20%
- Net profit attributable for the year ended 31 December 2010 was HK$217 million, up 31%
- Basic earnings per share was HK$0.71
- Net asset per share was HK$6.1
- Final dividend per share was HK$0.13 and the total dividend payment for the year will amount to HK$0.18 per share as compared with last year of HK$0.16 per share

The global economic recovery has certainly made some progress, albeit it is a very polarized recovery and still vulnerable to the challenges of the fragile US and European economies. Economic growth in China, on the contrary, is expected to remain robust this year, though at a less rapid pace.

Aided by the reviving consumer market in China as a continuous driver of economic growth, we have since proactively prepared ourselves with timely implementation of strategic measures to take full advantage of the abundant opportunities amplified by favourable market fundamentals in China.

While we are deeply saddened by the suffering and devastation caused by the recent 9.0 magnitude earthquake, tsunami and subsequent nuclear crisis in Japan, it has not caused any direct impact on the financial and business operations of the Group.

BRAND BUSINESS

In pursuit of our strategic initiative on multi-brand portfolio development on august silk, AS AUGUST SILK, 丝绸世界 SILK WORLD, 丝绸故事 SILK LEGEND, August moon 雅慕, Theme, Cslr 城市俪人, which all yielded satisfactory progress in line with our expectation, our august silk brand business in the USA has provided improved contribution on both sales and profit to the Group. We consider this a very encouraging market response to our enhanced brand recognition as a result of our quality product and reserve, providing a firm foothold for our brand expansion in China.

MANUFACTURING BUSINESS

While we continue to see a wealth of growth opportunities for our brand business in China, we have never underestimated the dampening impact of the inflationary pressure in our country on our manufacturing export business. Running in parallel with our relentless efforts on staying lean and competitive through constant operation integration and process automation, we have taken decisive initiative proactively in rebalancing our marketing strategy, moving upstream through our proven strength in product innovation to tap the higher end market with impeccable quality products at an affordable price level. We believe that the upmarket segment will create the greatest long term value to the Group.

We would like to thank our staff for their dedication and contribution over the past year in furthering our improvement and overfulfilment.

Through our continuous product transformation, innovation and upscaling, we shall continue to maintain our edge and leadership in the silk apparel industry.

Looking ahead, 2011 will be an exciting year full of challenges and opportunities. We have well equipped ourselves and will enter the year with great hope and enthusiasm. Given the unfailing efforts of our quality and loyal staff, our capital strength and our uniquely created platform for future growth and expansion, we shall continue to implement our mission as the world's no.1 silk enterprise.

I would like to take this opportunity to express my gratitude to the shareholders, banks, customers, suppliers and my fellow Directors for their support. I would also like to especially thank our staff from various regions for their dedication and contribution in furthering the mission of the Group.

LAM FOO WAH
Chairman & Managing Director
Hong Kong, 30 March 2011

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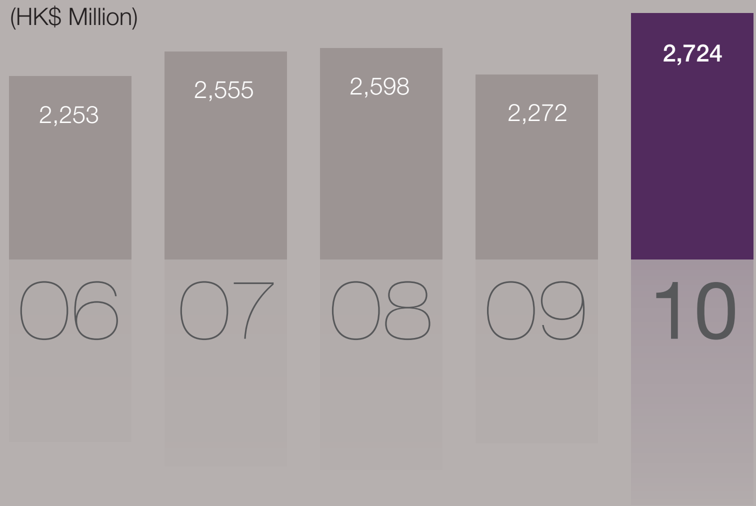
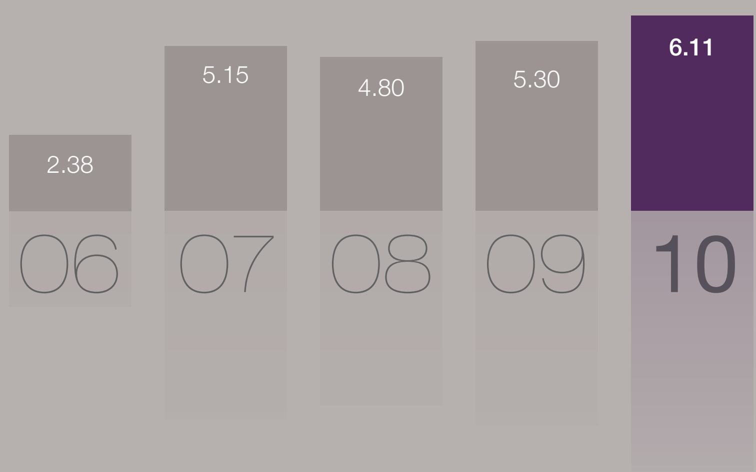
THE BEST OF SPRING

FINANCIAL
HIGHLIGHTS

Turnover
(HK$ Million)



Net Asset Value Per Share
(HK$)



Theme

THE BEST OF SUMMER

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Revenue for the year ended 31 December 2010 was HK$2.7 billion. Net profit attributable to shareholders for the year ended 31 December 2010 was HK$217 million, compared with a profit of HK$166 million of 2009, up 31%.

There were exceptional gains of HK$81 million as compared with last year of HK$106 million. Basic earnings per share were HK$0.71, up 37%. Net asset value per share increased from HK$5.3 to HK$6.1.

REVIEW OF OPERATIONS

The segmental information is as follows:

	Revenue		Contribution	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By principal activity:				
Manufacturing and trading	**1,896,599**	1,487,653	**283,644**	245,512
Brand business	**827,700**	783,913	**26,624**	(7,155)
	2,724,299	2,271,566	**310,268**	238,357
By geographical segments:				
USA	**1,461,382**	1,277,251	**105,874**	86,700
Europe	**585,718**	446,099	**29,066**	17,990
Greater China	**566,401**	457,459	**169,893**	127,867
Others	**110,798**	90,757	**5,435**	5,800
	2,724,299	2,271,566	**310,268**	238,357

The revenue of our brand business increased in the year of 2010. The contribution improved satisfactorily in line with our expectation, which was contributed from China and USA brand businesses. The brand business of August Silk increased its share of both revenue and contribution in the current year. Moving forward, we are diversifying our product offering and adding new brands to our brand business portfolio.

China consumer market continued to prosper in 2010, which helped in facilitating the growth of our retail brands in China. The Group would further expand the multi-brand portfolios to major cities, streamline the operation process, enhance the brand value to capture the new tastes of customers, and leverage the competitive advantages of the Group. We have already developed a strong foothold through our increasingly powerful brands as our perceived growth driver especially in the lucrative China retailing market.

In spite of the immense inflationary pressure with rising raw material costs and other operational overheads, the Group continued to deliver solid results in our manufacturing export business, through implementation of a series of effective measures to enhance our efficiency and competitiveness over the years. Not only our major export market, the USA, has depicted encouraging results, but also the European market with continuous sound improvement through strategized quality product innovation to capture the unexplored higher end market.

The profit for the Greater China of 2010 included an exceptional increase in fair value of investment properties net of tax of HK$43 million and government compensation income of HK$38 million in the current year contribution.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total outstanding bank borrowings were increased to HK$1,390 million at the end of reporting period compared to HK$990 million as at 31 December 2009. The increase in bank borrowing was mainly due to our hedging arrangement during the year. Our gearing ratio of non-current liabilities to shareholders' funds was only 5% at the end of reporting period. Current ratio has been maintained at a healthy level of 1.25.

The Group's total cash and bank balances were HK$1,515 million at the end of reporting period compared to HK$1,034 million as at 31 December 2009. Based on the net cash position and the ample banking facilities available, the Group had a very strong working capital and liquidity to meet the operating needs and future growth.

The Group's trade receivables were mainly denominated in US dollar. Bank borrowings were denominated in US dollar, Hong Kong dollar and Renminbi. Since the Hong Kong dollar is pegged to the US dollar, the Group considers that its foreign exchange risk is minimal. The Group has taken conservative approach to handle foreign currency risk with adequate hedging reserve. The Group had no borrowings at fixed interest rates during the year.

The Group has no material contingent liabilities. Barring the pledge of trade receivables and bills receivables of certain subsidiaries of HK$106 million, there were no charges on the Group's assets.

TAX AUDIT

The Inland Revenue Department (IRD) initiated a tax audit on certain group companies in February 2006 for the years of assessment from 1999/2000 onwards. The management is of the opinion that, in all the years, adequate Hong Kong tax provisions were made on the Hong Kong sourced income. Since the tax audit is still at a fact-finding stage, the outcome of the tax audit cannot be readily ascertained. After consulting with professional advisers, the management is of the opinion that the existing provisions are adequate.

HUMAN RESOURCES

The total number of employees of the Group including jointly controlled entities as at the end of the reporting period was about 12,000. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance. No share options were granted to employees during the year.

CAPITAL EXPENDITURE

The Group has purchased the plant and equipment and the leasehold improvement and construction in progress of around HK$86 million in order to upgrade its manufacturing capabilities during the year. Except for the above, there was no material capital expenditure during the year.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LAM Foo Wah, aged 62, is the founder of the Group. Mr. Lam is the Chairman and the Managing Director of the Company. Mr. Lam is the visionary leader and is responsible for the overall strategic planning with goals setting for the Group to pursue aggressively. He has over 30 years of experience in manufacturing of apparel industry and marketing of brand and retail management. Mr. Lam is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He was an executive director, the chairman and CEO of Theme International Holdings Limited. He is the father of Mr. Lam Gee Yu, Will and Mr. Lam Din Yu, Well.

Ms. SO Siu Hang, Patricia, aged 52, joined the Group in 1990. Ms. So is an Executive Director of the Company and is responsible for the Group's strategic planning and business development. She has extensive knowledge in the garment industry with focus on total quality management. She holds a bachelor degree in commerce and finance from the University of Toronto and a master degree in business administration from York University in Canada. Prior to joining the Group, she worked for an international bank. She was an executive director of Theme International Holdings Limited.

NON-EXECUTIVE DIRECTORS

Mr. CHAN Wah Tip, Michael, aged 58, joined the Group as Company Secretary in 1992. Mr. Chan is a Non-executive Director, a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Chan was an Independent Non-executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in October 2004. He has been practising as a solicitor in Hong Kong for over 30 years. Mr. Chan is a partner of Wilkinson & Grist which is the legal adviser of the Company, a non-executive director of Shougang Concord Technology Holdings Limited and an independent non-executive director of L.K. Technology Holdings Limited.

Professor YEUNG Kwok Wing, aged 63, joined the Group in 2000. Professor Yeung is a Non-executive Director, a member of the Audit Committee and the Remuneration Committee of the Company. He is currently the Executive Director of Clothing Industry Training Authority ("CITA") in Hong Kong. He holds a PhD from the Queen's University of Belfast, Northern Ireland. Professor Yeung specializes in textile product development, quality assurance and management and serves as various honorary fellows and members of international associations of textile, dyers and colorists as well. He has a long and distinguished academic career and was associated with The Hong Kong Polytechnic University ("PolyU") for more than 30 years before joining CITA in June 2006. His administrative ability is also highly appreciated in PolyU when he was posted as its Vice President overseeing academic development from 2002 to 2005. He was an independent non-executive director of Theme International Holdings Limited and SRE Group Limited.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WOO King Wai, aged 66, joined the Group in 1992. Mr. Woo is an Independent Non-executive Director, a member of the Audit Committee and Remuneration Committee of the Company. He holds a bachelor degree in architecture (Honours) from the University of California, Berkeley, the USA. He is a member of the Hong Kong Institute of Architects and the Royal Australian Institute of Architects. He served as an executive member of the Hainan Political Consultative Conference, the People's Republic of China.

Mr. WONG Shiu Hoi, Peter, aged 70, joined the Group in 2004. Mr. Wong is an Independent Non-executive Director, a member of the Audit Committee and the chairman of the Remuneration Committee of the Company. He holds a Master of Business Administration Degree from the University of East Asia, Macau (currently known as the "University of Macau"). Mr. Wong possesses over 30 years of experience in the financial services industry. He is an executive director, deputy chairman and managing director of Haitong International Securities Group Limited (formerly known as "Taifook Securities Group Limited") as well as a director of Hong Kong Securities Institute. He was an independent non-executive director of Theme International Holdings Limited and the chairman of The Hong Kong Institute of Directors.

Mr. LEUNG Hok Lim, *FCPA (Aust.)*, *CPA (Macau)*, *FCPA (Practising)*, aged 75, joined the Group in 2004. Mr. Leung is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Leung is the founding and senior partner of PKF, Accountants and Business Advisers. Mr. Leung is a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited, and the independent non-executive director of a number of listed companies namely Fujian Holdings Limited, Phoenix Satellite Television Holdings Limited, S E A Holdings Limited, Yangtzekiang Garment Limited and YGM Trading Limited.

SENIOR MANAGEMENT

Mr. CHAN Chun Man, Benedict, aged 56, joined the Group in 1992. He is the Chief Operating Officer and Chief Financial Officer of August Silk Inc. and High Fashion International (USA) Inc. He is responsible for overseeing the Group's affairs in USA. He graduated from the University of Hong Kong with a bachelor degree in economics and pure mathematics. He is a member of The Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

Ms. CHAN Wai Wei, Cynthia, aged 38, joined the Group in 2000. Ms. Chan is the Company Secretary of the Company and has over 10 years' experience in accounting and auditing. Prior to joining the Group, she worked for an international accounting firm. She is a member of The Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries & Administrators.

Biographical Details of Directors and Senior Management

Ms. Ellen DAWSON-BRUCKENTHAL, aged 54, is the Executive Vice President and Chief Merchandise Officer of August Silk Inc. She began her career in the Executive Training Program at Bloomingdales, a division of Federated Dept. Stores in 1978 where she consequently held the positions of Store Manager, Senior Buyer and Divisional Merchandise Manager. She is a graduate of Berkeley College and holds a degree in Fashion Marketing & Management. She joined August Silk Inc. in 1994.

Mr. Daniele FURLAN, aged 54, joined the Group in 2004 as a consultant. He is primarily responsible for the sales and marketing of fabrics and garments to European market and provides technical, organizational and industrial knowhow to the Group's factories. He is responsible for the product development of the Group and is the CEO of Advance Textile Centre of High Fashion (China) Co., Ltd., the supplier of finished fabrics and circular knit. He holds a diploma in business administration and a master in psychology from Padova University. Previously, he worked as a manager in the Benetton Group for more than 25 years and was responsible for various production units and sourcing divisions. In particular, he was responsible for the worldwide production licensing, fabric mill, garment, accessories and shoes outsourcing department of the Benetton Group. He was the managing director of Lanificio di Follina and also, for seven years, the managing director of Benetton (Far East) Limited in Hong Kong.

Mr. Donald Michael HORNING, aged 64, joined the Group as vice president of High Fashion Garments, Inc. in 1999. Currently, he is the President and CEO of August Silk Inc. and High Fashion Garments, Inc. He has held senior management positions in the apparel industry for the past 30 years, including Jones Apparel Group, Bugle Boy, J.H. Collectibles, and David Crystal/Izod. He graduated from Syracuse University with a bachelor degree in business administration and attended the MBA program at The University of Chicago.

Ms. HU Ze Lin, aged 60, joined the Group in 1993. She is a director and the Deputy General Manager of High Fashion Silk (Zhejiang) Co. Ltd. and responsible for the production of that company. She attained matriculated education and is the economist in China. She has over 30 years of experience in textile industry and extensive experience in quality control in silk weaving production management.

Mr. LAM Din Yu, Well, aged 26, joined the Group in 2006. He is the General Manager of the Advanced Textile Centre of High Fashion (China) Co., Ltd. He holds a bachelor degree of Business Administration from the Boston University. He is a son of Mr. Lam Foo Wah and a brother of Mr. Lam Gee Yu, Will.

Mr. LAM Gee Yu, Will, aged 28, joined the Group in 2010. He is mainly responsible for new business development of the Group. He is a director of High Fashion Garments Company Limited, High Fashion (China) Co. Ltd., High Fashion Silk (Zhejiang) Co. Ltd. and Theme Garments (Shenzhen) Co. Ltd. He holds a Bachelor of Science Degree from Chinese University of Hong Kong and a Master of Finance Degree from Princeton University. Prior to joining the Group, he worked for an international bank and an international investment bank in Asia and United States. He is a son of Mr. Lam Foo Wah and a brother of Mr. Lam Din Yu, Well.

Biographical Details of Directors and Senior Management

Ms. LEUNG Suk Yin, Hilda, aged 54, has been with the Group since its inception. She is a director of High Fashion Garments Company Limited. Ms. Leung holds a diploma in business management from the Hong Kong Polytechnic University and the Hong Kong Management Association. She has over 30 years of experience in the sales, merchandising and production of garments.

Mr. LIN Ping, aged 50, joined the Group in 1993. He is the Chairman and the CEO of High Fashion Silk (Zhejiang) Co., Ltd. and responsible for the operation and administration. He serves as vice president of China Fashion Color Association, Vice President of China Textile Chamber of Commerce, Vice President of China Silk Quilt Association, an executive member of Zhejiang Textile Association, an executive member of China Silk Association, an executive member of Zhejiang Province Silk Association, Vice President of Zhejiang Silk Association, Vice President of Shaoxing Textile Association, Representative of 6th NPC of Shaoxing, Part-time Professor of Zhejiang Sci-Tech University and Honorary professor of Hangzhou Vocational Technical College. He attains EMBA education and is the senior economist in China. He has over 30 years' experience in textile industry and extensive experience in product design and development, silk weaving production and management.

Mr. LIN Yuet Man, Edwin, aged 50, joined the Group in 1997. He is the Finance Director of a subsidiary of the Company and a Director and the General Manager of High Fashion (China) Co., Ltd. He has over 30 years' experience in accounting field. He is a member of The Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries & Administrators. He also holds a master degree in business administration.

Mr. Daniele PACHERA, aged 55, joined the Group in 2008. He is the Chief Operating Officer of Advanced Textile Centre of High Fashion (China) Co., Ltd. He holds a diploma in textile chemistry from the Como Silk Textile School and a master degree in silk textile management from the Polytechnic University in Milan (Italy). He has extensive experience in the luxury fashion sector (Ferragamo, Louis Vuitton) having worked for 14 years as senior manager for Mantero Seta Company in Como – Italy. His strong focus is the manufacturing of men's accessories, woman's accessories and textile for garment and bags, with a specialization in quality upgrade and product development. He has over 28 years experience in silk textile industry.

Biographical Details of Directors and Senior Management

Mr. PANG Kin Wah, Julian, aged 38, joined the Group in 2004. He is the Chief Financial Officer of Garment Centre of High Fashion (China) Co., Ltd. He is a member of the Hong Kong Institute of Certified Public Accountants and has Certified of Internal Auditors (CIA) professional designation. He holds a bachelor degree of Business Administration (Honours) in Accountancy from the Hong Kong Polytechnic University and a master degree in Business Administration from the Chinese University of Hong Kong. Prior to joining the Group, he worked for a financial institution and an international accounting firm.

Mr. RUAN Gen Yao, aged 50, joined the Group in 2001. He is the General Manager of Hangzhou Dalifu Silk Finishing Co., Ltd. and responsible for the operation of that company. He is the politician engineer in China and Labour Model of Hangzhou and the representation of the People's Congress of Tonglu, China. He has over 10 years' experience in silk finishing and dyeing industry and extensive experience in business management.

Mr. Nicholas E. G. WRIGHT, aged 56, joined the Group in 1993. He is the Managing Director of High Fashion (U.K.) Limited. He has over 20 years of experience in the clothing industry.

Mr. ZHANG Shan Pu, aged 55, joined the Group in 1999. He is the General Manager of Suzhou High Fashion Garments Co., Ltd. and responsible for the operation of that company. He graduated from an institution. Mr. Zhang has over 10 years of experience in silk knitting garments management and extensive experience in business management.

Report of the Directors

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 46 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the statement of financial position of the Group at that date are set out in the consolidated financial statements on pages 37 to 115.

An interim dividend of 5 HK cents per ordinary share was paid on 27 September 2010. The directors recommended the payment of a final dividend of 13 HK cents per ordinary share in respect of the year to shareholders on the register of members on 2 June 2011.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 116. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 17 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, is set out in note 35 to the consolidated financial statements.

SHARE OPTION SCHEME

A summary of the share option scheme is set out in note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

During the year, the Company repurchased 5,912,000 (2009: 10,846,000) ordinary shares of HK$0.10 each of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month of the repurchases	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate consideration paid (including direct costs) *HK$*
January 2010	50,000	1.80	1.80	90,425
February 2010	1,652,000	1.90	1.78	3,086,716
April 2010	460,000	2.79	2.73	1,275,951
May 2010	2,348,000	2.90	2.73	6,689,129
July 2010	182,000	2.46	2.40	445,988
September 2010	608,000	2.90	2.90	1,769,566
October 2010	538,000	2.99	2.85	1,605,491
November 2010	74,000	2.90	2.90	216,597
	5,912,000			**15,179,863**

The above repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. An amount equivalent to the par value of the shares cancelled has been transferred from the accumulated profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value and earnings per share of the Group.

Save as disclosed herein, the Company had not redeemed any of the Company's listed securities, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the year.

Report of the Directors

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the provisions of The Companies Act 1981 of Bermuda (as amended), amounted to HK$154,032,000, of which HK$39,419,000 has been proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$268,184,000 may be distributed in the form of fully paid bonus shares.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK$1,995,000 (2009: HK$1,501,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 34% of the total sales for the year and sales to the largest customer included therein amounted to 13.3%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers.

DIRECTORS

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

Executive directors:

Mr. Lam Foo Wah
Ms. So Siu Hang, Patricia

Non-executive directors:

Mr. Chan Wah Tip, Michael
Professor Yeung Kwok Wing

Independent non-executive directors:

Mr. Woo King Wai
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim

In accordance with bye-law 87 of the Company's Bye-laws, Mr. Leung Hok Lim, Mr. Woo King Wai and Ms. So Siu Hang, Patricia will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors

INDEPENDENCE CONFIRMATION

Pursuant to the Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), each independent non-executive director re-affirmed his independent status with the Company as at 31 December 2010, and the Company considered that they are independent.

DIRECTORS' EMOLUMENTS

Particulars as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 9 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 17 of the annual report.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed under the section "Related Party Transactions" in note 45 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2010 are disclosed in note 45 to the consolidated financial statements.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the model code for securities transactions by directors of listed issuers ("Model Code") contained in the Listing Rules, were as follows:

(i) Long Positions in the Company's Shares

Name of Directors	*Notes*	Capacity	Nature of interests	Number of ordinary shares held	Percentage of the Company's issued capital *(Note 3)*
Lam Foo Wah	*1, 2*	Other Interest	Other	143,719,986	47.40%
So Siu Hang, Patricia		Beneficial owner	Personal	2,824,309	0.93%

(ii) Long Position in Shares of Associated Corporation

Name of Director	*Note*	Name of associated corporation	Relationship with the Company	Capacity	Number of ordinary shares held	Percentage of the associated corporation's issued capital
Lam Foo Wah	*4*	High Fashion Knitters Limited	Subsidiary	Interest of controlled corporations	5,339,431	35.60%

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 108,802,419 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.

2. Mr. Lam Foo Wah is deemed to have interests in 34,917,567 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.

3. The issued share capital of the Company is 303,221,550 shares as at 31 December 2010.

4. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Save as disclosed above, as at 31 December 2010, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the above mentioned Model Code of the Listing Rules.

At no time during the year ended 31 December 2010 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the following substantial shareholders, other than directors and chief executives of the Company, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to section 336 of SFO:

Long Positions in the Company's Ordinary Shares:

Name of Shareholders	*Note*	Capacity	Number of ordinary shares held *(note 2)*	Percentage of the Company's issued share capital
Hinton Company Limited	*1*	Beneficial owner	108,802,419	35.88%
High Fashion Charitable Foundation Limited	*1*	Beneficial owner	34,917,567	11.52%

Notes:

1. Such interests have been disclosed as interests of Mr. Lam Foo Wah in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

2. The issued share capital of the Company is 303,221,550 shares as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, no person, other than the directors or chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered a long or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to section 336 of the SFO.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is a sufficiency of public float of the Company's securities as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions and to certain extent of the recommended best practices set out in Appendix 14 Code on Corporate Governance Practices of the Listing Rules throughout the accounting year ended 31 December 2010, except code provision A.1.1 on the regular board meeting held and code provision A.2.1 on the separate roles of the chairman and CEO.

Details of the Company's corporate governance report are set out on pages 25 to 34.

AUDITOR

The consolidated financial statements for the year ended 31 December 2010 were audited by Deloitte Touche Tohmatsu.

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

LAM FOO WAH
Chairman & Managing Director

Hong Kong, 30 March 2011

Corporate Governance Report

The Board of Directors ("Board") and the management of the Company are committed to establishment and maintaining of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and accountability and transparency to all shareholders.

The Company has complied with all the code provisions and to certain extent of the recommended best practices set out in Appendix 14 Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting year ended 31 December 2010, except code provision A.1.1 on the regular board meeting held and code provision on A.2.1 on the separate roles of the chairman and chief executive officer as described below.

BOARD COMPOSITION AND BOARD PRACTICES

The Board of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

Board Composition

At the year end, the Board of the Company consisted of a total of seven directors, comprising two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. One of the three Independent Non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. The names of directors and their positions are as follows:

Name of Director	Position
Executive directors:	
Mr. Lam Foo Wah	Chairman and Managing Director
Ms. So Siu Hang, Patricia	Executive Director
Non-executive directors:	
Mr. Chan Wah Tip, Michael	Non-executive Director
Professor Yeung Kwok Wing	Non-executive Director
Mr. Woo King Wai	Independent Non-executive Director
Mr. Wong Shiu Hoi, Peter	Independent Non-executive Director
Mr. Leung Hok Lim	Independent Non-executive Director

The Directors' biographical information are set out on pages 13 to 14.

More than one-third member in the Board is Independent Non-executive Director. During the financial year, each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

Corporate Governance Report

BOARD COMPOSITION AND BOARD PRACTICES (Cont'd)

Board Process

In 2010, it deviates from the code provision A.1.1 of the CG Code as the Board meetings held three times a year. The Board believes that such arrangements were adequate to cover all major issues arising throughout the year ended 31 December 2010. In any event all Directors were available for consultation by management from time to time during the year. The attendance of individual director to the Board meeting is set out on page 27 of this report.

Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

In order to ensure that the Board is able to fulfill its responsibilities, it has established and delegated specific responsibilities to the Audit Committee and Remuneration Committee. The details of the committees are stipulated on pages 29 to 31 of this report.

The Company provides at least 14 days' notices of every Board meeting to all Directors to give them an opportunity to attend. Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

During the financial year, the Group Chief Financial Officer and the Company Secretary attended the regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors had full access to information on the Group and were able to seek independent professional advice whenever deemed necessary by the Directors. The Company Secretary prepared minutes and kept records of matters discussed and decisions resolved at all Board meetings.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

BOARD COMPOSITION AND BOARD PRACTICES (Cont'd)

Appointment and Re-election of Directors

In accordance with the Company's Bye-Laws, newly appointed director(s) is/are required to retire and can offer themselves for re-election at the first general meeting following their appointment.

The Company's Bye-Laws provide that every Director shall be subject to retirement by rotation at least once every three years and that one-third (or the number nearest to one-third) of the Directors shall retire from office every year at annual general meeting of the Company. Retiring Directors are eligible for re-election.

In accordance with bye-law 87 of the Company's Bye-laws, Mr. Leung Hok Lim, Mr. Woo King Wai and Ms. So Siu Hang, Patricia will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 2 June 2011.

Directors' Attendance Records

During the year ended 31 December 2010, details of Directors' attendance at the Board and respective Board Committees Meetings and the annual general meeting held on 9 June 2010 ("2010 AGM") are as follows:

	Meetings Attended/held			
Name of Directors	Board	Audit Committee	Remuneration Committee	2010 AGM
Executive directors:				
Mr. Lam Foo Wah	3/3	N/A	N/A	1/1
Ms. So Siu Hang, Patricia	3/3	N/A	N/A	1/1
Non-executive directors:				
Mr. Chan Wah Tip, Michael	2/3	2/2	1/1	0/1
Professor Yeung Kwok Wing	3/3	2/2	1/1	0/1
Independent non-executive directors:				
Mr. Woo King Wai	2/3	1/2	1/1	1/1
Mr. Wong Shiu Hoi, Peter	3/3	2/2	1/1	0/1
Mr. Leung Hok Lim	2/3	2/2	1/1	1/1

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman of the Board ("Chairman") and the Managing Director are held and performed by Mr. Lam Foo Wah, the same individual. Although it deviates from the code provision A.2.1 of the CG Code, the Board considers that the function of the Chairman and the Managing Director in the Company's strategic planning and development process are overlapping and it may not be for the benefit of the Company to have separate individuals occupying these two offices given the conditions of the Group and its stage of development.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; evaluating the performance of the Group; and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

Management is responsible for the day-to-day operations of the Group under the leadership of the Chairman who is also the Managing Director. The Managing Director, working with the other executive directors and the executive management team of each business division, is responsible for managing the businesses of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group. All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group.

With the support from Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. Apart from the regular Board meetings, the Chairman may hold meetings with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions.

Confirmation has been sought from all Directors and they have complied with the required standard set out in the Model Code for the year ended 31 December 2010.

The Company has established the written guidelines on no less exacting terms than the Model Code relating to securities transactions for the relevant employees.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with support from the Finance Department, the consolidated financial statements of the Group.

The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2010, the Directors believe that they have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and ensured the financial statements are prepared on a "going concern" basis.

The final and interim results of the Company are announced in a timely manner within the limits of three months and two months respectively after the end of the relevant year or period.

A statement by the Auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 35 to 36.

Auditors' Remuneration

The Group's external auditor is Deloitte Touche Tohmatsu. For the year ended 31 December 2010, the remuneration paid or payable to Deloitte Touche Tohmatsu in respect of audit services and tax and other services are approximately HK$3,850,000 and HK$702,000 respectively.

AUDIT COMMITTEE

During the financial year, the audit committee of the Company (the "Audit Committee") comprises two Non-executive Directors namely, Mr. Chan Wah Tip, Michael and Professor Yeung Kwok Wing and three Independent Non-executive Directors, namely, Mr. Leung Hok Lim (the Chairman of the Audit Committee), Mr. Woo King Wai and Mr. Wong Shiu Hoi, Peter.

In March 2011, the Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2010.

The Company has complied with the requirement of the Listing Rules in establishing an audit committee comprising at least three members who must be Non-executive Directors only, and the majority thereof must be Independent Non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee adopted the terms of reference with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the requirements of the CG Code. The terms of reference of the Audit Committee are posted on the Company's website.

AUDIT COMMITTEE (Cont'd)

The main duties of the Audit Committee are set out below:

(i) to recommend to the Board on the appointment, reappointment and removal of the external auditor, and any questions of resignation or dismissal of the auditor;

(ii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(iii) to develop and implement policy on the engagement of external auditor to supply non-audit services;

(iv) to monitor integrity of financial statements of the Company and the Company's annual and interim reports and accounts, and to review significant financial reporting judgments contained in such reports;

(v) to review the Company's financial controls, internal control and risk management systems; and

(vi) to review the Group's financial and accounting policies and practices.

The Audit Committee held two regular meetings during the year to review and provide supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the Auditor of the Company. The members' attendance to the Committee meeting is listed out on page 27.

Minutes drafted by the secretary of Audit Committee are circulated to members of the Audit Committee within a reasonable time after each meeting.

No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.

REMUNERATION COMMITTEE

The Company established a remuneration committee of the Company ("Remuneration Committee") under the Board in August 2005. During the year, the Remuneration Committee comprises Mr. Wong Shiu Hoi, Peter (Chairman of the Remuneration Committee), Mr. Chan Wah Tip, Michael, Professor Yeung Kwok Wing, Mr. Woo King Wai and Mr. Leung Hok Lim. A regular meeting of Remuneration Committee has been convened in April 2010 and members' attendance to the Remuneration Committee meeting is listed out on page 27.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. Terms of reference of the Remuneration Committee which have been adopted by the Board are posted on the Company's website.

REMUNERATION COMMITTEE (Cont'd)

The Remuneration Committee consult the Chairman about their proposals relating to remuneration package and other human resources issues of the directors and senior management of the Company. The emoluments of directors and senior management are based on the skill, knowledge and involvement in the Company's affairs of each director and senior management and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

In addition, no share options of the Company were granted to directors and senior management during the year nor outstanding as at the end of the reporting period.

NOMINATION OF DIRECTORS

The Company has not established any nomination committee and would not consider establishing a nomination committee owing to the small size of the Board. The Chairman of the Board is responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition and the management of board succession. The Board carries out the process of selecting and recommending candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board conducts reviews of the effectiveness of the internal control system for the year ended 31 December 2010 covering all material controls, including financial, operational and compliance controls and risk management functions by considering reviews performed by the Audit Committee, executive management and both the group internal audit department and external auditor. The Group's system of internal control comprises a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations.

The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Corporate Governance Report

INTERNAL CONTROL (Cont'd)

The criteria for the Board to assess the effectiveness of the system of internal control are listed below:

(i) Organisational Structure

An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been already established.

(ii) Authority and Control

The relevant Executive Directors and senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments. The Board is responsible for handling and dissemination of price sensitive information through discussion and delegation of authority to the Company Secretary.

(iii) Budgetary Control and Financial Reporting

Budgets are prepared annually by the senior management and are subject to review and approval of the Executive Directors prior to being adopted. There are procedures for the appraisal, review and approval of major capital and recurrent expenditure. Results of operations against budgets are reported regularly to the Executive Directors. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of consolidated financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

(iv) Systems and Procedures

Systems and procedures are set to identify, measure, manage and control risks including business, compliance, operational, financial and information services risks that may have an impact on the Group and each principal division. Exposure to these risks is monitored by the Executive Directors and the management of the respective principal divisions.

(v) Internal Audit

The group internal audit department performs independent reviews of the controls and risks identified to provide reasonable assurance to management of the Company and principal divisions and the Audit Committee that controls have been set in place and adequately addressed.

INTERNAL CONTROL (Cont'd)

The group internal audit department monitors compliance with policies and procedures as well as the effectiveness of internal control structures across the Company and the Group. To preserve the independence of the group internal audit department, the group internal audit department reports directly to the Audit Committee. The group internal audit department plans its internal audit schedules annually in consultation with, but independent of, management of the Group and the principal divisions. In addition to its agreed annual schedule of work, the group internal audit department conducts other special reviews as required. As a key criterion of assessing the effectiveness of the internal control system, the Board and the Audit Committee actively monitor the number and seriousness of findings raised by the group internal audit department and also the corrective actions taken by relevant departments.

According to the 2010 internal audit reports, the Group's internal control system is functioning effectively and there was no significant weakness found in the course of the audits carried out during the year. The Board, through the Audit Committee and the internal audit function, has reviewed the effectiveness of the Group's internal control systems and is of the view that there are no suspected frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations that cause the Board to believe that the systems are ineffective or inadequate. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the CG Code for the year ended 31 December 2010.

COMMUNICATION WITH SHAREHOLDERS

General Meeting

At 2010 AGM:

(i) A separate resolution was proposed by the Chairman of that meeting in respect of each separate issue, including the re-election of directors.

(ii) The Chairman of the Board, and Chairmen of the Audit and Remuneration Committees, or in absence of the chairman of such committees, any member from the respective committees, attended the 2010 AGM to address shareholders queries.

(iii) The Chairman demanded poll on all resolutions. Tricor Secretaries Limited, the Company's Hong Kong branch share registrar and transfer office, was engaged as scrutineer to ensure the votes were properly counted.

The Board resolved that the 2011 annual general meeting ("2011 AGM") will be held at 10th Floor, High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong on Thursday, 2 June 2011 at 10:30 a.m. The notice of the 2011 AGM will be sent to all shareholders at least 20 clear business days before the Meeting.

COMMUNICATION WITH SHAREHOLDERS (Cont'd)

Voting by Poll

It was properly explained at the commencement of the 2010 AGM the procedures for conducting a poll.

At the 2011 AGM, the Chairman of the meeting will demand a poll on all the resolutions in accordance with the requirements of the Listing Rules. The poll results will be posted on the websites of the Stock Exchange and the Company on the same day following the 2011 AGM.

Shareholders' Rights and Investor Relations

The Company establishes different communication channels with shareholders and investors: (i) shareholders can receive printed copies of corporate information, (ii) the general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (iii) the Company's website offers communication channel between the Company and its shareholders and investors; and (iv) the Company's Hong Kong Branch Registrar and Transfer Office serve the shareholders respecting all share registration matters.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED
達利國際集團有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of High Fashion International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 115, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 judgment, 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.

Independent Auditor's Report

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED (Cont'd)
達利國際集團有限公司
(Incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 30 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	5	2,724,299	2,271,566
Cost of sales		(2,060,386)	(1,581,413)
Gross profit		663,913	690,153
Other income		71,364	68,516
Other gains and losses	7	161,738	82,622
Administrative expenses		(310,534)	(323,250)
Selling and distribution expenses		(275,918)	(278,931)
Finance costs	8	(39,287)	(45,900)
Share of losses of jointly controlled entities		(295)	(753)
Profit before taxation		270,981	192,457
Income tax expense	10	(53,969)	(35,007)
Profit for the year	11	217,012	157,450
Other comprehensive income (expense)	12		
Gain on revaluation of properties		–	39,577
Share of other comprehensive income of jointly controlled entities		718	1
Exchange difference arising on translation		69,493	(2,282)
Reclassification of translation reserve to profit and loss on disposal of subsidiaries		–	6,287
Gain on fair value changes on cash flow hedges		32,744	10,915
Reclassification to profit and loss on cash flow hedges		(31,583)	(77,457)
Income tax relating to components of other comprehensive income		(4,266)	4,958
Other comprehensive income (expense) for the year, net of tax		67,106	(18,001)
Total comprehensive income for the year		284,118	139,449
Profit for the year attributable to:			
Owners of the Company		217,012	165,507
Non-controlling interests		–	(8,057)
		217,012	157,450
Total comprehensive income (expense) attributable to:			
Owners of the Company		284,118	148,418
Non-controlling interests		–	(8,969)
		284,118	139,449
Earnings per share	14		
Basic and diluted		HK$0.71	HK$0.52

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	31/12/2010 HK$'000	31/12/2009 HK$'000 (Restated)	1/1/2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	*15*	**852,372**	862,842	915,509
Prepaid lease payments	*16*	**91,799**	67,131	74,270
Investment properties	*17*	**268,035**	211,568	102,700
Goodwill		**–**	–	28,215
Intangible assets	*18*	**516**	1,203	1,890
Investments in jointly controlled entities	*19*	**20,043**	19,620	19,862
Available-for-sale investments, at cost		**675**	675	675
Deferred tax assets	*33*	**21,503**	9,064	7,101
Long-term deposits, prepayments and other receivables	*20*	**43,960**	63,690	18,148
Derivative financial instruments	*21*	**48,108**	2,422	22,239
Structured deposits	*22*	**52,941**	–	–
		1,399,952	1,238,215	1,190,609
Current assets				
Inventories	*23*	**455,785**	333,964	371,815
Trade receivables	*24*	**425,429**	292,836	296,917
Bills receivable	*25*	**39,702**	63,868	71,447
Prepaid lease payments	*16*	**2,436**	1,167	1,400
Deposits, prepayments and other receivables	*26*	**184,317**	302,799	399,131
Amounts due from jointly controlled entities	*27*	**2,931**	1,985	17,713
Tax recoverable		**75,684**	63,532	49,141
Derivative financial instruments	*21*	**80,993**	34,850	76,623
Structured deposits	*22*	**351,765**	280,607	226,753
Short-term deposits	*28*	**488,615**	301,714	376,704
Pledged bank deposits		**–**	–	142
Bank balances and cash	*28*	**622,156**	452,125	400,454
		2,729,813	2,129,447	2,288,240

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	**31/12/2010 HK$'000**	31/12/2009 HK$'000 (Restated)	1/1/2009 HK$'000 (Restated)
Current liabilities				
Trade payables	*29*	**337,577**	251,723	263,565
Bills payable	*29*	**340**	20,721	3,807
Other payables and accruals		**223,208**	194,447	155,926
Amounts due to jointly controlled entities	*27*	**3**	4,637	25,630
Amount due to an associate	*30*	**592**	595	595
Tax payable		**229,848**	185,049	171,393
Derivative financial instruments	*21*	**10,728**	10,209	23,166
Obligations under finance leases	*31*	**273**	297	88
Bank borrowings	*32*	**1,389,382**	990,354	1,184,578
Bank overdrafts	*32*	**441**	51	447
		2,192,392	1,658,083	1,829,195
Net current assets		**537,421**	471,364	459,045
Total assets less current liabilities		**1,937,373**	1,709,579	1,649,654
Non-current liabilities				
Obligations under finance leases	*31*	**333**	411	81
Deferred tax liabilities	*33*	**80,971**	62,576	54,487
Derivative financial instruments	*21*	**–**	4,181	–
Provision for long service payments	*34*	**2,492**	2,948	1,770
		83,796	70,116	56,338
		1,853,577	1,639,463	1,593,316
Capital and reserves				
Share capital	*35*	**30,322**	30,913	31,998
Share premium and reserves		**1,823,255**	1,608,550	1,496,055
Equity attributable to owners of the Company		**1,853,577**	1,639,463	1,528,053
Non-controlling interests		**–**	–	65,263
Total equity		**1,853,577**	1,639,463	1,593,316

The consolidated financial statements on pages 37 to 115 were approved and authorised for issue by the Board of Directors on 30 March 2011 and are signed on its behalf by:

Lam Foo Wah
DIRECTOR

So Siu Hang, Patricia
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company											
	Share capital	Share premium account	Translation reserve	Reserve funds	Property revaluation reserve	Capital redemption reserve	Hedging reserve	Other reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Note i)	*(Note ii)*		*(Note iii)*	*(Note iv)*				
At 1 January 2009	31,998	283,007	189,655	18,690	19,594	6,234	81,009	39,853	858,013	1,528,053	65,263	1,593,316
Profit for the year	–	–	–	–	–	–	–	–	165,507	165,507	(8,057)	157,450
Exchange differences arising on translating foreign operations	–	–	(2,282)	–	–	–	–	–	–	(2,282)	–	(2,282)
Reclassified to profit or loss on disposal of foreign operations	–	–	6,287	–	–	–	–	–	–	6,287	–	6,287
Gain on fair value changes recognised on cash flow hedge	–	–	–	–	–	–	11,827	–	–	11,827	(912)	10,915
Deferred tax related to gains recognised in other comprehensive income	–	–	–	–	–	–	(441)	–	–	(441)	–	(441)
Reclassified to profit or loss	–	–	–	–	–	–	(77,457)	–	–	(77,457)	–	(77,457)
Deferred tax related to amounts reclassified to profit or loss	–	–	–	–	–	–	13,040	–	–	13,040	–	13,040
Share of translation reserves of jointly controlled entities	–	–	1	–	–	–	–	–	–	1	–	1
Gain on revaluation of properties	–	–	–	–	39,577	–	–	–	–	39,577	–	39,577
Deferred tax liability arising on revaluation of property	–	–	–	–	(7,641)	–	–	–	–	(7,641)	–	(7,641)
Other comprehensive income (expense) for the year	–	–	4,006	–	31,936	–	(53,031)	–	–	(17,089)	(912)	(18,001)
Total comprehensive income (expense) for the year	–	–	4,006	–	31,936	–	(53,031)	–	165,507	148,418	(8,969)	139,449
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(167)	(167)
Disposal of subsidiaries *(note 38)*	–	–	–	–	–	–	–	–	–	–	(6,547)	(6,547)
Transfer to reserve funds	–	–	–	3,470	–	–	–	–	(3,470)	–	–	–
Repurchase of shares, include direct costs	(1,085)	(9,594)	–	–	–	1,085	–	–	(8,440)	(18,034)	–	(18,034)
Dividend paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(49,580)	(49,580)
Dividends recognised as distribution (note 13)	–	–	–	–	–	–	–	–	(18,974)	(18,974)	–	(18,974)
	(1,085)	(9,594)	–	3,470	–	1,085	–	–	(30,884)	(37,008)	(56,294)	(93,302)
At 31 December 2009	30,913	273,413	193,661	22,160	51,530	7,319	27,978	39,853	992,636	1,639,463	–	1,639,463

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company											
	Share capital	Share premium account	Translation reserve	Reserve funds	Property revaluation reserve	Capital redemption reserve	Hedging reserve	Other reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Note i)	*(Note ii)*		*(Note iii)*	*(Note iv)*				
Profit for the year	–	–	–	–	–	–	–	–	217,012	217,012	–	217,012
Exchange differences arising on translating foreign operations	–	–	69,493	–	–	–	–	–	–	69,493	–	69,493
Gain on fair value changes recognised on cash flow hedge	–	–	–	–	–	–	32,744	–	–	32,744	–	32,744
Deferred tax related to gains recognised in other comprehensive income	–	–	–	–	–	–	(9,731)	–	–	(9,731)	–	(9,731)
Reclassified to profit or loss	–	–	–	–	–	–	(31,583)	–	–	(31,583)	–	(31,583)
Deferred tax related to amounts reclassified to profit or loss	–	–	–	–	–	–	5,465	–	–	5,465	–	5,465
Share of translation reserves of jointly controlled entities	–	–	718	–	–	–	–	–	–	718	–	718
Other comprehensive income (expense) for the year	–	–	70,211	–	–	–	(3,105)	–	–	67,106	–	67,106
Total comprehensive income (expense) for the year	–	–	70,211	–	–	–	(3,105)	–	217,012	284,118	–	284,118
Transfer to reserve funds	–	–	–	10,976	–	–	–	–	(10,976)	–	–	–
Repurchase of shares, include direct costs	(591)	(5,229)	–	–	–	591	–	–	(9,951)	(15,180)	–	(15,180)
Dividends recognised as distribution *(note 13)*	–	–	–	–	–	–	–	–	(54,824)	(54,824)	–	(54,824)
	(591)	(5,229)	–	10,976	–	591	–	–	(75,751)	(70,004)	–	(70,004)
At 31 December 2010	**30,322**	**268,184**	**263,872**	**33,136**	**51,530**	**7,910**	**24,873**	**39,853**	**1,133,897**	**1,853,577**	**-**	**1,853,577**

Notes:

(i) As stipulated by the relevant People's Republic of China ("PRC") laws and regulations, before distribution of the profit each year, the subsidiaries established in the PRC with limited liability shall set aside 10% of their net profit to the statutory surplus reserve. The statutory surplus reserve can only be used upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

(ii) Property revaluation reserve represents the revaluation reserve arising upon the transfer of owner-occupied property to investment property, net of deferred tax. The property revaluation reserve will be transferred to accumulated profits when the relevant properties are disposed of.

(iii) Hedging reserve represents cumulative fair value changes of foreign exchange forward contracts designated as effective hedging instruments in cash flow hedges.

(iv) Other reserve represents capitalisation of accumulated profits of a subsidiary as capital contribution to another subsidiary.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)
OPERATING ACTIVITIES			
Profit before taxation		270,981	192,457
Adjustments for:			
Allowance for inventory obsolescence		15,688	199
Allowance for bad and doubtful debts		8,158	4,925
Amortisation of trademarks		687	687
Amortisation of prepaid lease payments		1,669	1,265
Finance costs		39,287	45,900
Share of losses of jointly controlled entities		295	753
Interest income		(30,282)	(24,325)
Increase in fair value of investment properties		(52,598)	(4,627)
Depreciation of property, plant and equipment		72,951	98,228
Loss (gain) on disposal of property, plant and equipment and prepaid lease payments		1,333	(50,303)
Gain on disposal of subsidiaries	38	–	(89,411)
Discount on acquisition of additional interests in subsidiaries		–	(91)
Impairment loss recognised in respect of amount due from a jointly controlled entity		2,828	3,250
Impairment loss recognised in respect of goodwill		–	28,215
Impairment loss recognised in respect of property, plant and equipment		40,373	21,000
Impairment loss recognised in respect of deposits, prepayments and other receivables		2,056	–
Operating cash flows before movements in working capital		373,426	228,122
(Increase) decrease in inventories		(137,509)	23,960
Increase in trade receivables		(140,751)	(3,903)
Decrease in bills receivable		24,166	7,579
(Increase) decrease in deposits, prepayments and other receivables		(102,362)	3,094
Decrease in amounts due from jointly controlled entities		–	12,478
Increase (decrease) in trade payables		85,854	(10,640)
(Decrease) increase in bills payable		(20,381)	16,914
Increase in other payables and accruals		28,761	200,495
Decrease in amounts due to jointly controlled entities		(4,634)	(20,993)
Provision for long service payments		87	1,709
Long service payments utilised		(543)	(531)
Decrease in derivative financial instruments		(94,040)	(13,989)
Cash generated from operations		12,074	444,295
Hong Kong Profits Tax paid		(15,114)	(12,514)
Overseas taxes paid		(4,268)	(13,774)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(7,308)	418,007

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)
INVESTING ACTIVITIES			
(Increase) decrease in short-term deposits		(186,901)	74,990
Increase in structured deposits		(116,593)	(51,655)
Purchases of property, plant and equipment		(81,250)	(114,814)
Deposits paid for land use rights		(16,899)	(31,877)
Payment on deposits placed for a life insurance policy		(12,817)	–
Increase in amounts due from jointly controlled entities		(3,774)	–
Proceeds on disposal of property, plant and equipment and prepaid lease payments		245,812	12,671
Interest received		22,432	21,309
Repayment from an independent third party		–	113,636
Net cash outflow on disposal of subsidiaries	38	–	(38,134)
Direct expenses incurred for disposal of subsidiaries	38	–	(16,206)
Payment for prepaid leases		–	(12,419)
Decrease in pledged bank deposits		–	142
Capital injection in a newly formed jointly controlled entity		–	(510)
NET CASH USED IN INVESTING ACTIVITIES		(149,990)	(42,867)
FINANCING ACTIVITIES			
New bank borrowings raised		1,504,414	1,069,082
Repayment of bank borrowings		(1,105,386)	(1,263,065)
Dividends paid by the Company		(54,824)	(18,974)
Interest paid		(33,821)	(40,645)
Payment for repurchase of shares		(15,180)	(18,034)
Bank charges paid		(5,428)	(5,231)
Repayments of obligations under finance leases		(102)	(291)
Interest paid on obligations under finance leases		(38)	(24)
Dividends paid by a subsidiary to non-controlling interests		–	(49,580)
Acquisition of additional interests in subsidiaries		–	(6,281)
Decrease in trust receipt loans		–	(241)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		289,635	(333,284)
NET INCREASE IN CASH AND CASH EQUIVALENTS		132,337	41,856
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		452,074	400,007
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		37,304	10,211
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		621,715	452,074
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		622,156	452,125
Bank overdrafts		(441)	(51)
		621,715	452,074

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed on page 117 to the annual report.

The functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the Company and its major subsidiaries operates. For the purpose of the preparation of the consolidated financial statements and conveniences of the financial statements users, the results and financial position of the Group are presented in Hong Kong dollars ("HK$").

The principal activities of the Group are the manufacture, retailing and trading of garments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised standards, amendments and interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and revised standards, amendments and interpretations applied in the current year (Cont'd)

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payments with carrying amounts of HK$4,282,000 and HK$3,987,000 as at 1 January 2009 and 31 December 2009 respectively to property, plant and equipment. In addition, the depreciation charge for the year had been increased by HK$104,000 (2009: HK$107,000) whereas the amortisation of prepaid lease payments had been decreased by HK$104,000 (2009: HK$107,000) accordingly. Both depreciation charge and amortisation of prepaid lease payments are included in administrative expenses.

HK-INT 5 Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The HK-INT 5 Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK-INT 5 for the first time in the current year. HK-INT 5 requires retrospective application.

In order to comply with the requirements set out in HK-INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK-INT 5, term loans with a repayment on demand clause are classified as current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and revised standards, amendments and interpretations applied in the current year (Cont'd)

HK-INT 5 Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause (Cont'd)

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$82,000,000 and HK$177,000,000 as at 31 December 2009 and 1 January 2009 respectively have been reclassified from non-current liabilities to current liabilities. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$241,400,000 have been classified as current liabilities. The application of HK-INT 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 40 for details).

Amendments to HKAS 7 Statement of cash flows

As part of the consequential amendments of HKAS 27, HKAS 7 specifies that the cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control should be classified as financing activities in the statement of cash flows. This change has been applied retrospectively. This application has resulted in reclassification of the consideration for acquisition of additional interests in subsidiaries amounting to approximately HK$6,281,000 paid in 2009 be reclassified from investing activities to financing activities in the consolidated statement of cash flows.

Summary of the effects of the above changes in accounting policies

The effect of changes in accounting policies described above on the consolidated statements of financial position of the Group as at 31 December 2009 and 1 January 2009 are as follows:

	31 December 2009 HK$'000 (originally stated)	**Adjustments** HK$'000	**31 December 2009** HK$'000 (restated)
Property, plant and equipment	858,855	3,987	862,842
Prepaid lease payments	72,285	(3,987)	68,298
Bank borrowings – current	(908,354)	(82,000)	(990,354)
Bank borrowings – non-current	(82,000)	82,000	–
Total effects on net assets	(59,214)	–	(59,214)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and revised standards, amendments and interpretations applied in the current year (Cont'd)

Summary of the effects of the above changes in accounting policies (Cont'd)

	1 January 2009 HK$'000 (originally stated)	Adjustments HK$'000	1 January 2009 HK$'000 (restated)
Property, plant and equipment	911,227	4,282	915,509
Prepaid lease payments	79,952	(4,282)	75,670
Bank borrowings – current	(1,007,578)	(177,000)	(1,184,578)
Bank borrowings – non-current	(177,000)	177,000	–
Total effects on net assets	(193,399)	–	(193,399)

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in the consolidated statement of comprehensive income and basic and diluted earnings per share for the current and prior years.

New and revised standards, amendments and interpretations issued but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – transfers of Financial Assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of underlying assets[5]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and revised standards, amendments and interpretations issued but not yet effective (Cont'd)

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new standard will affect the classification and measurement of the Group's available-for-sale investments and may affect the classification and measurement of the Group's other assets. Specifically, HKFRS 9 requires available-for-sale investments be measured at fair values, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and revised standards, amendments and interpretations issued but not yet effective (Cont'd)

If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. The application of this new standard may result in additional deferred tax liabilities being provided with the corresponding adjustment being recognised in accumulated profits.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the book value of the net assets of the subsidiaries attributable to the non-controlling interests was recognised in profit or loss.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Jointly controlled entities (Cont'd)

From 1 January 2010 onwards, upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as lessee (Cont'd)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operations, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

The Group's financial assets include loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for loans and receivables.

Financial assets at FVTPL

Financial assets classified as financial assets at FVTPL when it is designated as at FVTPL upon initial recognition and it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in the profit or loss excludes any interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, amounts due from jointly controlled entities, short-term deposits, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables or financial assets at FVTPL. The Group classified financial instruments that the Group acquired for long term investments as available-for-sale financial assets.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets (Cont'd)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and cumulated in a reserve, if any.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities classified as financial liabilities at FVTPL when it is a derivative that is not designated and effective as hedging instruments and designated as at FVTPL upon initial recognition.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, amounts due to jointly controlled entities, amount due to an associate, bank overdrafts and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedges of cash flow hedges, which are hedges of highly probable forecast intragroup transactions for foreign currency risk exposure and hedges of interest rate risk associated with the Group's floating rate bank borrowings. For hedges of foreign currency exposure, the hedged item represents highly probable forecast intragroup transactions which are denominated in a currency other than the functional currency of respective group entity entering into the transactions and the foreign currency risk under the hedging arrangement will affect the profit or loss. For hedges of interest rate risk, the hedged item is the Group's floating rate bank borrowing and the risk being hedged represents the volatility in interest payments resulted from changes in interest rates.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair values of derivatives financial instruments

As described in note 21, the directors of the Company use their judgement in selecting an appropriate valuation technique for derivative financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Derivative financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. At the end of the reporting period, the carrying amounts of derivative financial assets and liabilities are HK$129,101,000 (31/12/2009: HK$37,272,000) and HK$10,728,000 (31/12/2009: HK$14,390,000), respectively.

Allowance for inventories

The management of the Group reviews an aging analysis at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are not suitable for use in current production. The management estimates the net realisable value for such raw materials, work in progress and finished goods based primarily on the latest invoice prices and current market conditions. However, given the competitiveness of the industry, these prices may subsequently be affected. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for these items. At end of the reporting period, the carrying amount of inventories is HK$455,785,000 (31/12/2009: HK$333,964,000).

Income taxes

The Hong Kong Inland Revenue Department ("IRD") initiated a tax audit on certain group companies for the years of assessment 1999/2000 onwards. Since the tax audit is still at a fact-finding stage with different views being exchanged with the IRD, the outcome of the tax audit cannot be readily ascertained with any degree of accuracy. In cases where the tax charged by IRD are different from the estimated amounts, a material tax charge may arise (see note 10 for details).

5. REVENUE

Revenue represents the amount received and receivable for goods sold by the Group, net of discount and sales related tax. An analysis of the Group's revenue is as follows:

	2010 HK$'000	2009 HK$'000
Manufacture and trading of garments	**1,896,599**	1,487,653
Brand business	**827,700**	783,913
	2,724,299	2,271,566

6. SEGMENT INFORMATION

In previous years, the Group's operating segments are determined based on the types of business carries out by the Group including two operating divisions – (i) manufacture and trading of garments and (ii) retailing of garments. As disclosed in the Group's annual report for 2009, the Group changed the structure of internal organisation in January 2010, which resulted in redesignation of its operating segments. Under the new structure of internal organisation, the information reported to the chief operating decision maker, the Group's executive directors, for the purposes of resources allocation and performance assessment, is analysed based on the types of goods sold, including (i) manufacture and trading of garments and (ii) brand business. Accordingly, the redesignation of operating segments resulted in a change in the basis of measurement of the Group's operating segment revenue and results and the amounts reported for prior period have also been restated to conform to such redesignation.

The Group's operating and reportable segments are (i) manufacture and trading of garments and (ii) brand business.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment.

For the year ended 31 December 2010

	Manufacture and trading of garments HK$'000	Brand business HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	1,896,599	827,700	2,724,299	–	2,724,299
Inter-segment sales *(Note)*	330,043	–	330,043	(330,043)	–
Segment revenue	2,226,642	827,700	3,054,342	(330,043)	2,724,299
RESULT					
Segment profit	286,340	26,624	312,964	(2,696)	310,268
Finance costs					(39,287)
Profit before taxation					270,981

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. SEGMENT INFORMATION (Cont'd)

Segment revenues and results (Cont'd)

For the year ended 31 December 2009

	Manufacture and trading of garments HK$'000	Brand business HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	1,487,653	783,913	2,271,566	–	2,271,566
Inter-segment sales *(Note)*	255,772	–	255,772	(255,772)	–
Segment revenue	1,743,425	783,913	2,527,338	(255,772)	2,271,566
RESULT					
Segment profit (loss)	247,434	(7,155)	240,279	(1,922)	238,357
Finance costs					(45,900)
Profit before taxation					192,457

Note: Inter-segment sales are charged at agreed terms set out in the subcontracting agreement entered into between group companies.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned or incurred by each segment without allocation of finance costs. This is the measure reported to the Company's executive directors for the purposes of resources allocation and performance assessment. Furthermore, as the assets and liabilities for operating segments are not provided to the Company's executive directors for the purposes of resources allocation and performance assessment, no segment assets and liabilities are presented accordingly.

6. SEGMENT INFORMATION (Cont'd)

Other segment information

For the year ended 31 December 2010

	Manufacture and trading of garments HK$'000	Brand business HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	63,459	9,492	72,951
Amortisation of trademarks	687	–	687
Amortisation of prepaid lease payments	1,669	–	1,669
Allowance for bad and doubtful debts	2,745	5,413	8,158
Allowance for inventory obsolescence	4,847	10,841	15,688
Impairment loss in respect of amount due from a jointly controlled entity	1,532	1,296	2,828
Impairment loss in respect of property, plant and equipment	9,050	31,323	40,373
Impairment loss in respect of deposits, prepayments and other receivables	–	2,056	2,056
Changes in fair value of derivative financial instruments	116,758	–	116,758
Increase in fair value of investment properties	30,000	22,598	52,598
Loss on disposal of property, plant and equipment and prepaid lease payments	1,283	50	1,333

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

For the year ended 31 December 2009

	Manufacture and trading of garments HK$'000	Brand business HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	85,087	13,141	98,228
Amortisation of trademarks	687	–	687
Amortisation of prepaid lease payments	787	478	1,265
Allowance for bad and doubtful debts	4,813	112	4,925
Allowance for (reversal of) allowance for inventory obsolescence	2,489	(2,290)	199
Impairment loss in respect of amount due from a jointly controlled entity	–	3,250	3,250
Impairment loss in respect of goodwill	28,215	–	28,215
Impairment loss in respect of property, plant and equipment	10,540	10,460	21,000
Changes in fair value of derivative financial instruments	8,756	–	8,756
Increase (decrease) in fair value of investment properties	5,900	(1,273)	4,627
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments	54,921	(4,618)	50,303

6. SEGMENT INFORMATION (Cont'd)

Geographical information

The Group's operations are located in the United States of America ("USA"), Europe, Greater China and other areas.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
USA	**1,461,382**	1,277,251	**3,585**	4,561
Europe	**585,718**	446,099	**2,445**	2,813
Greater China	**566,401**	457,459	**1,276,354**	1,167,229
Others	**110,798**	90,757	**178**	18
	2,724,299	2,271,566	**1,282,562**	1,174,621

Note: Non-current assets excluded investments in jointly controlled entities, available-for-sale investments, deferred tax assets, long-term other receivables and deposit placed and prepayment of premium for a life insurance and derivative financial instruments.

Information about major customer

There is a single (2009: single) customer from manufacture and trading of garments segment whose contributing over 10% of the total sales of the Group whose revenue is approximately HK$361 million (2009: HK$332 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

7. OTHER GAINS AND LOSSES

	2010 HK$'000	2009 HK$'000
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	(1,333)	50,303
Gain on disposal of subsidiaries *(note 38)*	–	89,411
Allowance for bad and doubtful debts	(8,158)	(4,925)
Government compensation income *(Note)*	38,236	–
Changes in fair value of derivative financial instruments	116,758	(8,756)
Net foreign exchange gains	8,894	3,235
Increase in fair value of investment properties	52,598	4,627
Discount on acquisition of additional interests in subsidiaries	–	91
Impairment loss recognised		
– goodwill	–	(28,215)
– property, plant and equipment	(40,373)	(21,000)
– amount due from a jointly controlled entity	(2,828)	(3,250)
– deposits, prepayments and other receivables	(2,056)	–
Gain on derivative financial instruments reclassified from other comprehensive income to profit or loss in respect of discontinued cash flow hedges	–	1,101
	161,738	82,622

Note: Pursuant to an agreement entered into with Hangzhou government on 3 August 2010, the Group received a compensation for relocation from Hangzhou government of Renminbi ("RMB") 30,000,000 (equivalent to HK$34,482,000) (2009: nil). The compensation relates to leasehold improvements and buildings on Liuxia Street which the Group vacated and accounted as disposal in 2007.

8. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	33,821	40,645
Finance leases	38	24
Bank charges	5,428	5,231
	39,287	45,900

9. DIRECTORS' EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the seven (2009: seven) directors were as follows:

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000	Total emoluments HK$'000
2010					
Lam Foo Wah	200	5,058	12	4,000	9,270
So Siu Hang, Patricia	200	2,328	12	1,300	3,840
Chan Wah Tip, Michael	200	–	–	–	200
Woo King Wai	200	–	–	–	200
Wong Shiu Hoi, Peter	200	–	–	–	200
Leung Hok Lim	200	–	–	–	200
Yeung Kwok Wing	200	–	–	–	200
Total for 2010	1,400	7,386	24	5,300	14,110

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000	Total emoluments HK$'000
2009					
Lam Foo Wah	80	5,058	12	4,000	9,150
So Siu Hang, Patricia	80	2,328	12	1,200	3,620
Chan Wah Tip, Michael	120	–	–	–	120
Woo King Wai	120	–	–	–	120
Wong Shiu Hoi, Peter	228	–	–	–	228
Leung Hok Lim	228	–	–	–	228
Yeung Kwok Wing	120	–	–	–	120
Total for 2009	976	7,386	24	5,200	13,586

The performance related incentive payments is determined by reference to the individual performance of the directors and approved by the Remuneration Committee.

During both years, no emoluments were paid by the Group to the directors as compensation for loss of office or an inducement to join or upon joining the Group. None of the directors has waived any emoluments in both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

9. DIRECTORS' EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS (Cont'd)

Employee's emoluments

Of the five individuals with the highest emoluments in the Group, two (2009: two) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2009: three) individuals were as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	4,423	3,968
Retirement benefits scheme contributions	36	36
Performance related incentive payments	2,933	2,602
	7,392	6,606

Their emoluments were within the following bands:

	2010 No. of employees	2009 No. of employees
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	1	2
HK$2,500,001 to HK$3,000,000	2	–
	3	3

10. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
Current tax charge:		
Hong Kong	18,900	6,080
PRC	29,007	19,212
Other jurisdictions	6,017	4,033
Withholding tax paid in respect of distribution of PRC subsidiaries	3,725	–
(Over)underprovision in prior years:		
Hong Kong	(443)	–
PRC	(5,077)	(4,872)
Other jurisdictions	(100)	1,100
	52,029	25,553
Deferred taxation *(note 33)*:		
Current year	1,940	9,747
Attributable to a change in tax rate	–	(293)
	1,940	9,454
	53,969	35,007

The IRD initiated a tax audit on certain group companies for the years of assessment from 1999/2000 onwards. As a matter of the IRD's practice, the IRD has issued estimated additional assessments to these group companies for the years of assessment 1999/2000, 2000/2001, 2001/2002, 2002/2003, 2003/2004 and 2004/2005. During the course of the tax audit, there may be a possibility that estimated additional assessments for subsequent years be issued by the IRD to these group companies.

Up to 31 December 2010, the Group has purchased tax reserve certificates of approximately HK$75,684,000 (31/12/2009: HK$60,570,000) for conditional standover order of objection against the notices of estimated additional assessment for the years of assessment 1999/2000, 2000/2001, 2001/2002, 2002/2003 and 2003/2004 and the amount is included in tax recoverable.

Since the tax audit is still at a fact-finding stage with different views being exchanged with the IRD, the outcome of the tax audit cannot be readily ascertained with any degree of accuracy. The management has in the current year followed the same basis for making provision as adopted in prior years. In the opinion of the directors, the provisions so made are adequate for the purpose mentioned above.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

10. INCOME TAX EXPENSE (Cont'd)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards, except for High Fashion Silk (Zhejiang) Co., Ltd. and High Fashion (China) Co., Ltd..

High Fashion (China) Co., Ltd. and High Fashion Silk (Zhejiang) Co., Ltd. had been recognised as advanced technology enterprises in the PRC in 2008 and 2009, respectively. They are subject to an income tax rate of 15% for three years starting from the year being recognised as advanced technology enterprises.

For the year ended 31 December 2009, certain PRC subsidiaries were subject to income tax rate of 12.5% pursuant to the relevant laws and regulations in the PRC.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000
Profit before taxation	270,981	192,457
Tax at the income tax rate of 16.5%	44,712	31,755
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4,968)	244
Tax effect of share of results of jointly controlled entities	49	124
Tax effect of income not taxable for tax purpose	(8,542)	(12,949)
Tax effect of expenses not deductible for tax purpose	19,555	16,675
Tax effect of deferred tax assets not recognised	2,922	5,603
Withholding tax in respect of undistributed earnings of the PRC subsidiaries	15,261	3,585
Utilisation of tax losses previously not recognised	(7,755)	(5,652)
Overprovision in prior years	(5,620)	(3,772)
Effect on deferred taxation resulting from a change in tax rate	–	(293)
Others	(1,645)	(313)
Income tax expense	53,969	35,007

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2010 HK$'000	2009 HK$'000 (Restated)
Cost of inventories recognised as expenses	2,078,290	1,543,561
Depreciation and amortisation		
Owned assets	72,668	97,933
Leased assets	283	295
Amortisation of trademarks (included in selling and distribution expenses)	687	687
Amortisation of prepaid lease payments	1,669	1,265
	75,307	100,180
Allowance for inventory obsolescence (included in cost of sales)	15,688	199
Auditor's remuneration	4,853	4,832
Minimum lease payments in respect of land and buildings	28,336	39,634
Contingent rental expense *(Note i)*	24,843	28,013
Staff costs (including directors' emoluments)		
Wages, salaries and bonuses	455,612	318,094
Retirement benefits scheme contributions	8,221	6,090
	463,833	324,184
Gain on derivative financial instruments reclassified from other comprehensive income (included in cost of sales)	(33,591)	(76,356)
Loss on derivative financial instruments reclassified from other comprehensive income (included in finance costs)	2,008	–
Gross rental income from investment properties	(16,797)	(11,445)
Less: Outgoings for investment properties rented out	2,459	1,685
Net rental income	(14,338)	(9,760)
Government grants (included in other income) *(Note ii)*	(10,396)	(13,465)
Investment income earned on loans and receivables		
– bank interest income	(12,424)	(15,403)
– interest income on other receivables	(344)	(394)
	(12,768)	(15,797)
Investment income earned on derivative financial instruments		
– income from cross currency and interest rate swaps	–	(5,282)
– interest income from structured deposits	(17,514)	(8,528)
	(17,514)	(13,810)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

11. PROFIT FOR THE YEAR (Cont'd)

Notes:

(i) The contingent rental expenses are determined based on a certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

(ii) The amounts represent subsidies received from Hangzhou government for the purposes of encouraging the Group to expand its business in Hangzhou. There are no conditions attached to the subsidies granted to the Group and the grants are not related to capital expenditures.

12. OTHER COMPREHENSIVE INCOME (EXPENSE)

	2010 HK$'000	2009 HK$'000
Exchange differences arising on translating foreign operations:		
Exchange differences arising during the year	69,493	(2,282)
Reclassification adjustments relating to foreign operations disposed of during the year	–	6,287
	69,493	4,005
Cash flow hedges:		
Gain on fair value changes on cash flow hedges	32,744	10,915
Reclassification adjustments to profit or loss	(31,583)	(77,457)
	1,161	(66,542)
Gain on revaluation of properties	–	39,577
Share of other comprehensive income of jointly controlled entities	718	1
	718	39,578
Other comprehensive income (expense)	71,372	(22,959)
Income tax relating to components of other comprehensive income:		
– revaluation of properties	–	(7,641)
– fair value changes on cash flow hedge	(9,731)	(441)
– reclassification adjustments to profit or loss	5,465	13,040
	(4,266)	4,958
Other comprehensive income (expense) for the year, net of tax	67,106	(18,001)

13. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Dividend recognised as distribution and paid during the year:		
Interim dividend – 5 HK cents per ordinary share for 2010 (2009: 3 HK cents for 2009)	15,165	9,458
Final dividend – 5 HK cents per ordinary share for 2009 (2009: 3 HK cents for 2008)	15,253	9,516
Special final dividend – 8 HK cents per ordinary share for 2009	24,406	–
	54,824	18,974

The final dividend of 13 HK cents (2009: final dividend of 5 HK cents and special dividend of 8 HK cents) per ordinary share has been proposed by the directors and are subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	2010 HK$'000	2009 HK$'000
Profit for the purpose of basic and diluted earnings per share attributable to owners of the Company	217,012	165,507

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	305,448,107	315,921,461

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings (Hong Kong) HK$'000	Buildings (elsewhere) HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST									
At 1 January 2009 (Restated)	5,306	14,589	574,411	31,723	71,759	450,745	150,885	30,508	1,329,926
Additions	–	–	2,077	62,431	19,176	16,096	13,804	2,060	115,644
Transfers	–	–	8,634	(85,082)	54,468	18,199	3,781	–	–
Disposals	–	–	(36,941)	–	(6,010)	(8,236)	(10,769)	(3,340)	(65,296)
Disposal of subsidiaries *(note 38)*	–	–	–	–	–	(5,091)	(13,070)	(177)	(18,338)
Transfer to investment properties	(248)	(703)	(23,475)	–	–	–	–	–	(24,426)
Exchange realignment	–	–	–	10	200	281	471	147	1,109
At 31 December 2009 (Restated)	5,058	13,886	524,706	9,082	139,593	471,994	145,102	29,198	1,338,619
Additions	–	–	714	40,853	4,683	19,375	16,372	3,524	85,521
Transfers	–	–	11,829	(31,602)	3,154	15,417	1,202	–	–
Disposals	–	–	–	–	(837)	(29,136)	(15,872)	(773)	(46,618)
Exchange realignment	–	–	17,684	321	4,385	14,380	3,891	490	41,151
At 31 December 2010	**5,058**	**13,886**	**554,933**	**18,654**	**150,978**	**492,030**	**150,695**	**32,439**	**1,418,673**
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 January 2009 (Restated)	1,024	3,984	66,546	–	11,220	208,811	99,958	22,874	414,417
Provided for the year	107	291	11,358	–	23,343	42,148	17,765	3,216	98,228
Eliminated on disposals	–	–	(19,927)	–	(3,323)	(6,354)	(7,518)	(3,051)	(40,173)
Impairment loss recognised in the profit or loss	–	–	–	–	–	10,540	10,460	–	21,000
Disposal of subsidiaries *(note 38)*	–	–	–	–	–	(5,056)	(11,533)	(101)	(16,690)
Transfer to investment properties	(60)	(320)	(1,390)	–	–	–	–	–	(1,770)
Exchange realignment	–	–	–	–	74	239	374	78	765
At 31 December 2009 (Restated)	1,071	3,955	56,587	–	31,314	250,328	109,506	23,016	475,777
Provided for the year	104	278	11,777	–	12,834	32,938	12,837	2,183	72,951
Eliminated on disposals	–	–	–	–	(410)	(23,019)	(12,057)	(688)	(36,174)
Impairment loss recognised in the profit or loss	–	–	–	–	37,104	2,142	1,127	–	40,373
Exchange realignment	–	–	2,278	–	1,071	6,955	2,607	463	13,374
At 31 December 2010	**1,175**	**4,233**	**70,642**	**–**	**81,913**	**269,344**	**114,020**	**24,974**	**566,301**
CARRYING VALUES									
At 31 December 2010	**3,883**	**9,653**	**484,291**	**18,654**	**69,065**	**222,686**	**36,675**	**7,465**	**852,372**
At 31 December 2009 (Restated)	3,987	9,931	468,119	9,082	108,279	221,666	35,596	6,182	862,842
At 1 January 2009 (Restated)	4,282	10,605	507,865	31,723	60,539	241,934	50,927	7,634	915,509

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	31/12/2010 HK$'000	31/12/2009 HK$'000 (Restated)
Medium-term leases:		
Land and buildings in Hong Kong	13,536	13,918
Buildings outside Hong Kong	484,291	468,119
	497,827	482,037

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	2% to 5%
Leasehold improvements	The shorter of lease terms and 5 years
Plant and equipment	9% to 20%
Furniture and fixtures	9% to 25%
Motor vehicles	9% to 25%

The carrying value of the motor vehicles includes an amount of HK$1,042,000 (31/12/2009: HK$1,095,000) in respect of assets held under finance leases.

As the cash-generating unit in which certain leasehold improvements, plant and equipment and furniture and fixtures attached to incurred operating losses, the directors of the Company determined that the future cash flows expected to be generated by this cash-generating unit is less than its carrying amounts and an impairment loss of HK$30,196,000 (2009: nil) has been recognised during the year ended 31 December 2010. The recoverable amount of the aforesaid cash-generating unit has been determined based on a value in use calculation, such calculation uses cash flow projections based on financial budgeted approved by management for one year period and extrapolated using a steady 5% growth rate for further five years. The discount rate used was 9.6%.

In addition, during the year ended 31 December 2010, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to technical obsolescence. Accordingly, an impairment loss of approximately HK$10,177,000 has been recognised.

During the year ended 31 December 2009, the Group relocated certain of its manufacturing plants and therefore, an impairment loss of HK$10,540,000 was recognised in respect of plant and equipment. In addition, an impairment loss of HK$10,460,000 was recognised to write down certain furniture and fixtures to their recoverable amount when the Group decided to lease certain of its office premises to outsiders.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

16. PREPAID LEASE PAYMENTS

	31/12/2010 HK$'000	31/12/2009 HK$'000 (Restated)	1/1/2009 HK$'000 (Restated)
The Group's prepaid lease payments comprise:			
Medium-term leasehold land outside Hong Kong	**94,235**	68,298	39,389
Long leases land outside Hong Kong	**–**	–	36,281
	94,235	68,298	75,670
Analysed for reporting purposes as:			
Non-current asset	**91,799**	67,131	74,270
Current asset	**2,436**	1,167	1,400
	94,235	68,298	75,670

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2009	102,700
Transfer from property, plant and equipment and prepaid lease payments	104,241
Increase in fair value recognised in profit or loss	4,627
At 31 December 2009	211,568
Increase in fair value recognised in profit or loss	52,598
Exchange realignment	3,869
At 31 December 2010	**268,035**

The carrying value of investment properties shown above comprises:

	31/12/2010 HK$'000	31/12/2009 HK$'000
Land in Hong Kong under medium lease	**147,000**	117,000
Land outside Hong Kong under long leases	**121,035**	94,568
	268,035	211,568

17. INVESTMENT PROPERTIES (Cont'd)

The fair value of the Group's investment properties at 31 December 2010 and 2009 have been arrived at on the basis of a valuation carried out by Centaline Surveyors Limited, independent qualified professional valuers not connected with the Group. Centaline Surveyors Limited are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group is considering the revitalising the existing industrial building in Hong Kong to convert to non-industrial use as permitted by a scheme announced by the Government.

18. INTANGIBLE ASSETS

	Trademarks
	HK$'000
COST	
At 1 January 2009, 31 December 2009 and 31 December 2010	16,873
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2009	14,983
Provided for the year	687
At 31 December 2009	15,670
Provided for the year	687
At 31 December 2010	**16,357**
CARRYING VALUES	
At 31 December 2010	**516**
At 31 December 2009	1,203
At 1 January 2009	1,890

The trademarks are amortised over 10 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

19. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	31/12/2010 HK$'000	31/12/2009 HK$'000
Cost of unlisted investments in jointly controlled entities	9,982	9,982
Share of post-acquisition profits and comprehensive income	10,061	9,638
	20,043	19,620

As at 31 December 2010 and 2009, the Group had interests in the following jointly controlled entities:

Name	Form of business structure	Place of registration and operations	Percentage of Ownership interest 2010 %	Percentage of Ownership interest 2009 %	Percentage of Voting power 2010 %	Percentage of Voting power 2009 %	Percentage of Profit sharing 2010 %	Percentage of Profit sharing 2009 %	Principal activities
Hangzhou Dalifu Silk Finishing Co., Ltd.	Incorporated	PRC	51	51	50	50	51	51	Dyeing, printing and sandwashing of fabric
Suzhou High Fashion Garment Co., Ltd. ("Suzhou High Fashion") *(Note)*	Incorporated	PRC	51	51	60	60	51	51	Garment manufacturing
The Silk Passion Company Limited ("Silk Passion") *(Note)*	Incorporated	Hong Kong	51	51	60	60	51	51	Trading, marketing and promoting silk products
Flaming China Limited	Incorporated	Hong Kong	50	50	50	50	50	50	Retailing of garments

Note: The Group holds 51% of the registered capital of Suzhou High Fashion and Silk Passion. However, under the terms of memorandum and articles of association of Suzhou High Fashion and joint venture agreement of Silk Passion, all significant events must require unanimous consent by the Group and the other significant shareholder. Therefore, Suzhou High Fashion and Silk Passion are classified as a jointly controlled entities of the Group.

19. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	31/12/2010 HK$'000	31/12/2009 HK$'000
Current assets	39,418	54,218
Non-current assets	17,873	18,641
Current liabilities	17,991	34,389
Group's share of net assets of jointly controlled entities	20,043	19,620
Income recognised in profit or loss	48,072	72,997
Expenses recognised in profit or loss	48,650	74,473
Group's share of results of jointly controlled entities for the year	(295)	(753)

The Group has discontinued to recognise its share of loss of certain jointly controlled entities.

The amount of unrecognised share of results of jointly controlled entities is as follows:

	31/12/2010 HK$'000	31/12/2009 HK$'000
Unrecognised share of losses of jointly controlled entities for the year	993	–
Accumulated unrecognised share of losses of these jointly controlled entities	993	–

20. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31/12/2010 HK$'000	31/12/2009 HK$'000
Deposits for acquisitions of non-current assets	16,899	31,877
Deposit placed and prepayment of premium for a life insurance	27,061	–
Other receivables	–	31,813
	43,960	63,690

20. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Cont'd)

Deposits for acquisitions of non-current assets

As at 31 December 2010, the amount paid represented deposit paid for acquisition of land and building located in the PRC.

As at 31 December 2009, deposits paid represented payment for land use rights for two pieces of land located in the PRC. During the year ended 31 December 2010, the Group obtained the land use rights and the amounts transferred to prepaid lease payments and property, plant and equipment.

Deposit placed and prepayment of premium for a life insurance

During the year ended 31 December 2010, the Group entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is High Fashion Garments Management Limited ("HFGML"), a wholly owned subsidiary of the Company, and the total insured sum is approximately US$10,000,000 (equivalent to HK$77,500,000). HFGML is required to pay a gross premium of US$3,582,000 (equivalent to HK$27,763,000), including a premium charge at inception of the policy amounting to US$214,941 (equivalent to HK$1,666,000). HFGML may request a partial surrender or full surrender of the policy at any time and receive cash back based on the cash value ("Cash Value") of the policy at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus insurance premium charged at inception. In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified surrender charge. At the inception date, the gross premium is separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The insurance company will pay HFGML a guaranteed interest rate of 5.2% per annum for the first year, followed by minimum guaranteed interest rate of 3% per annum for the following years.

The effective interest rate for the deposit placed on initial recognition is 4.61% per annum, which was determined by discounting the estimated future cash receipts through the expected life of the policy of 15 years, excluding the financial effect of surrender charge. At 31 December 2010, the expected life of the policy remained unchanged from the initial recognition and the directors considered that the financial impact of the option to terminate the policy was insignificant.

Other receivables

During the year ended 31 December 2009, a subsidiary of the Company was requested by 杭州市拱墅區城中村改造工程指揮部 to surrender a piece of land in Hangzhou to an independent third party for a cash consideration of HK$70,696,000. The Group received HK$7,070,000 and HK$38,236,000 during the year ended 31 December 2009 and 31 December 2010, respectively. The remaining balance of HK$25,390,000 has been settled in January 2011 and included in deposits, prepayments and other receivables at the end of the reporting period.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	31/12/2010 HK$'000	31/12/2009 HK$'000
Financial assets		
Cash flow hedges		
– Foreign exchange forward contracts	34,534	37,272
Other derivatives (not under hedge accounting)		
– Non deliverable foreign exchange forward contracts	759	–
– Deliverable foreign exchange forward contracts	433	–
– Dual currency forward contracts	13,449	–
– Knock out forward contracts	30,007	–
– Dual currency knock out forward contracts	1,287	–
– Capped forward contracts	48,632	–
	94,567	–
	129,101	37,272
Financial liabilities		
Cash flow hedges		
– Interest rate swaps	928	769
– Foreign exchange forward contracts	96	4,444
	1,024	5,213
Other derivatives (not under hedge accounting)		
– Interest rate swaps	5,585	9,177
– Non deliverable foreign exchange forward contracts	3,407	–
– Deliverable foreign exchange forward contracts	276	–
– Dual currency of knock out forward contracts	436	–
	9,704	9,177
	10,728	14,390
Analysed for reporting purposes as:		
Non-current assets	48,108	2,422
Current assets	80,993	34,850
	129,101	37,272
Non-current liabilities	–	4,181
Current liabilities	10,728	10,209
	10,728	14,390

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

21. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges:

Foreign exchange forward contracts:

At the end of the reporting period, the Group had foreign exchange forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency forecast sales. The Company requires its PRC subsidiaries (of which the functional currency is RMB) to use foreign exchange forward contracts to hedge its foreign currency exposure on forecast sales in HK$ to group entities of which the sales to end customers are denominated in United States Dollars ("USD"). As HK$ is pegged with USD, the exposures between HK$ and USD are not hedged. The management considered the hedges made by the PRC subsidiaries are highly effective and at the Group level, the hedges are effectively hedging its cost of sales which are mainly denominated in RMB affected by the movements of RMB relative to the sales to end customers, which are mainly denominated in USD.

At the end of the reporting period, the Group has outstanding foreign exchange forward contracts with an aggregate notional amount of HK$1,539 million (31/12/2009: HK$2,126 million) that requires the Group to sell HK$ for RMB at exchange rates ranging from RMB0.8346 to RMB0.8697 (31/12/2009: RMB0.8471 to RMB0.9564) for HK$1 with maturity periods up to 17 months (31/12/2009: 24 months). In addition, the Group has outstanding foreign exchange forward contracts with an aggregate notional amount of US$13 million (31/12/2009: nil) that requires the Group to sell US$ for RMB at exchange rates ranging from RMB6.6285 to RMB6.6769 (31/12/2009: nil) for US$1 with maturity periods up to 9 months. The terms of the foreign exchange forward contracts have been negotiated to match the terms of the forecast sales.

As at 31 December 2010, the cumulative net fair value gain of approximately HK$34,438,000 (2009: HK$32,828,000) recognised in other comprehensive income and accumulated in hedging reserve is expected to be released to the profit or loss at various dates from January 2011 to May 2012 (31/12/2009: January 2010 to December 2011), the period in which the forecast sales are expected to take place. Included in the net gain was HK$8,117,000 (2009: a cumulative loss of HK$4,444,000) that is expected to be reclassified to profit or loss in more than twelve months after the end of the reporting period.

During the year ended 31 December 2009, the Group reduced the amount of hedges in respect of intragroup forecast sales after considering the impact of the financial market conditions after the third quarter of 2008 of which the intragroup forecast sales of HK$50 million were no longer expected to occur. Accordingly, the Group had reclassified gains on foreign exchange forward contracts relating to forecast intragroup sales that were no longer expected to occur from the hedging reserve of HK$1,101,000 into the profit or loss (included in other gains or losses) during the year ended 31 December 2009. The respective foreign exchange forward contracts had been terminated accordingly.

The effective portion of cash flow hedges on foreign currency forward contracts amounting to HK$33,591,000 (2009: HK$76,356,000) is reclassified from other comprehensive income upon occurrence of the sales to end customers which affected the profit or loss and deducted from cost of sales in the profit or loss.

21. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

Interest rate swaps:

The Group used interest rate swaps to manage its exposure to volatility in interest payments relating to certain floating rate bank borrowings. The floating-to-fixed interest rate swaps locked the interest rates ranging from 1.37% to 1.58% (31/12/2009: 1.32% to 1.59%) per annum. The interest rate swaps match the major terms of the hedged underlying bank borrowings such that the management considered that the interest rate swaps are highly effective hedging instruments.

As at 31 December 2010, the fair value loss of HK$928,000 (2009: HK$769,000) of interest rate swap contracts has been recognised in other comprehensive income and accumulated in hedging reserve, and are expected to be released to profit or loss at various dates during the lives of the swaps when the hedged interest expenses are recognised and impacts profit or loss. The aggregate notional amount of interest rate swap contracts are HK$900,000,000 (31/12/2009: HK$400,000,000) and will mature within one year after the end of the reporting period.

The effective portion of cash flow hedges on interest rate swaps amounting to HK$2,008,000 (2009: nil) is reclassified from other comprehensive income to profit and loss and included in finance costs during the year.

Other derivatives (not under hedge accounting)

Non deliverable foreign exchange forward contracts

The amount represents fair value of foreign exchange forward contracts with aggregate notional amount of USD60 million (31/12/2009: nil) that requires the Group to sell RMB for USD at exchange rates ranging from RMB6.436 to RMB6.723 for USD1 with various maturity dates from January to October 2011.

Deliverable foreign exchange forward contracts

The amount represents fair value of foreign exchange forward contracts with aggregate notional amount of USD30 million (31/12/2009: nil) that requires the Group to sell USD for RMB at exchange rates ranging from RMB6.498 to RMB6.553 for USD1 with various maturity dates from September to October 2011.

Dual currency forward contracts

The amount represents fair value of dual currency forward contracts that the Group shall exchange HK$ and USD at exchange rates ranging from HK$7.825 to HK$7.85 for USD1 with an aggregate notional amount of USD10 million from January to March 2011; and exchange RMB and USD at exchange rates ranging from RMB6.5175 to RMB6.88 for USD1 with an aggregate notional amount of USD75 million from Jan 2011 to Apr 2012. The contracts will be settled on a net basis in either HK$ or USD dependent on the spot rate on maturity date or at banks' discretions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

21. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Other derivatives (not under hedge accounting) (Cont'd)

Knock out forward contracts

The amount represents fair value of knock out forward contracts with aggregate notional amount of USD120 million (31/12/2009: nil) that the Group shall pay to respective banks when RMB for USD at exchange rates below RMB6.255 for USD1 while the Group shall receive from respective banks when RMB for USD fall within the range of RMB6.255 to RMB6.88 for USD1 on specified monthly fixing date from January 2011 to December 2011. There will be no settlement when the spot rate is over RMB6.88 to USD1 on fixing date.

Dual currency knock out forward contracts

The amount represents fair value of dual currency knock out forward contracts that the Group shall exchange RMB and USD with an aggregate notional amount of USD19.4 million and USD6.5 million at specific exchange rate in January 2011 and September 2011, respectively. The contracts will be settled on a net basis in either RMB or USD dependent on the spot rate on maturity date. In addition, the contracts will be terminated when the spot rate is above exchange rate specified in the respective contracts.

Capped forward contracts

The amount represents fair value of non deliverable capped forward contracts. The Group shall pay/receive if the exchange rate of RMB vs USD above/below the upper contract rate specified in the relevant agreements on the settlement date. The aforesaid upper contract rate in the relevant agreements are ranging from RMB6.85 to RMB6.9 vs USD1. The contracts will be settled in various dates from January 2011 to December 2012.

Interest rate swaps:

The amount represents fair value of interest rate swap contracts. The major terms of interest rate swaps are as follows:

Notional amount	Maturity date	Swaps
HK$100,000,000	24 October 2011	From Hong Kong Interbank Offered Rate ("HIBOR") to 4.1% per annum
HK$50,000,000	27 October 2011	From HIBOR to 4.05% per annum
HK$150,000,000 *(Note)*	1 November 2009	From HIBOR to 2.9% per annum

Note: The contract is matured and settled during the year ended 31 December 2009.

The above derivatives are measured at fair value at end of the reporting period. Their fair values are determined based on the valuation carried out by financial institutions, which is measured using the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and quoted forward exchange rates at the end of the reporting period.

22. STRUCTURED DEPOSITS

The structured deposits are placed with banks in the PRC and contain embedded derivatives, the returns of which are determined by reference to the change in certain exchange rates or interest rates quoted in the market. The structured deposits are designated as FVTPL at initial recognition.

Major terms of the structured deposits at the end of the reporting period are as follows:

At 31 December 2010:

Principal amount	Maturity *(Note (a))*	Annual coupon rate	*Notes*
RMB44,000,000	19 January 2011	6% or 3.7% or 2%	*(c)*
RMB88,000,000	21 April 2011	6% or 3.5% or 2%	*(c)*
RMB25,000,000	3 June 2011	6% or 3.5% or 2%	*(c)*
RMB45,000,000	8 July 2011	6% or 3.5% or 2%	*(c)*
RMB44,000,000	18 July 2011	6% or 3.5% or 2%	*(c)*
RMB45,000,000	5 August 2011	6% or 3.5% or 2%	*(c)*
RMB45,000,000	4 January 2012	6% or 3.7% or 2.2%	*(c)*

At 31 December 2009:

Principal amount	Maturity *(Note (a))*	Annual coupon rate	*Notes*
RMB50,000,000	1 February 2010	2.75% or 0%	*(b)*
RMB15,000,000	1 June 2010	6% or 3.5% or 2.25%	*(c)*
RMB45,000,000	2 July 2010	6% or 3.65% or 2.25%	*(c)*
RMB44,000,000	13 July 2010	6% or 3.65% or 2.25%	*(c)*
RMB45,000,000	30 July 2010	6% or 3.65% or 2.25%	*(c)*
RMB45,000,000	19 December 2010	6% or 3.7% or 2%	*(c)*

Notes:

(a) Subject to the option for early termination by issuing banks.

(b) The annual coupon rate is dependent on whether the USD 3 months London Inter Bank Offered Rate ("LIBOR") falls within 0% to 8% during the period from inception date to maturity date.

(c) The annual coupon rate is dependent on whether the spot rate for conversion of European dollar for USD as prevailing in the international foreign exchange market falls within ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

22. STRUCTURED DEPOSITS (Cont'd)

At the end of the reporting period, the structured deposits are stated at fair values based on valuation provided by respective counterparties. The fair values are calculated using discounted cash flow analyses based on the applicable yield curves of relevant interest rates and exchange rates.

23. INVENTORIES

	31/12/2010 HK$'000	31/12/2009 HK$'000
Raw materials	159,461	112,907
Work in progress	145,158	111,422
Finished goods	151,166	109,635
	455,785	333,964

24. TRADE RECEIVABLES

	31/12/2010 HK$'000	31/12/2009 HK$'000
Trade receivables	507,393	367,326
Less: Allowance for doubtful debts	(81,964)	(74,490)
	425,429	292,836

The credit terms granted by the Group to its customers normally range from 30 days to 90 days.

The aged analysis of the Group's trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	31/12/2010 HK$'000	31/12/2009 HK$'000
Within 90 days	395,040	284,470
91 to 180 days	27,983	6,203
181 to 360 days	2,126	1,780
Over 360 days	280	383
	425,429	292,836

24. TRADE RECEIVABLES (Cont'd)

The Group has policy of making allowance for bad and doubtful debts which is based on the evaluation of collectability and age of accounts and on management's judgement including credit worthiness and past collection history of each customer. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers are reviewed twice a year.

At the end of the reporting period, trade receivables with an aggregate carrying amount of HK$316,543,000 (31/12/2009: HK$266,926,000) which are neither past due nor impaired for which the management consider these amounts are of good credit quality.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$108,886,000 (31/12/2009: HK$25,910,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as these trade receivables are either settled subsequent to the end of the reporting period or the respective customers have good repayment history. Accordingly, the directors of the Company believe that there is no further provision required in excess of the allowance of doubtful debts as at the end of the reporting period. The average age of these receivables is 61 days (31/12/2009: 64 days).

Ageing of trade receivables which are past due but not impaired:

	31/12/2010 **HK$'000**	31/12/2009 HK$'000
Within 90 days	**93,312**	18,275
91 – 180 days	**13,487**	5,472
181 – 360 days	**1,806**	1,780
Over 360 days	**281**	383
Total	**108,886**	25,910

24. TRADE RECEIVABLES (Cont'd)

Movement in the allowance for doubtful debts

	31/12/2010 HK$'000	31/12/2009 HK$'000
Balance at beginning of the year	74,490	74,502
Exchange adjustment	62	35
Impairment losses recognised on receivables *(Note i)*	8,542	5,716
Amounts written off as uncollectible *(Note ii)*	(746)	(4,515)
Amounts recovered during the year	(384)	(791)
Disposal of subsidiaries	–	(457)
Balance at end of the year	81,964	74,490

Notes:

(i) The impairment losses recognised on receivables are individually trade receivables that are past due at the end of the reporting date and the Group believes that those amounts are unlikely to be recovered based on past collection history and credit worthiness of each customer. The Group does not have any collateral over these balance.

(ii) The amounts written off as uncollectible are individually impaired trade receivable which are in severe financial difficulties.

25. BILLS RECEIVABLE

At the end of the reporting period, bills receivable of HK$38,803,000 (31/12/2009: HK$41,124,000) are aged within 90 days and the remaining amount of HK$899,000 (31/12/2009: HK$22,744,000) are aged between 91 days and 180 days. Included in the bills receivable is approximately HK$29,651,000 (31/12/2009: HK$37,445,000) discounted bills with recourse, which included in bank borrowings in note 32.

26. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

At 31 December 2009, around RMB177 million (equivalent to approximately HK$201 million) included in deposits, prepayments and other receivables were sales proceeds from disposal of property, plant and equipment and prepaid lease payments which have not yet been received. During the year ended 31 December 2010, the amount has been fully received.

27. AMOUNTS DUE FROM AND TO JOINTLY CONTROLLED ENTITIES

The amounts due from and to jointly controlled entities are unsecured, interest free and are repayable on demand. Amounts due to jointly controlled entities are payables for purchases of raw materials and finished goods and aged within 90 days.

28. SHORT-TERM DEPOSITS AND BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 1.8% (31/12/2009: 0.01% to 0.36%) per annum. The short-term deposits carry interest at fixed interest rates ranging from 1.7% to 2.25% (31/12/2009: 1.35% to 4.67%) per annum.

Bank balances are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired. Short-term deposits are deposits with banks with more than three months to maturity when acquired. Both bank balances and short-term deposits are matured within 12 months from the end of the reporting period and are therefore classified as current assets.

29. TRADE PAYABLES AND BILLS PAYABLE

The following is an aged analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	31/12/2010 HK$'000	31/12/2009 HK$'000
Within 90 days	154,814	117,081
91 to 180 days	5,509	8,744
181 to 360 days	1,706	11,529
Over 360 days	4,064	4,714
	166,093	142,068
Accrued purchases	171,484	109,655
	337,577	251,723

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

All bills payable are aged within 90 days.

30. AMOUNT DUE TO AN ASSOCIATE

The amount due to an associate is unsecured, interest-free and is repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2010 HK$'000	31/12/2009 HK$'000	31/12/2010 HK$'000	31/12/2009 HK$'000
Amounts payable under finance leases:				
Within one year	303	344	273	297
In the second year	282	239	255	210
In the third to fifth year inclusive	86	228	78	201
	671	811	606	708
Less: Future finance charges	(65)	(103)	–	–
Present value of lease obligations	606	708	606	708
Less: Amount due for settlement within twelve months (shown under current liabilities)			(273)	(297)
Amount due for settlement after twelve months (shown under non-current liabilities)			333	411

The Group leases certain of its motor vehicles under finance lease. The average lease term is five (31/12/2009: five) years. For the year ended 31 December 2010, the average effective borrowing rate was 6.2% (31/12/2009: 13.6%) per annum. Interest rates are fixed at the contract date.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

32. BANK BORROWINGS AND BANK OVERDRAFTS

	31/12/2010 HK$'000	31/12/2009 HK$'000 (Restated)	1/1/2009 HK$'000 (Restated)
Trust receipt loans	–	908	1,149
Bank loans	1,389,382	989,446	1,183,429
	1,389,382	990,354	1,184,578
Analysed as:			
Secured	54,682	87,500	74,891
Unsecured	1,334,700	902,854	1,109,687
	1,389,382	990,354	1,184,578
Carrying amount repayable*:			
Within one year	1,147,982	908,354	1,007,578
More than one year, but not exceeding two years	236,400	82,000	157,000
More than two years, but not exceeding five years	5,000	–	20,000
	1,389,382	990,354	1,184,578
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	241,400	82,000	177,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's bank overdrafts and bank borrowings carry interest at variable interest rates ranging from 0.95% to 3.07% (31/12/2009: 0.95% to 5.35%) per annum.

At 31 December 2010, the Group undertakes to the banks that structured deposits of HK$374,516,000 (31/12/2009: HK$154,179,000) and short-term deposits of HK$466,933,000 (31/12/2009: HK$250,963,000) are maintained with respective banks during the life of certain bank loans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

33. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Deferred tax assets							
	Unrealised profit arising on intra-group transactions	Bad and doubtful debts	Allowance on obsolete inventories	Unrealised exchange losses	Tax losses	Impairment loss on property, plant and equipment	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	820	951	2,395	256	1,117	1,562	–	7,101
(Charge) credit to profit or loss	(503)	1,073	349	–	(165)	2,635	58	3,447
Disposal of subsidiaries *(note 38)*	–	(98)	(473)	(256)	(947)	–	–	(1,774)
Exchange realignment	–	1	1	–	(5)	–	–	(3)
Effect of change in tax rate dealt with profit or loss	–	134	(720)	–	–	879	–	293
At 31 December 2009	317	2,061	1,552	–	–	5,076	58	9,064
Credit (charge) to profit or loss	128	1,820	440	–	–	9,602	(58)	11,932
Exchange realignment	–	44	1	–	–	462	–	507
At 31 December 2010	**445**	**3,925**	**1,993**	**–**	**–**	**15,140**	**–**	**21,503**

33. DEFERRED TAXATION (Cont'd)

	Deferred tax liabilities								
	Accelerated tax depreciation	Revaluation of investment properties	Revaluation of property and prepaid lease payments transferred to investment property	Unsettled sales proceed on disposal of property, plant and equipment and prepaid lease payments	Withholding tax in respect of undistributed earnings of PRC subsidiaries	Retirement benefits scheme contributions	Interest receivables	Fair value gain on derivative instruments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	1,209	6,188	3,872	23,370	2,158	152	597	16,941	54,487
Charge (credit) to profit or loss	–	719	–	8,986	3,585	–	(96)	–	13,194
Charge to property revaluation reserve	–	–	7,641	–	–	–	–	–	7,641
Disposal of subsidiaries *(note 38)*	–	–	–	–	–	(146)	–	–	(146)
Exchange realignment	5	–	–	–	2	(6)	–	(2)	(1)
Credit to hedging reserve	–	–	–	–	–	–	–	(12,599)	(12,599)
At 31 December 2009	1,214	6,907	11,513	32,356	5,745	–	501	4,340	62,576
Charge (credit) to profit or loss	–	9,470	–	(8,986)	15,261	–	1,852	–	17,597
Reversal upon payment of withholding tax	–	–	–	–	(3,725)	–	–	–	(3,725)
Exchange realignment	(2)	(9)	268	–	–	–	–	–	257
Charge to hedging reserve	–	–	–	–	–	–	–	4,266	4,266
At 31 December 2010	**1,212**	**16,368**	**11,781**	**23,370**	**17,281**	**–**	**2,353**	**8,606**	**80,971**

The ultimate realisation of these deferred tax assets depend principally on certain subsidiaries in the PRC achieving profitability and generating sufficient taxable profits to utilise the underlying deferred tax assets. Based on the taxable profit and loss projections of these businesses, it is more probable that the Group can fully utilise the deferred tax assets recognised. It may be necessary for some or all of these deferred tax assets be reduced and charged to profit or loss if there is a significant adverse change in the projected performance and projected taxable profit of the business.

The Group has estimated tax losses arising in Hong Kong of HK$504,192,000 (2009: HK$521,738,000), tax losses arising in overseas of HK$25,507,000 (2009: HK$51,388,000) and allowance on obsolete inventories of HK$14,136,000 (2009: nil) for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$19 million (2009: HK$139 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

34. PROVISION FOR LONG SERVICE PAYMENTS

	HK$'000
At 1 January 2009	1,770
Amount utilised during the year	(531)
Amount provided during the year	1,709
At 31 December 2009	2,948
Amount utilised during the year	(543)
Amount provided during the year	87
At 31 December 2010	**2,492**

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision represents management's best estimate of the probable future payments which have been earned by the employees from their service to the Group up to the end of the reporting period.

35. SHARE CAPITAL

	Number of shares '000	**Amount** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	1,000,000	100,000
Issued and fully paid:		
At 1 January 2009	319,980	31,998
Shares repurchased and cancelled *(Note)*	(10,846)	(1,085)
At 31 December 2009	309,134	30,913
Shares repurchased and cancelled *(Note)*	(5,912)	(591)
At 31 December 2010	**303,222**	**30,322**

All the issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

35. SHARE CAPITAL (Cont'd)

Note: The Company repurchased its own shares through the Stock Exchange as follows:

Year ended 31 December 2010

Month of repurchase	No. of ordinary shares of HK$0.10 each	Price per share Lowest	Price per share Highest	Aggregate consideration paid
	'000	HK$	HK$	HK$'000
January 2010	50	1.80	1.80	90
February 2010	1,652	1.78	1.90	3,087
April 2010	460	2.73	2.79	1,276
May 2010	2,348	2.73	2.90	6,689
July 2010	182	2.40	2.46	446
September 2010	608	2.90	2.90	1,770
October 2010	538	2.85	2.99	1,605
November 2010	74	2.90	2.90	217
	5,912			15,180

Year ended 31 December 2009

Month of repurchase	No. of ordinary shares of HK$0.10 each	Price per share Lowest	Price per share Highest	Aggregate consideration paid
	'000	HK$	HK$	HK$'000
January 2009	900	1.48	1.58	1,378
February 2009	840	1.38	1.45	1,197
April 2009	546	1.29	1.37	729
May 2009	478	1.38	1.40	671
September 2009	1,962	1.74	1.75	3,449
October 2009	5,120	1.74	1.75	9,002
December 2009	1,000	1.60	1.60	1,608
	10,846			18,034

The above shares were cancelled upon repurchase. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

36. SHARE OPTION SCHEME

The purpose of the share option scheme adopted on 26 March 2002 (the "Scheme") is to enable the Company to grant options to eligible participants, thereby (a) providing alternative recognition of their contributions; (b) strengthening the relationship between the Group and its employees and executives; (c) attracting and retaining key employees and executives; and (d) motivating employees and executives. Eligible participants of the Scheme include the directors of the Company and employees of the Group. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years from date of adoption.

Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and options granted and yet to be exercised under any other schemes will not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the Company's shares in issue at any time. The offer of a grant of share options may be accepted within 28 days from the date of the offer with no consideration being payable by the grantee. The exercisable period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors, but may not be less than the highest of (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option; (2) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the option; and (3) the par value of the Company's shares.

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

No share options were granted under the Scheme during the year nor outstanding as at the end of the reporting period.

37. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2009, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$830,000.

(ii) During the year ended 31 December 2009, a subsidiary of the Company was requested by 杭州市拱墅區城中村改造工程指揮部 to surrender a piece of land in Hangzhou to an independent third party for a cash consideration of HK$70,696,000, of which approximately HK$63,626,000 had not been received at 31 December 2009 and was included in deposits, prepayments and other receivables.

38. DISPOSAL OF SUBSIDIARIES

On 28 October 2009, the Group disposed of its listed subsidiary, Theme International Holdings Limited and certain of its subsidiaries engaged in retailing business (collectively referred to as the "Disposal Group"). The net assets of the Disposal Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	1,648
Inventories	13,692
Trade receivables	3,059
Deposits, prepayments and other receivables	12,232
Deferred tax assets	1,774
Bank balances and cash	148,746
Trade payables	(1,202)
Other payables and accrued charges	(161,974)
Deferred tax liabilities	(146)
	17,829
Non-controlling interests	(6,547)
Exchange loss realised	(6,287)
Direct expenses incurred for disposal of subsidiaries	16,206
Gain on disposal	89,411
Total consideration	110,612
Satisfied by:	
Cash	110,612
Net cash outflow arising on disposal:	
Cash consideration	110,612
Bank balances and cash disposed of	(148,746)
	(38,134)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 32, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. The Group will balance its overall capital structure through the payment of dividends, the share buy-backs, the issue of new shares as well as the issue of new debt or the redemption of existing debt.

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31/12/2010 HK$'000	31/12/2009 HK$'000
Financial assets		
Derivative financial instruments	129,101	37,272
Financial assets at FVTPL	404,706	280,607
Loans and receivables (including cash and cash equivalents)	1,688,168	1,410,749
Available-for-sale investments	675	675
Financial liabilities		
Derivative financial instruments	10,728	14,390
Amortised cost	1,850,348	1,365,949

Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, derivative financial instruments, amounts due from and to jointly controlled entities, structured deposits, short-term deposits, bank balances and cash, trade and bills payables, other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

40. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31/12/2010	31/12/2009	**31/12/2010**	31/12/2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**–**	60,000	**938**	138,384
USD	**186,878**	189,534	**332,173**	393,707

The Group has entered into certain foreign exchange forward contracts as set out in note 21 to hedge against the potential currency exposure arising on the forecast intragroup sales. It is the Group's policy to negotiate the terms of the foreign exchange forward contracts to match the terms of the hedged item to maximise hedge effectiveness.

The Group also entered into certain structured deposits as set out in note 22, of which the coupon rate is dependent on exchange rate of USD and European dollar. The director of the Company considered currency risk arising from structured deposits is insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

40. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Currency risk (Cont'd)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (31/12/2009: 5%) strengthen in the group entities' functional currency against the relevant foreign currencies. 5% (31/12/2009: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, foreign exchange forward contracts, dual currency forward contracts, knock out forward contracts, dual currency knock out forward contracts and capped forward contracts, and adjusts their translation at the end of the reporting period for a 5% (31/12/2009: 5%) change in foreign currency rates and forward exchange rates. A positive/negative number below indicates an increase/decrease in post-tax profit for the year and hedging reserve.

	Impact on HKD		Impact on USD	
	31/12/2010 HK$'000	31/12/2009 HK$'000	**31/12/2010 HK$'000**	31/12/2009 HK$'000
Profit or loss (i)	**(28)**	(3,185)	**(26,328)**	10,688
Hedging reserve (ii)	**75,558**	79,411	**5,059**	5,777

(i) This is mainly attributable to the exposure outstanding on foreign currencies denominated monetary items, foreign exchange forward contracts, dual currency forward contracts, knock out forward contracts, dual currency knock out forward contracts and capped forward contracts at the end of the reporting period, which are not subject to cash flow hedges at year end.

(ii) This is a result of changes in fair value of foreign exchange forward contracts as cash flow hedges in relation to the Group's foreign currency forecast sales.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

40. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate short-term deposits and pledged bank deposits. The Group is also exposed to cash flow interest rate risk relating to the variable rate bank borrowings, structured deposits, derivative financial instruments including receive-floating and pay-fixed interest rate swaps, which mainly concentrated on fluctuation of HIBOR. The management monitors interest rate exposure and consider hedging significant interest rate exposure should the need arise. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rate swaps are designated as effective hedging instruments and hedge accounting is used (see note 21 for details).

Moreover, the Group also entered into a structured deposit as set out in note 22, of which the coupon rate was dependent on LIBOR. The director of the Company considered interest rate risk arising from structured deposit was insignificant.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments. The analysis include the variable rate bank borrowings which assumes borrowings outstanding balances at the end of the reporting period were outstanding for the whole year, and interest rate swaps. A 50 basis point (31/12/2009: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate. The sensitivity analysis below indicates 50 basis points (31/12/2009: 50 basis point) increase in interest rate. A negative number below indicates a decrease in post-tax profit.

	31/12/2010 HK$'000	31/12/2009 HK$'000
Profit or loss (i)	(6,107)	(6,555)
Hedging reserve (ii)	(1,913)	(1,155)

(i) This is mainly attributable to the Group's exposure to interest rates on its variable rate bank borrowings and interest rate swaps not under hedge accounting outstanding at the end of the reporting period.

(ii) This is a result of changes in fair value of interest rate swaps designated as cash flow hedges in relation to the Group's variable rate bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

40. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on the major customers and liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers, spread across geographical areas. In order to minimise the credit risk from the major customers, the term of payment of the major customers are under bank's letter of credit. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2010, the Group has available unutilised banking facilities of approximately HK$3,566 million (31/12/2009: HK$2,244 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

40. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

In addition, the following table details the Group's liquidity analysis for its derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

	Weighted average interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2010 HK$'000
2010						
Non-derivative financial liabilities						
Trade and bills payables	–	337,917	–	–	337,917	337,917
Other payables	–	121,407	–	–	121,407	121,407
Amounts due to jointly controlled entities	–	3	–	–	3	3
Amount due to an associate	–	592	–	–	592	592
Bank overdrafts	1.38	441	–	–	441	441
Bank borrowings	1.38	1,389,382	–	–	1,389,382	1,389,382
Obligations under finance lease	6.2	75	228	368	671	606
		1,849,817	228	368	1,850,413	1,850,348
Derivative – net settlement						
Derivative financial instruments, other than deliverable foreign exchange forward contracts		1,095	9,357	–	10,452	10,452
Derivative – gross settlement						
Deliverable foreign exchange forward contracts						
– inflow	–	–	114,671	–	114,671	114,671
– outflow	–	–	(114,947)	–	(114,947)	(114,947)
		–	(276)	–	(276)	(276)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

40. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

	Weighted average interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2009 HK$'000
2009						
Non-derivative financial liabilities						
Trade and bills payables	–	247,458	24,986	–	272,444	272,444
Other payables	–	97,160	–	–	97,160	97,160
Amounts due to jointly controlled entities	–	4,637	–	–	4,637	4,637
Amount due to an associate	–	595	–	–	595	595
Bank overdrafts	1.57	51	–	–	51	51
Bank borrowings	1.57	990,354	–	–	990,354	990,354
Obligations under finance lease	13.6	86	258	467	811	708
		1,340,341	25,244	467	1,366,052	1,365,949
Derivative – net settlement						
Derivative financial instruments		–	1,032	13,358	14,390	14,390

The following table that details the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand or less than 3 months" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Weighted average interest rate %	**On demand or less than 3 months** HK$'000	**3 months to 1 year** HK$'000	**Over 1 year** HK$'000	**Total undiscounted cash flows** HK$'000
31 December 2010	**1.38**	**1,115,891**	**39,562**	**247,609**	**1,403,062**
31 December 2009	1.57	806,165	108,076	83,688	997,929

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

40. FINANCIAL INSTRUMENTS (Cont'd)

Fair values

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;

- the fair value of foreign exchange forward contracts designated as hedging instruments are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts;

- the fair value of structured deposits are measured using discounted cash flow analyses based on the applicable yield curves of relevant interest rates and exchange rates;

- the fair value of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and

- the fair value of foreign exchange forward contracts, dual currency forward contracts, knock out forward contracts, dual currency knock out forward contracts and capped forward contracts are determined by the discounted cash flow analysis using the applicable yield curve for the duration of the instruments or option pricing models.

The Group's financial instruments that are measured subsequent to initial recognition at fair value include derivative financial instruments are grouped into level 2, which are derived from inputs other than quoted prices (unadjusted) in active market for identical assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

41. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following assets to secure credit facilities granted to the Group.

	31/12/2010 HK$'000	31/12/2009 HK$'000
Trade receivables	75,968	54,080
Bills receivable	29,651	37,445
	105,619	91,525

42. OPERATING LEASES

(a) The Group as lessor

The Group leases its investment properties and subleases certain of its rented shops under operating lease arrangements with average lease term of one to two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payment:

	31/12/2010 HK$'000	31/12/2009 HK$'000
Within one year	12,076	7,744
In the second to fifth years, inclusive	30,562	2,811
Over five years	27,059	–
	69,697	10,555

(b) The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2010 HK$'000	31/12/2009 HK$'000
Within one year	26,905	26,021
In the second to fifth years, inclusive	43,709	20,263
Over five years	5,385	6,517
	75,999	52,801

Operating lease payments represent rental payable by the Group for certain of its office premises, rental shops and factories. Leases are negotiated for terms ranging from one to ten years and rentals are fixed over the lease terms. In addition to the fixed rentals disclosed above, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percentage of the gross sales of the relevant shop.

43. CAPITAL COMMITMENTS

	31/12/2010 HK$'000	31/12/2009 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements	6,902	2,090

44. RETIREMENT BENEFITS SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees of the Group in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of the trustees. The employees of the subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The contributions are charged to the profit or loss as incurred. The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these staff when they retired.

45. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

	2010 HK$'000	2009 HK$'000
Purchases of raw materials and finished goods from jointly controlled entities	22,587	41,129
Sales of raw materials and finished goods to jointly controlled entities	1,422	1,470
Professional fees paid to Wilkinson & Grist *(Note i)*	34	1,018
Training fee paid to Clothing Industry Training Authority *(Note ii)*	188	360
Professional fee paid and brokerage commission paid to Haitong International Finance Company Limited (formerly known as Taifook Finance Company Limited) and Haitong International Capital Limited (formerly known as Taifook Capital Limited) *(Note iii)*	–	5,228

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

45. RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

(i) Mr. Chan Wah Tip, Michael, director of the Company, is a partner of Wilkinson & Grist.

(ii) Professor Yeung Kwok Wing, director of the Company, is a director of Clothing Industry Training Authority.

(iii) Mr. Wong Shiu Hoi, Peter, director of the Company, is an executive director, deputy chairman and managing director of Haitong International Securities Group Limited, the ultimate parent of Haitong International Finance Company Limited and Haitong International Capital Limited.

Compensation of key management personnel

The remuneration of directors and key executive during the year are set out in note 9, which is determined by the remuneration committee having regard to the performance of individuals and market trends.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2010 %	2009 %	
Angel Star Investment Limited	Hong Kong	HK$2 Ordinary HK$2 Non-voting deferred	100 100	100 100	Holding of trademarks
Anway Garment Limited	Hong Kong	HK$2	100	100	Garment trading
August Silk Inc.	USA	US$10	100	100	Marketing and garment trading
Bramead International Inc.	British Virgin Islands ("BVI")/USA	US$1	100	100	Holding of trademarks
Cantabian Limited	Hong Kong	HK$2 Ordinary HK$2 Non-voting deferred	100 100	100 100	Investment holding
Dongguan Dalisheng Fashion Co., Ltd. *(Note 1)*	PRC	HK$28,000,000	100	100	Garment manufacturing
Dongguan Yihao Fashions Limited *(Note 1)*	PRC	HK$20,500,000	100	100	Garment manufacturing
Eminent Garment Limited	Hong Kong	HK$2	100	100	Garment trading

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group 2010 %	2009 %	Principal activities
Guangdong Theme-Huayu Fashion Company Limited *(Note 1)*	PRC	RMB5,000,000	100	100	Garment retailing
High Fashion Accessories and Gifts Limited	Hong Kong	HK$2	100	100	Accessories and gifts trading and manufacturing
High Fashion Apparel Limited	BVI/Hong Kong	US$1,000	100	100	Investment holding
High Fashion August Moon Silk (Shengzhou) Co., Ltd. *(Notes 1 and 2)*	PRC	US$3,600,000	–	100	Silk weaving
High Fashion (China) Co., Ltd. *(Note 1)*	PRC	US$106,865,779	100	100	Dyeing, printing and sandwashing of fabrics and garment manufacturing
High Fashion Commerce Limited	Hong Kong	HK$1	100	100	Provision of procurement and undertaking services
High Fashion Garments Company Limited	Hong Kong	HK$2 ordinary HK$10,000,000 Non-voting deferred	100 100	100 100	Garment trading
High Fashion Garments, Inc.	USA	US$5,000	100	100	Marketing and garment trading
High Fashion Garments Macao Commercial Offshore Limited	Macau	MOP100,000	100	100	Garment trading and agency
HFGML	Hong Kong	HK$20 Ordinary HK$20 Non-voting deferred	100 100	100 100	Provision of management services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2010 %	2009 %	
High Fashion International (USA) Inc.	USA	US$1,800	100	100	Investment holding
High Fashion Knit Company Limited	Hong Kong	HK$2	100	100	Garment trading
High Fashion Knitwear Overseas Limited	Hong Kong	HK$2 Ordinary HK$10,000 Non-voting deferred	100 100	100 100	Garment trading
High Fashion Silk (Zhejiang) Co., Ltd. *(Note 1)*	PRC	US$52,500,000	100	100	Silk weaving
High Fashion (UK) Limited	United Kingdom	GBP20,000	70.5	70.5	Garment trading
Navigation Limited	BVI/Hong Kong	US$1	100	100	Investment holding
Stage II Limited	Hong Kong	HK$800,000	100	100	Garment retailing
The King Garment Limited	Hong Kong	HK$2	100	100	Garment trading
Theme Corporate Fashion (Asia) Limited	Hong Kong	HK$1	100	100	Garment trading
Theme Corporate Fashion (China) Limited	Hong Kong	HK$1	100	100	Investment holding
Theme Corporate Fashion (Overseas) Limited	Hong Kong	HK$1	100	100	Garment trading
Theme Fashion (Singapore) Pte. Ltd.	Singapore	S$100,000	100	100	Garment retailing
Theme Garments (Shenzhen) Company Limited *(Note 1)*	PRC	RMB60,000,000	100	100	Garment retailing and trading

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2010 %	2009 %	
Theme International Holdings (B.V.I.) Limited	BVI	US$10,001	100	100	Investment holding
Theme International Limited	Hong Kong	HK$2 Ordinary	100	100	Garment trading
		HK$1,000,000 Non-voting deferred	100	100	
Xinchang Augustmoon Silk Production Technology Consultant Co., Ltd. *(Notes 1 and 3)*	PRC	US$3,000,000	100	–	Provision of consultancy services of silk production technology
Winsmart Overseas Limited	Hong Kong	HK$2	100	100	Garment trading

Notes:

(1) These companies are registered as a wholly-owned foreign enterprise.

(2) High Fashion August Moon Silk (Shengzhou) Co., Ltd. was deregistered during the year ended 31 December 2010.

(3) Xinchang AugustMoon Silk Production Technology Consultant Co., Ltd. was incorporated during the year ended 31 December 2010.

High Fashion Apparel Limited is a directly held wholly owned subsidiary of the Company. Except High Fashion Apparel Limited, all subsidiaries listed above are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial periods, as extracted from the audited financial statements and reclassified and adjusted as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**2,724,299**	2,271,566	2,598,031	2,554,781	2,253,198
Profit before taxation	**270,981**	192,457	96,904	712,692	104,174
Taxation	**(53,969)**	(35,007)	(18,551)	(157,315)	(19,030)
Profit for the year	**217,012**	157,450	78,353	555,377	85,144
Profit for the year attributable to					
Owners of the Company	**217,012**	165,507	90,635	566,616	85,118
Non-controlling interests	**–**	(8,057)	(12,282)	(11,239)	26
	217,012	157,450	78,353	555,377	85,144

ASSETS AND LIABILITIES

	At 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**4,129,765**	3,367,662	3,478,849	3,311,276	1,787,672
Total liabilities	**(2,276,188)**	(1,728,199)	(1,885,533)	(1,618,396)	(992,765)
	1,853,577	1,639,463	1,593,316	1,692,880	794,907

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Foo Wah
(Chairman and Managing Director)
Ms. So Siu Hang, Patricia

Non-executive Directors

Mr. Chan Wah Tip, Michael
Professor Yeung Kwok Wing

Independent Non-executive Directors

Mr. Woo King Wai
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim

AUDIT COMMITTEE

Mr. Leung Hok Lim *(Chairman)*
Mr. Chan Wah Tip, Michael
Professor Yeung Kwok Wing
Mr. Woo King Wai
Mr. Wong Shiu Hoi, Peter

REMUNERATION COMMITTEE

Mr. Wong Shiu Hoi, Peter *(Chairman)*
Mr. Chan Wah Tip, Michael
Professor Yeung Kwok Wing
Mr. Woo King Wai
Mr. Leung Hok Lim

COMPANY SECRETARY

Ms. Chan Wai Wei, Cynthia

LEGAL ADVISER IN HONG KONG

Wilkinson & Grist

LEGAL ADVISER ON BERMUDA LAW

Conyers Dill & Pearman

AUDITORS

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, High Fashion Centre
1-11 Kwai Hei Street, Kwai Chung
New Territories, Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Westbroke Limited
Clarendon House, Church Street
Hamilton HM11, Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

Bank of America, N.A., Hong Kong Branch
Bank of China (Hong Kong) Limited
Citibank N.A., Hong Kong Branch
CITIC Bank International Limited
Industrial and Commercial Bank of China (Asia) Limited
KBC Bank, Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

Shareholders & Investor Relation Information

RESULTS ANNOUNCEMENT:	
2010 Final	30 March 2011
2010 Interim	26 August 2010
2009 Final	16 April 2010
2009 Interim	21 September 2009
2011 ANNUAL GENERAL MEETING	2 June 2011
CLOSURE OF REGISTER OF MEMBERS	Period from 30 May 2011 to 2 June 2011
DIVIDENDS:	
2010 Final	13 HK cents per share payable on or about 15 June 2011
2010 Interim	5 HK cents per share paid on 27 September 2010
2009 Final & Special	13 HK cents per share paid on 18 June 2010
2009 Interim	3 HK cents per share paid on 19 October 2009
AUTHORISED SHARES	1,000,000,000 shares
ISSUED SHARES	303,221,550 shares (as at 31 December 2010)
BOARD LOT	2,000 shares
PAR VALUE	HK$0.1000
FINANCIAL YEAR END	December 31
STOCK CODE	608
COMPANY WEBSITE	www.highfashion.com.hk
LISTING DATE	4 August 1992