ANNUAL REPORT 2009

YY SPORTS 胜道

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶 勝 國 際 （ 控 股 ） 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code：3813)

CONTENTS

OUR MISSION

As a leading sporting goods competitor in the Greater China Area, Pou Sheng, in cooperation with well-known brands, will strive to provide customers with the greatest satisfaction by manufacturing and distributing high-quality sports and lifestyle products.

OUR MISSION

The Group, led by a team of well-experienced management and riding on its advanced retail management and IT capabilities, will further enhance its existing retail channels in order to maintain its leading edges in scale in the Greater China Region.

Besides, the Group will continuously improve its high-standard customer services and further develop the channel brand of "勝道／YY SPORTS", by which the "勝道／YY SPORTS" will eventually be built as the clients' preferred channel for sports and lifestyle-based products in the Greater China Region.

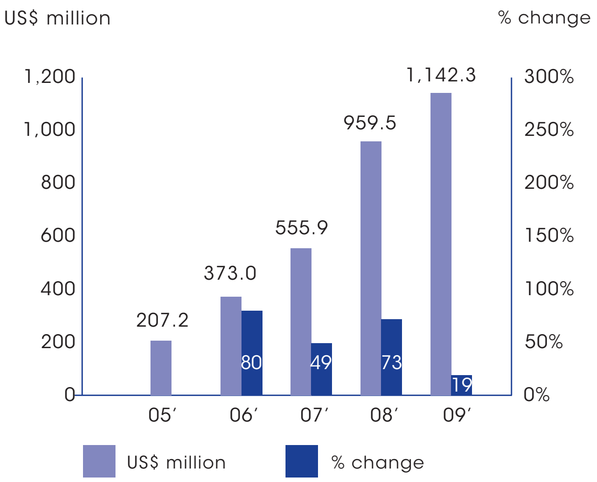
CORPORATE OVERVIEW

THE GROUP'S FINANCIAL HIGHLIGHTS

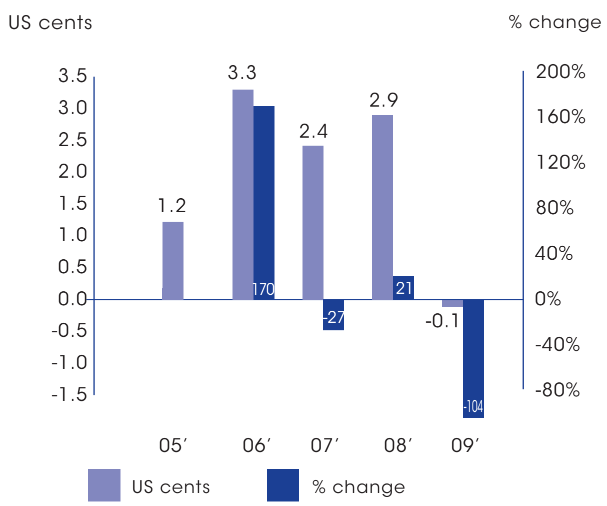
	For the year ended September 30 2009	2008	Percentage increase (decrease)
Revenue *(US$'000)*	1,142,293	959,548	19.1%
(Loss) profit attributable to equity holders of the Company *(US$'000)*	(3,696)	70,024	(105.3)%
Basic (loss) earnings per share *(US cents)*	(0.1)	2.9	(103.5)%

KEY SHAREHOLDER VALUE INDICES

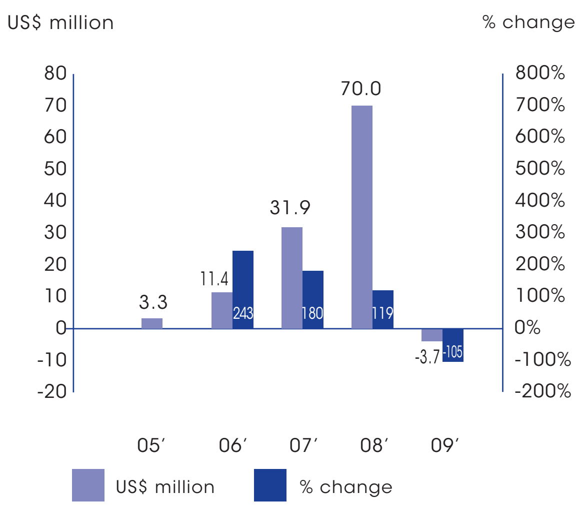
Revenue



Basic (Loss) Earnings Per Share



(Loss) Profit Attributable to Equity Holders of the Company



CORPORATE INFORMATION

DIRECTORS

Non-Executive Directors
Tsai David, Nai Fung *(Chairman)*
Tsai Patty, Pei Chun[1]
Kuo, Li-Lien[3,4]

Executive Directors
Chang Karen Yi-Fen *(Chief Executive Officer)*
Lee Chung Wen
Huang Chun Hua
Lu Ning

Independent Non-Executive Directors
Chen Huan-Chung[3]
Hu Sheng-Yih[3]
Mak Kin Kwong[1,2]
Cheng Ming Fun Paul[1]

Notes:
1 Member of Audit Committee
2 Chairman of Audit Committee
3 Member of Remuneration Committee
4 Chairman of Remuneration Committee

COMPANY SECRETARY

Ng Lok Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suites 3108-11, 31/F., Tower 6,
The Gateway, 9 Canton Road,
Tsim Sha Tsui, Kowloon,
Hong Kong

STOCK CODE

3813 HK

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investors Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISOR

Taifook Capital Limited

SOLICITOR

Richards Butler in association with Reed Smith LLP

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of America, N. A.
Bank of China (Hong Kong) Limited

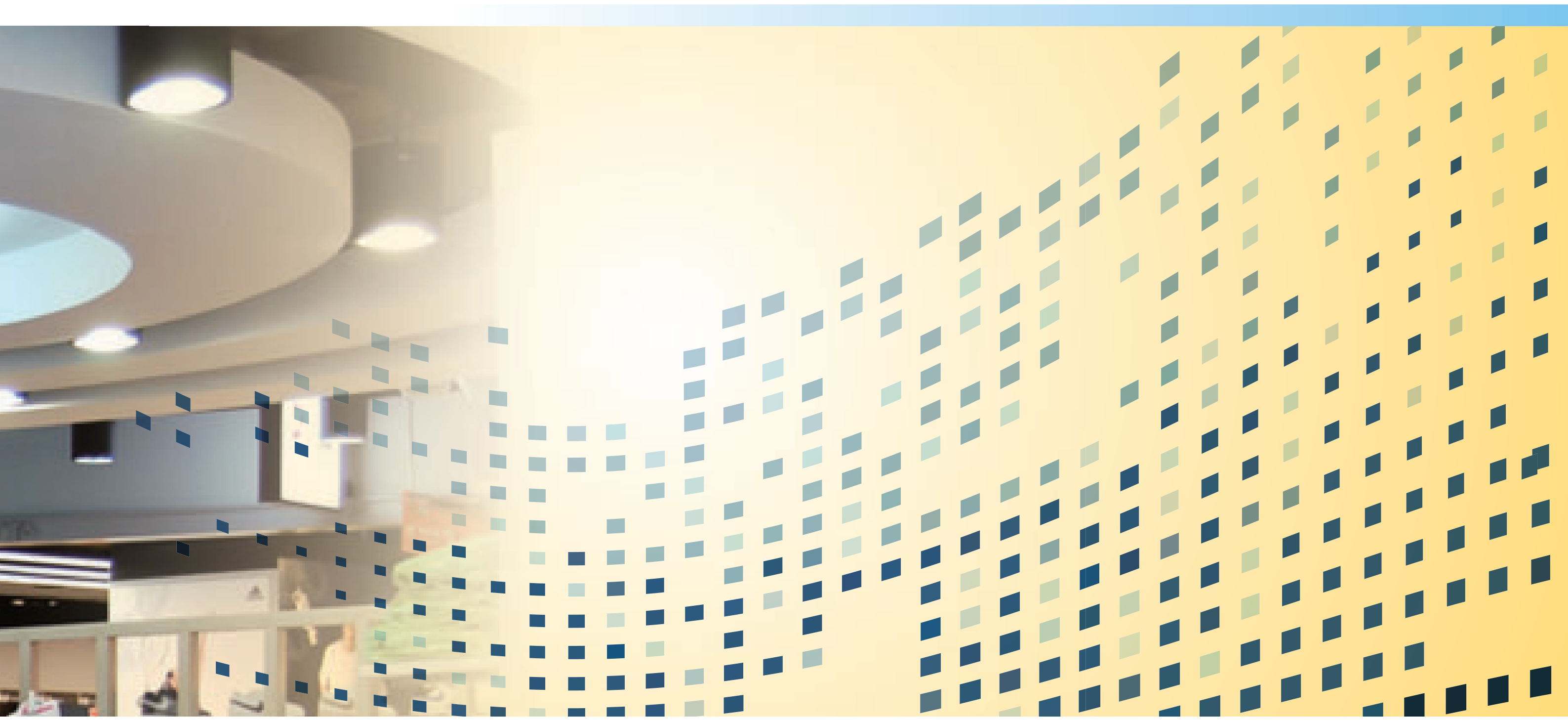
WEBSITE ADDRESS

www.pousheng.com

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company" or "Pou Sheng International"), I hereby present the audited annual results for the year ended September 30, 2009 (the "Year under Review") to the shareholders of the Company.

CHAIRMAN'S STATEMENT



Under the global fluctuating conditions over the year, most industries were impacted. Pou Sheng International exerted itself among the severe competition and recorded a turnover of US$1,142.3 million for the Year under Review, representing a growth of 19.1%. However, the general consumption sentiment changed rapidly under the varying environment, and consequently excess stocks were piled up. The Company implemented specific measures to focus on marketing and liquidating stocks, as well as modifying relationship with several joint venture partners in respect of our operational soundness. As a result, our operating performance was less than optimal. After the non-operating and one-off expenses and provision for impairment losses in total amount US$23.4 million in aggregate, the Group recorded a net loss of US$6.3 million for the Year under Review.

The sportswear industry in the PRC commenced consolidation soon after the success of the Beijing Olympics in September 2008. The growth in sportswear retail networks, which expanded in a fast pace previously under an optimal expectation, experienced a slowdown and hence resulting an increase in inventories and inefficient channels. Due to the resulting slow liquidity, the general consumption growth in the sportswear market in the PRC in 2009 was stagnated as compared to the previous years. Encountering such environment changes, it was a rigid challenge to Pou Sheng International's management as how to master the situation, strengthen our operational soundness in order to maintain our healthy growth. After a thorough analysis of the market, the Group's management adjusted its market objectives and strategies in the beginning of the year, in which the strong essence of enterprise remains as our priority.

CHAIRMAN'S STATEMENT

While enhancing its business growth in 2009, Pou Sheng International has also put great effort in enhancing both the management effectiveness and service quality. We have also stepped up for the building of infrastructures in order to establish a firm basis for the Group's long term growth. Effective from January 1, 2010, the existing Chief Financial Officer, Ms. Chang Karen Yi-Fen, was also appointed as the Chief Executive Officer. With her in-depth understanding of the industry and her passion in works, Ms. Chang will lead every department to utilize resources prudentially and optimize departments' efficiency by way of scientific and quantitative Management by Objectives. We expect to see the reform of Pou Sheng International step by step, where both of its operational soundness and performance are going to be strengthened in 2010.

Looking back in the history, opportunities and challenges always coexist in economic cycles. Vitality of an enterprise is mainly embodied by its management's willpower and intelligence. For Pou Sheng International, 2009 was full of challenges, yet it was also full of opportunities for enterprise reform. In the year ahead, we will:

- adopt proactive policies, innovate new operating model and further expand its retail business so as to ensure a solidified and strengthened business basis and to capture new development opportunities under the current economic condition.

- enhance our retail operational efficiency, which will be our primary management objective in 2010. We will promptly implement new plans in order to improve the operating process flow and costs control.

- further streamline our organizational structure and underline the headquarter's strategic functions, as well as clearly divide duties and responsibilities between headquarter and regional offices in order to improve execution efficiency.

- accelerate cooperation in new brand licensee business.

- continuously reinforce relationship between our Taicang factory and brand customers to further improve production efficiency.

CHAIRMAN'S STATEMENT

As the complete recovery of the global economy is yet to be certain, challenges are still expected ahead. Fortunately, China's economy is believed to maintain a steady growth and China is expected to become the locomotive of the growth in the world's sportswear consumption. We are confident with the market potential in the future, as Pou Sheng International has already completed establishing the overall sales network. Through close cooperation with brands and shopping malls, we will develop much refined retail management skills, enhance logistic efficiency and stringently control inventory management with an aim to assist each regional sales office to timely react to the market changes, followed by improving stock turnover.

In the end, I would like to extend my sincere appreciation to all staff of Pou Sheng International for their efforts in last year. Looking forward, 2010 is still expected to be full of challenges. We will hold to our established principles and, through reorganization, enhance our operational efficiency, control costs, innovate new operating models and improve profits with a view to create reasonable returns to the shareholders of the Company.

TSAI David, Nai Fung
Chairman
January 20, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group

For each of our businesses, the retail business distributes a wide range of sportswear products, including footwear, apparel and accessories, for certain leading international and domestic sportswear brands to end customers through our directly operated retail outlets, and also to retail sub-distributors on a wholesale basis, which in turn sell the products through their retail outlets under our supervision. As part of our strategy to enrich our retail network, brand portfolio and geographic coverage, we have established regional joint ventures in different regions in the PRC with leading local retail players. Those regional joint ventures operate their retail business under a model similar to ours. As at September 30, 2009, we had 2,377 directly operated retail outlets (including those acquired from the acquisition of Farsighted International Limited, the principal asset of which is the entire equity interest in Dalian Dongzhijie Sports Production Development Company ("DZJ"); and the details of the acquisition are disclosed in the announcements of the Company dated January 14, 2009 and July 3, 2009 and the circular of the Company dated February 4, 2009) and 2,913 retail sub-distributors (including those acquired from the abovementioned acquisition of Farsighted International Limited and those reclassified from the PRC Converse) and our regional joint ventures' directly operated retail outlets and retail sub-distributors amounted to 2,206 and 2,241 respectively. The operations of the Group and our regional joint ventures have spanned over substantially all of the provinces in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

For our brand licensee business, we are the exclusive brand licensee for selected international brands, namely Converse, Wolverine and Hush Puppies. The brand licensee agreements we have entered into typically grant us exclusive rights to design, develop, manufacture, market and distribute, and the flexibility to set retail prices of products under the licensed brands in specified geographical locations within the Greater China Region for a specified period of time. Our exclusive brand licensee arrangement with Converse in the PRC has been officially expired on December 31, 2008 as disclosed in the prospectus of the Company dated May 26, 2008 (the "Prospectus"). Starting from January 1, 2009, we have become the exclusive distributor of Converse's products in the PRC until December 31, 2011. We remain as the exclusive brand licensee for Converse in Hong Kong and Macau until December 31, 2010 and in Taiwan until December 31, 2012.

In addition, we manufacture OEM/ODM products for eight brands at our Taicang factory, namely Li Ning, ANTA, XTEP, Umbro, Kappa, 361°, Lotto and Diadora.

To further diversify the types of retail channels and promote our "YY Sports" branding, our property leasing and management business has a dedicated unit that acquires or leases retail stores in shopping malls at attractive locations which contain multiple brands in one single location. These shopping malls are decorated with the full "YY Sports Store" concept which are then sub-divided and leased to the Group's retail business or third parties.

MANAGEMENT DISCUSSION AND ANALYSIS

For our joint venture business, the Group integrates on a continuous basis with the regional joint ventures both on the operational and financial management and system levels in order to achieve blueprint principles which lead the retailers. For the financial year ended September 30, 2009, the performances of most of the regional joint ventures were up to our expectations. The Group has commenced preliminary discussions with certain joint venture partners in relation to potential disposal of the Group's interests in such joint ventures. As at September 30, 2009, impairment losses have been made in respect of the Group's interests in certain joint ventures due to the expectation of loss arising from the anticipated disposals after the balance sheet date. In addition, in consideration of our objectives to expand the Group's retail geographical coverage and to diversify its brand portfolio in a long run, the Group has obtained a written shareholder's approval dated January 13, 2009 from Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), its controlling shareholder, in lieu of holding a general meeting for the acquisition of 70% equity interest in Farsighted International Limited as mentioned above. The acquisition was completed on July 10, 2009, and the relevant financial results of Farsighted International Limited were consolidated into the Group's consolidated financial statements since July 10, 2009, and a revenue of US$61.9 million was recorded during the period. Besides, the Group has also commenced the integration of its frontline business (DZJ had 465 directly operated retail outlets and 779 retail sub-distributors as of September 30, 2009), brand relationship, back-end office and systems. We believe our objectives of acquisition could be achieved in a short term.

FINANCIAL REVIEW

During the financial year ended September 30, 2009, we achieved revenue of US$1,142.3 million, and loss attributable to equity holders of the Company of US$3.7 million (including non-operational/one-off expenses and provision for impairment losses in total amount US$23.4 million), representing an increase and a decrease of 19.1% and 105.3% as compared to the financial year 2008 respectively. The Group's regional joint ventures performed up to our expectation and contributed net profit of US$30.3 million in aggregate for the financial year ended September 30, 2009, representing a decrease of 3.2% as compared to the financial year 2008. Despite the challenging operating environment during the year, we believe the prompt reactions taken to improve the quality of sales channels, days sales of inventory and cash flow instead of compromising for short term profitability will eventually benefit the Group and create competitive advantages as soon as the overall condition becomes stable.

REVENUE

Our consolidated revenue increased by 19.1% to US$1,142.3 million for the financial year ended September 30, 2009 from US$959.5 million for the financial year ended September 30, 2008. This increase was primarily due to the continuing growth in our retail, manufacturing and property leasing businesses, in which the growth in retail business included the acquisition of 70% equity interest in Farsighted International Limited. Excluding such acquisition, the Group's consolidated revenue for the financial year ended September 30, 2009 would have been US$1,080.4 million, representing an increase of 12.6% as compared to US$959.5 million for the financial year ended September 30, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Retail Business

Revenue from our retail business increased by 43.1% to US$954.9 million for the financial year ended September 30, 2009, from US$667.3 million for the financial year ended September 30, 2008. This increase was primarily attributable to factors such as the increase in the number of directly operated retail outlets, expansion of our sub-distributors network, and reclassification of sales of Converse in the PRC from brand licensee to retail business. In addition, the Group completed the acquisition of Farsighted International Limited on July 10, 2009 as mentioned above, and its financial results have been consolidated into the Group's consolidated financial statements since then.

Brand Licensee Business

Revenue from our brand licensee business decreased by 66.7% to US$60.6 million for the financial year ended September 30, 2009, from US$181.7 million for the financial year ended September 30, 2008, which was primarily due to (i) our exclusive brand licensee arrangement with Converse in the PRC expired on December 31, 2008, and such sales have been reclassified as retail business since January 1, 2009; and (ii) the Group's sales of licensee brands, being affected by the general economic and business environment, were lower than our expectations.

Manufacturing Business

Revenue from our manufacturing business increased by 11.8% to US$120.5 million for the financial year ended September 30, 2009, from US$107.8 million for the financial year ended September 30, 2008, which was primarily due to the enhancement of the production capacity of our Taicang factory as we increased the number of production lines from 18 to 19 during the period. Those production lines have been operating in full capacity during the financial year ended September 30, 2009. During the same period, the average sales price for our manufactured products remained relatively stable compared to the last financial year.

Property Leasing and Management Business

Revenue from our property leasing and management business increased by US$3.5 million to US$6.2 million for the financial year ended September 30, 2009, as compared to US$2.7 million for the financial year ended September 30, 2008, which was mainly attributable to the business environment in which the stores operate has become opportune.

COST OF SALES

Our cost of sales increased by 28.2% to US$788.8 million for the financial year ended September 30, 2009, from US$615.2 million for the financial year ended September 30, 2008, which represents a higher increase than that of the revenue. This was primarily due to higher markdowns of our products in order to increase sell-through and reduce the excess inventory level under the challenging business environment.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the aforementioned changes in cost of sales, the Group's gross profit increased by 2.6% to US$353.5 million for the financial year ended September 30, 2009, from US$344.4 million for the financial year ended September 30, 2008, while the overall gross profit margin decreased to 30.9% for the financial year ended September 30, 2009 as compared to 35.9% for the financial year ended September 30, 2008. The decrease in gross profit margin was primarily due to the lower gross profit margin both in our retail business and brand licensee businesses as a result of higher markdowns taken to increase product sell-through. In addition, sales of Converse in the PRC has transited into our retail business as exclusive wholesaler, the gross profit margin under which was lower than that under brand licensee business. The gross profit margin of the Group's retail business and brand licensee business for the financial year ended September 30, 2009 was 30.1% and 42.9% respectively, while the gross profit margin of the manufacturing business stayed relatively stable.

OTHER INCOME

The Group's other income was US$17.8 million for the financial year ended September 30, 2009, as compared to US$27.7 million for the financial year ended September 30, 2008.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the financial year ended September 30, 2009 were US$363.5 million in total, representing an increase of US$76.6 million, or 26.7%, as compared to US$286.9 million for the financial year ended September 30, 2008. The increase was due to: (i) operations and store expansion, which caused the average number of our retail outlets and offices increased as compared to last year; (ii) staff costs increased, primarily due to the increase in number of employees as a result of operations and store expansion, and more frequent promotion activities; (iii) depreciation and amortization expenses increased mainly as a result of the increase of related equipment and store fixture due to operations and store expansion; (iv) the one-off expenses incurred from closure of outlets, mainly attributable to closure or reorganization of non-profitable channels; (v) inventory allowances increased, primarily due to the allowance loss for inventory provided for in accordance to the market condition; and (vi) general expenses increased, primarily due to higher logistic, utilities and office expenses incurred as a result of our geographical and business expansion.

EQUITY-SETTLED SHARE-BASED PAYMENTS

During the financial year ended September 30, 2009, the Group incurred a one-off expense of US$12.5 million in relation to the termination of the Pre-IPO Share Subscription Plan (the "Plan"). Given that the Plan, which was approved by a resolution on May 14, 2008, was no longer attractive to the grantees under the Plan and may incur additional burden to the Company or the grantees, the Group agreed with those existing grantees to terminate all the outstanding subscriptions (details of which are set out in the Company's announcement dated September 4, 2009). Pursuant to the Hong Kong Financial Reporting Standards, the cancellation of the Plan during the vesting period is accounted for as an acceleration of vesting. The amount that would otherwise have been recognised for services received over the remainder of the vesting period is therefore recognised immediately. However, despite of the significant amount of such expenses, it had no influence on the Group's working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

PROVISION FOR IMPAIRMENT LOSSES OF DISPOSAL OF INTERESTS IN JOINTLY CONTROLLED ENTITIES

For the financial year ended September 30, 2009, the impairment losses of approximately US$6.5 million have been made in respect of the Group's interests in certain jointly controlled entities due to the expectation of loss arising from the anticipated disposals after the balance sheet date.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value changes on derivative financial instruments were loss of US$4.4 million for the financial year ended September 30, 2009, turning around from gain of US$8.9 million for the financial year ended September 30, 2008, which were primarily affected by factors such as the general industrial environment and the timing factor of call options, resulting in a lowered aggregate value.

FINANCE COSTS

Our finance costs were US$15.6 million for the financial year ended September 30, 2009, representing a decrease of 11.4% from US$17.6 million for the financial year ended September 30, 2008, primarily as a result of a combination effect of a decrease in the amount of the average monthly outstanding borrowings for the financial year ended September 30, 2009 and the floating interest rates of the banking facilities remained stable during the year.

SHARE OF RESULTS OF ASSOCIATES

Our share of results of associates decreased to US$2.6 million for the financial year ended September 30, 2009 from US$8.0 million for the financial year ended September 30, 2008. The decrease was primarily due to the lower contribution from the associates invested by us. Under the same business environment as us, the associates have put more efforts to liquidate excessive inventories and taken higher markdowns than expected, and consequently, putting more pressure on gross profit.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

Our share of results of jointly controlled entities increased by 18.9% to US$27.7 million for the financial year ended September 30, 2009, from US$23.3 million for the financial year ended September 30, 2008, primarily due to the increased contribution from the 13 jointly controlled entities invested by us. Benefited from their own cost structure, there was less pressure from the general business environment on those jointly controlled entities, and hence more contributions.

In addition, the Group reviews, on a regular basis, the operating strategies of the joint ventures. In certain circumstances, we may discuss with the related joint venture partners about the possibility of disposal of the Group's interests in such joint ventures. The Group is in a discussion with certain joint venture partners in this respect, but no final agreements have been reached during the financial year ended September 30, 2009 and up to the date of this report. Given our intention to dispose of such interests, appropriate impairment losses have been provided for in the financial statements for the financial year ended September 30, 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

(LOSS) PROFIT BEFORE TAXATION

As a result of the factors mentioned above, the Group recorded a loss before taxation of US$0.9 million, representing a decrease of 100.9% as compared to the profit of US$100.5 million for the financial year ended September 30, 2008.

INCOME TAX EXPENSES

Our taxation expense was US$5.3 million for the financial year ended September 30, 2009, representing a decrease of 74.5% from US$20.8 million for the financial year ended September 30, 2008, which was primarily due to a decrease in profit before taxation. Except for certain subsidiaries which enjoyed different preferential tax rate, a statutory tax rate of 25% applied to the rest of the Group.

(LOSS) PROFIT FOR THE YEAR

As a result of the above factors, our loss for the financial year ended September 30, 2009 was US$6.3 million, representing a decrease of US$86.0 million, or 107.9%, from profit of US$79.7 million for the financial year ended September 30, 2008.

MINORITY INTERESTS

Minority interests were deficit of US$2.6 million for the financial year ended September 30, 2009, representing a decrease of US$12.3 million from profit of US$9.7 million for the financial year ended September 30, 2008, which was primarily due to an increase in the losses generated by the non-wholly owned subsidiaries.

WORKING CAPITAL EFFICIENCY

The average inventory turnover days for the financial year ended September 30, 2009 and 2008 were 127.5 days and 107.7 days respectively. The increase was primarily due to the excess inventory stock-up as a result of the deterioration of the general business environment, which we have been tackling proactively with remedial measures, and the inventory level may return to a reasonable level over period of time.

The average trade receivables turnover days for the financial year ended September 30, 2009 and 2008 were 40.4 days and 39.0 days respectively. Average trade receivables turnover days remained consistent with the credit terms of 30 to 45 days that the Group granted to its department store counters and retail distributors.

The average trade and bill payables turnover days for the financial year ended September 30, 2009 and 2008 were 49.4 days and 51.7 days respectively. The average trade and bill payables turnover days decreased as a result of our proactive strategy to match the cash rebate policy offered by the brand companies in exchange for quicker payment for merchandise.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents as at September 30, 2009 decreased by 1.9% to US$179.8 million from US$183.3 million as at September 30, 2008. As at September 30, 2009, the working capital of the Group was US$231.4 million, representing an increase from US$195.8 million as at September 30, 2008.

As at September 30, 2009, the Group's current ratio was 151.1%, as compared to 142.0% as at September 30, 2008, and the gearing ratio (total borrowings divided by total assets) was 21.7%, as compared to 27.4% as at September 30, 2008.

In accordance with the amendment to Hong Kong Accounting Standard 1 as part of the improvement of Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountant in 2008 and effective in 2009, the Group has made reclassification of derivative financial instrument from current asset to non-current asset. As such, the relevant financial information/ratios for the year ended September 30, 2008 aforementioned have been restated/recalculated accordingly.

The Group's total borrowings as at September 30, 2009 decreased by 12.1% to US$274.2 million from US$312.1 million as at September 30, 2008, primarily as a result of repayment of bank borrowings which were matured during the period without extension.

The maturity profile of bank borrowings spread over around a period of one year, with US$253.6 million payable within one year and US$20.6 million payable in more than one year but not exceed three years.

The Group's bank borrowings were denominated mainly in Renminbi and cash and cash equivalents were mainly held in Renminbi as well. The amount of borrowings at fixed interest rates amounted to US$5.9 million as at September 30, 2009.

Our borrowings consisted mainly of short term loans which generally mature within one year and roll over continuously. During the year, other than the offering of Shares for satisfying the cash portion of the Group's acquisition of Farsighted International Limited (details of the acquisition were disclosed in the Company's announcement dated January 14, 2009 and July 3, 2009 and the circular dated February 4, 2009), which was approved by Yue Yuen's written shareholder approval dated January 13, 2009 and was satisfied by the proceeds from a subscription of shares in the Company by Yue Yuen, we believe our liquidity requirement will be satisfied with a combination of the capital generated from operating activities and short term or long term borrowings for the foreseeable future.

For the financial year ended September 30, 2009, net cash inflow from operating activities was US$149.0 million, as compared to net cash outflow of US$139.9 million for the financial year ended September 30, 2008. The improvement of net operating cash inflow for the financial year ended September 30, 2009 reflected our efforts in reorganization of existing channels and liquidity of inventories, as well as the results of our stringent control on procurements.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash used in investing activities during the financial year ended September 30, 2009 was US$98.3 million, as compared to US$134.9 million for the financial year ended September 30, 2008. During the period under review, the Group acquired 70% equity interest in Farsighted International Limited at a cash consideration of approximately US$55.0 million, and invested approximately US$29.1 million on purchases of property, plant and equipment.

Net cash outflow from financing activities during the financial year ended September 30, 2009 was US$52.6 million, as compared to an inflow of US$364.5 million for the financial year ended September 30, 2008. During the period under review, the Group had raised new bank borrowings of US$448.2 million and repaid bank borrowings of US$506.1 million.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at September 30, 2009, the Group had capital commitments of US$2.0 million, and US$1.5 million in respect of acquisition of property, plant and equipment and investments in jointly controlled entities respectively.

As at September 30, 2009, the Group had total contingent liabilities of US$34.8 million in respect of guarantee given to banks regarding the bank facilities granted to jointly controlled entities.

FOREIGN EXCHANGE

The Group conducts its businesses primarily in the PRC with substantially all of its transactions denominated and settled in Renminbi. An appreciation or depreciation between US dollars and Renminbi may result in translation gain or loss in our financial statements as US dollar is used as our reporting currency. As at September 30, 2009, the Group had no significant hedges for the foreign exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Currently, many of the different data and indications illustrate that the macro economy is gradually recovering from its trough. However, as the performance of retail business is largely driven by consumer confidence, results in short term are likely to remain volatile until the population's consumption ability experiences a significant recover. Furthermore, due to accumulative over optimism on the post-Olympic industry outlook, the sportswear industry is encountering unprecedented challenge. As such, the Group will continue to act in accordance with its principle of prudence and implement the following strategies after taking into consideration of the general economic condition, industrial cycle and its own operations so as to proactively strengthen our position as a leading sportswear retailer in the PRC.

- With our commitment to continuous growth, we will focus more on increasing productivity of existing outlets as our major growth driver in the near term. We will prudently expand new outlets to maintain our economy of scales.

- We plan to enhance our operational efficiency by exercising more cost controls, streamlining our organizational structure, and implementing new plans to improve its operating procedures.

- We will further enhance our procurement process enabling more sell-through in order to maintain healthy inventory level. We will continuously identify opportunities to expand its brand licensee business with an aim of enriching its business portfolio and enhancing the growth niche of results in the future.

- We will continue to develop end-to-end supply chain solutions, which we believe can create initiative models that may improve operational efficiency, optimize inventory management and lower capital commitments during the relatively long industry cycle.

HUMAN RESOURCES

As at September 30, 2009, the Group had a total of 27,064 employees. The Group reviews the performance of its employees periodically, which serves as a consideration basis in annual salary review and promotion appraisals. In order to remain competitive in the labor market, we also make reference to remuneration packages offered by peers in the industry. For our senior management, the Group reward its senior management with annual bonus based on various performance criteria. In addition, we also provide other benefits, such as social securities, mandatory retirement funds and medical coverage. The Group also offers training programs to employees based on their personal career development.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE-BASED REMUNERATION SCHEMES

The sole shareholder of the Company approved by resolution on May 14, 2008 the Plan and a share option scheme, details of the principal terms and conditions of which were summarized in the section headed "Share-Based Remuneration Scheme" in Appendix VIII to the Prospectus. Apart from the two plans mentioned above, no invitations have been made. Three of the eleven grantees under the Plan ceased to be grantees as they left the employment of the Group and accordingly their subscription rights automatically lapsed. On September 4, 2009, the Group agreed with the remaining eight grantees to terminate all the existing outstanding subscriptions and released each other from their respective obligations under the subscriptions. Prior to the termination of the Plan, no subscription was made by any eligible participant. The Company will consider other share based incentive programs which are more appropriate in the current circumstances.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DATA OF DIRECTORS

Mr. TSAI David, Nai Fung

TSAI David, Nai Fung, aged 59, is our chairman and non-executive director. Prior to joining the Company in April 2008 and Yue Yuen group in February 1997, he was the chairman of Pou Yuen Industrial Holdings Limited. Mr. Tsai has been participating in the footwear sector over 30 years and is well-known in the industry. Mr. Tsai is the managing director of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"). He is also a director of Pou Chen Corporation ("PCC") and serves as a director of Elitegroup Computer Systems Co., Ltd. (The shares of these two companies are listed on the Taiwan Stock Exchange.) Mr. Tsai is a cousin of Ms. Tsai Patty, Pei Chun, a non-executive director of the Company. Mr. Tsai personally held 3,037,000 shares in the Company as at September 30, 2009.

Mr. LEE Chung Wen

LEE Chung Wen, aged 57, is an executive Director and the Group's chief strategic officer. Prior to joining the Group in January 2002 and the Company in April 2008, Mr. Lee joined Yue Yuen group in August 1988 and served as the executive vice president, responsible for the manufacturing operations of certain major brands in the PRC, Vietnam and Indonesia. Mr. Lee is responsible for the implementation of the overall strategy of the Group. He is the chairman of various retail operating companies in which the Group has investments and is the director of certain subsidiaries of the Group. He graduated from National Taiwan University with a Bachelor of Science in Engineering degree in 1975 and has more than 25 years' experience as a chemical engineer.

Mr. HUANG Chun Hua

HUANG Chun Hua, aged 45, an executive Director. Prior to joining the Group in January 2002 and the Company in April 2008, Mr. Huang joined Yue Yuen group in 1989. He has been serving as the general manager of a retail company of the Group and is the director of certain retail companies in which the Group made investments and is responsible for overseeing the operations of such retail companies. He has also been overseeing the daily operations of the Group's manufacturing facilities at Taicang, PRC and is responsible for the strategic development of the Group's manufacturing business. He is the director of certain subsidiaries of the Group. Mr. Huang has more than 20 years of experience in management and is familiar with the sportswear business in the PRC. He graduated from Zhongnan University of Economics and Law with a Bachelor of Science in Economics degree in 1987.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. TSAI Patty, Pei Chun

TSAI Patty, Pei Chun, aged 30, is a non-executive Director since April 2008. She joined Yue Yuen group in December 2003 as a special assistant to the chairman of PCC and is responsible for the financial planning and investments of Yue Yuen group. She does not participate in the day-to-day operations of the Group. Ms. Tsai graduated from the Wharton School of the University of Pennsylvania in May 2002 with a Bachelor of Science in Economics degree with a concentration in Finance and a College Minor in Psychology. She serves as a board director of Yue Yuen. She was previously a board of director of Mega Financial Holding Company Limited (shares of which are listed on the Taiwan Stock Exchange). Ms. Tsai is a cousin of Mr. Tsai David, Nai Fung, the chairman of the Company. Ms. Tsai personally held 4,460,000 shares in the Company as at September 30, 2009.

Ms. CHANG Karen Yi-Fen

CHANG Karen Yi-Fen, aged 45, is an executive Director and has been serving as the Group's chief financial officer since she joined the Group in October 2007. Ms. Chang has been serving as acting Chairman of Executive Committee overseeing various business units since June 19, 2009 and has been appointed the chief executive officer of the Company with effect from January 1, 2010. Ms. Chang is primarily responsible for the finance related matters of the Group, including financial management and reporting, capital planning and allocation, investor relationships and internal controls of the Group. Save as disclosed in our interim report for the six months ended 31 March 2009 (the "Interim Report 2009"), Ms. Chang has also been appointed as a director of Diodite Limited, a subsidiary of the Company. She has many years of financial management and investment banking experiences gained from working with KPMG in Washington DC and Los Angeles in the U.S., Jardine Fleming, Merrill Lynch and Credit Suisse in Shanghai and Hong Kong. Ms. Chang received a Bachelor degree in Arts in English Literature from Fu-Jen Catholic University in Taiwan in 1986 and a Master of Business Administration degree from the George Washington University in Washington D.C. in the United States in 1988.

Mr. LU Ning

LU Ning, age 42, joined the Company as an executive Director in September 2008 and is the general manager of the Group, being responsible for overseeing the retail operation of certain subsidiaries. Mr. Lu joined the Group in July 1997 as the national sale director of Converse brand in the PRC. In 2002, he acted as vice general manager of Beijing Baosheng Daoji Sports Goods Company Limited (北京寶盛道吉體育用品有限公司), responsible for the development of retail business in northern China. Mr. Lu is responsible for the development and operation of the Group's retail business in the entire PRC. Mr. Lu has over ten years of experience in the retail and wholesale industry in the PRC. Before joining the Group, he worked for Adidas Asia Pacific Guangzhou office as an assistant production manager from 1992 to 1997. Mr. Lu graduated from Beijing Institute Of Clothing Technology (北京服裝學院) in 1989 with a Bachelor degree in Engineering and University of Nanjing in 1996 with a Bachelor degree in Economics.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. KUO, Li-Lien

KUO Li-Lien, aged 53, was appointed as a non-executive Director and chairman of remuneration committee of the Company in March 2009. Ms. Kuo holds a bachelor degree from the School of Law of Soochow University. Ms. Kuo was a senior counselor of Lee and Li, attorneys-at-law, in Taiwan (1997-2008) before she joined PCC in January 2009. Ms. Kuo is the Chief Legal Counsel of PCC and an executive director of Yue Yuen. Save as disclosed in the Interim Report 2009, Ms. Kuo has been appointed as a director of each of Gorgeous Time Limited, Technico Business Group Limited, Pau Yuen Trading Corporation and Pau Zhi Trading Corporation, all are subsidiaries of the Company, during the year.

Mr. CHEN Huan-Chung

CHEN Huan-Chung, aged 54, was appointed as an independent non-executive Director in April 2008. Mr. Chen is an accountant of Wong Tong & Co., CPAS (萬通聯合會計師事務所), a certified public accountant of Taiwan and a certified securities investment analyst of Taiwan. Mr. Chen worked as a deputy manager in E. Sun Bills Finance Corporation of Taiwan (台灣玉山票券金融(股)公司副總經理). He became a certified public accountant of Taiwan in 1992 and a certified securities investment analyst of Taiwan in February 1990. He received a Bachelor degree from the Department of Industrial Management of National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) in June 1983. Mr. Chen also serves as a board director of Global Brands Manufacture Ltd. (精成科技股份有限公司) (shares of which are listed on the Taiwan Stock Exchange).

Mr. HU Sheng-Yih

HU Sheng-Yih, aged 67, was appointed as an independent non-executive Director in April 2008. Mr. Hu is an associate part-time professor at the College of Management, Shih Chien University. He worked as the first deputy general manager of Mega International Commercial Bank and an officer-in-charge of The International Commercial Bank of China (New York Branch) (中國國際商業銀行紐約分行). He received a Master degree in Economics from the Yale University in 1981, a Master and Doctoral degree in Laws from the Chinese Culture University in 1971 and 1977, respectively, and a Bachelor degree in Economics from the National Taiwan University in 1967. Mr. Hu serves as a board director of Global Brands Manufacture Ltd. (精成科技股份有限公司) (shares of which are listed on the Taiwan Stock Exchange). Mr. Hu also serves as independent director of Taiwan Shin Kong Commercial Bank (台灣新光商業銀行) and Shin Kong Securities Co. Ltd. (新壽綜合證券股份有限公司) (Shin Kong Financial Holding Co., Ltd.新光金融控股股份有限公司, the parent company of both Taiwan Shin Kong Commercial Bank (台灣新光商業銀行) and Shin Kong Securities Co. Ltd. (新壽綜合證券股份有限公司), shares of which are listed on The Taiwan Stock Exchange).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. MAK Kin Kwong

Mr. Mak Kin Kwong (麥建光), aged 49, is the managing director of Venfund Investment, a Shenzhen based mid-market M&A investment banking firm specializing in cross-border mergers and acquisitions, corporate restructuring, capital raising and international financial advisory services for Chinese privately-owned clients, which he co-founded in late 2001. Prior to that, Mr. Mak spent 17 years at Arthur Andersen Worldwide where he was a Firm partner and served as the managing partner of Arthur Andersen Southern China in his last position with the Firm. Mr. Mak also serves as an independent non-executive director and audit committee chairman of Trina Solar Limited (天合光能有限公司), China GrenTech Corp. Ltd. (國人通信股份有限公司), Dragon Pharmaceutical Inc. (凱龍藥業股份有限公司) and China Security & Surveillance Technology, Inc. (中國安防技術有限公司), companies listed in the U.S.; Shenzhen Fiyata Holdings Ltd. (深圳市飛亞達(集團)股份有限公司), a company listed in Mainland China; and Huabao International Holdings Ltd. (華寶國際控股有限公司), China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司), Pou Sheng International (Holdings) Limited (寶勝國際(控股)有限公司), Real Gold Mining Limited (瑞金礦業有限公司) and 361 Degrees International Limited (361度國際有限公司), companies listed on the Hong Kong Stock Exchange. Mr. Mak is also the non-executive director of Bright World Precision Machinery Ltd. (沃得精機股份有限公司), a company listed in the Republic of Singapore.

Mr. Mak is a graduate of the Hong Kong Polytechnic University and a fellow member of the Association of Chartered Certified Accountants, UK, and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants, in England and Wales.

Mr. CHENG Ming Fun Paul

CHENG Ming Fun Paul, aged 73, was appointed as an independent non-executive Director in April 2008. Mr. Cheng obtained a Bachelor of Arts degree from Lake Forest College (Illinois, United States) in 1958 and a Master's degree in Business Administration from the Wharton Graduate School of Business at the University of Pennsylvania U.S.A. in 1961. He has been an active corporate leader in Hong Kong and was formerly Chairman of Inchcape Pacific Limited, N.M. Rothschild & Sons (Hong Kong) Limited, the American Chamber of Commerce in Hong Kong and the Hong Kong General Chamber of Commerce. Mr. Cheng was also a former Chairman of The Link Management Limited (shares of which are listed on the Stock Exchange), which manages a portfolio of previously government-owned retail and car parking assets valued at over HK$30 billion from 2005 to 2007. In politics, he was a member of the Hong Kong Legislative Council prior to 1998 and was a member of the preparatory committee appointed by the PRC government to prepare for the reunification of the sovereignty of Hong Kong with the PRC during 1994 to 1998. Mr. Cheng is a Justice of Peace and was decorated "Chevalier de l'order de la Couronne" by the King of Belgium in 1991. He was made an honorary citizen of Nanjing city in the PRC in September 1994 and was appointed an economic adviser to Nanjing. In 2001, he was inducted into the Beta Gamma Sigma chapter of the Hong Kong University of Science and Technology in recognition of his community service and, more recently, he was made an honorary fellow of both the Hong Kong University of Science and Technology and the Chinese University of Hong Kong for his contribution towards education and community service. At present, Mr. Cheng is an honorary steward of the Hong Kong Jockey Club. He serves as Deputy Chairman of Esprit Holdings Limited (shares of which are listed on the Stock Exchange and engaged in the retail and wholesale distribution business of quality lifestyle products), and he is also an independent non-executive director of Vietnam Infrastructure Limited (shares of which are listed on the AIM of the London Stock Exchange) and Pacific Alliance China Land Limited (shares of which are listed on the AIM of the London Stock Exchange).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DATA OF SENIOR MANAGEMENT

Mr. LIN Tien-Te

LIN Tien-Te, aged 52, is the director and general manager of Pau Yuen Trading Corporation (寶原興業股份有限公司) and Pau Zhi Trading Corporation (寶智企業股份有限公司). Mr. Lin is responsible for our brand licensee business. He joined the Group in 2000 as the vice general manager of Guangzhou Baoyuen Industrial & Trading Company Limited (廣州寶元工貿有限公司). He resigned in 2003 and rejoined us in June 2005. Mr. Lin has extensive experience in product development and business operation of sportswear in Taiwan and the PRC. He obtained a Master degree in Business Administration from Yuan Ze University in 2000.

Ms. Chong Yim Kuen

CHONG Yim Kuen, aged 45, is a financial controller responsible for the Group's accounting activities. She is the director of certain Hong Kong subsidiaries of the Group. Before joining the Group in 2008, Ms. Chong had 14 years of accounting experience in Yue Yuen group. She received her Master degree in Administration (Accounting) from Jinan University and later obtained a Bachelor degree in Chinese Medicine from Hong Kong Baptist University. Ms. Chong is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Chartered Association of Certified Accountants in the United Kingdom.

Mr. CHUNG, Philip Yiu Keung

CHUNG, Philip Yiu Keung, aged 58, joined Yue Yuen group in December 1996, serving its PRC subsidiary which engages in sportswear business as the manager responsible for the subsidiary's PRC business. He was promoted as the vice executive general manager of the subsidiary in 2000. In 2005, Mr. Chung was appointed as the general manager of both of the PRC subsidiary and a Yue Yuen group's Hong Kong subsidiary engaging in sportswear business. In 2009, Mr. Chung was appointed as the general manager of the Company's Pau Yuen wholesale department, responsible for our wholesale operation in the PRC, Hong Kong and Taiwan. Mr. Chung is specialized and well experienced in brand operation, business model and marketing in both Hong Kong and the PRC. Mr. Chung has worked with Taiwan Pou Chen International Group (台灣寶成國際集團) and several large companies, specializing in human resources management, factory administration and import/export operation management. Mr. Chung was graduated from the Department of Public Administration at Taiwan National Chengchi University.

Mr. CHANG, Hung-Wen

CHANG, Hung-Wen, aged 43, is our Group VP for International Brand Management. In October 2007, he joined the Group as Deputy General Manager of Pou Yuen, our retail arm. Mr. Chang received a Bachelor degree in Agriculture from the National Taiwan University and later obtained a MBA degree from Leeds University of England. Before joining the Company, Mr. Chang was the Sales Director of Nike Taiwan, and prior to that, he was the Sales Director of Philip Morris Taiwan.

DIRECTORS' REPORT

The Directors have pleasure in presenting the Group's annual report and the audited consolidated financial statements for the year ended September 30, 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are (i) manufacturing and sales of OEM footwear, (ii) retailing of sportswear, (iii) distribution of licensed products and (iv) operation and management of sportswear malls.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended September 30, 2009 are set out in the consolidated income statement on page 51 of the annual report.

The Directors do not recommend the payment of a final dividend for the year.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Details of the principal subsidiaries, associates and jointly controlled entities of the Group as at September 30, 2009 are set out in Notes 42, 43 and 44 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in Note 30 to the consolidated financial statements.

USE OF IPO PROCEEDS

The proceeds of the Company's global offering have been used as follows:

- approximately US$108 million, or approximately 34%, was used to expand the Company's retail network and geographical coverage for the Company's retail and brand licensee businesses, which include the opening of new retail outlets in prime locations of both major and emerging cities, the establishment of alternative retail formats such as sports complexes and multi-brand stores, the purchase of properties complementary to the expansion of its retail network and the acquisition, investment or entering into partnership with leading regional retailers;

- approximately US$128 million, or approximately 41%, was used to repay a portion of the Company's bank borrowings, which include the entire balance of the additional bank borrowings of approximately US$120 million that were raised prior to the listing of the Company for repaying the borrowings due to the minority shareholders of the subsidiaries of Yue Yuen and the subsidiaries of Yue Yuen;

USE OF IPO PROCEEDS (Continued)

- approximately US$51 million, or approximately 16%, was used to repay the bank borrowings that the Company borrowed for the purposes of providing shareholder's loans to some of its Regional Joint Ventures of the Company (as defined in the Prospectus);

- approximately US$16 million, or approximately 5%, was used to pay the cash portion of the call option premium which the Company agreed to provide to some of the Company's Call Option JVs' partners (as defined in the Prospectus);

- approximately US$7 million, or approximately 2%, was used to increase the Company's promotional and marketing activities for the Company's brand licensee business, as well as to further build its "YY Sports" brand through local and national advertising and promotional campaigns and unified branding that will reinforce the customer recognition of the Company as a leading sportswear retailer in the PRC; and

- approximately US$4 million , or approximately 1%, was used to expand our manufacturing capacity at the Taicang factory.

As at September 30, 2009, approximately US$2 million of the proceeds of the Company's global offering was not yet applied but the Company intended to apply such amount for repayment of bank borrowings and business expansion. The un-utilized portion of the proceeds from the Company's global offering has been placed into interest-bearing bank accounts.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in Note 11 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at September 30, 2009, the Company's reserves available for distribution consisted of accumulated losses of approximately US$19.2 million (2008: US$13.1 million) and contributed surplus of approximately US$166.0 million (2008: US$166.0 million).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended September 30, 2009 and up to the date of this report were:

Chairman and non-executive Director

Tsai David, Nai Fung (designated as executive Director on July 10, 2009 and redesignated as non-executive Director again on January 1, 2010)

Vice-Chairman and non-executive Director

Ku Edward, Yu-Sun (deceased on March 30, 2009)

Executive Directors

Chang Karen Yi-Fen
Lee Chung Wen
Huang Tsung Jen (resigned on February 27, 2009)
Lu Ning
Huang Chun Hua

Non-executive Director

Tsai Patty, Pei Chun
Kuo, Li-Lien (appointed on March 31, 2009)

Independent non-executive Directors ("INEDs")

Chen Huan-Chung
Hu Sheng-Yih
Mak Kin Kwong
Cheng Ming Fun Paul

Pursuant to Bye-laws 86(2) and 87 of the Bye-laws of the Company ("Bye-laws"), Ms. Chang Karen Yi-Fen, Mr. Lee Chung Wen, Mr. Huang Chun Hua, Mr. Lu Ning and Ms. Kuo, Li-Lien will retire as Directors at the forthcoming annual general meeting. Save for Mr. Lee Chung Wen, Mr. Huang Chun Hua and Mr. Lu Ning (Mr. Lu Ning resigned as Director with effect from January 31, 2010) who do not offer themselves for re-election as Directors, Ms. Chang Karen Yi-Fen and Ms. Kuo, Li-Lien, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting.

All the non-executive Directors (including INEDs) are appointed for specific terms. All the Directors are also subject to retirement provisions under the Bye-laws.

Pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited (the "Listing Rules"), each of the INEDs has filed an annual confirmation with the Company confirming his independence status with the Company as of September 30, 2009, and the Company considered that all INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 21 to 25.

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

As at September 30, 2009, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position

	Number of ordinary shares					
Name of Director	**Beneficial owners**	**Held by spouse and/or children under 18**	**Held by controlled corporation**	**Held by a discretionary trust**	**Total**	**Percentage of the issued share capital of the Company**
Ordinary shares of HK$0.01 each of the Company						
Tsai David, Nai Fung	3,037,000	-	-	-	3,037,000	0.07%
Tsai Patty, Pei Chun	4,460,000	-	-	-	4,460,000	0.10%

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

The Company recognises the importance of attracting talents and retaining employees by providing them with incentives and rewards through granting share-based incentives. The Company believes that this will align their interests with that of the Company. In this connection, the Company has set up two share-based remuneration schemes, namely share option scheme and the Plan, the details of which are stipulated as follows:

1. Pre-IPO Subscription Plan

On May 14, 2008, the Company adopted the Plan, which is an one-off and close-end scheme under which eligible Directors and employees as stipulated below (the "Grantees") were invited, and they accepted, to subscribe for certain number of shares in the Company (the "Plan Shares") at a subscription price which was 30% below the IPO price of the Company's shares. The subscription price was determined at HK$2.14 per Plan Share.

Name	**Invitation date**	**No. of Plan Shares (5 years plan)** (note i)	**No. of Plan Shares (10 years plan)** (note ii)	**Total**
Directors				
Chang Karen Yi-Fen	May 23, 2008	8,520,000	6,390,000	14,910,000
Huang Chun Hua	May 23, 2008	7,100,000	5,325,000	12,425,000
Lee Chung Wen	May 23, 2008	10,650,000	7,988,000	18,638,000
Lu Ning	May 23, 2008	10,650,000	5,325,000	15,975,000
		36,920,000	25,028,000	61,948,000
Employees	May 23, 2008	34,081,000	28,223,000	62,304,000
		71,001,000	53,251,000	124,252,000

notes:

(i) 20% of the Plan Shares shall be subscribed after each anniversary of the date of invitation.

(ii) 10% of the Plan Shares shall be subscribed after each anniversary of the date of invitation.

Pursuant to the Plan, the latest date for the relevant Grantees to subscribe for Plan Shares under the Plan was June 8, 2009. As at June 8, 2009, no subscription was made by any Grantee and the Board decided not to enforce any of those subscriptions. The Board has also resolved to terminate the Plan in light of the then circumstances having regard to the then performance of the price of the Company's shares.

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES (Continued)

1. Pre-IPO Subscription Plan (Continued)

On September 4, 2009, the Company and all Grantees (except for those who left the Group already and whose subscription rights were lapsed automatically) agreed to terminate all the existing outstanding subscriptions and agreed to release each other from their respective obligations under the Plan so that the Company will not be required to issue new shares and the relevant Grantees will not be required to subscribe for new shares of the Company under the Plan.

Further details of the Plan are set out in Note 37 to the consolidated financial statements.

2. Share Option Scheme

On May 14, 2008, in addition to the Plan, the Company also adopted a share option scheme (the "Scheme") under which the Board may at its discretion grant any eligible participant share options, as it may determine appropriate. The Scheme is valid and effective for a period of ten years commencing on May 14, 2008, after which no further options may be offered or granted.

No share options were granted under the Scheme since its adoption.

Further details of the Scheme are set out in Note 37 to the consolidated financial statements.

Save as disclosed above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at September 30, 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of certain Directors and chief executives, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name of shareholder	Notes	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of interest in the issued share capital of the Company
Major Focus Management Limited ("Major Focus")	(a)	Beneficial interest	2,408,344,622	56.13%
Wealthplus Holdings Limited ("Wealthplus")	(b)	Interest of a controlled corporation	2,408,344,622	56.13%
Yue Yuen	(a),(b)	Beneficial Interest	2,408,344,622	56.13%
PCC	(b)	Interest of a controlled corporation	2,408,344,622	56.13%
Jollyard Investments Limited ("Jollyard")	(c)	Beneficial interest	216,945,000	5.06%
Sitori Trading Limited ("Sitori Trading")	(c)	Interest of a controlled corporation	216,945,000	5.06%
Shih Ching-I	(c)	Interest of a controlled corporation	216,945,000	5.06%

notes:

All the shares are long positions.

(a) 2,408,344,622 shares are held by Major Focus. Major Focus is a wholly-owned subsidiary of Yue Yuen.

(b) PCC is deemed to be interested in these shares under the SFO by virtue of its interests in more than one third of the voting shares in Wealthplus, which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Yue Yuen. Wealthplus is wholly owned by PCC and is interested in approximately 48.17% of the issued share capital of Yue Yuen. Mr. Tsai David, Nai Fung and Ms. Tsai Patty, Pei Chun, who are Directors, are also directors of Wealthplus. Mr. Tsai David, Nai Fung who is a Director is also a director of PCC. Mr. Tsai David, Nai Fung, Ms. Tsai Patty, Pei Chun and Ms. Kuo, Li-Lien who are Directors are also directors of Yue Yuen.

(c) These shares are held by Jollyard. Jollyard is wholly-owned by Sitori Trading, which in turn is wholly-owned by Ms. Shih Ching-I.

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, as at September 30, 2009, the Directors were not aware of any other person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

Three of the Directors, namely Mr. Tsai David, Nai Fung, Ms. Tsai Patty, Pei Chun and Ms. Kuo, Li-Lien, are directors of Yue Yuen. Yue Yuen is the Company's controlling shareholder and whose principal activities are OEM/ODM footwear manufacturing business. As the Company and Yue Yuen are separate listed entities run by separate and independent management, the Directors believe that the Company is capable of carrying on its business independently of, and at arms length from, Yue Yuen.

There is potentially a little competition between the manufacturing business of the Company and Yue Yuen. On May 23, 2008, the Company entered into the business separation deed (the "Business Separation Deed") with Yue Yuen to put in place certain mechanisms to separate the Company's manufacturing businesses from those of Yue Yuen. During the year ended September 30, 2009, there were two new brand owners, namely "Lotto" and "Diadora" (the "New Business"), who asked the Company to manufacture for them. Pursuant to the Business Separation Deed, the Company had obtained the permission from Yue Yuen for engaging in the New Business. The Company confirmed that it complied with the undertakings given by it under the clauses as stipulated in the Business Separation Deed and the independent non-executive Directors are satisfied that this is the case.

Save as described above, as at September 30, 2009, none of the Directors has an interest in any business, which competes or may compete, directly or indirectly with the Group's business.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group conducted the transactions below which constitute non-exempted continuing connected transactions for the Company under the Listing Rules:–

Master Purchase Agreement

On May 23, 2008, the Company entered into a master purchase agreement ("Master Purchase Agreement") with Yue Yuen under which the Company agreed to source footwear and sportswear products and accessories from Yue Yuen and its associates. During the year ended September 30, 2009, subsidiaries of the Company purchased sportswear products of approximately US$0.249 million from substantial shareholder of Yue Yuen.

The exact terms of the purchases are to be set out in individual order. These purchases are (i) between non-PRC members of the Group and the Yue Yuen Group; and (ii) between PRC members of the Group and jointly controlled entities and/or associates of Yue Yuen. The Master Purchase Agreement took effect from the listing date of the Company and will end on September 30, 2010.

As Yue Yuen is a substantial shareholder of the Company, the conduct of transactions as contemplated under the Master Purchase Agreement constitute continuing connected transactions for the Company under the Listing Rules. Under the Master Purchase Agreement, the Company agreed to purchase through its subsidiaries and Yue Yuen agreed to procure its subsidiaries, jointly controlled entities and its associates to sell to members of the Group footwear and sportswear products and/or accessories on the following terms:–

(A) at market price; or

(B) on terms no less favourable to the Company than terms available from third parties.

Financial assistance

Members of the Group advanced certain loans to a 50% owned joint venture company, Hubei Jiezhixing Clothing and Accessories Company Limited (湖北杰之行服飾有限公司) ("Hubei Jiezhixing") as working capital ("Joint Venture Loans"), the outstanding amount of which was approximately US$8.5 million as at September 30, 2009. Hubei Jiezhixing is a connected person of the Company as its other 50% owner is Mr. Qiu Xiaojie (邱小杰) who is a substantial shareholder and a director of a subsidiary of the Company, Hubei Shengdao Sports Goods Company Limited (湖北勝道體育用品有限公司). The provision of the loans to Hubei Jiezhixing therefore constitutes continuing connected transactions of the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Financial assistance (Continued)

The Joint Venture Loans are provided under an entrusted loan arrangement whereby the relevant member of the Group deposits a sum of money ("Deposit Sum") with a commercial bank which will then lend such money to Hubei Jiezhixing. The commercial bank charges a handling fee in respect of the arrangement which is ultimately borne by Hubei Jiezhixing. Interest on the Joint Venture Loans, which cannot exceed or be less than the then highest and lowest rates set by the People's Bank of China, is borne by Hubei Jiezhixing and paid into the bank account of the relevant lending Group Member. As such, all interests and charges associated with the Joint Venture Loans are paid by Hubei Jiezhixing and therefore the effective cost to the lending Group Member is zero. The Joint Venture Loans extended to Hubei Jiezhixing during the year ended September 30, 2009 are for a term of one year.

The Joint Venture Loans are on normal commercial terms which are fair and reasonable and are in the interests of the shareholders as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the purchase transactions with the Yue Yuen Group during the year ended September 30, 2009. The auditor has reported its factual findings on these procedures to the Board. The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and confirmed that the transactions have been entered into by the Group in its ordinary course of business, on normal commercial terms or on terms no less favourable than terms available to or from independent third parties, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Related party transactions entered into for the year are set out in Note 39 to the consolidated financial statements and those transactions falling under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) of the Listing Rules have been disclosed in this report under the section headed "Continuing Connected Transactions".

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DONATIONS

During the year, the Group made charitable and other donations amount to US$0.3 million.

PENSION SCHEME

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme for all its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the schemes which contribution is matched by employees.

The Group contributed approximately US$8.5 million to the above-mentioned schemes for the year ended September 30, 2009.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Aggregate purchases attributable to the Group's largest and five largest suppliers were 18% and 54% of the Group's total purchases respectively.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Director holds more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' REPORT

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted two incentive plans which can be used to motivate and reward its Directors and eligible employees. Details of these plans are set out in Note 37 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 existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended September 30, 2009.

AUDITOR

Messrs. Deloitte Touche Tohmatsu will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Tsai David, Nai Fung
Chairman

Hong Kong, January 20, 2010

CORPORATE GOVERNANCE REPORT

The Board and the management of the Company recognise the importance of maintaining good corporate governance practices and procedures, hence corporate transparency and accountability can be practised. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and thereby enhancing shareholders' value. The Board is committed to achieving a high standard of corporate governance and to leading the Group to grow in an efficient manner directed by the Group's vision and mission.

CORPORATE GOVERNANCE PRACTICES

For the year ended September 30, 2009, the Company has applied the principles of and has complied with all code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for deviation from provision A.2.1 of the Code.

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standards as set out in the Model Code throughout the year ended September 30, 2009.

The Company has also adopted internal guidelines for securities transactions by relevant employees (the "Employees Guidelines") in October 2008 which are based on the Model Code. The Employee Guideline will be updated from time to time according to the Model Code. Specified employees who are likely to be in possession of unpublished price-sensitive information related to the Group and its activities must comply with the Employees Guidelines. For the year ended September 30, 2009, the Company had not found any non-compliance by any such employees.

BOARD OF DIRECTORS

The Board has overall responsibility in formulating the strategic development of the Group, monitoring and controlling the Group's operation and financial performance.

The Group's management is delegated with the authority and responsibility by the Board for the management of the Group. The Board has also established an audit committee (the "Audit Committee") and a remuneration committee (the "Remuneration Committee"). Further details of these committees are provided hereafter.

The Board is made up of eleven Directors, including four executive Directors, three non-executive Directors and four independent non-executive Directors (the "INEDs"). Biographical information of the Directors is set out in this annual report under the heading "Biographical Details of Directors and Senior Management" on pages 21 to 25.

BOARD OF DIRECTORS (Continued)

One of the four INEDs, Mr. Mak Kin Kwong, possesses appropriate professional accounting qualifications and financial management expertise for the purpose of, in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

The Board comprises the following Directors (some of whom also serve other offices as indicated against their names):

Name of Directors	Specific Position
Executive Directors	
Chang Karen Yi-Fen	Chief Executive Officer and Chief Financial Officer
Lee Chung Wen	Chief Strategic Officer
Huang Chun Hua	
Lu Ning	
Non-executive Directors	
Tsai David, Nai Fung#	Chairman
Tsai Patty, Pei Chun	
Kuo, Li-Lien*	Chairman of the Remuneration Committee
Independent Non-executive Directors	
Chen Huan-Chung	
Hu Sheng-Yih	
Mak Kin Kwong	Chairman of the Audit Committee
Cheng Ming Fun Paul	

\# Mr. Tsai David, Nai Fung ceased his office as the Acting Chief Executive Officer and executive Director and remained as Chairman and non-executive Director with effect from January 1, 2010.

* Ms. Kuo, Li-Lien was appointed as Director on March 31, 2009.

Appropriate and sufficient information was provided to each of the Directors to keep abreast of his/her responsibilities as a Director and of the conduct, business activities and development of the Group. Every newly appointed Director received a tailored induction upon his/her first appointment, and subsequently such briefing and professional development as is necessary, to ensure that he or she has a proper understanding of the operations and business of the Group and that he or she is fully aware of his or her responsibilities under applicable legal requirements and the business and corporate governance policies of the Group.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Amongst the Directors, Mr. Tsai David, Nai Fung and Ms. Tsai Patty, Pei Chun are cousins. Save as disclosed herein, to the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

All Directors are free to exercise their individual judgment and non-executive Directors have sufficient calibre to carry out their duties.

The Board believes that the four board meetings held for the year ended September 30, 2009 were adequate to cover all major issues during that period. In any event all Directors were available for consultation by management of the Group from time to time during the year.

Attendance of each Director at board meetings is set out as follows:

Name of Directors	Attendance
Executive Directors	
Lee Chung Wen	4/4
Huang Chun Hua	4/4
Lu Ning	4/4
Chang Karen Yi-Fen	4/4
Non-executive Directors	
Tsai David, Nai Fung#	4/4
Tsai Patty, Pei Chun	4/4
Kuo, Li-Lien*	2/2
Independent Non-executive Directors	
Chen Huan-Chung	4/4
Hu Sheng-Yih	4/4
Mak Kin Kwong	4/4
Cheng Ming Fun Paul	4/4

\# Mr. Tsai David, Nai Fung ceased his office as the Acting Chief Executive Officer and executive Director and remained as Chairman and non-executive Director with effect from January 1, 2010.

* Ms. Kuo, Li-Lien was appointed as Director on March 31, 2009.

BOARD OF DIRECTORS (Continued)

Board Practices

The Board, led by the Chairman, is responsible for approving and monitoring the Group's overall strategies and policies; approving business plans; evaluating the performance of the Group; and overseeing sales and marketing activities of the Group. One of the important roles of the Chairman is to provide leadership to the Board, to ensure that the Board works effectively, discharges its responsibilities, and acts in the best interests of the Group and the shareholders of the Company (the "Shareholders"). The Chairman aims to ensure 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 of the Board meetings. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary. With the support of 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 notice of the board meetings and adequate and reliable information in a timely manner typically not less than three days before the board meeting.

All Directors have made full and active contribution to the affairs of the Board and the Board acts in the best interests of the Group and the Shareholders. Apart from regular board meetings, the Chairman may also occasionally meet with the INEDs to discuss areas of potential improvement.

The company secretary is responsible to the Board for ensuring that procedures of board meetings are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and has regard to them when making decisions. The company secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations.

All Directors have full access to information on the Group and are able to seek independent professional advice whenever necessary. The company secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meetings. Draft and final versions of board minutes are sent to all Directors for their comments within a reasonable time after the board meeting.

The Directors and certain officers of the Group are under insurance cover on Directors' and officers' liabilities in respect of their risk exposure arising from the businesses of the Group.

The management of the Group is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Chief Executive Officer, working with the management team, is responsible for overseeing and 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.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

After the resigning of Mr. Liu Wen Xin as Chief Executive Officer of the Company, Mr. Tsai David, Nai Fung, the Chairman of the Company, assumed the role of acting Chief Executive Officer of the Company on June 19, 2009 on a temporary basis until Ms. Chang Karen, Yi-Fen, the Chief Financial Officer of the Company and executive Director, was appointed as the new Chief Executive Officer of the Company with effect from January 1, 2010. As there was no segregation between the role of the Chairman and Chief Executive Officer of the Company during the period from June 19, 2009 to December 31, 2009, this constituted deviation from provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive officer should be separated and should not be the same individual.

During the period of assuming the dual roles as Chairman and acting Chief Executive Officer of the Company by Mr. Tsai David, Nai Fung, an executive committee consisting of members of the management was formed to oversee different business segments of the Group. Ms. Chang Karen Yi-Fen, the Chief Financial Officer of the Company, was the acting head of the executive committee reporting to Mr. Tsai David, Nai Fung directly. As the Chairman and acting Chief Executive Officer of the Company, Mr. Tsai David, Nai Fung was responsible for the Group's overall management and strategic planning, including sales and marketing activities and on a temporary basis overseeing the overall strategies, planning and day-to-day operation and management of the Group. Since it was on a temporary measure while the Company was actively searching for a replacement to fill in the permanent position of chief executive officer who would be responsible for the day to day operation and management of the Group, the Board does not consider that this structure had impaired the balance of power and authority between the Board and the management of the Company given there is a division of responsibility for each of the individual business operations of the Group.

NON-EXECUTIVE DIRECTORS

All non-executive Directors (including INEDs) are appointed for a specific term. All Directors are also subject to the retirement provisions under Bye-laws 86 and 87 of the Bye-laws.

All non-executive Directors participate in board meeting to bring independent judgment on strategy, policy, performance, accountability, resources, key appointments and standards of conduct; scrutinize the Group's performance in achieving agreed corporate goals and objectives; and monitor the reporting of the Group's performance.

Each of the INEDs has filed an annual confirmation with the Company confirming their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all INEDs meet the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

Directors are appointed, elected and/or removed in compliance with the provisions of the Bye-laws. In accordance with Bye-law 86 of the Bye-laws, Shareholders at general meeting may authorise the Board to fill any vacancy left unfilled. According to Bye-law 86 of the Bye-Laws, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a causal vacancy on the Board or, subject to authorisation in general meeting, as an addition to the Board.

The current nomination procedures for appointment of new Directors would normally take into consideration of the candidates' past experience, qualifications and any other relevant factors. Any Director can recommend and nominate new Directors to the Board. Then, shortlisted candidates with their qualified profiles would be brought to the board meeting for consideration and the Board would select appropriate candidates from qualified candidates.

According to Bye-law 87 of the Bye-laws, one-third of the Directors (or if their numbers are not a multiple of three, the number nearest to but not less than one-third) for the time being shall retire from office by rotation at each annual general meeting of the Company provided that every Director shall be subject to retirement at least once every three years.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS (Continued)

As at the date of this annual report, the Company has not set up a nomination committee. However, one board meeting was held during the year ended September 30, 2009 for appointment of a new director, i.e. Ms. Kuo, Li-Lien. The record of attendance of individual Director is listed out below:

Name of Directors	Attendance
Executive Directors	
Chang Karen Yi-Fen	1/1
Lee Chung Wen	1/1
Huang Chun Hua	1/1
Lu Ning	1/1
Non-executive Directors	
Tsai David, Nai Fung#	1/1
Tsai Patty, Pei Chun	1/1
Kuo, Li-Lien*	0/0
Independent Non-executive Directors	
Chen Huan-Chung	1/1
Hu Sheng-Yih	1/1
Mak Kin Kwong	1/1
Cheng Ming Fun Paul	1/1

\# Mr. Tsai David, Nai Fung ceased his office as the Acting Chief Executive Officer of the Company and executive Director and remained as Chairman of the Company and non-executive Director with effect from January 1, 2010.

* Ms. Kuo, Li-Lien was appointed Director on March 31, 2009.

AUDIT COMMITTEE

The Company has established the Audit Committee in May 2008 with specific written terms of reference, which are available on the Company's website.

The Audit Committee consists of two INEDs, namely Mr. Mak Kin Kwong (Chairman of the Audit Committee) and Mr. Cheng Ming Fun Paul; and one non-executive Director, namely Ms. Tsai Patty, Pei Chun. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee possesses the appropriate professional and accounting qualifications.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (Continued)

Four Audit Committee meetings were held during the year ended September 30, 2009 and the record of attendance of individual member is listed out below:

Name of Directors	Attendance
Mak Kin Kwong (Chairman)	4/4
Cheng Ming Fun Paul	4/4
Tsai Patty, Pei Chun	4/4

Full minutes of the Audit Committee meetings were kept by the company secretary. Draft and final versions of minutes of the Audit Committee meetings were sent to all members of the Audit Committee for their comments within a reasonable time after the meeting.

Functions and Role

The primary functions of the Audit Committee are, inter alias, to assist the Board in fulfilling its responsibilities, to maintain appropriate relationship with external auditors, to review the Group's financial control, internal control and risk management, to review the annual and interim reports and other financial information provided by the Company to its Shareholders, the public and others, and to deal with other matters within the scope of its terms of reference.

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Group.

In discharging its responsibilities, the Audit Committee performed the following work during the year ended September 30, 2009:

(i) reviewed the effectiveness of audit process in accordance with applicable standards;

(ii) reviewed the quarterly, interim and annual results of the Group;

(iii) reviewed the change in accounting principles and policies and assessment of potential impacts on the Group's financial statements;

(iv) reviewed the Group's internal control system and discussed the relevant issues including financial, operational and compliance controls and risk management functions; and

(v) ensured co-ordination between the internal and external auditors of the Group, and ensured that the internal audit function was adequately resourced and reviewed and monitored the effectiveness of the internal audit function, etc.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year under review, the remuneration paid or to be payable to Messrs. Deloitte Touche Tohmatsu, the Company's external auditor, in respect of audit services rendered were approximately HK$4,343,000 and in respect of non-audit services for interim review rendered were approximately HK$1,891,000.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established in May 2008 with specific written terms of reference which define the authority and duties of the committee. The terms of reference are available on the Company's website. The Remuneration Committee consists of one non-executive Director, namely Ms. Kuo, Li-Lien (replaced Mr. Ku Edward, Yu- Sun as the chairman of the Remuneration Committee on March 31, 2009) and two INEDs, namely Mr. Chen Huan-Chung and Mr. Hu Sheng-Yih.

Two meetings of the Remuneration Committee were held during the year ended September 30, 2009. None of the Directors can be involved in determining his or her own remuneration. The record of attendance of individual member is listed out below:

Name of Directors	Attendance
Kuo, Li-Lien* (Chairman)	1/1
Chen Huan-Chung	2/2
Hu Sheng-Yih	2/2

* Ms. Kuo, Li-Lien was appointed Director on March 31, 2009.

Functions and Role

The primary functions of the Remuneration Committee include the determination of remuneration policy, structure and remuneration packages of the Directors and senior management of the Group and the making of recommendations to the Board, and other related matters. In determining the remuneration package of Directors, the Remuneration Committee shall consider the qualifications and experience of each of the executive Directors and also remuneration policy of other comparable listed companies of similar business and size, time commitment and responsibilities of the Directors, employment conditions of the Company and its subsidiaries and the desirability of performance-based remuneration. The Remuneration Committee also ensures that the levels of remuneration should be sufficient to attract and retain the Directors to run the Company successfully but would avoid paying more than is necessary for this purpose. No Directors or any of their respective associates are involved in determining their own remunerations.

In order to attract, retain and motivate talented eligible staff and officers, including the Directors, the Company has adopted the Scheme and the Plan in 2008.

REMUNERATION OF DIRECTORS (Continued)

Functions and Role (Continued)

The Scheme provides incentives to participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole. Details of the Scheme are set out in the Directors' Report and Note 37 to the consolidated financial statements.

As disclosed in the announcement of the Company dated June 8, 2009 (the "Announcement"), the latest date for the relevant grantees to subscribe for new shares of the Company under the first subscription was June 8, 2009. As at June 8, 2009, no subscription was made by any grantee. The Board decided not to enforce any of those subscriptions at the time of the Announcement. The Board has further resolved to terminate the Plan in light of the then circumstances having regard to the performance of the price of the shares of the Company. Details of the termination of the Plan were stipulated in the announcement of the Company dated September 4, 2009.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities with respect to the financial statements of the Group and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group in a timely manner.

The report of the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, with regard to their reporting responsibilities on the Group's financial statements is set out in the Independent Auditor's Report on pages 49 and 50.

The Directors confirm that, to the best of their knowledge, information and belief after, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS AND RISKS MANAGEMENT

The Board has overall responsibilities for introducing and continuously maintaining sound and effective internal control system of the Group and reviewing its adequacy and effectiveness. It is committed to reviewing and implementing effective and sound internal control systems to safeguard Shareholders' interests. The Board has delegated to the management with defined structure and limits of authority, to conduct reviews on and maintenance of all material controls including proper financial and accounting records, operational and compliance and risk management functions as well as the implementation of the internal control system to ensure compliance with relevant legislations and regulations.

The Company has established its own internal audit department for reviewing the effectiveness of the Group's internal control system. The Group's internal control system has been reported by its internal audit department to members of the Audit Committee frequently and has been reviewed annually by the Board to ensure the internal control system remain practical, sound and effective.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain good investor relationship with the Shareholders and potential investors by way of meeting them at annual general meetings, publishing interim and annual reports on the websites of the Company and the Stock Exchange, and releasing timely press releases on the Company's website.

The Company has set up its own website as a means to provide information on the Company to the Shareholders and investors and to communicate with them directly and effectively. Further, the Company's investor relations department is responsible for handling general public relation and investor relation matters. Shareholders are also encouraged to attend the Company' annual general meetings for which a notice would be served with at least 20 clear business days period. The Chairman of the Company and/or the Directors are available to answer questions on the Group's business at the meetings.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pou Sheng International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 139, which comprise the consolidated balance sheet as at September 30, 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to 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 and true and fair presentation of the consolidated financial statements 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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at September 30, 2009 and of its loss 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
January 20, 2010

CONSOLIDATED INCOME STATEMENT

For the year ended September 30, 2009

	Notes	2009 US$'000	2008 US$'000
Revenue	5	1,142,293	959,548
Cost of sales		(788,760)	(615,184)
Gross profit		353,533	344,364
Other income		17,753	27,733
Selling and distribution expenses		(280,328)	(228,615)
Administrative expenses		(83,157)	(58,274)
Finance costs	6	(15,557)	(17,643)
Equity-settled share-based payments	37	(12,521)	(706)
Fair value changes on derivative financial instruments	20	(4,423)	8,945
Share of results of associates		2,614	7,987
Share of results of jointly controlled entities		27,685	23,304
Impairment losses of interest in jointly controlled entities	18	(6,500)	–
Listing expenses		–	(6,631)
(Loss) profit before taxation		(901)	100,464
Income tax expense	7	(5,349)	(20,763)
(Loss) profit for the year	8	(6,250)	79,701
Attributable to:			
Equity holders of the Company		(3,696)	70,024
Minority interests		(2,554)	9,677
		(6,250)	79,701
(Loss) earnings per share	10		
– basic		US (0.1) cent	US 2.9 cents
– diluted		US (0.1) cent	US 2.8 cents

CONSOLIDATED BALANCE SHEET

At September 30, 2009

	Notes	2009 US$'000	2008 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	185,951	169,564
Deposit paid for acquisition of property, plant and equipment	12	4,436	22,447
Prepaid lease payments	13	36,985	15,772
Rental deposits and prepayments		29,455	35,408
Intangible assets	14	73,756	–
Goodwill	15	27,622	2,101
Interests in associates	17	8,099	20,357
Loans to associates	17	7,499	7,304
Interests in jointly controlled entities	18	77,794	65,207
Loans to jointly controlled entities	18	73,613	75,604
Available-for-sale investment	19	1,000	–
Derivative financial instruments	20	55,321	59,744
Deferred tax assets	29	1,215	1,908
		582,746	475,416
CURRENT ASSETS			
Inventories	21	300,447	250,623
Trade and other receivables	22	187,655	217,485
Rental deposits and prepayments		4,791	5,855
Prepaid lease payments	13	1,047	482
Taxation recoverable		761	154
Amounts due from related parties	23	9,225	1,801
Pledged bank deposits	24	–	2,337
Bank balances and cash	25	179,830	183,253
		683,756	661,990

CONSOLIDATED BALANCE SHEET

At September 30, 2009

	Notes	2009 US$'000	2008 US$'000
CURRENT LIABILITIES			
Trade and other payables	26	189,095	151,275
Taxation payable		8,622	6,728
Amounts due to related parties	27	1,088	1,919
Bank borrowings	28	253,589	306,288
		452,394	466,210
NET CURRENT ASSETS		231,362	195,780
TOTAL ASSETS LESS CURRENT LIABILITIES		814,108	671,196
NON-CURRENT LIABILITIES			
Bank borrowings	28	20,652	5,843
Deferred tax liabilities	29	22,880	3,044
		43,532	8,887
NET ASSETS		770,576	662,309
CAPITAL AND RESERVES			
Share capital	30	5,504	4,575
Reserves		748,827	641,141
Equity attributable to equity holders of the Company		754,331	645,716
Minority interests		16,245	16,593
TOTAL EQUITY		770,576	662,309

The consolidated financial statements on pages 51 to 139 were approved and authorised for issue by the Board of Directors on January 20, 2010 and are signed on its behalf by:

Tsai David, Nai Fung	**Cheng Karen Yi-Fen**
CHAIRMAN AND NON-EXECUTIVE DIRECTOR	*CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2009

	Equity attributable to equity holders of the Company											
	Share capital and paid up capital US$'000 (Note 30)	Share premium US$'000	Special reserve US$'000 (note (i))	Other reserve US$'000 (note (ii))	Revaluation reserve US$'000 (note (iii))	Share-based compensation reserve US$'000	Non-distributable reserve US$'000 (note (iv))	Translation reserve US$'000	Accumulated profits US$'000	Total US$'000	Minority interests US$'000	Total US$'000
At October 1, 2007	53,488	30,781	-	-	-	-	6,455	4,899	42,794	138,417	48,972	187,389
Exchange difference arising on the translation of financial statements recognised directly in equity	-	-	-	-	-	-	-	29,932	-	29,932	2,826	32,758
Profit for the year	-	-	-	-	-	-	-	-	70,024	70,024	9,677	79,701
Total recognised income for the year	-	-	-	-	-	-	-	29,932	70,024	99,956	12,503	112,459
Incorporation/establishment of a subsidiary	12,000	-	-	-	-	-	-	-	-	12,000	-	12,000
Arising from the group reorganization	(65,488)	(30,781)	96,269	-	-	-	-	-	-	-	-	-
Issue of shares	1,189	361,254	-	-	-	-	-	-	-	362,443	-	362,443
Issue of shares for acquisition of additional interests in subsidiaries	12	255,865	-	(211,176)	-	-	-	-	-	44,701	(44,701)	-
Transaction costs attributable to issue of new shares	-	(12,507)	-	-	-	-	-	-	-	(12,507)	-	(12,507)
Issue of shares by capitalization of share premium account	3,374	(3,374)	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	706	-	-	-	706	-	706
Dividend paid to a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	(181)	(181)
Transfer	-	-	-	-	-	-	6,878	-	(6,878)	-	-	-
At September 30, 2008	4,575	601,238	96,269	(211,176)	-	706	13,333	34,831	105,940	645,716	16,593	662,309
Exchange difference arising on the translation of financial statements	-	-	-	-	-	-	-	(690)	-	(690)	45	(645)
Revaluation increase upon acquisition of subsidiaries	-	-	-	-	8,108	-	-	-	-	8,108	-	8,108
Net income (expense) recognised directly in equity	-	-	-	-	8,108	-	-	(690)	-	7,418	45	7,463
Loss for the year	-	-	-	-	-	-	-	-	(3,696)	(3,696)	(2,554)	(6,250)
Total recognised income and expense for the year	-	-	-	-	8,108	-	-	(690)	(3,696)	3,722	(2,509)	1,213
Issue of shares for acquisition of subsidiaries	388	41,984	-	-	-	-	-	-	-	42,372	-	42,372
Issue of shares to Yue Yuen	541	49,459	-	-	-	-	-	-	-	50,000	-	50,000
Recognition of equity-settled share-based payments	-	-	-	-	-	12,521	-	-	-	12,521	-	12,521
Cancellation of Pre-IPO Share Subscription Plan	-	-	-	-	-	(13,227)	-	-	13,227	-	-	-
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	2,161	2,161
Transfer	-	-	-	-	-	-	1,942	-	(1,942)	-	-	-
At September 30, 2009	5,504	692,681	96,269	(211,176)	8,108	-	15,275	34,141	113,529	754,331	16,245	770,576

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2009

notes:

(i) The special reserve represents the difference between (I) the nominal value of the share capital issued by the Company and the share premium and (II) the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganization in 2008.

(ii) The other reserve represents the difference between the fair value of the consideration paid and the relevant share of carrying value of the subsidiaries' net assets acquired from the minority interests.

(iii) The revaluation reserve represents the fair value adjustments on intangible assets attributable to the equity interest previously held by the Group at the date of acquisition of subsidiaries. The amount recognised in the revaluation reserve will be transferred to retained earnings upon disposals of these subsidiaries or the relevant assets, whichever is earlier.

(iv) According to the relevant laws in the People's Republic of China ("PRC"), wholly foreign-owned enterprises in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the relevant accounting principles and financial regulations applicable to companies established in the PRC, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any. The non-distributable reserve fund is non-distributable other than upon liquidation.

(v) No dividend was paid or proposed during the year (2008: nil), nor has any dividend been proposed since the balance sheet date.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended September 30, 2009

	Note	2009 US$'000	2008 US$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation		(901)	100,464
Adjustments for:			
Depreciation of property, plant and equipment		33,461	17,746
Release of prepaid lease payments		827	257
Amortisation of intangible assets		1,152	–
Loss on disposal of property, plant and equipment		4,177	766
Allowance for inventories		3,795	297
Impairment loss recognised on trade receivables		35	85
Interest expense		15,557	17,643
Interest income		(3,326)	(4,073)
Recognition of equity-settled share-based payments		12,521	706
Fair value changes on derivative financial instruments		4,423	(8,945)
Share of results of associates		(2,614)	(7,987)
Share of results of jointly controlled entities		(27,685)	(23,304)
Impairment losses of interests in jointly controlled entities		6,500	–
Operating cash flows before movements in working capital		47,922	93,655
Decrease (Increase) in rental deposits and prepayments		7,110	(13,596)
Decrease (Increase) in inventories		16,378	(125,699)
Decrease (Increase) in trade and other receivables		68,571	(110,948)
Increase in trade and other payables		15,177	33,425
Cash from (used in) operations		155,158	(123,163)
Income tax paid		(9,525)	(20,782)
Interest income		3,326	4,073
NET CASH FROM (USED IN) OPERATING ACTIVITIES		148,959	(139,872)
INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	32	(52,131)	–
Purchase of property, plant and equipment		(29,136)	(77,193)
Additions of prepaid lease payments		(22,526)	(10,412)
Acquisition of available for sale investment		(1,000)	–
Increase in deposit paid for acquisition of property, plant and equipment		(298)	(7,880)
Advance to associates		(180)	(6,600)
Investments in associates		(95)	(326)
Dividends received from an associate		90	–
Dividends received from jointly controlled entities		335	–
Repayment of related parties		1,069	20,803
Proceeds from disposal of property, plant and equipment		1,094	1,019
Repayment of (advance to) jointly controlled entities		2,188	(31,841)
Decrease (increase) in pledged bank deposits		2,337	(2,224)
Investments in jointly controlled entities		–	(4,187)
Cash payment of call option premium		–	(16,104)
NET CASH USED IN INVESTING ACTIVITIES		(98,253)	(134,945)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended September 30, 2009

	2009 US$'000	2008 US$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	(506,066)	(400,145)
Repayment of advances from related parties	(29,143)	(116,297)
Interest paid	(15,557)	(19,573)
Proceeds from issue of shares	50,000	328,921
New bank borrowings raised	448,183	572,329
Payment of shares issued expenses	–	(12,507)
Dividend paid to a minority shareholder of a subsidiary	–	(181)
Incorporation/establishment of subsidiaries	–	12,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(52,583)	364,547
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,877)	89,730
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,546)	7,939
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	183,253	85,584
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	179,830	183,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

1. GENERAL INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company is Major Focus Management Limited, a private company incorporated in the British Virgin Islands. The Company's ultimate holding company is Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), an exempted company incorporated in Bermuda with limited liability and its shares are also listed on the Stock Exchange.

The principal operations of the Group are conducted in the People's Republic of China ("PRC"). The consolidated financial statements are presented in United States Dollar ("USD"), which is different from the functional currency of the Company, Renminbi ("RMB"). The Directors consider that presenting consolidated financial statements in USD is preferable when controlling and monitoring the performance and financial position of the Group and in reporting to Yue Yuen whose functional currency is USD.

The Company is an investment holding company. The principal activities of the Group are set out in Note 5.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers

In addition, the Group has already early adopted the amendments to HKAS 1 issued by HKICPA in 2008 as part of the Improvements to HKFRSs. The adoption of these new HKFRSs has resulted in changes to the Group's accounting policy described as below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

As part of Improvements to HKFRSs (2008), HKAS 1 "Presentation of Financial Statements" has been amended to clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" should be presented as current or non-current. The amendment requires derivative financial instruments that are held primarily for trading purposes to be presented as current regardless of their maturity dates. In addition, the amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their settlement dates. Prior to the amendment, the Group presented, as current, all derivative financial instruments (call options) for acquisition of additional interests in subsidiaries, associates and jointly controlled entities, as set out in Note 20, in accordance with HKAS 39. The amendment has had no impact on the Group's results for the reported periods. The amendment has resulted in the derivative financial instruments with an aggregate carrying amount of US$59,744,000 as at October 1, 2008 being reclassified from current to non-current. In addition, at September 30, 2009, derivative financial instruments with an aggregate carrying amount of US$55,321,000 have been presented as non-current based on their maturity dates.

HK(IFRIC) - Int 13 "Customer Loyalty Programmes" affects the accounting of the customer award credits of the Group, YY Sports Membership Award Scheme, where credits awarded to sales is accounted for as a separately identifiable component of the sales transactions. The fair value of the consideration received or receivable is allocated between the award credits and the other components of the sale. The consideration allocated to the award credits is measured by reference to their fair values (i.e. the amount for which the award credits could be sold separately). Prior to the adoption of HK(IFRIC) - Int 13, the revenue is recognised in full and the customer award credits are expensed when the credits are redeemed. This change in accounting policy has been applied retrospectively and the adoption of HK(IFRIC) - Int 13 has had no material effect on the result and financial position of the Group for the current or prior periods.

The adoption of other new HKFRSs has had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

HKFRSs (Amendments) [1A]	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKAS 32 (Amendment)	Classification of Rights Issues[6]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[5]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[7]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[7]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[5]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[9]

[1] Effective for annual periods beginning on or after January 1, 2009 except for HKFRS 5, which is effective for annual periods beginning on or after July 1, 2009

[1A] Except for the amendment to HKAS 1, which has been early adopted during the year

[2] Effective for annual periods beginning on or after January 1, 2009, July 1, 2009 and January 1, 2010, as appropriate

[3] Effective for annual periods beginning on or after January 1, 2009

[4] Effective for annual periods beginning on or after January 1, 2011

[5] Effective for annual periods beginning on or after July 1, 2009

[6] Effective for annual periods beginning on or after February 1, 2010

[7] Effective for annual periods beginning on or after January 1, 2010

[8] Effective for annual periods beginning on or after January 1, 2013

[9] Effective for annual periods beginning on or after July 1, 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

The adoption of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition dates are on or after October 1, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from October 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from October 1, 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated balance sheet. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material effect on the results and the financial position of the Group are prepared.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 income statement 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 on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *HKFRS 3* Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Capitalized goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated balance sheet as an intangible asset.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Changes in equity interest in subsidiaries

The Group regards the acquisition/disposal of partial equity interest of subsidiaries from minority shareholders without changes in control as transactions with equity owners of the Group. When additional equity interest in a subsidiary is acquired, any difference between the consideration paid and the relevant share of the carrying value of the subsidiary's net assets acquired is recorded in equity (other reserve). When partial equity interest in a subsidiary is disposed to minority interest, any difference between the proceeds received and the relevant share of minority interest is also recorded in equity (other reserve).

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a jointly controlled entity.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after assessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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, interests in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. 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. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

Rental income, including rentals invoiced in advance, from land and buildings under operating lease is recognised on a straight line basis over the period of the respective leases.

Interest income from financial assets are 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.

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Construction in progress represents property, plant and equipment in the course of construction for production and for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category 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.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using either the straight line method or reducing balance method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets 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. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment on assets (other than goodwill) below).

Gain or loss arising from derecognition of an intangible asset is measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. 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 and 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.

Financial assets

The Group's financial assets are classified as loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets.

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 and points 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.

Income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value 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 dividend or interest earned on the financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

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 each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at each balance sheet date. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

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 in the portfolio past the average credit period of 30 days to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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.

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 loss 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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.

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

The Group's financial liabilities including trade and other payables, amounts due to related companies 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 cost.

Derivative financial instruments

A derivatives is initially recognised at fair value at the date a derivative contract is entered into and is subsequently remeasured to its fair value at each balance sheet date. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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, 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 directly 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 is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Foreign currencies

In preparing the financial statements of the 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 exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated from their functional currencies into the presentation currency of the Group (i.e. USD) at the rate of exchange prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the relevant foreign operation is disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are recognised as part of the cost of those assets. Capitalization of such borrowing costs ceases when 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 recognition.

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

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 income statement because it excludes items of income and 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 respective balance sheet dates.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition 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 arising on investments in subsidiaries and associates, 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease terms on a straight-line basis.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Retirement benefit scheme

Payments to defined contribution retirement benefit plan, state managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on assets (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. 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, but so 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 periods. A reversal of an impairment loss is recognised as income immediately.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of the subscription rights for shares at a discount under the pre-IPO share subscription plan at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At each balance sheet date, the Group revises its estimates of the number of subscription rights for shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share-based compensation reserve.

At the time when the subscription right for shares are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When the subscription rights for shares are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated profits.

At the time when the subscription right for shares are cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount previously recognised in share-based compensation reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Customer loyalty programmes

The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale. The consideration allocated to the award credits is measured by reference to their fair values (i.e. the amount for which the award credits could be sold separately).

The consideration allocated to award credits is recognised as revenue when award credits are redeemed and it fulfills its obligations to supply awards. The amount of revenue recognised is based on the number of award credits that have been redeemed in exchange for awards, relative to the total number expected to be redeemed.

If at any time the unavoidable costs of meeting the obligations to supply the awards are expected to exceed the consideration received and receivable for them (i.e. the consideration allocated to the award credits at the time of the initial sale that has not yet been recognised as revenue plus any further consideration receivable when the customer redeems the award credits), the entity has onerous contracts. A liability shall be recognised for the excess in accordance with HKAS 37. The need to recognise such a liability could arise if the expected costs of supplying awards increase, for example if the entity revises its expectations about the number of award credits that will be redeemed.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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 judgements, 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Intangible assets with indefinite useful lives

The directors of the Company considered that the brandname of a carrying amount of US$31,731,000 (2008: nil), as detailed in Note 14, for all practical purposes has an indefinite useful life and is therefore not amortised until their useful life is determined to be finite. They are tested for impairment annually.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Estimated impairment of intangible assets

The Group tests whether intangible assets have suffered any impairment whenever there is any indication that the assets may have been impaired. The recoverable amounts of intangible assets have been determined based on their value in use, which have been estimated using discounted cash flow method. The directors consider that the recoverable amount exceeded the carrying amount of the intangible assets and no impairment was recognised during the year. Where the actual future cash flows is different from the amounts estimated when applying the discounted cash flow method, an impairment loss may arise in future years. The carrying amount of intangible assets at the balance sheet date was approximately US$73,756,000 (2008: nil).

(ii) Impairment loss for inventories

The management of the Group reviews the aging of the inventories at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production nor saleable in the market. The management estimates the net realizable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at September 30, 2009, the carrying amount of inventories was US$300,447,000 (2008: US$250,623,000) (net of allowance for inventories of US$8,486,000 (2008: US$2,313,000)).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(iii) Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at September 30, 2009, the carrying amount of trade receivable was US$115,469,000 (2008: US$137,664,000) (net of allowance for doubtful debts of US$349,000 (2008: US$314,000)).

(iv) Fair value of Call Options

Measurements of the fair value of the Call Options require the use of variables and assumptions including (i) the underlying value of the Relevant Equity Interests, (ii) the profitability of the Company and the Relevant Companies and (iii) the share price of the Company. The carrying amount of the derivative financial instruments is US$55,321,000 (2008: US$59,744,000). Details of the measurements of the fair value and assumptions used are disclosed in note 20.

(v) Income taxes

As at September 30, 2009, a deferred tax asset of US$1,215,000 (2008: US$1,908,000) in relation to unused tax losses has been recognised in the Group's consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

5. REVENUE AND SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organized into four operating divisions: (i) manufacturing and sales of OEM footwear ("Manufacturing Business"); (ii) retailing of sportswear ("Retail Business"); (iii) distribution of licensed products ("Brand Licensee Business") and (iv) operation and management of sportswear malls ("Property Leasing and Management").

These divisions are the basis on which the Group reports its primary segment information.

For the year ended September 30, 2009

	Manufacturing Business US$'000	Retail Business US$'000	Brand Licensee Business US$'000	Property Leasing and Management US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales	120,510	954,938	60,601	6,244	–	1,142,293
Inter-segment sales*	–	–	11,447	2,753	(14,200)	–
Total	120,510	954,938	72,048	8,997	(14,200)	1,142,293
RESULTS						
Segment results	11,769	14,967	4,571	(17,367)	–	13,940
Unallocated corporate income						3,326
Unallocated corporate expenses						(9,465)
Finance costs						(15,557)
Equity-settled share-based payments						(12,521)
Fair value changes on derivative financial instruments						(4,423)
Share of results of associates	–	2,614	–	–	–	2,614
Share of results of jointly controlled entities	–	27,685	–	–	–	27,685
Impairment losses of interests in jointly controlled entities	–	(6,500)	–	–	–	(6,500)
Loss before taxation						(901)
Income tax expense						(5,349)
Loss for the year						(6,250)

* Inter-segment sales are charged at prevailing market rates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

5. REVENUE AND SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

At September 30, 2009

	Manufacturing Business US$'000	Retail Business US$'000	Brand Licensee Business US$'000	Property Leasing and management US$'000	Consolidated US$'000
ASSETS					
Segment assets	86,609	619,539	23,337	119,564	849,049
Interests in associates	–	8,099	–	–	8,099
Loans to associates					7,499
Interests in jointly controlled entities	–	77,794	–	–	77,794
Loans to jointly controlled entities					73,613
Unallocated					250,448
					1,266,502
LIABILITIES					
Segment liabilities	13,715	163,003	4,900	4,457	186,075
Unallocated					309,851
					495,926

5. REVENUE AND SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

For the year ended September 30, 2009

OTHER INFORMATION

	Manufacturing Business US$'000	Retail Business US$'000	Brand Licensee Business US$'000	Property Leasing and management US$'000	Consolidated US$'000
Capital additions	4,419	110,084	893	14,100	129,496
Depreciation of property, plant and equipment	4,686	25,163	590	3,022	33,461
Release of prepaid lease payments	26	29	–	772	827
Amortisation of intangible assets	–	1,152	–	–	1,152
Loss on disposal of property, plant and equipment	4	3,867	2	304	4,177
Impairment loss recognised (reversed) on trade receivables	62	(30)	3	–	35
Allowance for inventories	–	3,630	165	–	3,795

5. REVENUE AND SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

For the year ended September 30, 2008

	Manufacturing Business US$'000	Retail Business US$'000	Brand Licensee Business US$'000	Property Leasing and Management US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales	107,835	667,276	181,715	2,722	–	959,548
Inter-segment sales*	–	–	56,489	–	(56,489)	–
Total	107,835	667,276	238,204	2,722	(56,489)	959,548
RESULTS						
Segment results	12,761	34,648	48,459	(5,448)	–	90,420
Unallocated corporate income						4,073
Unallocated corporate expenses						(9,285)
Finance costs						(17,643)
Equity-settled share-based payments						(706)
Fair value changes on derivative financial instruments						8,945
Share of results of associates	–	7,987	–	–	–	7,987
Share of results of jointly controlled entities	–	23,304	–	–	–	23,304
Listing expenses						(6,631)
Profit before taxation						100,464
Income tax expense						(20,763)
Profit for the year						79,701

* Inter-segment sales are charged at prevailing market rates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

5. REVENUE AND SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

At September 30, 2008

	Manufacturing Business US$'000	Retail Business US$'000	Brand Licensee Business US$'000	Property Leasing and management US$'000	Consolidated US$'000
ASSETS					
Segment assets	89,743	452,407	70,194	103,145	715,489
Interests in associates	–	20,357	–	–	20,357
Loans to associates					7,304
Interests in jointly controlled entities	–	65,207	–	–	65,207
Loans to jointly controlled entities					75,604
Unallocated					253,445
					1,137,406
LIABILITIES					
Segment liabilities	13,281	81,028	42,619	3,498	140,426
Unallocated					334,671
					475,097

5. REVENUE AND SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

For the year ended September 30, 2008

OTHER INFORMATION

	Manufacturing Business US$'000	Retail Business US$'000	Brand Licensee Business US$'000	Property Leasing and management US$'000	Consolidated US$'000
Capital additions	14,286	52,038	2,750	10,049	79,123
Depreciation of property, plant and equipment	3,099	12,981	1,115	551	17,746
Release of prepaid lease payments	26	–	28	203	257
(Gain) loss on disposal of property, plant and equipment	(2)	726	–	42	766
Impairment loss recognised on trade receivables	33	52	–	–	85
Allowance (reversal of allowance) for inventories	–	467	(170)	–	297

Geographical segments

Over 90% of the Group's revenue and results were derived from the PRC. Accordingly, no geographical segment analysis is presented for the year.

As at the balance sheet dates, over 90% of the identifiable assets of the Group were located in the PRC. Accordingly, no analysis of the carrying amount of segment assets or additions to property, plant and equipment and intangible assets is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

6. FINANCE COSTS

	2009 US$'000	2008 US$'000
Interest on:		
Bank borrowings wholly repayable within five years	15,557	19,573
Less: amounts capitalized in property, plant and equipment	–	(1,930)
	15,557	17,643

7. INCOME TAX EXPENSE

	2009 US$'000	2008 US$'000
Taxation attributable to the Company and its subsidiaries:		
Current tax :		
Hong Kong Profits Tax (note (i))	399	783
PRC Enterprise Income Tax ("EIT") (note (ii))	4,091	19,780
Overseas income tax (note (iii))	812	1,589
Under(over)provision in prior years:		
PRC EIT	220	(2,525)
	5,522	19,627
Deferred taxation (Note 29)	(173)	1,136
	5,349	20,763

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the year.

7. INCOME TAX EXPENSE (Continued)

Notes: (Continued)

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except for the followings:

(a) Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. These tax holidays and concessions expire between 2008 and 2010.

(b) Pursuant to《國家稅務總局關於落實西部大開發有關稅收政策具體實施意見的通知》, the relevant state policy and with approval obtained from tax authorities in charge, certain subsidiaries which are located in specified provinces of Western China and engaged in a specific encouraged industry are subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeds 70% of its total revenue in a fiscal year.

(c) Pursuant to Income Tax Law of the PRC, Yue Sheng (Kunshan) Sports Goods Co. Ltd. ("Yue Sheng (Kunshan)"), a principal subsidiary of the Company operating in an approved economic and technology development zone of the PRC, was entitled to a preferential income tax rate of 15% before year 2008 and is exempted from 3% local income tax, when its annual revenue from manufacturing business exceeds 50% of its total revenue in a fiscal year.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprises Income Tax (Guofa [2007] No. 39), the tax rate of the entity that previously enjoyed the tax preferential treatment as set out in (c) above is to be increased progressively to 25% over a five year period. The tax holidays and concessions from EIT entitled as set out in (a) above continue to be applicable until the end of the five year transitional period under the Law of the PRC on Enterprise Income Tax (the "New Law"). The preferential treatment set out in (b) above continues on the implementation of the New Law.

For entities which were entitled to unutilised tax holidays (including two-year exemption and three-year half rate) under the then existing preferential tax treatments, the unutilised tax holiday are allowed to be carried forward to 2008 and future years until their expiry. However, if an entity has not yet commenced its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards.

(iii) Overseas

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

7. INCOME TAX EXPENSE (Continued)

The tax charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2009 US$'000	2008 US$'000
(Loss) profit before taxation	(901)	100,464
Tax at domestic tax rates applicable to profits of taxable entities in the countries concerned (note)	(671)	25,207
Tax effect of share of results of associates and jointly controlled entities	(7,575)	(7,860)
Tax effect of expenses not deductible for tax purposes	9,926	5,449
Tax effect of income not taxable for tax purposes	(464)	(2,466)
Effect of tax holidays granted to PRC subsidiaries	(1,834)	(1,117)
Effect of tax loss not recognised	6,325	–
Utilisation of tax losses previously not recognised	–	(27)
Under(over)provision in respect of PRC EIT in prior years	220	(2,525)
Deferred tax on undistributed earnings of PRC's subsidiaries, associates and jointly controlled entities derived since January 1, 2008	(578)	3,044
Tax effect of income subject to tax rates prior to the adoption of New Law	–	1,058
Tax charge for the year	5,349	20,763

Note: As the Group operates in several different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

8. (LOSS) PROFIT FOR THE YEAR

	2009 US$'000	2008 US$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (Note 9)	10,347	2,304
Retirement benefit scheme contributions, excluding directors	8,528	4,002
Equity-settled shares-based payments, excluding directors	4,998	338
Other staff costs	114,129	98,405
Total staff costs	138,002	105,049
Auditor's remuneration	560	560
Depreciation of property, plant and equipment	33,461	17,746
Release of prepaid lease payment	827	257
Amortisation of intangible assets	1,152	–
Loss on disposal of property, plant and equipment	4,177	766
Impairment loss recognised on trade receivables	35	85
Allowance for inventories	3,795	297
Costs of inventories recognised as an expense	788,760	615,184
Research and development expenditure recognised as an expense	1,878	1,867
Interest income from banks	(1,415)	(1,643)
Interest income from associates	(49)	(124)
Interest income from jointly controlled entities	(1,862)	(2,306)
Cash discounts from suppliers	(4,361)	(14,079)
Income from store displays and related items	(285)	(4,181)
Net exchange gain	(1,423)	(2,547)
Share of taxation of associates (included in share of results of associates)	1,060	2,053
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	9,349	7,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of emoluments of each of the thirteen (2008: twelve) individual directors are set out as follows:

	Fees US$'000	Salaries and other allowances US$'000	Bonus US$'000 (note i)	Retirement benefit scheme contributions US$'000	Equity-settled share-based payment US$'000	Total US$'000
For the year ended September 30, 2009						
Executive directors:						
Tsai David, Nai Fung (note ii)	–	–	–	–	–	–
Huang Tsung Jen (note iii)	–	141	766	–	–	907
Lee Chung Wen	–	150	303	–	2,268	2,721
Huang Chun Hua	–	119	307	–	1,512	1,938
Chang Karen Yi-Fen	–	122	200	2	1,815	2,139
Lu Ning	–	184	366	4	1,928	2,482
Non-executive directors:						
Tsai David, Nai Fung (note ii)	–	–	–	–	–	–
Kuo, Li-Lien (note iv)	–	18	–	–	–	18
Ku Edward, Yu-Sun (note v)	–	–	–	–	–	–
Tsai Patty, Pei Chun	–	–	–	–	–	–
Independent non-executive directors:						
Chen Huan-Chung	32	–	–	–	–	32
Hu Sheng-Yih	32	–	–	–	–	32
Mak Kin Kwong	39	–	–	–	–	39
Cheng Ming Fun Paul	39	–	–	–	–	39
	142	734	1,942	6	7,523	10,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Fees US$'000	Salaries and other allowances US$'000	Bonus US$'000 (note i)	Retirement benefit scheme contributions US$'000	Equity-settled share-based payment US$'000	Total US$'000
For the year ended September 30, 2008						
Executive directors:						
Huang Tsung Jen (note iii)	–	395	538	–	–	933
Lee Chung Wen	–	150	203	–	106	459
Huang Chun Hua	–	88	191	–	71	350
Chang Karen Yi-Fen	–	118	200	2	85	405
Lu Ning	–	3	–	–	106	109
Non-executive directors:						
Tsai David, Nai Fung (note ii)	–	–	–	–	–	–
Ku Edward, Yu-Sun (note v)	–	–	–	–	–	–
Tsai Patty, Pei Chun	–	–	–	–	–	–
Independent non-executive directors:						
Chen Huan-Chung	11	–	–	–	–	11
Hu Sheng-Yih	11	–	–	–	–	11
Mak Kin Kwong	13	–	–	–	–	13
Cheng Ming Fun Paul	13	–	–	–	–	13
	48	754	1,132	2	368	2,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) Bonus is recommended by the Remuneration Committee and is decided by the board of directors, having regard to the Group's operating results, individual performance and comparable market statistics.

(ii) Mr. Tsai resigned as non-executive director and redesignated as executive director on July 10, 2009 until January 1, 2010 when he redesignated as non-executive director again.

(iii) Mr. Huang resigned as executive director on February 27, 2009.

(iv) Ms. Kuo was appointed as non-executive director on March 31, 2009.

(v) Mr. Ku deceased on March 30, 2009.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group for the year ended September 30, 2009, five (2008: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining two individuals for the year ended September 30, 2008 were as follows:

	2008 US$'000
Salaries and other allowances	325
Bonus	773
	1,098

Their emoluments were within the following bands:

	2008 Number of employees
HK$3,500,001 to HK$4,000,000	1
HK$5,000,001 to HK$5,500,000	1
	2

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share for the year is based on the following data:

	2009 US$'000	2008 US$'000
(Loss) earnings:		
(Loss) profit for the year attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	(3,696)	70,024

	2009	2008
Number of shares:		
Number of ordinary shares for the purpose of basic (loss) earnings per share	3,726,010,762	2,453,445,393
Effect of dilutive potential ordinary shares: Pre-IPO Share Subscription Plan (Note 37)	–	44,472,710
Number of ordinary shares for the purpose of diluted (loss) earnings per share	3,726,010,762	2,497,918,103

The weighted average number of shares for the year ended September 30, 2008 has been retrospectively adjusted for the effect of the Group reorganization and the capitalization of share premium in May 2008 as set out in the prospectus of the Company dated May 26, 2008.

The computation of diluted loss per share for the year ended September 30, 2009 does not assume the exercise of the Group's outstanding Plan Shares (as defined in Note 37) under the Pre-IPO Share Subscription Plan as the subscription price of those Plan Shares are higher than the average market price of the Company for the year prior to its termination on September 4, 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Office and shopping mall buildings US$'000	Factory buildings and warehouses US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Furniture, fixture and equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
COST									
At October 1, 2007	8,020	19,727	33,931	14,015	27,155	16,256	1,702	9,041	129,847
Exchange realignment	773	2,324	931	1,440	2,787	1,328	135	1,095	10,813
Additions	-	9,720	663	2,206	27,784	7,519	583	30,648	79,123
Transfer	-	-	10,809	-	-	-	-	(10,809)	-
Disposals	-	-	-	-	(2,698)	(1,098)	(158)	-	(3,954)
At September 30, 2008	8,793	31,771	46,334	17,661	55,028	24,005	2,262	29,975	215,829
Exchange realignment	24	97	80	200	88	92	6	22	609
Additions	-	6,819	-	1,056	26,265	4,323	563	8,419	47,445
Acquired on acquisition of subsidiaries	-	-	-	-	5,999	970	240	-	7,209
Transfer	-	-	35,787	-	-	-	-	(35,787)	-
Disposals	-	-	-	(5)	(7,955)	(951)	(155)	-	(9,066)
At September 30, 2009	8,817	38,687	82,201	18,912	79,425	28,439	2,916	2,629	262,026
DEPRECIATION									
At October 1, 2007	114	-	3,918	2,591	16,022	4,570	576	-	27,791
Exchange realignment	18	50	471	396	1,554	341	67	-	2,897
Provided for the year	186	438	1,938	971	11,756	2,121	336	-	17,746
Eliminated on disposals	-	-	-	-	(1,508)	(584)	(77)	-	(2,169)
At September 30, 2008	318	488	6,327	3,958	27,824	6,448	902	-	46,265
Exchange realignment	1	2	2	7	121	6	5	-	144
Provided for the year	173	813	2,687	1,546	23,649	4,105	488	-	33,461
Eliminated on disposals	-	-	-	(1)	(3,104)	(603)	(87)	-	(3,795)
At September 30, 2009	492	1,303	9,016	5,510	48,490	9,956	1,308	-	76,075
CARRYING VALUE									
At September 30, 2009	8,325	37,384	73,185	13,402	30,935	18,483	1,608	2,629	185,951
At September 30, 2008	8,475	31,283	40,007	13,703	27,204	17,557	1,360	29,975	169,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

In the opinion of the directors, the land and building element of certain of the Group's properties in the PRC cannot be allocated reliably. Accordingly they are presented on a combined basis as land and buildings as above.

All buildings, office and shopping mall buildings and factory building are erected on land with medium-term land use rights in the PRC. As at September 30, 2009, buildings with an aggregate carrying value of approximately US$2,906,000 (2008: US$31,282,000) were erected on land for which formal titles have not been granted to the Group.

The above items of property, plant and equipment are depreciated at the following rates per annum:

Leasehold land and buildings/office and shopping mall buildings/ factory buildings and warehouses	Over 20 years to 50 years, or shorter of the lease terms of the relevant land, where appropriate (straight line method)
Plant and machinery	5% – 15% (straight line method)
Leasehold improvements	10% – 50% (reducing balance method or shorter of the lease term)
Furniture, fixture and equipment	20% – 30% (reducing balance method)
Motor vehicles	20% – 30% (reducing balance method)

12. DEPOSIT PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Details of the related capital commitment are set out in Note 35.

13. PREPAID LEASE PAYMENTS

	2009 US$'000	2008 US$'000
The carrying amount of the Group's prepaid lease payments are analyzed as follows:		
Non-current assets	36,985	15,772
Current assets	1,047	482
	38,032	16,254

The carrying amount represents prepaid lease payments for medium-term land use rights in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

13. PREPAID LEASE PAYMENTS (Continued)

The Group has paid the full consideration for its land use rights in the PRC. As at September 30, 2009, the Group had not yet obtained the title of land use rights with an aggregate carrying amount of US$10,246,000 (2008: US$13,821,000). The directors are of the opinions that the control and risks and rewards of using these assets have been transferred to the Group and the absence of formal title to these land rights does not impair the value of the relevant properties to the Group.

14. INTANGIBLE ASSETS

	Customer relationship US$'000	Non-compete agreement US$'000	Brandname US$'000	Total US$'000
COST				
At October 1, 2007 and September 30, 2008	–	–	–	–
Acquired on acquisition of subsidiaries	4,332	38,808	31,702	74,842
Exchange realignment	4	35	29	68
At September 30, 2009	4,336	38,843	31,731	74,910
AMORTISATION				
At October 1, 2007 and September 30, 2008	–	–	–	–
Provided for the year	132	1,020	–	1,152
Exchange realignment	–	2	–	2
At September 30, 2009	132	1,022	–	1,154
CARRYING VALUE				
At September 30, 2009	4,204	37,821	31,731	73,756
At September 30, 2008	–	–	–	–

Customer relationship and non-compete agreement have finite useful lives and are amortised on a straight-line basis over the following periods:

Customer relationship	8 years
Non-compete agreement	10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

14. INTANGIBLE ASSETS (Continued)

All of the Group's intangible assets were arising from the acquisition of Farsighted International Limited ("Farsighted") during the year and were valued as of the date the Group acquired control of Farsighted by American Appraisal China Limited, a firm of independent professional valuers, on the following basis:

Customer relationship	The Excess Earnings method under the Income Approach
Non-compete agreement	The "With and Without" method under the Income Approach
Brandname	The Relief from Royalty method under the Income Approach

The fair values of each of the intangible assets identified equal to the present value of the net cash flows attributable to the intangible assets using cost of equity of 14% and cost of debt of 6%. Other key assumptions used in the calculation relate to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

The brandname is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows to the Group indefinitely. It has been tested for impairment annually and whenever there is an indication that it may have been impaired. Particulars of the impairment testing are disclosed in Note 16.

15. GOODWILL

	US$'000
COST	
At October 1, 2007 and September 30, 2008	2,101
Transfer when Farsighted became a subsidiary (Note 17)	3,003
Arising on acquisition of subsidiaries (Note 32)	22,518
At September 30, 2009	27,622

Particulars regarding impairment testing on goodwill are detailed in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

16. IMPAIRMENT TESTING ON GOODWILL AND BRANDNAME WITH INDEFINITE USEFUL LIVE

As explained in Note 5, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill and brandname arising on acquisitions have been allocated to the cash generating unit ("CGU") that is expected to generate future economic benefits. The carrying amount of goodwill and brandname with indefinite useful life set out in Notes 15 and 14 respectively have been allocated to the CGU of Retail Business of the Group.

During the year ended September 30, 2009, management of the Group determined that the CGUs containing goodwill and brandname had not suffered any impairment. The basis of recoverable amount of the above CGU and the major underlying assumptions are summarized below:

The recoverable amount of the CGU has been determined based on the value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5 year period and a discount rate of 14%. The cash flows beyond the five year period are extrapolated using a steady growth rate of 3%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumption for the value in use calculation relate to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation is based on the units past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES

	2009 US$'000	2008 US$'000
Cost of unlisted investments in associates (note i)	5,353	10,898
Share of post-acquisition profits, net of dividends received	2,176	8,153
Share of post-acquisition reserves	570	1,306
	8,099	20,357
Loans to associates (note ii)	7,499	7,304

Notes:

(i) Included in cost of investments in associates as at September 30, 2008 is goodwill of approximately US$3,003,000 arising from the acquisition of 30% of the issued share capital of Farsighted in prior years. The movement of goodwill is set out as follows:

	US$'000
COST	
At October 1, 2007 and September 30, 2008	3,003
Transfer when Farsighted became a subsidiary (Note 15)	(3,003)
At September 30, 2009	–

(ii) The loans to associates are secured by the equity interests in the relevant associates held by the other major shareholders, interest bearing at the quoted lending rate of People's Bank of China ("POB") and have no fixed terms of repayment. The loans are not expected to be repaid within one year and are classified as non-current assets.

Details of the Group's associates at September 30, 2009 and 2008 are set out in Note 43.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES (Continued)

Summarized financial information in respect of the Group's associates is set out below:

	2009 US$'000	2008 US$'000
Total assets	46,632	139,562
Total liabilities	(29,747)	(89,630)
Net assets	16,885	49,932
Group's share of net assets of associates	8,099	17,354
Revenue	279,258	307,671
Profit for the year	9,664	25,529
Group's share of results of associates for the year	2,614	7,987

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES/LOANS TO JOINTLY CONTROLLED ENTITIES

	2009 US$'000	2008 US$'000
Cost of unlisted investments in jointly controlled entities (note i)	34,116	34,116
Share of post-acquisition profits, net of dividends received	45,210	26,353
Share of post-acquisition reserves	4,968	4,738
Impairment losses (note ii)	(6,500)	–
	77,794	65,207
Loans to jointly controlled entities (note iii)	73,613	75,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES/LOANS TO JOINTLY CONTROLLED ENTITIES (Continued)

Notes:

(i) Pursuant to the joint venture agreements, the initial investment made by the Group for certain jointly controlled entities are subject to a price adjustment mechanism which is determined by the financial performance achieved by the jointly controlled entities during the specified profit evaluation periods, which range from 2 to 3 years, expiring between December 31, 2008 and August 31, 2010, as appropriate. If the financial performance of jointly controlled entities during the specified profit evaluation period does not meet certain benchmarks, the other joint venture partner of that jointly controlled entity will have to compensate the Group for the price adjustment either by cash or by transferring a portion of its equity interest in such jointly controlled entity to the Group. If the financial performance of the jointly controlled entities during such profit evaluation period exceeds certain benchmarks, then the Group is required to make additional cash contribution to those jointly controlled entities. As at the balance sheet date, the fair values of the estimated compensation and/or contributions in respect of the price adjustment mechanism are not material.

(ii) During the year, impairment losses of approximately US$6,500,000 have been made in respect of the Group's interests in certain jointly controlled entities due to the expectation of loss arising from their anticipated disposals after the balance sheet date. The recoverable amounts of the relevant jointly controlled entities have been estimated by their fair values less costs to sell.

(iii) The loans to jointly controlled entities are secured by the equity interests in the relevant jointly controlled entities held by the other venture partners, interest bearing at the quoted lending rate of POB and have no fixed terms of repayment. The loans are not expected to be repaid within one year and are classified as non-current.

Details of the Group's jointly controlled entities at September 30, 2009 and 2008 are set out in Note 44.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES/LOANS TO JOINTLY CONTROLLED ENTITIES (Continued)

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

	2009 US$'000	2008 US$'000
Non current assets	24,305	27,838
Current assets	205,715	185,859
Total assets	230,020	213,697
Current liabilities	(145,726)	(148,490)
Net assets	84,294	65,207
Revenue	433,268	353,293
Expense	(405,583)	(329,989)
Profit for the year	27,685	23,304

19. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment represents unlisted equity securities issued by a private entity incorporated in the British Virgin Islands ("BVI") and engages in the business of retailing of sportswear in the PRC, amounting to US$1,000,000 (2008: Nil).

It is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2009 US$'000	2008 US$'000
Derivative financial assets:		
Call options for acquisition of additional interests in subsidiaries, associates and jointly controlled entities	55,321	59,744

In October 2007, the Group entered into call option agreements with the other shareholders (the "Relevant Partners") of certain subsidiaries, associates and jointly controlled entities (the "Relevant Companies"), pursuant to which the Group, in return for its payment of a premium to each of the Relevant Partners (the "Option Premium"), has the right (but not the obligation) exercisable at its discretion to acquire from each of the Relevant Partners their respective equity interests (the "Relevant Equity Interests") in the Relevant Companies (the "Call Options").

The Call Options are exercisable within five years commencing from December 6, 2008, the expiry of the first six months after dealing in the shares of the Company on the Stock Exchange commenced and upon the mutual agreements between the Company and the Relevant Partners on certain conditions stipulated in the respective agreements in respect of the performance of the Relevant Companies during the pre-determined evaluation periods. As at the balance sheet date, the conditions for the Call Options to be exercisable were not yet fulfilled. Each of the Relevant Partners has agreed not to transfer or dispose of the Relevant Equity Interests during the Call Options exercisable period without the Group's prior written consent.

Pursuant to the Call Options agreements, the consideration for acquiring the Relevant Equity Interests is to be determined based on the actual profit of the Relevant Companies attributable to the Relevant Partners during the pre-determined evaluation periods and the price earnings ratio of the Company during a specified period and after certain discount agreed between the Company and the Relevant Partners. The consideration is to be settled by the issue of shares in the Company at the average price during the same specified period and after deducting the Option Premium paid.

The value of each of the Call Options at September 30, 2009 was valued by Savills Valuation and Professional Services Limited, an independent valuer, using the binomial model. The key inputs into the model include estimated earnings of the Relevant Companies and expected price earning ratio of the Company at the time of exercise of the options and further details are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

20. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	2009	2008
Derivative financial assets – Call Options:		
Expected price earning ratio – the Company	35	5
Expected volatility – the Company	56%	48%
Expected volatility – the Relevant Companies	37%	31%
Risk free rate	2.73%	3.53%
Exercisable period	4.2 years	5.0 years
Expected dividend yield	Nil	Nil

Expected volatility was measured at the standard deviation of expected share price returns based on statistical analysis of average daily share prices of the Company and comparable companies with similar business over the past years.

21. INVENTORIES

	2009 US$'000	2008 US$'000
Raw materials	3,773	4,881
Work in progress	8,090	7,300
Finished goods	288,584	238,442
	300,447	250,623

22. TRADE AND OTHER RECEIVABLES

	2009 US$'000	2008 US$'000
Trade receivables	115,469	137,664
Deposits, prepayments and other receivables	72,186	79,821
	187,655	217,485

Deposits, prepayments and other receivables represent:

	2009 US$'000	2008 US$'000
Deposits paid to suppliers	18,444	28,374
Prepayments	30,156	28,643
Value-added tax recoverable	10,364	11,301
Others	13,222	11,503
	72,186	79,821

The Group generally allows an average credit period of 30 days to 60 days which are agreed with each of its trade customers. The aged analysis of the Group's trade receivables, based on the payment due date, is as follows:

	2009 US$'000	2008 US$'000
0 - 30 days	108,283	111,238
31 - 90 days	5,897	25,283
Over 90 days	1,289	1,143
	115,469	137,664

Included in trade receivables are trade balances with related companies of approximately US$9,014,000 (2008: US$9,746,000), details of the relevant transactions are set out in Note 39.

22. TRADE AND OTHER RECEIVABLES (Continued)

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of US$2,386,000 (2008: US$2,412,000) which were past due as at year end and for which the Group has not provided for impairment loss because management is of the opinion the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 105 days (2008: 100 days). Aging of trade receivables, based on the payment due date, which is past due but not impaired, is as follows:

	2009 US$'000	2008 US$'000
61 – 90 days	1,097	1,269
Over 90 days	1,289	1,143
	2,386	2,412

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Movement in the allowance for doubtful debt

	2009 US$'000	2008 US$'000
Balance at beginning of the year	314	229
Impairment losses recognised on trade receivables	35	85
Balance at the end of the year	349	314

23. AMOUNTS DUE FROM RELATED PARTIES

Particulars of the amounts due from related parties are as follows:

			Maximum amount outstanding for year ended September 30,	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Jointly controlled entities	8,493	–	8,493	4,775
Minority shareholders of subsidiaries	732	1,801	1,801	2,966
Shareholders of associates	–	–	–	3,379
Shareholders of jointly controlled entities	–	–	–	9,496
	9,225	1,801		

The amounts are unsecured, interest-free and expected to be recovered within one year.

24. PLEDGED BANK DEPOSITS

The deposits were pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits carried interest ranging from 5.73% to 5.99% during the year ended September 30, 2008 and were released upon the settlements of the relevant bank borrowings during the year.

25. BANK BALANCES AND CASH

The balance comprises bank balances and short-term deposits placed in banks that are interest-bearing at market interest rates. All deposits have a maturity of three months or less.

During the year, the bank deposits carried fixed interest rates ranging from 0.01% to 4.42% (2008: 0.25% to 4.75%) per annum.

25. BANK BALANCES AND CASH (Continued)

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2009 US$'000	2008 US$'000
USD	34,571	103,240
Hong Kong dollars ("HKD")	1,084	2,345
	35,655	105,585

26. TRADE AND OTHER PAYABLES

	2009 US$'000	2008 US$'000
Trade payables	120,205	92,498
Bills payables	405	518
Other payables	68,485	58,259
	189,095	151,275

Other payables represent:

	2009 US$'000	2008 US$'000
Accruals	24,503	27,993
Receipt in advance from customers	12,280	10,594
Royalty payable	1,099	7,494
Others	30,603	12,178
	68,485	58,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

26. TRADE AND OTHER PAYABLES (Continued)

The aged analysis of the Group's trade and bills payables is as follows:

	2009 US$'000	2008 US$'000
0 – 30 days	105,539	82,005
31 – 90 days	14,620	9,166
Over 90 days	451	1,845
	120,610	93,016

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

Included in trade payables are trade balances with related companies of approximately US$661,000 (2008: US$3,400,000), details of the relevant transactions are set out in Note 39.

27. AMOUNTS DUE TO RELATED PARTIES

Particulars of the amounts due to related parties:

	2009 US$'000	2008 US$'000
Minority shareholders of subsidiaries	1,088	1,919

Amounts represent temporary fund transfers, which are non-trade in nature. They are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

28. BANK BORROWINGS

	2009 US$'000	2008 US$'000
The bank borrowings are repayable:		
Within one year	253,589	306,288
More than one year, but not exceeding two years	6,152	5,843
More than two years, but not exceeding three years	14,500	–
	274,241	312,131
Less: amount included in current liabilities	(253,589)	(306,288)
Amount due after one year	20,652	5,843
Analyzed as:		
Secured	–	1,627
Unsecured	274,241	310,504
	274,241	312,131

The Group's bank borrowings are interest-bearing as follow:

	2009 US$'000	2008 US$'000
Fixed rate borrowings	5,860	11,852
Variable rate borrowings	268,381	300,279
	274,241	312,131

the Group's variable rate borrowings carry interest at a margin over HIBOR, LIBOR or prevailing rate quoted by the POB, as appropriate. Interest is repriced every six to twelve months.

28. BANK BORROWINGS (Continued)

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2009	2008
Effective interest rate:		
Fixed rate borrowings	6.08%	5.99% to 6.57%
Variable rate borrowings	2.00% to 7.20%	6.03% to 7.47%

The Group's bank borrowings that are denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2009 US$'000	2008 US$'000
USD	44,500	1,627

29. DEFERRED TAXATION

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

	Tax losses US$'000	Undistributed earnings of PRC entities US$'000	Fair value adjustments on business combination US$'000	Total US$'000
At October 1, 2007	–	–	–	–
(Credit) charge to the consolidated income statement	(1,908)	3,044	–	1,136
At September 30, 2008	(1,908)	3,044	–	1,136
Acquired on acquisition of subsidiaries	–	1,992	18,710	20,702
Charge (credit) to the consolidated income statement	693	(578)	(288)	(173)
At September 30, 2009	(1,215)	4,458	18,422	21,665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

29. DEFERRED TAXATION (Continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009 US$'000	2008 US$'000
Deferred tax assets	(1,215)	(1,908)
Deferred tax liabilities	22,880	3,044
	21,665	1,136

At the balance sheet date, the Group had unused tax losses of US$32.7 million (2008: US$10.1 million) available for offset against future profits. A deferred tax asset has been recognised in respect of US$4.9 million (2008: US$7.6 million) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax loss of US$27.8 million (2008: US$2.5 million) due to the unpredictability of future profit streams. Included in unused tax losses are losses of US$7.6 million (2008: US$10.1 million) and US$25.1 million (2008: nil) that will expire in 2012 and 2013, respectively. Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to consolidated accumulated profits of PRC subsidiaries amounting US$139.1 million (2008: US$59.9 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Included in these consolidated accumulated profits of PRC subsidiaries are profits arising from PRC associates and jointly controlled entities that have been equity accounted for in the Group's consolidated financial statements amounting to US$30.3 million (2008: nil) as the Group is able to control the timing of the reversal of such temporary differences as the investments are made through PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

30. SHARE CAPITAL AND PAID UP CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorized:		
At October 1, 2007	–	–
Upon incorporation	10,000,000	100
Increase in authorized share capital	29,990,000,000	299,900
At September 30, 2008 and 2009	30,000,000,000	300,000
Issued and fully paid:		
At October 1, 2007	–	–
Allotted and issued on incorporation	1	–
Issue of shares upon the Group Reorganization	99,999	1
Issue of shares on capitalization of the share premium account	2,631,544,000	26,315
Issue of shares relating to acquisitions	94,978,000	950
Issue of shares under global offering	823,378,000	8,234
Issue on exercise of the over-allotment option	17,559,000	176
At September 30, 2008	3,567,559,000	35,676
Issue of shares upon acquisition of subsidiaries	301,314,541	3,013
Issue of shares to Yue Yuen	421,621,622	4,216
At September 30, 2009	4,290,495,163	42,905

	US$'000
Shown in the consolidated financial statements as at:	
September 30, 2009	5,504
September 30, 2008	4,575

30. SHARE CAPITAL AND PAID UP CAPITAL (Continued)

The Company was incorporated on November 14, 2007 with an authorized capital of HK$100,000, divided into 10,000,000 shares of HK$0.01 each. At the date of incorporation, 1 share of HK$0.01 was issued at nil consideration to the shareholder of the Company.

Because the group reorganization was only completed on May 23, 2008, the share capital and the paid up capital at October 1, 2007 represented the aggregate of the share capital and paid up capital of the subsidiaries comprising the Group held directly by Yue Yuen prior to the group reorganization.

In January 2009, the Group entered into a sales and purchase agreement for the acquisition of the remaining 70% interest in Farsighted not already owned by the Group by the issue of 301,314,541 ordinary shares of HK$0.01 each at the then market price of HK$1.09 per share as part of the consideration. Details of the acquisition are set out in Note 32.

In January 2009, the Group also entered into a share subscription agreement with Yue Yuen for the subscription of 421,621,622 ordinary shares of HK$0.01 each in the Company at a subscription price of HK$0.925 per share to finance the said acquisition. The shares were issued to Yue Yuen in July 2009.

31. BALANCE SHEET INFORMATION OF THE COMPANY

	2009 US$'000	2008 US$'000
Total assets	599,404	510,173
Total liabilities	6,636	2,970
	592,768	507,203
Capital and reserves		
Share capital	5,504	4,575
Reserves (note i)	587,264	502,628
	592,768	507,203

31. BALANCE SHEET INFORMATION OF THE COMPANY (Continued)

Notes:

(i) Reserves

	Share premium US$'000	Contributed surplus US$'000 (note ii)	Share-based compensation reserve US$'000	Accumulated losses US$'000	Total US$'000
At November 14, 2007 (date of incorporation)	–	–	–	–	–
Loss for the period and total recognised expense for the period	–	–	–	(13,077)	(13,077)
Arising from Group reorganization	–	166,010	–	–	166,010
Recognition of equity-settled share-based payment	–	–	706	–	706
Issue of new shares	364,870	–	–	–	364,870
Issue of shares by capitalization of share premium account	(3,374)	–	–	–	(3,374)
Transaction cost attributable to issue of new shares	(12,507)	–	–	–	(12,507)
At September 30, 2008	348,989	166,010	706	(13,077)	502,628
Loss for the year and total recognised expense for the year	–	–	–	(19,328)	(19,328)
Issue of shares for acquisition of subsidiaries	41,984	–	–	–	41,984
Issue of shares to Yue Yuen	49,459	–	–	–	49,459
Recognition of equity-settled share-based payment	–	–	12,521	–	12,521
Cancellation of Pre-IPO Share Subscription Plan	–	–	(13,227)	13,227	–
At September 30, 2009	440,432	166,010	–	(19,178)	587,264

(ii) The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganization and the nominal amount of the Company's shares issued for the acquisition.

32. ACQUISITION OF SUBSIDIARIES

(i) On July 10, 2009, the Group acquired 70% of the issued share capital of Farsighted not yet held by the Group. The principal activities of Farsighted are retailing of sportswear and sports footwear in the PRC.

The consideration consists of (i) cash in the amount of approximately US$54,947,000 and (ii) a maximum of 393,584,541 ordinary shares of HK$0.01 each at the market price of HK$1.09 at the date of exchange for control of Farsighted, of which 301,314,541 shares were issued upon completion of the acquisition during the year and the remaining 92,270,000 shares will only be issued if the aggregate profits of Farsighted for the two years ending September 30, 2010 reach certain predetermined levels.

(ii) On November 1, 2008, the Group acquired 65.67% of the issued share capital of Business Network Holdings Limited ("Business Network") for a consideration of US$307,000. The principal activities of Business Network are retailing of sportswear and sports footwear in the PRC.

The transactions have been accounted for using the purchase method of accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

32. ACQUISITION OF SUBSIDIARIES (Continued)

The net assets acquired in the transactions, and the goodwill arising, are as follows:

	Farsighted			Business Network	
	Carrying amount before combination US$'000	Fair value adjustments US$'000	Fair value US$'000	Carrying amount and fair value US$'000	2009 Total US$'000
Net assets acquired:					
Property, plant and equipment	6,651	–	6,651	558	7,209
Intangible assets	–	74,842	74,842	–	74,842
Inventories	62,785	–	62,785	6,373	69,158
Trade and other receivables	30,081	–	30,081	3,289	33,370
Amounts due from related parties	4,885	–	4,885	–	4,885
Bank balances and cash	2,999	–	2,999	124	3,123
Trade and other payables	(21,380)	–	(21,380)	(738)	(22,118)
Taxation payable	(5,290)	–	(5,290)	–	(5,290)
Amounts due to related parties	(21,170)	–	(21,170)	(7,138)	(28,308)
Bank borrowings	(19,316)	–	(19,316)	–	(19,316)
Deferred tax liabilities	(1,992)	(18,710)	(20,702)	–	(20,702)
	38,253	56,132	94,385	2,468	96,853
Minority interests	–	–	–	(2,161)	(2,161)
	38,253	56,132	94,385	307	94,692
The Group's share of net assets of the acquirees on date of acquisition			(11,476)	–	(11,476)
Fair value adjustments attributable to the Group's equity interests in the acquirees before combination			(8,108)	–	(8,108)
			74,801	307	75,108
Goodwill			22,518	–	22,518
Total consideration			97,319	307	97,626
Satisfied by:					
Cash			54,947	307	55,254
Shares			42,372	–	42,372
			97,319	307	97,626
Net cash outflow arising on acquisition:					
Cash consideration paid			(54,947)	(307)	(55,254)
Bank balances and cash acquired			2,999	124	3,123
			(51,948)	(183)	(52,131)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

32. ACQUISITION OF SUBSIDIARIES (Continued)

During the year ended September 30, 2009, the subsidiaries acquired contributed a loss of approximately US$4,098,000 to the Group's loss for the year between the respective dates of acquisitions and the balance sheet date.

During the year ended September 30, 2009, the issue of the 301,314,541 shares for the acquisition of Farsighted represents a major non-cash transaction of the Group.

If the acquisition had been completed on October 1, 2008, total group revenue for the year would have been US$1,338,599,000, and the Group would have recorded a profit for the year of US$491,000. This pro forma information is for illustration purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on October 1, 2008, nor is it intended to be a projection of future results.

The directors consider the goodwill arising on acquisition of Farsighted was attributable to the anticipated future operating synergies of the Group's retailing business of sportswear and sports footwear in the PRC.

33. PLEDGE OF ASSETS

At September 30, 2008, the Group pledged bank deposits of US$2,337,000 to banks to secure short-term bank borrowings granted to the Group. The entire amounts of the borrowings were repaid during the year and the pledged assets were released thereafter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

34. OPERATING LEASES

The Group as lessee

The Group made the following lease payments during the year:

	2009 US$'000	2008 US$'000
Operating lease rentals in respect of:		
Minimum lease payments:		
– street level stores	27,627	19,802
– shopping mall stores	21,806	15,263
– other properties	8,282	4,189
	57,715	39,254
Contingent rentals	85,537	72,571
	143,252	111,825

At the balance sheet dates, the Group had commitments for future minimum lease payments for retail shops and other properties under non-cancellable operating leases which fall due as follows:

	2009 US$'000	2008 US$'000
Within one year	42,287	46,269
In the second to fifth year inclusive	83,588	92,902
Over five years	10,787	31,378
	136,662	170,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

34. OPERATING LEASES (Continued)

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated with reference to the relevant retail shops' revenue using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rents payable.

Leases are negotiated for lease terms of 2 to 5 years.

The Group as lessor

At the balance sheet dates, the Group had contracted with tenants for the following future minimum lease receipts in respect of shopping mall counter areas rented out:

	2009 US$'000	2008 US$'000
Within one year	1,207	581
In the second to fifth year inclusive	3,418	2,361
Over five years	7,009	6,964
	11,634	9,906

In addition to the basic rental receipts as disclosed above, the lease agreements with the tenants also include provision for the payment of contingent rents to the Group. In general, these contingent rents are calculated with reference to the revenue generated by the tenants operating in the Group's retailing complex using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rents receivable. Rental income received by the Group during the year amounted to US$6,244,000 (2008: US$2,722,000), included in which was rental income arising from contingent lease contracts of US$5,663,000 (2008: US$2,031,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

35. CAPITAL COMMITMENTS

	2009 US$'000	2008 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	1,997	21,529
Other commitments contracted for but not provided in the consolidated financial statements in respect of:		
– capital investment in associates	–	4,850
– capital investment in jointly controlled entities	1,523	1,519
	3,520	27,898

Save as disclosed above and in Note 18, the Group has no other commitments to the capital investment in certain jointly controlled entities.

36. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities as follow:

	2009 US$'000	2008 US$'000
Guarantee given to banks in respect of banking facilities granted to		
(i) associates		
– amount guaranteed	–	7,300
– amount utilized	–	7,300
(ii) jointly controlled entities		
– amount guaranteed	44,086	44,697
– amount utilized	34,840	39,323

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37. SHARE-BASED PAYMENT TRANSACTIONS

The Company has the following incentive plans to motivate and reward its directors and employees:

(I) Pre-IPO Share Subscription Plan

The Company's pre-IPO share subscription plan (the "Plan") was adopted pursuant to a resolution passed on May 14, 2008. Pursuant to the Plan under which invitations were made to and accepted by, eligible persons to subscribe for shares in the Company at HK$2.14 per share which represents a discount of 30% below the IPO price (the "Plan Shares"), for the primary purpose to recognise contributions of eligible persons, to seek to retain them for the continued operation and development of the Group and to attract suitable personnel for the Group's further development. The Plan is an one-off and close-end scheme. The Plan Shares to be subscribed under the Plan at the invitation date is as follows:

	Invitation date	Number of Plan shares (5 year plan) (note i)	Number of Plan shares (10 year plan) (note ii)	Total
Directors	May 23, 2008	36,920,000	25,028,000	61,948,000
Employees	May 23, 2008	34,081,000	28,223,000	62,304,000
		71,001,000	53,251,000	124,252,000

notes:

(i) 20% of the Plan Shares shall be subscribed after each anniversary of the date of invitation.

(ii) 10% of the Plan Shares shall be subscribed after each anniversary of the date of invitation.

Pursuant to the Plan, the latest date for the relevant grantees to subscribe for Plan Shares under the Plan was June 8, 2009. As at June 8, 2009, no subscription was made by any grantee and the Board decided not to enforce any of those subscriptions. The Board has also resolved to terminate the Plan in light of the current circumstances having regard to the recent performance of the price of the Company's shares.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(I) Pre-IPO Share Subscription Plan (Continued)

On September 4, 2009, the Company and all grantees (except for those who left the Group already and whose subscription rights lapsed automatically) agreed to terminate all the existing outstanding subscriptions and have agreed to release each other from their respective obligations under the Plan so that the Company will not be required to issue new shares and the relevant grantees will not be required to subscribe for new shares of the Company.

The fair value of the subscription right for the Plan Shares on the date of invitation was calculated using the binomial model. The inputs into the model for the purpose of the estimation are as follows:

	5 year Plan	10 year Plan
Weighted average share price	HK$3.05	HK$3.05
Subscription price	HK$2.14	HK$2.14
Life of subscription right	5 years	10 years
Expected volatility	48%	48%
Expected dividend yield	0% to 2%	0% to 2%
Risk free rate	1.22% to 2.92%	1.22% to 2.92%
Fair value of subscription right per share	HK$0.99	HK$0.98

The binomial model is one of the commonly used models to estimate the fair value of the subscription right of the Plan Shares and which involves assumptions and variables based on the directors' best estimates. Such fair value varies when different assumptions, which are necessarily subjective, and variables are used.

The dividend yield are based on management's best estimate taking into account the Group's future plans and prospects. Expected volatility was determined with reference to the historical volatility of the share prices of comparable companies on the Stock Exchange as the Company's shares have been listed on the Stock Exchange with effect from June 6, 2008.

The total fair value of the subscription right for the Plan Shares on the grant date was US$13,227,000, of which an amount of US$706,000 was recognised as expense for the year ended September 30, 2008 and the balance recognised as an expense for the year ended September 30, 2009 as a result of accelerated recognition following the effective cancellation of the Plan.

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(II) Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on May 14, 2008 for the primary purpose to attract and retain personnel, to provide incentives to eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and will expire on May 13, 2018. Under the Scheme, the Board of Directors of the Company may grant options to eligible persons, including directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options may be exercised at any time after the minimum period for which an option must be held before it can be exercised determined by the Board of Directors commencing from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the Board of Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

At September 30, 2009 and 2008, no options were granted, exercised or lapse under the Scheme.

38. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme for all its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

At the balance sheet dates, the Group had no significant obligation apart from the contribution as stated above.

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39. RELATED PARTY DISCLOSURES

(I) Transactions and trade balances

The Group had the following related party transactions and trade balances:

Relationship	Nature of transactions/balances	2009 US$'000	2008 US$'000
Substantial shareholder of the Company and its affiliates other than the Group			
Yue Yuen	Subscription of shares in the Company (Note 30)	50,000	–
Subsidiaries of Yue Yuen	Purchase of sportswear products	–	1,095
	Purchase of property, plant and equipment	–	29
	Rental income	524	140
Associates of Yue Yuen	Purchase of sportswear products	–	21,664
	Trade payables at September 30	–	2,934
Jointly controlled entities of Yue Yuen	Purchase of sportswear products	–	2,921
	Trade payables at September 30	–	414
Substantial shareholder of Yue Yuen	Purchase of sportswear products	249	194
	Trade payables at September 30	45	52
Associates and jointly controlled entities of the Group			
Associates (note)	Sales of sportswear products	3,250	10,832
	Purchase of sportswear products	357	–
	Interest income	49	124
	Management fee received	356	125
	Trade receivables at September 30	2,674	3,941
Jointly controlled entities	Sales of sportswear products	7,828	11,589
	Purchase of sportswear products	685	–
	Interest income	1,862	2,306
	Management fee received	81	171
	Trade receivables at September 30	6,340	5,805
	Trade payables at September 30	616	–

note: The amounts include transactions with Farsighted up to July 10, 2009.

39. RELATED PARTY DISCLOSURES (Continued)

(II) Non-trade balances

Details of the Group's non-trade balances with related parties are set out on the consolidated balance sheet and in Notes 17, 18, 23 and 27.

(III) Guarantees

The Group's bank borrowings were secured by guarantees given by:

	2009 US$'000	2008 US$'000
Minority shareholders of subsidiaries on a joint and several basis	4,306	687
Yue Yuen and minority shareholders of subsidiaries on a joint and several basis (note)	–	10,882
	4,306	11,569

note: These guarantees were released during the year.

Details of the Group's guarantees to associates and jointly controlled entities are set out in Note 36.

(IV) Compensation of key management personnel

	2009 US$'000	2008 US$'000
Short term benefits	4,702	3,504
Post employment benefits	8	2
Equity-settled share-based payments	7,523	368
	12,233	3,874

The remuneration of directors and key executives is determined having regard to the performance of the individuals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

40. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which include the borrowings disclosed in Note 28, and equity attributable to equity holders of the Company, comprising issued share capital, various reserves and accumulated profits.

Management reviews the capital structure regularly. As part of this review, the directors of the Company assess the annual budget prepared by the accounting and treasury department and consider and evaluate the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will then balance its capital structure through the payment of dividends, new shares issues as well as the issue of new debt or the redemption of the existing debt.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 US$'000	2008 US$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	403,090	473,332
Derivative financial instruments	55,321	59,744
Available-for-sale investments	1,000	–
Financial liabilities		
Amortised cost	421,423	418,607

(b) Financial risk management objectives

The Group's major financial instruments include loans to associates/jointly controlled entities, available-for-sale investments, trade and other receivables, amounts due from/to related parties, pledged bank deposits, bank balances, trade and other payables, and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The market risks associated with these financial instruments include market risk (interest rate risk, foreign exchange risk and other price 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.

41. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Notes 25 and 28 for details of these bank balances and borrowings). Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate deposits placed with banks and bank borrowings (see Notes 24, 25 and 28 for details respectively).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Fluctuations of HIBOR, LIBOR and prevailing rate quoted by the POB are the major sources of the Group's cash flow interest rate risks.

The sensitivity analyses below have been determined based on the exposure to interest rates of variable rate bank balances and borrowings. The analysis is prepared assuming the amount of liability and bank balances in the PRC outstanding at the balance sheet date was outstanding for the whole year. A 10 basis point increase or decrease for bank balances in the PRC and 50 basis points for borrowings are used and represent management's assessment of the reasonably possible change in interest rates for each of the two years ended September 30, 2009.

If interests rates on interest bearing bank balances and bank borrowings had been 10 or 50 basis points higher/lower, as appropriate, and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately US$872,000 (2008: profit for the year ended decrease/increase by US$1,170,000).

In management's opinion, the sensitivity analysis does not necessarily represent the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

41. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk (Continued)

(ii) Foreign exchange risk

Certain subsidiaries of the Company have foreign currency bank balances and bank borrowings as detailed in Notes 25 and 28, respectively, which expose the Group to foreign exchange risk, whilst over 90% of the Group's sales and purchases are denominated in the respective group entities' functional currency.

Sensitivity analysis

The following is the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used 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 and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis mainly includes the Group's USD bank balances and bank borrowings. Where RMB strengthens against USD by 5%, the Group's loss for the year would decrease by US$372,000 (2008: profit for the year ended decrease by US$5,198,000), while a 5% weakening of RMB against USD, there would be an equal and opposite impact on the profit and balances would be negative.

In management's opinion, the sensitivity analysis is not necessarily of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group is exposed to other price risk arising from the Call Options. The fair values of the Call Options were calculated using the binomial model and amongst other inputs, the estimates of earnings of the Relevant Companies and the price earnings ratio of the Company. Details of which are set out in Note 20.

41. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis

As set out in Note 20, the fair values of the Call Options were valued using the binomial model, which uses cash flow projections based on assumptions that are not supported by observable current market transactions nor based on available observable market data. The fair values of the Call Options recognised in the financial statements would have been changed significantly if one or more of those assumptions were changed.

If the inputs to the valuation model had been 10% higher/lower while all variables were held constant, the loss for the year ended September 30, 2009 would have (increased) decreased and the profit for the year ended September 30, 2008 would have increased (decreased) as follows:

	2009		2008	
	Higher by 10%	Lower by 10%	Higher by 10%	Lower by 10%
	US$'000	US$'000	US$'000	US$'000
Growth rate	(1,892)	1,863	(4,065)	2,924
Expected price earnings ratio				
- the Company	(1,781)	1,902	(4,415)	2,576

In management's opinion, the sensitivity analyses are not necessarily representative of the inherent market risk as the pricing model used in the fair value valuation of the derivatives involves multiple variables where certain variables are interdependent.

41. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Credit risk

As at September 30, 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in Note 36.

The Group's customer base is diverse and the trade receivables consist of a large number of customers. In order to minimize the credit risk arising from its open account sales, 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 actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are provided for irrecoverable amounts. In this regard, the directors consider that the credit risk is significantly reduced.

The Group's concentration of credit risk on loans to two associates and eleven jointly controlled entities covered over 20% (2008: 17%) of its loans and receivables. Given the close relationship of the associates and jointly controlled entities with the Group and their good credit history, the directors consider that the credit risk associated with the loans to the associates and jointly controlled entities is low.

In addition to the credit risk on trade debts, the Group is also exposed to its advances to, and guarantees granted to its associates and jointly controlled entities. The Group has secured the equity interests held by the other joint venture partners in these entities as collateral for the advances. In addition, because of the Group's involvement in the management of these entities, the Group is in a position to monitor their financial performance and can take timely actions to safeguard its assets and/or to minimize its losses. Accordingly, management believes that the Group's exposure in this regard is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which covered over 90% (2008: over 90%) of its total receivables as at September 30, 2009.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

41. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Liquidity risk

The Group relies on bank borrowings as a significant source of liquidity. Details of which are set out in Note 28.

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

The following table details the contractual maturity of the Group's financial liabilities. For 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. The table includes both interest and principal cash flows.

	Weighted average interest rate %	0 to 30 days US$'000	31 to 90 days US$'000	91 to 365 days US$'000	Over 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
As at September 30, 2009							
Non-interest bearing	-	144,376	1,702	1,104	-	147,182	147,182
Fixed interest rate instruments	6.08	-	-	2,487	3,728	6,215	5,860
Variable interest rate instruments	4.92	181,216	46,812	35,577	17,980	281,585	268,381
		325,592	48,514	39,168	21,708	434,982	421,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

41. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	0 to 30 days US$'000	31 to 90 days US$'000	91 to 365 days US$'000	Over 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
As at September 30, 2008							
Non-interest bearing	-	95,465	9,166	1,845	-	106,476	106,476
Fixed interest rate instruments	6.28	9,493	3,104	-	-	12,597	11,852
Variable interest rate instruments	6.75	75,985	230,528	7,797	6,237	320,547	300,279
		180,943	242,798	9,642	6,237	439,620	418,607

In addition to the above contractual obligation on its non-derivative liabilities, the Group is subject to make additional cash contribution to the associates and jointly controlled entities determined by the price adjustment mechanism as set out in Note 18, should the financial performance of the associates and jointly controlled entities exceeds certain benchmarks.

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. The fair values of the Call Options are determined based on binomial model and estimated earnings of the Relevant Companies and price earning ratio of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

42. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at September 30, 2009 and 2008:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2009	2008	Principal activities
YY Sports Holdings Limited ("YY Sports")	BVI	US$1	100%	100%	Investment holding
A - Grade Holdings Limited	BVI	US$9,000	100%	100%	Investment holding
Baosheng Daoji (Beijing) Trading Company Limited 寶盛道吉(北京)貿易有限公司(note ii)	PRC	US$20,000,000	100%	100%	Retailing of sportswear
Baoxin (Chengdu) Trading Company Limited 寶信(成都)商貿有限公司(note ii)	PRC	US$5,000,000	100%	100%	Retailing of sportswear
Baoyu (Chengdu) Trading Company Limited 寶渝(成都)商貿有限公司(note ii)	PRC	US$7,400,000	100%	100%	Retailing of sportswear
Brightup Group Limited	HK	HK$1	100%	100%	Investment holding
Charming Technology Limited	BVI	US$200	100%	100%	Investment holding
Dailan Baoshun Sports Goods Company Limited 大連寶順體育用品有限公司(note iv)	PRC	RMB2,000,000	100%	100%	Retailing of sportswear
Dalian Dongzhijie Sports Production Development Company Limited 大連東之杰運動產業發展有限公司(notes ii and v)	PRC	RMB200,000,000	100%	-	Retailing of sportswear
Dedicated Group Limited	BVI	US$1,000	100%	100%	Investment holding
Diodite Limited	BVI	US$1	100%	100%	Investment holding
Diodite (China) Sports Goods Company Limited 笛亞泰(中國)體育用品有限公司(note ii)	PRC	US$20,000,000	100%	100%	Retailing of sportswear

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2009	2008	Principal activities
Dragonlight Group Limited	BVI	US$1	100%	100%	Investment holding
Dragonlight (China) Sports Goods Company Limited 龍光(中國)體育用品有限公司(note ii)	PRC	US$66,000,000	100%	100%	Investment holding
Farsighted 遠見(note v)	BVI	US$100	100%	-	Investment holding
Favour Mark Holdings Limited	HK	HK$200	100%	100%	Investment holding
Fujian Baomin Sporting Goods, Co., Ltd. 福建寶閩體育用品有限公司(note ii)	PRC	US$4,500,000	90%	90%	Retailing of sportswear
Great Sea Holdings Limited	HK	HK$100	100%	100%	Distribution of sportswear
Guangzhou Baoyuen Trading Company Limited 廣州寶元貿易有限公司(note ii)	PRC	US$4,810,000	100%	100%	Retailing of sportswear
Guangzhou Yangji Information Technology Company Limited 廣州市揚基信息科技有限公司(note ii)	PRC	HK$13,000,000	100%	100%	Retailing of sportswear
Guangzhou Shengdao Sports Goods Company Limited 廣州勝道體育用品有限公司(note iv)	PRC	RMB20,000,000	100%	100%	Property leasing and management
Guiyang Baoxin Sports Goods Company Limited 貴陽寶新體育用品有限公司(note ii)	PRC	US$10,000,000	100%	100%	Retailing of sportswear
Harbin Baosheng Sports Goods Company Limited 哈爾濱寶勝體育用品有限公司(note iv)	PRC	RMB7,000,000	100%	100%	Retailing of sportswear

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2009	2008	Principal activities
Hefei Baoxun Sports Goods Trading Company Limited 合肥寶勳體育用品商貿有限公司(note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Jinan Baoyue Sports Goods Company Limited 濟南寶嶽體育用品有限公司(note iv)	PRC	RMB2,000,000	72%	72%	Retailing of sportswear
Nanning Pou Guan Sporting Goods Company Limited 南寧寶冠體育用品有限公司(note ii)	PRC	US$1,300,000	100%	100%	Retailing of sportswear
Nice Palace Investments Limited	HK	HK$200	100%	100%	Investment holding
Pau Yuen Trading Corporation 寶原興業股份有限公司	Taiwan	NTD50,000,000	90%	90%	Distribution of licenced products
Pau Zhi Trading Corporation 寶智企業股份有限公司	Taiwan	NTD5,000,000	90%	90%	Retailing of sportswear
Profit Concept Group Limited	BVI	US$100	51%	51%	Investment holding
Guizhou Shengdao Sports Goods Development Company Limited 貴州勝道體育用品開發有限公司(note iv)	PRC	RMB70,000,000	100%	100%	Property leasing and management
Qingdao Baoruina Sports Goods Company Limited 青島寶瑞納體育用品有限公司(note iii)	PRC	RMB20,000,000	72%	72%	Retailing of sportswear
Qujing Shengdao Sports Goods Co., Ltd. 曲靖勝道體育用品有限公司(note iv)	PRC	RMB3,500,000	60%	60%	Property leasing and management
Rainbow Faith Investments Limited	HK	HK$200	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2009	2008	Principal activities
Richwin Management Limited	BVI	US$1	100%	100%	Investment holding
Shanghai Baoyuen Sports Goods Company Limited 上海寶原體育用品商貿有限公司(note ii)	PRC	US$20,000,000	100%	100%	Retailing of sportswear
Shanghai Shengdao Sports Goods Company Limited 上海勝道體育用品有限公司(note iv)	PRC	RMB5,100,000	100%	100%	Property leasing and management
Shengdao (Yangzhou) Sports Goods Development Company Limited 勝道(揚州)體育用品開發有限公司(note ii)	PRC	US$66,000,000	100%	100%	Investment holding
Shanxi Baoxiang Sports Goods Company Limited 陝西寶祥體育用品有限公司(note iv)	PRC	RMB2,000,000	-	100%	Retailing of sportswear
Selangor Gold Limited	BVI	US$1,000	100%	100%	Investment holding
Taicang Yusheng Moulding Company Limited 太倉裕盛模具有限公司(note ii)	PRC	US$2,100,000	100%	100%	Manufacturing of shoe moulds
Taicang Yue-shen Sporting Goods Co., Ltd. 太倉裕盛體育用品有限公司(note ii)	PRC	USD12,000,000	100%	100%	Manufacturing of sportswear
Tiajian Baoxin Sports Goods Company Limited 天津寶信體育用品用品有限公司(note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Treasure Chain International Limited	BVI	US$1	100%	100%	Investment holding
Wellmax Business Group Limited	BVI	US$9,000	100%	100%	Investment holding

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2009	2008	Principal activities
Wuxi Baoyuen Sports Goods Trading Company Limited 無錫寶原體育用品商貿有限公司(note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Hubei Shengdao Sports Goods Company Limited 湖北勝道體育用品有限公司(note iv)	PRC	RMB50,000,000	60%	60%	Property leasing and management
Xian Baoqin Trading Company Limited 西安寶秦貿易有限公司(note ii)	PRC	US$20,000,000	100%	100%	Retailing of sportswear
Yangzhou Baoyuan Shoes Manufactuaring Co., Ltd. 揚州寶源制鞋有限公司(note ii)	PRC	US$5,000,000	100%	100%	Property leasing and management
Yue Sheng (Kunshan) Sports Co., Ltd. 裕晟(昆山)體育用品有限公司(note ii)	PRC	US$4,200,000	100%	100%	Retailing of sportswear
Yue Cheng (Kunshan) Sports Co., Ltd. 裕程(昆山)體育用品有限公司(note ii)	PRC	US$10,000,000	100%	100%	Retailing of sportswear
Yue Ming International Limited	HK	HK$1	100%	100%	Distribution of licensed products
Yue-Shen (Taicang) Footwear Co., Ltd. 裕盛(太倉)鞋業有限公司(note ii)	PRC	US$15,000,000	100%	100%	Manufacturing of sportswear
Yunnan Orientalsport Economy Trade Company Limited 雲南奧龍世博經貿有限公司(note ii)	PRC	RMB56,100,000	51%	51%	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited 雲南勝道體育用品有限公司(note iv)	PRC	RMB87,500,000	60%	60%	Property leasing and management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

42. PRINCIPAL SUBSIDIARIES (Continued)

notes:

(i) The Company directly holds the interest in YY Sports. All other interests shown are indirectly held by the Company.

(ii) These companies are wholly-foreign owned enterprises established in the PRC.

(iii) These companies are sino-foreign owned enterprises established in the PRC.

(iv) These companies are wholly-domestic owned enterprises established in the PRC.

(v) These companies become subsidiaries of the Company on July 10, 2009. As at September 30, 2008, these companies were associates.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets 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 during the year or at the end of the year.

43. ASSOCIATES

As at the balance sheet dates, the Group had interests in the following associates:

Name of entity	Place of incorporation or establishment/ operation	Proportion of issued and fully paid up capital indirectly held by the Company 2009	2008	Principal activities
Farsighted (note)	BVI	-	30%	Investment holding in a group of PRC companies which are engaged in retailing of sportswear
Zhejiang Baohong Sports Goods Company Limited 浙江寶宏體育用品有限公司	PRC	49%	49%	Retailing of sportswear
Shanxi Wuhuan Shengdao Sports Production Development Company Limited 陝西五環勝道運動產業開發有限公司	PRC	40%	40%	Retailing of sportswear

note:

Farsighted become a subsidiary on July 10, 2009. As at September 30, 2008, Farsighted was an associate.

All of the above, other than Farsighted, are sino-foreign enterprises established in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

44. PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at the balance sheet dates, the Group had interest in the following principal jointly controlled entities:

Name of entity	Place of incorporation or establishment/ operation	Proportion of issued and fully paid up capital indirectly held by the Company 2009	2008	Principal activities
Harbin Shenge Sports Chain Company Limited 哈爾濱申格體育連鎖有限公司	PRC	45%	45%	Retailing of sportswear
Suzhou Xinjun Trading Development Company Limited 蘇州信俊貿易發展有限公司	PRC	49%	49%	Retailing of sportswear
Hebei Zhanxin Sports Development Company Limited 河北展新體育發展有限公司	PRC	45%	45%	Retailing of sportswear
Heifei Tengrei Sports Goods Company Limited 合肥騰瑞體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Hubei Jiezhixing Clothing and Accessories Company Limited 湖北杰之行服飾有限公司	PRC	50%	50%	Retailing of sportswear
Jilin Xinfangwei Sports Goods Company Limited 吉林新方位體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Jilin Lingpao Sports Goods Company Limited 吉林領跑體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Shaanxi Jixian Longyue Sports Goods Company Limited 陝西極限龍躍體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Zhejiang Jinguan Enterprise Development Company Limited 浙江金冠實業發展有限公司	PRC	50%	50%	Retailing of sportswear

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2009

44. PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

Name of entity	Place of incorporation or establishment/ operation	Proportion of issued and fully paid up capital indirectly held by the Company 2009	2008	Principal activities
Zhejiang Yichuan Sports Goods Chain Company Limited 浙江易川體育用品連鎖有限公司	PRC	50%	50%	Retailing of sportswear
Hangzhou Baohong Sports Goods Company Limited 杭州寶宏體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Guiyang Baoshang Sports Goods Company Limited 貴陽寶尚體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Wenzhou Baofeng Trading Company Limited 溫州寶澧商貿有限公司	PRC	50%	50%	Retailing of sportswear

All of the above are sino-foreign enterprises established in the PRC.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

FINANCIAL SUMMARY

RESULTS

	Year ended September 30,				
	2005	2006	2007	2008	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	207,177	372,960	555,903	959,548	1,142,293
Profit (loss) for the year	6,025	21,012	43,934	79,701	(6,250)
Attributable to:					
Equity holders of the Company	3,315	11,383	31,927	70,024	(3,696)
Minority interests	2,710	9,629	12,007	9,677	(2,554)
	6,025	21,012	43,934	79,701	(6,250)

ASSETS AND LIABILITIES

	As at September 30,				
	2005	2006	2007	2008	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets	159,545	214,661	553,930	1,137,406	1,266,502
Total liabilities	(130,522)	(162,999)	(366,541)	(475,097)	(495,926)
	29,023	51,662	187,389	662,309	770,576
Equity attributable to:					
Equity holders of the Company	22,575	36,368	138,417	645,716	754,331
Minority interests	6,448	15,294	48,972	16,593	16,245
	29,023	51,662	187,389	662,309	770,576

Note: The financial information for each of the three years ended September 30, 2007 has been extracted from the Company's prospectus dated May 26, 2008.