裕元工業(集團)有限公司

Yue Yuen Industrial (Holdings) Limited

Stock Code : 551

2012

Second Interim Report

YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
裕元工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 551)

UNAUDITED SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 30TH SEPTEMBER, 2012

GROUP FINANCIAL HIGHLIGHTS

	For the twelve months ended 30th September, **2012**	2011	Percentage increase
Turnover (US$'000)	**7,297,887**	7,045,373	**3.58%**
Recurring profit attributable to owners of the Company (US$'000)	**467,704**	464,558	**0.68%**
Non-recurring profit (loss) attributable to owners of the Company (US$'000)	**38,540**	(14,729)	**N/A**
Profit attributable to owners of the Company (US$'000)	**506,244**	449,829	**12.54%**
Basic earnings per share (US cents)	**30.70**	27.28	**12.54%**
Dividend per share			
1st interim dividend (HK$)	**0.35**	0.34	**2.94%**
2nd interim dividend (HK$)	**0.65**	N/A	**N/A**
Final dividend (HK$)	**N/A**	0.56	**N/A**

* *For identification purposes only*

SECOND INTERIM RESULTS

The directors of Yue Yuen Industrial (Holdings) Limited (the "Company" or "Yue Yuen") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the twelve months ended 30th September, 2012 with comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the twelve months ended 30th September, 2012

	Notes	**2012 (unaudited) US$'000**	2011 (audited) US$'000
Turnover	3	**7,297,887**	7,045,373
Cost of sales		**(5,635,506)**	(5,489,700)
Gross profit		**1,662,381**	1,555,673
Other income		**154,869**	169,222
Selling and distribution expenses		**(621,381)**	(542,283)
Administrative expenses		**(530,005)**	(513,396)
Other expenses		**(195,566)**	(170,076)
Finance costs		**(38,073)**	(37,419)
Fair value changes on derivative financial instruments	4	**(8,008)**	(36,144)
Fair value changes on consideration payable for acquisition of business		**(2,309)**	–
Gain on deemed disposal of jointly controlled entities	18(j)	**5,898**	18,767
Gain on disposal of subsidiaries	20	**5,761**	–
Fair value changes on investment properties		**–**	6,955
Impairment loss of an available-for-sale investment		**–**	(100)
Impairment losses on investments in an associate and jointly controlled entities		**(9,345)**	(2,000)
Share of results of associates		**44,502**	35,355
Share of results of jointly controlled entities		**46,230**	27,174
Profit before taxation		**514,954**	511,728
Income tax expense	5	**(15,152)**	(28,203)
Profit for the period	6a	**499,802**	483,525
Attributable to:			
Owners of the Company		**506,244**	449,829
Non-controlling interests		**(6,442)**	33,696
		499,802	483,525
		US cents	US cents
Earnings per share	8		
– Basic		**30.70**	27.28
– Diluted		**28.92**	23.15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months ended 30th September, 2012

	2012	2011
	(unaudited)	(audited)
	US$'000	US$'000
Profit for the period	**499,802**	483,525
Other comprehensive income (expense)		
Exchange difference arising on the translation of foreign operations	**26,744**	44,768
Gain (loss) on fair value changes of investments	**1,525**	(4,024)
Gain on fair value changes of properties prior to its reclassification as investment properties	**-**	692
Deferred taxation recognised on fair value changes of properties prior to its reclassification as investment properties	**-**	(173)
Other comprehensive income for the period	**28,269**	41,263
Total comprehensive income for the period	**528,071**	524,788
Total comprehensive income attributable to:		
Owners of the Company	**525,962**	476,630
Non-controlling interests	**2,109**	48,158
	528,071	524,788

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2012

	Notes	**2012 (unaudited) US$'000**	2011 (audited) US$'000
Non-current assets			
Investment properties	9	**41,469**	41,469
Property, plant and equipment	9	**1,891,634**	1,849,997
Deposits paid for acquisition of property, plant and equipment		**17,262**	15,156
Prepaid lease payments		**184,315**	189,000
Intangible assets	9	**143,073**	111,882
Goodwill		**282,578**	233,211
Investments in associates		**404,358**	382,677
Amounts due from associates		**6,196**	11,155
Investments in jointly controlled entities		**374,855**	352,153
Deposit paid for acquisition of the remaining interest in jointly controlled entities	18(d)	**–**	1,219
Amounts due from jointly controlled entities		**108,743**	123,387
Long-term loan receivables		**817**	8,311
Convertible note receivable	10	**4,178**	–
Available-for-sale investments		**21,513**	30,959
Rental deposits and prepayments		**25,166**	25,927
Derivative financial instruments	11	**581**	22,363
Pledged bank deposits		**–**	12,507
Deferred tax assets		**3,496**	1,978
Deposit paid for proposed acquisition of a business	18(d)	**–**	3,127
		3,510,234	3,416,478
Current assets			
Inventories		**1,234,095**	1,087,895
Trade and other receivables	12	**1,223,087**	1,152,069
Prepaid lease payments		**5,421**	5,403
Taxation recoverable		**8,812**	1,435
Available-for-sale investments		**–**	938
Financial assets at fair value through profit or loss		**9,021**	–
Derivative financial instruments	11	**1,301**	226
Pledged bank deposits		**12,694**	–
Bank balances and cash		**799,530**	704,095
		3,293,961	2,952,061
Assets classified as held for sale	13	**1,674**	104,725
		3,295,635	3,056,786

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30th September, 2012

	Notes	**2012 (unaudited) US$'000**	2011 (audited) US$'000
Current liabilities			
Trade and other payables	14	**1,125,891**	1,109,451
Taxation payable		**17,808**	15,314
Derivative financial instruments	11	**1,512**	13,349
Bank borrowings	15	**756,388**	453,951
Bank overdrafts		**9,539**	–
Convertible bonds	16	**–**	283,377
		1,911,138	1,875,442
Liabilities associated with assets classified as held for sale	13	**–**	38,550
		1,911,138	1,913,992
Net current assets		**1,384,497**	1,142,794
Total assets less current liabilities		**4,894,731**	4,559,272
Non-current liabilities			
Consideration payable for acquisition of business		**20,753**	–
Long-term bank borrowings	15	**402,395**	415,120
Deferred tax liabilities		**45,439**	37,475
		468,587	452,595
Net assets		**4,426,144**	4,106,677
Capital and reserves			
Share capital	17	**53,211**	53,211
Reserves		**3,936,598**	3,600,557
Equity attributable to owners of the Company		**3,989,809**	3,653,768
Non-controlling interests		**436,335**	452,909
Total equity		**4,426,144**	4,106,677

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 30th September, 2012

	Equity attributable to owners of the Company												
	Share capital US$'000	Share premium US$'000	Investments revaluation reserve US$'000	Special reserve US$'000 (note a)	Other reserve US$'000 (note b)	Other revaluation reserve US$'000 (note c)	Property revaluation reserve US$'000	Non-distributable reserve fund US$'000 (note d)	Translation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1st October, 2010 (audited)	53,211	695,536	6,641	(16,688)	43,666	4,551	-	19,369	71,750	2,493,020	3,371,056	405,447	3,776,503
Exchange difference arising on the translation of foreign operations	-	-	-	-	-	-	-	-	30,306	-	30,306	14,462	44,768
Loss on fair value changes of investments	-	-	(4,024)	-	-	-	-	-	-	-	(4,024)	-	(4,024)
Gain on fair value changes of properties prior to its reclassification as investment properties	-	-	-	-	-	-	692	-	-	-	692	-	692
Deferred taxation recognised on fair value changes of properties prior to its reclassification as investment properties	-	-	-	-	-	-	(173)	-	-	-	(173)	-	(173)
Profit for the period	-	-	-	-	-	-	-	-	-	449,829	449,829	33,696	483,525
Total comprehensive (expense) income for the period	-	-	(4,024)	-	-	-	519	-	30,306	449,829	476,630	48,158	524,788
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	-	2,473	2,473
Recognition of share-settled considerations for acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	3,785	3,785
Realised on deregistration of subsidiaries	-	-	-	-	-	-	-	-	965	(965)	-	-	-
Realised on deemed disposal of a jointly controlled entity	-	-	-	-	-	-	-	-	(1,126)	1,126	-	-	-
Realised on disposal of jointly controlled entities	-	-	-	-	-	-	-	-	(377)	377	-	-	-
Realised on disposal of an associate	-	-	-	-	-	-	-	-	(522)	522	-	-	-
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,886	1,886
Acquisition of additional interests in subsidiaries	-	-	-	-	(3,345)	-	-	-	-	-	(3,345)	(3,778)	(7,123)
Dividends (Note 7)	-	-	-	-	-	-	-	-	-	(190,573)	(190,573)	-	(190,573)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,062)	(5,062)
Transfer to non-distributable reserve fund	-	-	-	-	-	-	-	6,981	-	(6,981)	-	-	-

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the twelve months ended 30th September, 2012

	Equity attributable to owners of the Company												
	Share capital US$'000	Share premium US$'000	Investments revaluation reserve US$'000	Special reserve US$'000 (note a)	Other reserve US$'000 (note b)	Other revaluation reserve US$'000 (note c)	Property revaluation reserve US$'000	Non-distributable reserve fund US$'000 (note d)	Translation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 30th September, 2011 (audited)	53,211	695,536	2,617	(16,688)	40,321	4,551	519	26,350	100,996	2,746,355	3,653,768	452,909	4,106,677
Exchange difference arising on the translation of foreign operations	-	-	-	-	-	-	-	-	18,193	-	18,193	8,551	26,744
Gain on fair value changes of investments	-	-	1,525	-	-	-	-	-	-	-	1,525	-	1,525
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	506,244	506,244	(6,442)	499,802
Total comprehensive income for the period	-	-	1,525	-	-	-	-	-	18,193	506,244	525,962	2,109	528,071
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	-	1,662	1,662
Shares repurchased by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(5,018)	(5,018)
Realised on deregistration of subsidiaries	-	-	-	-	-	-	-	-	(5)	5	-	(83)	(83)
Realised on deemed disposal of a jointly controlled entity	-	-	-	-	-	-	-	-	(451)	451	-	-	-
Realised on disposal of jointly controlled entities	-	-	-	-	-	-	-	-	(409)	409	-	-	-
Realised on disposal of an associate	-	-	-	-	-	-	-	-	(443)	443	-	-	-
Realised on disposal of subsidiaries (Note 20)	-	-	-	-	-	-	-	-	-	-	-	(10,767)	(10,767)
Realised on expiry of call option	-	-	-	-	(25,394)	-	-	-	-	25,394	-	-	-
Contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,500	1,500
Deemed partial disposal of interests in subsidiaries without losing control	-	-	-	-	910	-	-	-	-	-	910	1,827	2,737
Refund of investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(480)	(480)
Recognition of consideration for acquisition of business settled by shares of a subsidiary (Note 18(f))	-	-	-	-	-	-	-	-	-	-	-	3,412	3,412
Deemed acquisition of additional interests in subsidiaries	-	-	-	-	1,131	-	-	-	-	-	1,131	(1,131)	-
Acquisition of additional interests in subsidiaries	-	-	-	-	1,502	-	-	-	-	-	1,502	(2,965)	(1,463)
Dividends (Note 7)	-	-	-	-	-	-	-	-	-	(193,464)	(193,464)	-	(193,464)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(6,640)	(6,640)
Transfer to non-distributable reserve fund	-	-	-	-	-	-	-	4,540	-	(4,540)	-	-	-
At 30th September, 2012 (unaudited)	53,211	695,536	4,142	(16,688)	18,470	4,551	519	30,890	117,881	3,081,297	3,989,809	436,335	4,426,144

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the twelve months ended 30th September, 2012

notes:

(a) The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of subsidiaries acquired pursuant to a corporate reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") in 1992.

(b) On 10th March, 2008, in consideration of the receipt by the Company of a cash premium of US$25.4 million, the Company granted an option to a financial institution, pursuant to which the financial institution had the right, from time to time during the period from 14th March, 2008 to 7th November, 2011, to require the Company to issue up to a maximum of 78,504,672 ordinary shares of HK$0.25 each in the Company at an agreed exercise price of approximately US$3.435 per share (the "USD Call Option 2011").

On 20th April, 2010, in consideration of the receipt by the Company of a cash premium of US$18.3 million, the Company granted an option to another financial institution, pursuant to which the financial institution has the right, from time to time during the period from 10th May, 2010 to 31st March, 2015, to require the Company to issue up to a maximum of 92,247,920 ordinary shares of HK$0.25 each in the Company at an agreed exercise price of US$4.21 per share (the "USD Call Option 2015").

The premiums received by the Company of approximately US$43,666,000 were recognised as equity and presented in reserves as "other reserve".

On 7th November, 2011, the USD Call Option 2011 remained unexercised and lapsed. Accordingly, the premium received by the Company of approximately US$25,394,000 was derecognised and transferred to the retained profits in current period. Up to 30th September, 2012, the holders of the USD Call Option 2015 had not exercised any of their rights thereof.

In addition, the Group also accounted for the acquisition of additional interests in subsidiaries and partial disposal of interests in subsidiaries without losing control as equity transactions and the difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid or received was recognised in "other reserve".

(c) The other 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 other revaluation reserve will be transferred to retained profits upon disposal of these subsidiaries or the relevant assets, whichever is earlier.

(d) According to the relevant laws in the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer at least 10% of their net profits after taxation, as determined under the PRC accounting regulations, 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months ended 30th September, 2012

	Notes	2012 (unaudited) US$'000	2011 (audited) US$'000
Net cash from operating activities		**538,053**	558,014
Net cash used in investing activities			
Purchase of property, plant and equipment		**(247,464)**	(482,047)
Acquisition of subsidiaries and business (net of cash and cash equivalents acquired)	18	**(64,321)**	(2,829)
Purchase of financial assets at fair value through profit or loss		**(10,153)**	–
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)	19	**(4,491)**	–
Prepaid land leases		**(2,574)**	(16,326)
Purchases of available-for-sale investments		**(2,172)**	(14,405)
Deposits paid for acquisition of property, plant and equipment		**(2,145)**	(18,260)
Proceeds from disposal of investment properties		**–**	8,638
Advances to jointly controlled entities		**–**	(4,955)
Deposit received for sales of assets classified as held for sale		**–**	34,029
Other investing cash flows		**(2,120)**	(3,826)
Proceeds from disposal of an associate		**1,568**	–
Decrease in loan receivables		**2,166**	–
Proceeds from disposal of jointly controlled entities		**3,124**	8,586
Repayment of advance to associate		**5,268**	464
Repayments from jointly controlled entities		**5,621**	1,669
Dividends received from jointly controlled entities		**6,745**	16,810
Interest income		**12,041**	10,809
Net proceeds from disposal of subsidiaries	20	**13,213**	–
Proceeds from maturity of available-for-sale investments		**13,815**	8,227
Dividends received from associates		**21,206**	19,647
Proceeds from disposal of property, plant and equipment		**36,779**	31,966
		(213,894)	(401,803)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the twelve months ended 30th September, 2012

	Notes	2012 (unaudited) US$'000	2011 (audited) US$'000
Net cash used in financing activities			
Repayment of bank borrowings		**(7,619,237)**	(5,947,452)
Redemption of convertible bonds		**(286,043)**	–
Dividends paid		**(193,464)**	(190,573)
Interest paid		**(35,850)**	(21,537)
Dividends paid to non-controlling interests of subsidiaries		**(6,640)**	(5,062)
Shares repurchased of a subsidiary		**(5,018)**	–
Other financing activities		**1,500**	(2,950)
Proceeds from partial disposal of interests in subsidiaries without losing control		**2,737**	–
Bank borrowings raised		**7,899,109**	6,096,340
		(242,906)	(71,234)
Net increase in cash and cash equivalents		**81,253**	84,977
Effect of foreign exchange rate changes		**888**	540
Cash and cash equivalents brought forward		**707,850**	622,333
Cash and cash equivalents carried forward		**789,991**	707,850
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**799,530**	704,095
Bank overdrafts		**(9,539)**	–
Bank balances and cash classified as assets held for sale	13	**–**	3,755
		789,991	707,850

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Pursuant to a resolution of the Board of Directors of the Company dated 30th May, 2012, the Company's financial year end date is changed from 30th September to 31st December in order to coincide with the statutory financial year end date of the Company's major operating subsidiaries, which are incorporated in the PRC. Accordingly, the current interim financial period covered a twelve-month period from 1st October, 2011 to 30th September, 2012 and the comparative figures covered a twelve-month period from 1st October, 2010 to 30th September, 2011.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the twelve months ended 30th September, 2012 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2011.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial period from 1st October, 2011 to 31st December, 2012. The application of these new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements of the Group.

3. TURNOVER AND SEGMENTAL INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and assessment of performance focuses specifically on the turnover analysis by principal categories of the Group's business and the profit of the Group as a whole. The principal categories of the Group's business are manufacturing and sales of footwear products ("Manufacturing Business") and retail and distribution of sportswear products ("Retailing Business") which includes the operating and leasing of large scale commercial spaces to retailers and distributors. Accordingly, the CODM has determined that the Group has only one operating segment, as defined in HKFRS 8.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. TURNOVER AND SEGMENTAL INFORMATION (Continued)

The information regarding turnover derived from the principal businesses described above is reported below:

	2012 (unaudited) US$'000	2011 (audited) US$'000
Turnover		
Manufacturing Business	5,661,625	5,604,357
Retailing Business	1,636,262	1,441,016
Total turnover	7,297,887	7,045,373

4. FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

	2012 (unaudited) US$'000	2011 (audited) US$'000
Loss on changes in fair value of:		
– JV Call Options (defined in Note 11a)	(20,917)	(15,601)
– HKD Call Option (defined in Note 11b)	(3)	(31,997)
– Derivative embedded in convertible bonds (Note 16)	–	24,768
– Derivative embedded in Convertible Note (Note 10)	(3)	–
– Other derivative financial instruments	12,915	(13,314)
	(8,008)	(36,144)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. INCOME TAX EXPENSE

	2012 (unaudited) US$'000	2011 (audited) US$'000
Taxation attributable to the Company and its subsidiaries:		
Current tax charge:		
Hong Kong Profits Tax (note i)	**697**	743
PRC Enterprise Income Tax ("EIT") (note ii)	**12,251**	21,589
Overseas taxation (note iii)	**7,523**	5,866
(Over)underprovision in prior year:		
PRC EIT (note ii)	**(401)**	1,041
Overseas taxation (note iii)	**166**	–
	20,236	29,239
Deferred tax credit	**(5,084)**	(1,036)
	15,152	28,203

notes:

(i) Hong Kong

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

(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 as follows:

(a) Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries were 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 expired or will expire in 2012.

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 future years until their expiry. However, if an entity did not commence its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards. Certain PRC subsidiaries were loss-making up to 2008, their tax holidays are therefore deemed to commence in 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. INCOME TAX EXPENSE (Continued)

notes: (Continued)

(ii) PRC (Continued)

(b) Pursuant to《財政部、國家稅務總局、海關總署關於西部大開發稅收優惠政策問題的通知》(Caishui [2001] No. 202), 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 state-encouraged industry were subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year. Such preferential tax treatment is further extended for a period of ten years from 2011 to 2020 on the condition that the enterprise must be engaged in state-encouraged industries as defined under the "Catalogue of Encouraged Industries in the Western Region" (the "Catalogue") pursuant to《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(Caishui [2011] No. 58) issued in 2011. The directors of the Company consider that the relevant subsidiaries are engaged in the state-encouraged industries under the Catalogue and continue to enjoy the preferential tax rate of 15% in the current period.

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 concessions from EIT as set out in (a) above continue to be applicable until the expirations of the relevant concessions. Subject to the fulfillments of the conditions set out above, the preferential treatment set out in (b) above continues to be applicable on the implementation of the Law of the PRC on EIT.

(iii) Overseas

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18th October, 1999, certain subsidiaries established in Macau are exempted from Macao Complementary Tax.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6a. PROFIT FOR THE PERIOD

	2012 (unaudited) US$'000	2011 (audited) US$'000
Profit for the period has been arrived at after charging:		
Total staff cost	**1,562,592**	1,494,755
Operating lease rental in respects of leasehold land and building, retail shops and plant and machinery	**234,546**	202,707
Release of prepaid lease payments	**4,993**	5,060
Amortisation of intangible assets (included in selling and distribution expenses)	**7,913**	5,746
Depreciation of property, plant and equipment	**240,319**	208,549
Allowance for inventories, net	**1,037**	–
Impairment loss recognised on trade receivables	**10,005**	2,206
Loss on disposal of property, plant and equipment	**-**	187
Research and development expenditure (included in other expenses)	**164,118**	153,656
and after crediting to other income:		
Net exchange gain	**19,572**	40,248
Reversal of allowance for inventory, net	**-**	21
Write back of impairment loss on trade receivables	**-**	1,060
Net gain on disposal of property, plant and equipment	**8,429**	–
Subsidies, rebates and other income from suppliers	**30,633**	32,628

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6b. RECURRING PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2012 (unaudited) US$'000	2011 (audited) US$'000
Profit for the period attributable to owners of the Company	**506,244**	449,829
Less: Non-recurring income (expenses) attributable to owners of the Company *(note)*		
Gain on deemed disposal of jointly controlled entities	**5,898**	18,767
Impairment loss of interests in an associate and jointly controlled entities	**(9,345)**	(2,000)
Impairment loss of an available-for-sale investment	**-**	(100)
Fair value changes on derivative financial instruments	**(8,008)**	(36,144)
Fair value changes on consideration payable for acquisition of business	**(2,309)**	–
Gain on disposal of subsidiaries	**5,761**	–
Gain on disposal of property, plant and equipment	**18,177**	–
Share of result of a jointly controlled entity	**18,830**	–
Fair value changes on investment properties (net of tax)	**-**	5,216
Amounts attributable to non-controlling interests	**9,536**	(468)
Non-recurring profit (loss) attributable to owners of the Company	**38,540**	(14,729)
Recurring profit attributable to owners of the Company	**467,704**	464,558

note:

In the opinion of directors, these income (expenses) are non-recurring in nature.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. DIVIDENDS

	2012 **(unaudited)** **US$'000**	2011 (audited) US$'000
Dividends recognised as distribution during the period:		
2012 First interim dividend of HK$0.35 per share (2011: 2011 Interim dividend of HK$0.34 per share) (note)	**74,380**	72,018
2011 Final dividend of HK$0.56 per share (2011: 2010 Final dividend of HK$0.56 per share)	**119,084**	118,555
	193,464	190,573

note:

On 30th May, 2012, the directors of the Company declared a first interim dividend of HK$0.35 per share for the 15-month period ending 31st December, 2012 (2011: interim dividend for the year ended 30th September, 2011 of HK$0.34 per share). The first interim dividend of approximately HK$577,125,000 (2011: HK$560,636,000) was paid on 13th July, 2012 to the shareholders of the Company.

Pursuant to a resolution of the Board of Directors of the Company at a meeting on 28th November, 2012, the directors of the Company declared a second interim dividend of HK$0.65 per share for the 15-month period ending 31st December, 2012. The second interim dividend of approximately HK$1,071,804,000 will be paid on 18th January, 2013 to the shareholders on the register of members of the Company on 8th January, 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. EARNINGS PER SHARE

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

	2012 **(unaudited)** **US$'000**	2011 (audited) US$'000
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**506,244**	449,829
Effect of dilutive potential ordinary shares:		
Finance costs on convertible bonds (net of income tax)	**1,856**	13,261
Fair value changes on derivative embedded in convertible bonds	**–**	(24,768)
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share	**508,100**	438,322

	2012 **(unaudited)**	2011 (audited)
Number of shares:		
Number of ordinary shares in issue during the period for the purpose of basic earnings per share	**1,648,928,486**	1,648,928,486
Effect of dilutive potential ordinary shares:		
USD Call Option 2011	**8,173,089**	78,504,672
USD Call Option 2015	**92,247,920**	92,247,920
Convertible bonds	**7,650,011**	73,480,373
Number of ordinary shares in issue during the period for the purpose of diluted earnings per share	**1,756,999,506**	1,893,161,451

note:

The computation of diluted earnings per share for the twelve months ended 30th September, 2012 and 2011 do not assume the exercise of share options of Pou Sheng International (Holdings) Limited ("Pou Sheng"), a listed subsidiary of the Company, because the exercise price of those options was higher than the average market price of Pou Sheng's shares in the respective periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The directors are of the opinion that the carrying value of the Group's investment properties as at 30th September, 2012 is not materially different from their fair value at that date. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties for the period.

During the period, the Group acquired property, plant and equipment of approximately US$247,521,000 (2011: US$486,751,000). In addition, property, plant and equipment of approximately US$12,288,000 (2011: US$7,728,000) were acquired through the acquisition of subsidiaries and business (see Note 18) and approximately US$33,020,000 (2011: Nil) were acquired through acquisition of assets through acquisition of subsidiaries (see Note 19).

The Group acquired intangible assets of US$37,291,000 (2011: US$42,070,000), which was arising from the acquisition of subsidiaries and business (see Note 18).

10. CONVERTIBLE NOTE RECEIVABLE

During the current period, the Group received a convertible note ("Convertible Note") with principal amount of US$4,600,000 issued by Luen Thai Holdings Limited ("Luen Thai") as a consideration for disposing 50% equity interest each in Yuen Thai Industrial Company Limited and Yuen Thai Holdings Limited, both companies were jointly controlled entities of the Group, to Luen Thai. Luen Thai is an associate of the Group, whose shares are listed on the Stock Exchange. The Convertible Note carries interest at 6.5% per annum with maturity on 30th May, 2014 at redemption amount of 100% of the principal amount together with interest accrued as at the redemption date. The holders have a roll-over option to extend the maturity date of the Convertible Note for a period of additional two years. The Convertible Note was convertible at the option of the holders into ordinary shares of HK$1.2 each in Luen Thai from the issue date up to the maturity date.

The Group has classified the debt component of the Convertible Note as loan and receivables on initial recognition.

The fair value of each of the debt and derivative components of the Convertible Note on initial recognition are determined with reference to a valuation performed by Savills Valuation and Professional Services Limited, an independent valuer not connected with the Group, using the Binomial Option Pricing Model.

Subsequent to initial recognition, the debt component is carried at amortised cost and the derivative component is measured at fair value using the Binomial Option Pricing Model at the end of the reporting period. The effective interest rate of the debt component is 14.5% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. CONVERTIBLE NOTE RECEIVABLE (Continued)

The movement of each component of the Convertible Note is set out below:

	Debt component (unaudited) US$'000	Derivative component (unaudited) US$'000	Total (unaudited) US$'000
At date of subscription	4,016	584	4,600
Effective interest income	187	–	187
Coupon interest received	(25)	–	(25)
Change in fair value	–	(3)	(3)
At 30th September, 2012	4,178	581	4,759

11. DERIVATIVE FINANCIAL INSTRUMENTS

		2012		2011	
	notes	**Assets (unaudited) US$'000**	**Liabilities (unaudited) US$'000**	Assets (audited) US$'000	Liabilities (audited) US$'000
Derivatives:					
Non-current:					
JV Call Options	(a)	**-**	**-**	22,363	–
Derivative embedded in Convertible Note (Note 10)		**581**	**-**	–	–
		581	**-**	22,363	–
Current:					
HKD Call Option	(b)	**-**	**-**	3	–
Foreign currency derivatives		**1,301**	**1,512**	223	13,349
		1,301	**1,512**	226	13,349
		1,882	**1,512**	22,589	13,349

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

notes:

(a) JV Call Options

	2012	2011
	(unaudited)	(audited)
	US$'000	US$'000
Derivative financial assets:		
Call options for acquisition of additional interests in subsidiaries, associates and jointly controlled entities	**-**	22,363

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 "JV Call Options").

The JV Call Options are exercisable within five years commencing from 6th December, 2008, the expiry of the first six months after dealing in the shares of Pou Sheng on the Stock Exchange commenced, and upon the mutual agreements between Pou Sheng 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. Such conditions were not yet fulfilled at the end of the reporting period other than those relating to Hebei Zhanxin Sports Development Company Limited ("Zhanxin") as at 30th September, 2011.

Pursuant to the JV Call Options agreements, each of the Relevant Partners has agreed not to transfer or dispose of the Relevant Equity Interests during the JV Call Options exercisable period without the Group's prior written consent. Furthermore, 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 Pou Sheng during a specified period and after certain discount agreed between Pou Sheng and the Relevant Partners. The consideration is to be settled by the issue of shares in Pou Sheng at the average price during the same specified period and after deducting the Option Premium paid.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

notes: (Continued)

(a) JV Call Options (Continued)

The value of each of the JV Call Options at 30th September, 2011 was valued by Savills Valuation and Professional Services Limited, an independent valuer, using the Binomial Option Pricing Model.

In December 2011, the Group acquired the Relevant Equity Interests in Zhanxin through exercise of its JV Call Options. Accordingly, the carrying amount of the relevant JV Call Options was derecognised and included as cost of investment in Zhanxin.

The fair value changes on the JV Call Options during the current interim period is mainly attributable to the expectation of the management that all remaining unexercised JV Call Options as at 30th September, 2012 would at no time during the remaining exercisable period be exercised to acquire the Relevant Equity Interests in subsidiaries, an associate and certain jointly controlled entities. The valuation of each of the Call Options at 30th September, 2012 was therefore considered to be zero. The remaining unexercised JV Call Options are expiring in December 2013.

(b) HKD Call Option

At the issue of the HKD Call Option in March 2008, the initial premium paid of US$27,994,000 was recognised as a derivative financial asset. During the current interim period, the HKD Call Option lapsed and the change in fair value of approximately US$3,000 has been accounted for in the condensed consolidated income statement for the twelve months ended 30th September, 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 30 days to 90 days which are agreed with each of its trade customers.

Included in trade and other receivables are trade and bills receivables, net of allowance for doubtful debts, of approximately US$839,216,000 (2011: US$782,079,000). An aged analysis based on the invoice date is as follows:

	2012	2011
	(unaudited)	(audited)
	US$'000	US$'000
0 to 30 days	**628,964**	576,200
31 to 90 days	**186,274**	188,892
Over 90 days	**23,978**	16,987
	839,216	782,079

13. DISPOSAL GROUP HELD FOR SALE

The aggregate classes of assets and liabilities classified as held for sale are as follows:

	2012	2011
	(unaudited)	(audited)
	US$'000	US$'000
	(note a)	(note b)
Investment in a jointly controlled entity	**1,674**	–
Property, plant and equipment	**–**	93,254
Prepaid lease payments	**–**	4,091
Deposits paid for acquisition of property, plant and equipment	**–**	3,625
Bank balances and cash	**–**	3,755
Total assets classified as held for sale	**1,674**	104,725
Accruals and other payables	**–**	23,550
Bank borrowings	**–**	15,000
Total liabilities associated with assets classified as held for sale	**–**	38,550

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. DISPOSAL GROUP HELD FOR SALE (Continued)

notes:

(a) On 30th April, 2012, the Group entered into a sale and purchase agreement with the joint venture partners of a jointly controlled entity, pursuant to which the parties agreed to, amongs other matters, the disposal of the Group's investment in the relevant jointly controlled entity. The Group has recognised an impairment loss of approximately US$1,000,000 during the twelve months ended 30th September, 2012 which was calculated based on the difference between the carrying value of the Group's interest in the relevant jointly controlled entity as at 30th September, 2012 and the estimated consideration receivables. Deposit of US$793,000 was recorded during the current period. At the date of this report, the transaction has not yet been completed.

(b) On 10th November, 2010 and 28th March, 2011, the Group entered into a sale and purchase agreement and a supplementary sale and purchase agreement, respectively, with a third party, pursuant to which the Group agreed to dispose of, and the third party agreed to acquire, a shopping mall building and the associated land use rights from the Group at an aggregate consideration of RMB285,000,000 (equivalent to US$45,198,000). The transaction was agreed prior to, but not completed as at, 30th September, 2011 and these assets were classified as held for sale as at 30th September, 2011.

During the current period, the transaction was completed and a gain on disposal of the properties of US$4,685,000 was recognised in profit or loss for the current period.

In addition, the Group entered into an agreement with Must Win International Limited ("Must Win"), a non-controlling shareholder of a subsidiary of the Company, pursuant to which the Group agreed to dispose of and Must Win agreed to acquire hotel properties and certain subsidiaries, whose principal assets were buildings and the associated land use rights, at an aggregate consideration of approximately RMB235,950,000 (equivalent to US$37,493,000). The transaction was agreed prior to, but not completed as at, 30th September, 2011 and the related assets and liabilities were classified as a disposal group held for sale as at 30th September, 2011.

During the current period, the transaction was completed and a gain on disposal of the properties of approximately US$13,492,000 and a gain on disposal of subsidiaries of approximately US$5,761,000 were recognised in profit or loss for the current period. Details of the disposal of subsidiaries are set out in Note 20.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of approximately US$436,913,000 (2011: US$537,680,000). An aged analysis based on the invoice date is as follows:

	2012	2011
	(unaudited)	(audited)
	US$'000	US$'000
0 to 30 days	**334,503**	400,002
31 to 90 days	**82,487**	112,925
Over 90 days	**19,923**	24,753
	436,913	537,680

15. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately US$7,899 million (2011: US$6,096 million) of which approximately US$7,188 million (2011: US$5,745 million) were repaid before the period ended 30th September, 2012. The proceeds of the remaining new bank borrowings were used to repay bank borrowings and to finance the daily operation of the Group. Among these bank borrowings, the variable-rate borrowings bear interest at a premium over London Interbank Offered Rate, Hong Kong Interbank Offered Rate and prevailing lending rate quoted by the People's Bank of China.

16. CONVERTIBLE BONDS

Zero Coupon Convertible Bonds due 2011 ("CB 2011")

On 20th October and 2nd November, 2006, the Company issued CB 2011 with an aggregate principal sum of HK$2,100 million (equivalent to approximately US$270 million) which are listed on the Stock Exchange. The CB 2011 do not bear interest.

CB 2011 was convertible at the option of the holders into ordinary shares of HK$0.25 each in the Company, at a conversion price of HK$26.75 per share, subject to anti-dilutive adjustments, at any time on or after 27th December, 2006 up to and including 7th November, 2011.

On 17th November, 2009, an aggregate principal sum of HK$134,400,000 (equivalent to approximately US$17,343,000) was redeemed by the Company upon the request of the bondholders at an aggregate consideration of HK$144,800,000 (equivalent to approximately US$18,684,000). A loss of approximately US$460,000 was charged to profit or loss on the partial redemption.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. CONVERTIBLE BONDS (Continued)

Zero Coupon Convertible Bonds due 2011 ("CB 2011") (Continued)

On 17th November, 2011, the outstanding balance of CB 2011 was redeemed in full on its maturity date by the Company at an aggregate consideration of US$286,043,000. There was no impact to the condensed consolidated income statement on redemption.

The movement of the liability component of the CB 2011 for the twelve months ended 30th September, 2012 is set out below:

	2012	2011
	(unaudited)	(audited)
	US$'000	US$'000
At the beginning of the period	**283,377**	268,649
Effective interest expenses	**2,223**	15,882
Redemption of CB 2011	**(286,043)**	–
Exchange difference	**443**	(1,154)
At the end of the period	**–**	283,377

The movement of the derivative embedded in the CB 2011 during the period is as follows:

	2012	2011
	(unaudited)	(audited)
	US$'000	US$'000
At the beginning of the period	**–**	24,822
Exchange realignment	**–**	(54)
Changes in fair value	**–**	(24,768)
At the end of the period	**–**	–

For the twelve months ended 30th September, 2011, the conversion option derivative embedded in CB 2011 was fair valued at the end of the reporting period. The change in fair value was recognised in the condensed consolidated income statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.25 each:		
At 1st October, 2010, 30th September, 2011 and 30th September, 2012	2,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.25 each:		
At 1st October, 2010, 30th September, 2011 and 30th September, 2012	1,648,928,486	412,232
		US$'000
Shown in the condensed consolidated financial statements as at:		
1st October, 2010, 30th September, 2011 and 30th September, 2012		53,211

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. ACQUISITION OF SUBSIDIARIES AND BUSINESS

The Group acquired Zhanxin and the Pengda Business (as defined below) during the twelve months ended 30th September, 2012 and acquired Zhejiang Yichuan Sports Goods Chain Company Limited ("Yichuan") and Yi Sheng Leather Co., Ltd. ("Yi Sheng") during the twelve months ended 30th September, 2011. The Group obtained control over these entities/business on the dates of completion of these acquisitions which have been accounted for using the purchase method. Further details of these acquisitions, including considerations paid or payable, assets acquired, liabilities recognised and goodwill arising, are set out below:

		2012			2011		
	notes (a)(b)(c)(k)	Zhanxin US$'000	Pengda business US$'000	Total US$'000	Yi Sheng US$'000	Yichuan US$'000	Total US$'000
The consideration for the acquisitions comprise the following:							
Cash consideration	(d)	12,344	103,797	116,141	1,235	25,501	26,736
Consideration shares	(e)	-	-	-	-	2,693	2,693
Consideration shares with trading restrictions	(f)	-	3,412	3,412	-	-	-
Fair value of guaranteed compensation	(g)	-	18,410	18,410	-	-	-
Contingently issuable shares	(h)	-	-	-	-	1,092	1,092
Related call options	(i)	1,171	-	1,171	-	8,060	8,060
Fair value of previously held interests	(j)	6,959	-	6,959	-	27,124	27,124
Total consideration		20,474	125,619	146,093	1,235	64,470	65,705
Provisional fair value of assets acquired and liabilities recognised at the date of acquisitions are as follow:							
Property, plant and equipment		1,404	10,884	12,288	4,087	3,641	7,728
Prepaid lease payments		-	-	-	645	-	645
Deposit paid for acquisition of property, plant and equipment		-	-	-	-	480	480
Licensing agreements	(l)	9,911	-	9,911	-	-	-
Customer relationship	(l)	-	3,775	3,775	-	-	-
Non-compete agreement	(l)	3,889	19,716	23,605	-	4,569	4,569
Brandname	(l)	-	-	-	-	37,501	37,501
Inventories		12,060	55,516	67,576	110	38,335	38,445
Trade and other receivables	(m)	8,869	-	8,869	966	23,477	24,443
Bank balances and cash		2,176	-	2,176	14	1,531	1,545
Trade and other payables		(14,712)	-	(14,712)	(2,041)	(31,535)	(33,576)
Taxation payable		(56)	-	(56)	-	(638)	(638)
Bank borrowings		(7,383)	-	(7,383)	(2,135)	(16,978)	(19,113)
Deferred tax liabilities		(3,450)	(5,873)	(9,323)	-	(10,517)	(10,517)
		12,708	84,018	96,726	1,646	49,866	51,512
Less: non-controlling interests		-	-	-	(411)	-	(411)
		12,708	84,018	96,726	1,235	49,866	51,101
Goodwill arising on acquisitions	(n)	7,766	41,601	49,367	-	14,604	14,604
Cash flow arising on acquisitions:							
Cash consideration paid		(9,638)	(56,859)	(66,497)	(1,235)	(3,139)	(4,374)
Less: bank balances and cash acquired		2,176	-	2,176	14	1,531	1,545
Net cash outflow		(7,462)	(56,859)	(64,321)	(1,221)	(1,608)	(2,829)
Acquisition-related costs	(o)	36	217	253	-	51	51

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes:

(a) Zhanxin is a limited liability company established in the PRC and is principally engaged in the sportswear retailing business. In order to strengthen the Group's market position and geographical coverage in the PRC, the Group exercised a JV Call Option to acquire the remaining 55% equity interest in Zhanxin not already held by the Group. Zhanxin was a jointly controlled entity of the Group before the completion of this transaction on 1st December, 2011.

(b) On 1st February, 2012, the Group completed the acquisition of a chain of retail stores in the PRC, including the related tangible and intangible assets, owned by Shanghai Pengda Sports Goods Company Limited and its related parties ("Pengda") (the "Pengda Business"), for the purpose of strengthening its market position and geographical coverage in the PRC sportswear retail market.

(c) Yi Sheng is a limited liability company established in the British Virgin Islands and is principally engaged in the manufacturing of leather products in Vietnam. In order to take up the advantage of low production costs, the Group acquired 75% equity interest in Yi Sheng.

Yichuan is a limited liability company established in the PRC and is principally engaged in the sportswear retailing business. In order to strengthen the Group's market position and geographical coverage in the PRC, the Group exercised a JV Call Option to acquire the remaining 50% equity interest in Yichuan not already held by the Group. Yichuan was a jointly controlled entity of the Group before the completion of this transaction on 1st October, 2010.

(d) For the cash consideration of US$12,344,000 for the acquisition of Zhanxin, (i) US$1,219,000 was paid as a deposit as at 30th September, 2011, (ii) US$9,638,000 was paid during the current period and (iii) US$1,487,000 is payable before 31st December, 2012. The net present value of the total cash consideration approximates to the amount of cash paid and payable for the acquisition.

For the cash consideration of US$103,797,000 for the acquisition of Pengda Business, (i) US$3,127,000 was paid as a deposit as at 30th September, 2011, (ii) US$56,859,000 was paid during the current period and (iii) the remaining balance is repayable within one year from the end of the reporting period. The net present value of the total cash consideration approximates to the amount of cash paid and payable for the acquisition.

For the cash consideration of US$1,235,000 for the acquisition of Yi Sheng, all were fully paid during the year ended 30th September, 2011.

For the cash consideration of US$25,501,000 for the acquisition of Yichuan, US$22,362,000 was paid in prior years and the remaining balance is due but not yet settled as at 30th September, 2012. The net present value of the total cash consideration approximates to the amount of cash paid and payable for the acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(e) This represents the agreement to issue 6,330,000 shares of HK$0.01 each in Pou Sheng in each of the 3 years ending 30th September, 2013 (which in aggregate are 18,990,000 shares of HK$0.01 each in Pou Sheng). 6,330,000 shares were issued during each of the twelve months ended 30th September, 2011 and 30th September, 2012 respectively and the remaining 6,330,000 shares are to be issued on or before 30th September, 2013. The fair value of these consideration shares was determined by American Appraisal China Limited ("American Appraisal"), a firm of independent professional valuers, using the closing share price of Pou Sheng as at 30th September, 2010.

(f) This represents 46,000,000 shares of HK$0.01 each in Pou Sheng which are to be issued on or before 31st December, 2012 (the "Pengda Consideration Shares"). These shares, when issued, are to be placed in an escrow account and cannot be withdrawn within a period of 4 years without Pou Sheng's consent (the "Restricted Period"). The fair value of these consideration shares was determined by American Appraisal by applying a marketability discount to the closing share price of Pou Sheng as at 1st February, 2012.

(g) Pursuant to the relevant agreements, the Group is to compensate Pengda for the shortfall, if any, between the market value of each Pengda Consideration Share and HK$4, such market value being the average closing price of Pou Sheng's shares in the 20 consecutive trading days immediately following the end of the Restricted Period. The fair value of such guaranteed compensation has been determined by American Appraisal using the Binominal Option Pricing Model with reference to the closing share price of Pou Sheng as at 1st February, 2012.

The fair value of the guaranteed compensation, represents the consideration payable for acquisition of business, as at 30th September, 2012, was determined by Savills Valuation and Professional Services Limited, an independent valuer, using the Binomial Option Pricing Model. The key inputs into the model are set out below.

Share price at date of valuation	HK$0.475
Exercise price per share	HK$4.000
Risk free rate	0.29%
Expected volatility	60%
Expected life of the guaranteed compensation	4 years
Expected dividend yield	Nil

The change in fair value of the guaranteed compensation amounting to US$2,309,000 is recognised in the profit or loss for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(h) For each of the three fiscal years ending 30th September, 2013, if the audited annual after-tax profit of Yichuan is not less than RMB54,710,000 (equivalent to approximately US$8,400,000) (the "Pre-determined Profit Level"), Pou Sheng will be required to issue an additional 5,000,000 shares of HK$0.01 each in Pou Sheng to the vendors. The fair value of these contingently issuable shares was determined by American Appraisal, using the closing share price of Pou Sheng as at 30th September, 2010 and with reference to management's best estimate of the likelihood that the profit target will be met.

The Pre-determined Profit Level of Yichuan for each of the year ended 30th September, 2011 and 2012 were not reached, and no contingently issuable shares were issued for these years.

(i) This represents the carrying value of the Group's JV Call Option relating to Zhanxin and Yichuan as at the date of acquisition.

(j) The fair value of the 45% equity interest in Zhanxin previously held by the Group was re-measured as of the date of acquisition at US$6,959,000 by American Appraisal, resulting in a gain of US$5,898,000 recognised in profit or loss during the twelve months ended 30th September, 2012.

The fair value of the 50% equity interest in Yichuan previously held by the Group was re-measured as of the date of acquisition at US$27,124,000 by American Appraisal, resulting in a gain of US$18,767,000 recognised in profit or loss during the twelve months ended 30th September, 2011.

The above fair values at the respective dates of acquisitions were determined using the discounted cash flow approach and the guideline companies method approach. The significant inputs into the models include earning to price multiples of comparable companies (in terms of products, market, competition, growth rate and capital structure), premium on control and market liquidity of Zhanxin or Yichuan, as appropriate.

(k) The initial accounting for the acquisitions of Pengda Business have been determined provisionally for the property, plant and equipment and the inventories acquired as well as intangible assets to be identified and recognised separately from goodwill awaiting the receipt of professional valuation in relation to the respective fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(I) Intangible assets, being licensing agreements, customer relationship, non-compete agreements and brandname, were valued as of the respective dates of acquisitions by American Appraisal, on the following basis:

Licensing agreements	The Excess Earnings method under the Income Approach
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 management of the Group considers all of the licensing agreements, customer relationship and non-compete agreements have finite useful lives and are amortised on a straight-line basis over the following periods:

Licensing agreements	10 years
Customer relationship	8 years
Non-compete agreements	5 to 20 years

The brandname is considered as having an indefinite useful life because it is expected to contribute to net cash inflows to the Group indefinitely.

In estimating the fair values of the intangible assets on initial recognition, the present values of the net cash flows attributable to the intangible assets were determined using discount rates of 15% for Zhanxin, 16% for Pengda Business and 14% for Yichuan. Other key assumptions used in the calculations related to the estimation of cash inflows/outflows which included budgeted sales and gross margin. Such estimation was based on the past performance of the acquirees and their subsidiaries and management's expectations for the market development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(m) At the acquisition date, the gross contractual amount of the receivables acquired was equivalent to their fair value as it was expected that all amounts were fully collectible.

(n) Goodwill arose in each of the acquisition of Zhanxin, Pengda Business, and Yichuan because the respective consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies arising from revenue growth, future market development and the assembled workforce of the targets. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

(o) The acquisition-related costs of the above transactions, were recognised as an expense in the current and prior periods included in the condensed consolidated income statement.

(p) Pro-forma revenue and profit

Included in the profit for the twelve months ended 30th September, 2012 are losses of US$355,000 and US$5,324,000 attributable to the additional businesses generated by Zhanxin and Pengda Business, respectively. Revenue for the twelve months ended 30th September, 2012 includes US$52,435,000 and US$133,728,000 generated from Zhanxin and Pengda Business, respectively. Had the acquisitions been completed on 1st October, 2011, total group revenue for the twelve months ended 30th September, 2012 would have been US$7,353,139,000, and profit for the same period would have been US$498,620,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1st October, 2011, nor is it intended to be a projection of future results.

Yi Sheng had no turnover and profit of approximately US$150,000 for the twelve months ended 30th September, 2011. As the acquisition of Yi Sheng was completed on 1st April, 2011, loss of approximately US$434,000 had been included in the condensed consolidated income statement for the twelve months ended 30th September, 2011. The revenue and profit of Yichuan for the twelve months ended 30th September, 2011 are US$156,871,000 and US$2,697,000, respectively. As the acquisition of Yichuan was completed on 1st October, 2010, such revenue and profit have been consolidated in full in the condensed consolidated income statement for the twelve months ended 30th September, 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 20th July, 2012, the Group acquired 100% equity interest in Noble Descent Limited and its subsidiaries ("Noble Descent") for a consideration of US$4,492,000. Noble Descent is principally engaged in property investment and its major assets are factory and staff quarter buildings in the PRC. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

The net assets acquired in the transactions are as follows:

	US$'000
Buildings	33,020
Other receivables	553
Bank balances and cash	1
Trade and other payables	(29,082)
	4,492
Satisfied by:	
Cash consideration paid	4,492
Net cash outflow arising on acquisition:	
Cash consideration paid	4,492
Bank balances and cash acquired	(1)
	4,491

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. DISPOSAL OF SUBSIDIARIES

As set out in Note 13, the Group disposed of (i) entire interest in Yolland Holdings Limited and its subsidiaries; and (ii) 51% equity interest in Huge World Investments Limited, a disposal group classified as held for sale as at 30th September, 2011, during the current period. Details of the disposal are disclosed below.

The aggregate amounts of the assets and liabilities attributable to these subsidiaries on the respective dates of disposal were as follows:

	US$'000
Net assets disposed of:	
Property, plant and equipment	53,144
Deposit paid for acquisition of property, plant and equipment	3,625
Bank balances and cash	3,755
Accruals and other payables	(23,550)
Bank borrowings	(15,000)
Total net assets	21,974
Less: Non-controlling interests	(10,767)
	11,207
Gain on disposal of subsidiaries:	
Consideration received	16,968
Net assets disposed of	(11,207)
Gain on disposal	5,761
Net cash inflow arising on disposal:	
Cash consideration received	16,968
Less: bank balances and cash disposed of	(3,755)
	13,213

The subsidiaries disposed of during the twelve months ended 30th September, 2012 did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. CONTINGENCIES AND COMMITMENTS

At the end of the reporting period, the Group had the following contingencies and commitments:

(I) Contingencies

	2012 (unaudited) US$'000	2011 (audited) US$'000
Guarantees given to banks in respect of banking facilities granted to:		
(i) jointly controlled entities		
– amount guaranteed	**69,194**	91,855
– amount utilised	**46,334**	59,008
(ii) associates		
– amount guaranteed	**30,617**	26,269
– amount utilised	**15,402**	17,838
(iii) a former subsidiary		
– amount guaranteed	**12,694**	12,507
– amount utilised	**12,694**	12,507

(II) Commitments

	2012 (unaudited) US$'000	2011 (audited) US$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– construction of buildings	**11,757**	35,189
– acquisition of property, plant and equipment	**6,019**	10,654
– acquisition of the remaining interests in jointly controlled entities	**11,127**	10,975
	28,903	56,818
Other commitments contracted for but not provided in the condensed consolidated financial statements in respect of:		
– investment in a subsidiary	**38,378**	–
– investments in available-for-sale investments	**-**	3,512
– investments in jointly controlled entities	**-**	1,626
	38,378	5,138
	67,281	61,956

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. EVENT AFTER THE REPORTING PERIOD

Pou Sheng announced on 21st September, 2012 that it proposes to raise funds of approximately HK$522.9 million (equivalent to approximately US$67.5 million) to HK$526.7 million (equivalent to approximately US$68.0 million) before deduction of expenses by way of rights issue, pursuant to which not less than 1,065,006,290 rights shares and not more than 1,072,701,165 rights shares to be issued on the basis of one rights share for every four existing shares held on the record date at the subscription price of HK$0.491 per rights share (the "Rights Issue").

The Company and its wholly-owned subsidiary, Major Focus Management Limited ("Major Focus") have undertaken to subscribe the rights shares allotted to Major Focus, and also underwritten in full the rights shares other than those allocated to Major Focus.

Pou Sheng's net proceeds from the Rights Issue approximated to HK$518.8 million (equivalent to approximately US$66.9 million). The Group's net proceeds from the Rights Issue (after intercompany elimination) approximated to HK$90.8 million (equivalent to approximately US$11.7 million). All of the rights shares were issued and fully paid on 8th November, 2012, and are ranked pari passu in all respects with the then existing shares of Pou Sheng.

Upon completion of the Rights Issue, the shareholding of the Group in Pou Sheng increased from approximately 56.82% to 61.80%.

SECOND INTERIM DIVIDEND

The Directors are pleased to declare a second interim dividend of HK$0.65 per share for the 15-month period ending 31st December, 2012 to shareholders whose names appear on the Register of Members on Tuesday, 8th January, 2013. The second interim dividend will be paid on Friday, 18th January, 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 8th January, 2013 to Thursday, 10th January, 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the second interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Secretaries Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration of not later than 4:30 p.m. on Monday, 7th January, 2013.

CHANGE OF FINANCIAL YEAR END DATE

As announced on 30th May, 2012, the Board of Directors of the Company resolved to change the financial year end date of the Company from 30th September to 31st December in order to coincide with the statutory financial year end date of the Company's major operating subsidiaries, which are incorporated in the PRC. Accordingly, the first financial period of the Company after the change is the 15-month period ending 31st December, 2012.

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW

Results

Total turnover of the Group rose 3.6% year on year to approximately US$7,297.9 million. Recurring profit was up 0.7%. The Group also had non-recurring profit for the period. Please refer to Note 6b of notes to the condensed consolidated financial statements that provides detailed disclosure of the items that give rise to non-recurring profit. When aggregating both categories of profit, then the net profit attributable to Owners of the Company for the first twelve-month period of the Fiscal Year 2012 amounted to approximately US$506.2 million.

Operations

In the first twelve months of the Fiscal Year 2012, the Group's shoe manufacturing turnover only grew by 1.5% to US$5,074.1 million, due to increased caution in placing orders by our brand name customers: sales of athletic shoes and casual/outdoor shoes were up by 1.8% and 0.5% respectively. Total shoe manufacturing volume fell by 5.4% to 308.9 million pairs. The Group's shoe manufacturing turnover experienced growth for the U.S.A. and Asia regions, but saw a decline for Europe.

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW (Continued)

Operations (Continued)

With regards to the retail and wholesale business of sportswear in the Greater China Region, Sales increased by 13.6% to US$1,636.3 million in the first twelve months of the Fiscal Year 2012, primarily due to factors such as acquisition of the regional retailers, opening of new stores, and promotional sales following by liquidation of inventory.

Total Turnover by Product Category

Twelve months ended 30th September (all figures rounded to millions)	**2012 US$ millions**	**%**	2011 US$ millions	%	**y-o-y % Change**
Athletic Shoes	**3,746.4**	**51.3**	3,680.2	52.2	**1.8**
Casual/Outdoor Shoes	**1,245.5**	**17.1**	1,239.6	17.6	**0.5**
Sports Sandals	**82.2**	**1.1**	81.2	1.2	**1.2**
Retail Turnover	**1,636.3**	**22.4**	1,441.0	20.5	**13.6**
Soles, Components & Others	**587.5**	**8.1**	603.4	8.5	**(2.6)**
Total Turnover	**7,297.9**	**100.0**	7,045.4	100.0	**3.6**

Total Turnover by Geographical Market

Twelve months ended 30th September (all figures rounded to millions)	**2012 US$ millions**	**%**	2011 US$ millions	%	**y-o-y % Change**
U.S.A.	**2,035.9**	**27.9**	2,010.8	28.5	**1.2**
Europe	**1,465.8**	**20.1**	1,541.5	21.9	**(4.9)**
Asia*	**3,133.3**	**43.0**	2,870.2	40.8	**9.2**
South America	**374.3**	**5.1**	352.4	5.0	**6.2**
Canada	**103.0**	**1.4**	99.2	1.4	**3.8**
Other Areas	**185.6**	**2.5**	171.3	2.4	**8.3**
Total Turnover	**7,297.9**	**100.0**	7,045.4	100.0	**3.6**

* *Excluding retail sales, Asia turnover was US$1,497.0 million and US$1,429.2 million, representing 20.5% and 20.3% of the total turnover in 2012 and in 2011 respectively.*

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW (Continued)

Operations (Continued)

During the period, the Group's gross profit increased by 6.9% to US$1,662.4 million (2011: US$1,555.7 million), as a result of the trend of stable spot prices for materials and energy units purchased. Gradual improvement in factory operating efficiency also contributed to the gross profit improvement. Meanwhile, selling, distribution and administrative expenses increased by 9.1% to US$1,151.4 million (2011: US$1,055.7 million) driven by inflation in the Asia environment, in particular China, leading to rising wages and to higher rental costs. Share of results from associates and jointly controlled entities improved by 45.1% to US$90.7 million (2011: US$62.5 million). As a result of the aforementioned items, the Group's net profit attributable to owners amounted to US$506.2 million.

Looking Forward

The consumer market for athletic shoes and sportswear can undergo changes quickly due to the variation in consumer preferences and tastes. Given the structure of the Group's business, the Group recognizes it must adopt a more customer-oriented approach for both the global manufacturing business as well as the retail business in China. For the manufacturing business, the Group looks to enhance its production capabilities by supply chain integration and manufacturing excellence programs so as to serve its brand name customers with quality and flexible productions under dynamic market conditions. For the retail side, the Group has been optimizing its operation to be able to set sales plans by referencing latest and effective consumer preferences, which will also contribute significant improvements on inventory management. Sales growth in both areas of business is expected to be moderate and profit growth will likely be challenged by the variability of market conditions. In the long term, the Group expects there will be greater demand for athletic shoes and sportswear, and that the enhancements made by the Group will allow it to participate in the next upswing of demand.

Financial Position

The Group maintains a stable financial position. As at 30th September 2012, the Group had cash and cash equivalents of US$790.0 million (30th September, 2011: US$704.1 million) and total borrowings of US$1,158.8 million (30th September, 2011: US$1,152.4 million). Net debt was US$368.8 million as at 30th September 2012 compared to US$448.3 million as at 30th September 2011. The gearing ratio stood at 26% (30th September, 2011: 28%) and the net debt to equity ratio was 8% (30th September, 2011: 11%). The gearing ratio is based on total borrowings to total equity and the net debt to equity ratio is based on total borrowings net of cash and cash equivalents to total equity.

Group capital expenditures for the twelve months ended 30th September, 2012 amounted to US$252.2 million, a decline of 51.2% compared to the same period last year. Approximately US$247.5 million of capital expenditures was related the purchase of property, plant and equipment and US$2.6 million was related to the acquisition of prepaid land leases.

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW (Continued)

Corporate Social Responsibility

The Company recognizes that footwear manufacturing has entered into a new era of competitiveness. For those manufacturers who desire to lead the industry, it has become necessary for them to excel in the area of sustainable development ("SD").

Yesterday's focus – Production Oriented Strategy

In the past, the focus was only on establishing OEM/ODM output capability: limited attention was paid to operational transparency and the need for corporate social responsibility ("CSR"). As a consequence there was little desire to improve the factory operations and no attempt was made to achieve any CSR standards. Incidents occurred that impacted the factory workers, the environment, and the brand image. These were handled on a reactionary basis with no consideration given to sustainability in the long term.

Today's focus – Factory Self Governance

As expectations for the industry came into existence, manufacturers developed systems to hold managers accountable and implemented frameworks that gave rise to proactive approaches for managing operating incidents. Various brands have established CSR standards for their suppliers to follow. The Company believes that to be a partner with a number of brand name customers, it should establish its own CSR standards so that whenever possible the best practices are being followed.

Tomorrow's Focus – Leading in Sustainability

Pursuing sustainability in manufacturing is the essential way forward. Consistent and frequent communication within the manufacturing operation is a prerequisite to pursuing sustainability. The Company wants to build partnerships with the brand name customers and the institutions of society. This leads to innovation that connects the Company with its various clients and stakeholders. The Company recognizes the interaction between the significant players and the communities will lead to initiatives that "go beyond compliance".

The Company wishes to be a leader in the industry and do more than just comply with basic CSR standards: it wants to achieve sustainable CSR performance. Just following prescriptive compliance approaches to meet the brand name customer requirements is no longer sufficient. The Company believes that pursuing sustainability through the development of one's own CSR standards leads to stronger partnerships with the brand name customers. The Group has recently joined organizations such as the Fair Labour Association ("FLA") to assist in the development of sustainable CSR performance. The FLA's "Sustainable Compliance Initiatives" ("SCI") auditing program is a useful tool for manufacturers. It comprises a holistic approach to measuring Human Resource Management System, Environment and Health/Safety requirements. The Group will adopt the FLA SCI requirements to allow the smooth development of a "One CSR Standard" for all the various plant sites within Yue Yuen Group across Asia. The Group will also review other approaches such as those of the World Federation of the Sporting Goods Industry ("WSFGI") for promoting and enhancing CSR in the industry.

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW (Continued)

Corporate Social Responsibility (Continued)

The Company believes the successful pursuit of SD initiatives can only be achieved through an appropriate balance between people, products and profit within the following contexts:

Integration into business function and strengthened production planning

This is achieved by congregating front to backend production plans into one blueprint. A good blueprint provides strategic management which reduces gaps, duplication, risk, waste and avoids backend issues related to People, Product and Profit. This also helps to promote better management in almost all aspects. By integrating lean, green and people orientated mindset management, employees are empowered to drive sustainable manufacturing and performance.

Readiness to challenges in a dynamic and competitive environment

By investing in holistic human management approaches to build a talented, skilled and smart organization, the People become an asset to the company. Cultural differences are respected, so that social bonding is enabled and equality is upheld that leads to a harmonious working environment. In the dynamic and competitive environment of today's business world, staff need to be better equipped to adapt to the ever changing new technologies and processes, which are continually introduced into the production line due to new product complexity and upgraded manufacturing requirements. Therefore, the aim is to enable the transformation of a worker's status from that of an assembly line worker to that of a craftsman specialist, technician or engineering assistant. The ultimate goal would be the evolution to an engineer. "Building people as assets" will enable the Company to become the employer of choice.

Move on to new business models (more machines, less people and a "smart people" environment)

Labour intensive manufacturing industries will continue facing uphill challenges to recruit and retain skilled labour. With labour costs rising, new manufacturing facilities need to be set up in the inland Chinese cities or in other emerging countries. Furthermore there has been an increasing trend of automation among the brand name customers to improve manufacturing excellence within the various labour intensive industries. Product complexity is now a general trend in the footwear manufacturing industry and thus another factor that creates the need for more automation.

The Company is working to evolve from just being a large enterprise in the footwear manufacturing industry to being a "Happy and Sustainable Company" that can be considered a long term dependable supplier to brand name companies operating in the footwear industry.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th September, 2012, the interest or short position of the Company's directors, chief executives and their associates in the shares and/or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long Position

(a) *Ordinary shares of HK$0.25 each in the Company*

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Tsai Chi Neng	Beneficiary of a trust (Note)	101,126,262	6.13%
David N.F. Tsai	Beneficiary of a trust (Note)	101,126,262	6.13%
Tsai Pei Chun, Patty	Beneficiary of a trust (Note)	101,126,262	6.13%

Note: Each of Mr. Tsai Chi Neng, Mr. David N.F. Tsai and Ms. Tsai Pei Chun, Patty is deemed to be interested in 101,126,262 ordinary shares of the Company by virtue of his/her capacity as a beneficiary of a discretionary trust.

(b) *Ordinary shares of HK$0.01 each in Pou Sheng, a non-wholly owned subsidiary of the Company*

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of Pou Sheng
David N.F. Tsai	Beneficial Owner	4,833,000	0.11%
Chan Lu Min	Beneficial Owner	681,000	0.01%
Tsai Pei Chun, Patty	Beneficial Owner	4,460,000	0.10%

Other than the interest disclosed above, none of the directors nor the chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th September, 2012.

SHARE INCENTIVE SCHEMES

(a) Share Option Scheme of the Company

The Company recognizes 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 adopted a share option scheme, the details of which are stipulated as follows:

On 27th February, 2009, the Company adopted a share option scheme (the "Scheme") under which the Board of Directors of the Company 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 27th February, 2009, after which no further options may be offered or granted.

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

(b) Share Option Scheme of Pou Sheng

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

In order to provide greater flexibility to the Pou Sheng Board in the treatment of outstanding options held by the grantees in the event that they cease to become a participant, certain terms of the Pou Sheng Share Option Scheme were amended on 7th March, 2012 (the "Amended Pou Sheng Share Option Scheme") as approved by the shareholders of Pou Sheng and the Company. The terms are amended as that in the event a grantee of an option, who is an employee or a director of Pou Sheng or any of its subsidiaries (Pou Sheng and its subsidiaries are collectively referred to as the "Pou Sheng Group"), ceases to be a participant under the Pou Sheng Share Option Scheme by any reason other than death or termination of his employment on grounds of summary dismissal, the Pou Sheng Board may by written notice to such grantee within one month from (and including) the date of cessation or termination of such employment or directorship determine whether such option shall lapse or the period within which such option (or such remaining part thereof) shall be exercisable following such date of cessation or termination of employment or directorship but before the expiry of the original option period and if the Pou Sheng Board does not serve such written notice within such one month period, the grantee may exercise the outstanding options up to his entitlement as at the time of such cessation or termination of employment or directorship (to the extent not already exercised) at anytime during the original option period.

Pursuant to the Amended Pou Sheng Share Option Scheme. 5,400,000 options were granted to eligible participants of the Pou Sheng Group on 7th March, 2012.

During the twelve months ended 30th September, 2012, the Group recognised a total expense of US$1,662,000 as equity-settled share-based payments in relation to the options granted under the Amended Pou Sheng Share Option Scheme.

SHARE INCENTIVE SCHEMES (Continued)

(b) Share Option Scheme of Pou Sheng (Continued)

Movements of the options, which were granted under the Amended Pou Sheng Share Option Scheme, during the period under review were listed below:

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1st October, 2011	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Number of options outstanding at 30th September, 2012
Employees/Consultants of Pou Sheng	21/01/2010	1.62	21/01/2011-20/01/2018	6,150,750	-	-	(873,750)	5,277,000
	21/01/2010	1.62	21/01/2012-20/01/2018	6,150,750	-	-	(873,750)	5,277,000
	21/01/2010	1.62	21/01/2013-20/01/2018	12,301,500	-	-	(1,747,500)	10,554,000
	21/01/2010	1.62	21/01/2014-20/01/2018	16,402,000	-	-	(2,330,000)	14,072,000
	20/01/2011	1.23	20/01/2012-19/01/2019	10,500,000	-	-	(1,762,500)	8,737,500
	20/01/2011	1.23	20/01/2013-19/01/2019	10,500,000	-	-	(1,762,500)	8,737,500
	20/01/2011	1.23	20/01/2014-19/01/2019	10,500,000	-	-	(1,762,500)	8,737,500
	20/01/2011	1.23	20/01/2015-19/01/2019	10,500,000	-	-	(1,762,500)	8,737,500
	07/03/2012	1.05	07/03/2013-06/03/2020	-	1,350,000	-	(600,000)	750,000
	07/03/2012	1.05	07/03/2014-06/03/2020	-	1,350,000	-	(600,000)	750,000
	07/03/2012	1.05	07/03/2015-06/03/2020	-	1,350,000	-	(600,000)	750,000
	07/03/2012	1.05	07/03/2016-06/03/2020	-	1,350,000	-	(600,000)	750,000
Sub-total				83,005,000	5,400,000	-	(15,275,000)	73,130,000
Former Employees of Pou Sheng	21/01/2010	1.62	21/01/2011-20/01/2018	954,000	-	-	-	954,000
	21/01/2010	1.62	21/01/2012-20/01/2018	954,000	-	-	-	954,000
	21/01/2010	1.62	21/01/2013-20/01/2018	1,908,000	-	-	(1,908,000)	-
	21/01/2010	1.62	21/01/2014-20/01/2018	2,544,000	-	-	(2,544,000)	-
	20/01/2011	1.23	20/01/2012-19/01/2019	3,250,000	-	-	-	3,250,000
	20/01/2011	1.23	20/01/2013-19/01/2019	3,250,000	-	-	(3,250,000)	-
	20/01/2011	1.23	20/01/2014-19/01/2019	3,250,000	-	-	(3,250,000)	-
	20/01/2011	1.23	20/01/2015-19/01/2019	3,250,000	-	-	(3,250,000)	-
	07/03/2012	1.05	07/03/2013-06/03/2020	-	-	-	-	-
	07/03/2012	1.05	07/03/2014-06/03/2020	-	-	-	-	-
	07/03/2012	1.05	07/03/2015-06/03/2020	-	-	-	-	-
	07/03/2012	1.05	07/03/2016-06/03/2020	-	-	-	-	-
Sub-total				19,360,000	-	-	(14,202,000)	5,158,000
Grand total				102,365,000	5,400,000	-	(29,477,000)	78,288,000

The vesting period of the options is from the date of grant until the commencement of the exercisable period.

SHARE INCENTIVE SCHEMES (Continued)

(b) Share Option Scheme of Pou Sheng (Continued)

The closing price of the shares of Pou Sheng immediately before the date of which the options were granted during the current period was HK$0.99 and the fair value, vesting schedule, exercisable period of the options are as follows:

Vesting period	Exercisable period	Percentage vesting	Fair value (per option) HK$
07/03/2012 to 06/03/2013	07/03/2013 to 06/03/2020	25% of options granted	0.48
07/03/2012 to 06/03/2014	07/03/2014 to 06/03/2020	25% of options granted	0.48
07/03/2012 to 06/03/2015	07/03/2015 to 06/03/2020	25% of options granted	0.48
07/03/2012 to 06/03/2016	07/03/2016 to 06/03/2020	25% of options granted	0.48

The binomial option pricing model (the "Model") was adopted to assess the fair value of the options granted as at the grant date during the review period. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables as adopted may materially affect the estimation of the fair value of an option.

Specific assumptions were made in the Model in relation to risk free rate, volatility, dividend yield, life of options and trading days. Certain general assumptions relating to the political, legal, fiscal or economic conditions in the country or district where the business is in operation, taxation law, inflation, interest and currency exchange rate, key management and technical personnel, the existing state of the business and debts of Pou Sheng were also made.

SHARE INCENTIVE SCHEMES (Continued)

(b) Share Option Scheme of Pou Sheng (Continued)

The major inputs into the Model are as follows:

	Options granted on 7th March, 2012
Date of grant (measurement date)	7th March, 2012
Closing price of the shares of Pou Sheng on the date of grant	HK$0.99
Exercise price per share	HK$1.05
Annual expected volatility	45%
Expected life of the option	8 years
Annual risk free rate	1.08%
Expected dividend yield	Nil

The risk free rate is assumed to be equaled to the yield of Hong Kong Exchange government bonds over the exercisable period near the grant date.

It is expected the dividend yield will be zero in the future.

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share average prices of Pou Sheng over the past years immediately preceding the grant date. The calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the underlying shares.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the "Share Incentive Schemes" above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO showed that, as at 30th September, 2012, other than the interests disclosed in "Directors' and Chief Executives' Interests in Securities", the following shareholders had notified the Company of their relevant interests in shares representing 5% or more of the issued share capital of the Company.

Long position

Ordinary shares of HK$0.25 each in the Company

Name of shareholder	Notes	Number of ordinary shares beneficially held	Percentage of the issued share capital of the Company as at 30th September, 2012
Pou Chen Corporation ("PCC")	(a)	824,143,835	49.98%
Wealthplus Holdings Limited ("Wealthplus")	(a)	773,156,303	46.88%
Mr. Tsai Chi Jui	(b)	115,321,998	6.99%
Ms. Tsai Huang Shu Man	(b)	115,321,998	6.99%
Royal Bank of Canada Trust Company (Cayman) Limited	(c)	101,126,262	6.13%
Accord Management Limited	(d)	101,126,262	6.13%
Ms. Tsai Hsu Li Min	(e)	101,126,262	6.13%
Ms. Tsai Hsu Shu Chun	(e)	101,126,262	6.13%
Merrill Lynch & Co. Inc.	(f)	99,315,703	6.02%
Citigroup Inc.	(g)	101,180,535	6.14%
Short Position			
Merrill Lynch & Co. Inc.	(f)	109,341,792	6.63%
Citigroup Inc.	(g)	646,513	0.04%

Notes:

(a) Of the 824,143,835 ordinary shares beneficially owned by PCC, 773,156,303 ordinary shares were held by Wealthplus and 50,987,532 ordinary shares were held by Win Fortune Investments Limited ("Win Fortune"). Both Wealthplus and Win Fortune are wholly-owned subsidiaries of PCC. Mr. David N.F. Tsai, Mr. Chan Lu Min and Mr. Kuo Tai Yu, who are directors of the Company, are also directors of PCC. Mr. Chan Lu Min, Mr. Kuo Tai Yu, Mr. Kung Sung Yen, Mr. David N.F. Tsai and Ms. Tsai Pei Chun, Patty (who are directors of the Company) are directors of Wealthplus. Mr. Chan Lu Min and Mr. David N.F. Tsai are directors of Win Fortune.

(b) Mr. Tsai Chi Jui, brother of Mr. Tsai Chi Neng, is deemed to be interested in (i) 101,126,262 ordinary shares held by six discretionary trusts by virtue of his capacity as a founder of such discretionary trusts and (ii) 13,875,736 ordinary shares held directly by Moby Dick Enterprises Limited ("Moby Dick") by virtue of his interest in more than one-third of the voting shares of Moby Dick. Moby Dick is wholly-owned by Max Creation Industrial Limited ("Max Creation"), which is in turn 53.63% owned by World Future Investments Limited, which is in turn wholly-owned by Mr. Tsai Chi Jui. Mr. Tsai Chi Jui holds 320,000 ordinary shares directly. Mr. Tsai Chi Neng, who is a director of the Company, is also a director of Moby Dick. Mr. Tsai Chi Neng and Mr. David N.F. Tsai (who are directors of the Company) are directors of Max Creation. Ms. Tsai Huang Shu Man, being the spouse of Mr. Tsai Chi Jui, is deemed to be interested in the 115,321,998 ordinary shares in which Mr. Tsai Chi Jui is interested by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes: (Continued)

(c) Royal Bank of Canada Trust Company (Cayman) Limited is deemed to be interested in 101,126,262 ordinary shares by virtue of its capacity as a trustee of six discretionary trusts.

(d) Accord Management Limited is wholly-owned by Royal Bank of Canada Trust Company (Cayman) Limited. Accord Management Limited is deemed to be interested in 80,494,822 ordinary shares held directly by Quicksilver Profits Limited ("Quicksilver") and 20,631,440 ordinary shares held directly by Red Hot Investments Limited ("Red Hot") by virtue of its interest in more than one-third of the voting shares in Quicksilver and Red Hot respectively. Mr. Tsai Chi Neng, who is a director of the Company, is also a director of Quicksilver and Red Hot.

(e) Each of Ms. Tsai Hsu Li Min, being the spouse of Mr. Tsai Chi Neng, and Ms. Tsai Hsu Shu Chun, being the spouse of Mr. David N.F. Tsai, is deemed to be interested in the 101,126,262 ordinary shares in which each of Mr. Tsai Chi Neng and Mr. David N.F. Tsai is interested by virtue of the SFO. Mr. Tsai Chi Neng and Mr. David N.F. Tsai are directors of the Company.

(f) Merrill Lynch & Co. Inc. is deemed to be interested in 35,000 ordinary shares (long position) held directly by Merrill Lynch Portfolio Managers Limited under the SFO by virtue of its interest in more than one-third of the voting shares in Merrill Lynch Portfolio Managers Limited. Merrill Lynch Portfolio Managers Limited is wholly-owned by ML Invest, Inc., which is in turn wholly-owned by Merrill Lynch Group, Inc., which is in turn wholly-owned by Merrill Lynch & Co. Inc..

Merrill Lynch & Co. Inc. is also deemed to be interested in 5,985,785 ordinary shares (long position) and 2,620,000 ordinary shares (short position) held directly by Blackrock, Inc. (for discretionary clients) under the SFO by virtue of its interest in more than one-third of the voting shares in Blackrock, Inc.. Merrill Lynch & Co. Inc. owns 49.8% of Blackrock, Inc. through various subsidiaries, namely, Princeton Services, Inc., Princeton Administrators, L.P., Merrill Lynch Investment Managers, L.P. and Fund Asset Management, L.P., which are all 99% owned by Merrill Lynch & Co. Inc. except for Princeton Services, Inc., which is wholly-owned by Merrill Lynch Group, Inc.. Merrill Lynch Group, Inc., which is wholly-owned by Merrill Lynch & Co. Inc., is also deemed to be indirectly interested in the 5,985,785 ordinary shares (long position) and 2,620,000 ordinary shares (short position) held directly by Blackrock, Inc..

In light of the above, Merrill Lynch & Co. Inc. is deemed to be interested in an aggregate of 6,020,785 ordinary shares (long position) and 2,620,000 ordinary shares (short position).

Merrill Lynch & Co. Inc. is also deemed to be interested in 93,294,918 ordinary shares (long position) and 106,721,792 ordinary shares (short position) held directly by Merrill Lynch International under the SFO by virtue of its interest in more than one-third of the voting shares in Merrill Lynch International. Merrill Lynch & Co. Inc. holds Merrill Lynch International through six wholly-owned subsidiaries namely, Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe Plc, Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited and ML UK Capital Holdings. ML UK Capital Holdings is wholly-owned by Merrill Lynch Holdings Limited, which is in turn wholly-owned by Merrill Lynch Europe Intermediate Holdings, which is in turn wholly-owned by Merrill Lynch Europe Plc, which is in turn wholly-owned by Merrill Lynch International Holdings Inc., which is in turn wholly-owned by Merrill Lynch International Incorporated, which is in turn wholly-owned by Merrill Lynch & Co. Inc.. Merrill Lynch International is 97.2% owned by ML UK Capital Holdings. The above have been prepared based on the disclosure of interest form filed with the Company.

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes: (Continued)

(g) The 101,180,535 ordinary shares (long position) are held as to 2,384,477 ordinary shares as corporate interest, 6,169,807 ordinary shares in the capacity as custodian corporation/approved lending agent, 378,331 ordinary shares as security interest and 92,247,920 ordinary shares as trustee. Further, 646,513 ordinary shares in short position are held as corporate interest. Of the 101,180,535 ordinary shares in long position, 93,936,282 ordinary shares represent underlying interests in physically settled unlisted derivatives.

Of the 101,180,535 ordinary shares (long position) held by Citigroup Inc., 90,178 ordinary shares (long position) are directly held by Citigroup Global Markets Inc., 473,475 ordinary shares (long position) are directly held by Morgan Stanley Smith Barney Holdings LLC, 12,938 ordinary shares (long position) are directly held by Citigroup Global Markets Financial Products LLC, 2,184,362 ordinary shares (long position) are directly held by Citigroup Global Markets Limited, 92,247,920 ordinary shares (long position) are directly held by Citicorp International Limited, 6,170,982 ordinary shares (long position) are directly held by Citibank N.A. and 680 ordinary shares (long position) are directly held by Citicorp Trust South Dakota.

Of the 646,513 ordinary shares (short position) interested by Citigroup Inc., 86,588 ordinary shares (short position) are directly interested by Citigroup Global Markets Inc., 18,729 ordinary shares (short position) are directly interested by Citigroup Global Markets Financial Products LLC and 541,196 ordinary shares (short position) are directly interested by Citigroup Global Markets Limited.

Morgan Stanley Smith Barney Holdings LLC is owned as to 49% by Citigroup Global Markets Inc., which is in turn wholly-owned by Citigroup Financial Products Inc.. Citigroup Global Markets Financial Products LLC is wholly-owned by Citigroup Global Markets Holdings GmbH, which is in turn owned as to 24.3% by Citigroup Global Markets Pacific Holding Company Inc. and as to 75.7% by Citigroup Global Markets (International) Finance AG. Both Citigroup Global Markets Pacific Holding Company Inc. and Citigroup Global Markets (International) Finance AG are wholly-owned by Citigroup Financial Products Inc.. Citigroup Global Markets Limited is wholly-owned by Citigroup Global Markets Europe Limited which is in turn owned as to 64.67% by Citigroup Financial Products Inc., 35.22% by Citigroup Global Markets International LLC and 0.11% by Citigroup Global Markets (International) Finance AG. Citigroup Global Markets International LLC is wholly-owned by Citigroup Financial Products Inc.. Citigroup Financial Products Inc. is therefore deemed to be interested in an aggregate of 2,760,953 ordinary shares (long position) and 646,513 ordinary shares (short position). Citigroup Financial Products Inc. is wholly-owned by Citigroup Global Markets Holdings Inc., which is in turn wholly-owned by Citigroup Inc.

Citicorp International Limited is wholly-owned by Citigroup Holding (Singapore) Private Limited, which is in turn wholly-owned by Citigroup Asia Pacific Holding Corporation, which is in turn wholly-owned by Citibank Overseas Investment Corporation, which is in turn wholly-owned by Citibank N.A.. Citigroup Trust – Delaware, National Association is wholly-owned by Citibank N.A., which is in turn wholly-owned by Citicorp Holdings Inc., which is in turn wholly-owned by Citigroup Inc.. Citicorp Holdings Inc. is therefore deemed to be interested in an aggregate of 98,418,902 ordinary shares (long position).

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes: (Continued)

(g) (Continued)
Citicorp Trust South Dakota is wholly-owned by Citibank (South Dakota), National Association, which is in turn wholly-owned by Citigroup Inc.. Citibank (South Dakota), National Association is therefore deemed to be interested in an aggregate of 680 ordinary shares (long position).

In light of the above, Citigroup Inc. is deemed to be interested in an aggregate of 101,180,535 ordinary shares (long position) and 646,513 ordinary shares (short position). The above have been prepared based on the disclosure of interest form filed with the Company.

Other than the interests disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 30th September, 2012.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B (1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company since the date of the Company's 2012 interim report on 30th May, 2012 are set out below:

On 29th June, 2012, Mr. Lee Shao Wu, an executive director of the Company, was appointed as a director of Advantage Logistics Limited, a subsidiary of the Company, which was incorporated in the British Virgin Islands.

Ms. Kuo, Li-Lien, an executive director of the Company, resigned as directors of the following subsidiaries of the Company, which were incorporated in Taiwan:

1. Pau Yuen Trading Corporation
2. Pau Zhi Trading Corporation

On 28th November, 2012, Ms. Teresa Yen was appointed as an independent non-executive director, member of audit committee and remuneration committee of the Company, at an annual director's fee of HK$200,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the twelve months ended 30th September, 2012.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with management and the external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited second interim financial statements.

REVIEW OF ACCOUNTS (Continued)

The external auditor has reviewed the second interim financial information for the twelve months ended 30th September, 2012 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CORPORATE GOVERNANCE

During the twelve months ended 30th September, 2012, the Company has applied the principles of and has complied with all the code provisions set out in the Code on Corporate Governance Practices effective until 31st March, 2012 and Corporate Governance Code with effect from 1st April, 2012 as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by directors. All directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the twelve months ended 30th September, 2012.

ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the period.

DIRECTORS

As at the date of this report, Mr. Tsai Chi Neng (Chairman), Mr. David N. F. Tsai (Managing Director), Mr. Kuo Tai Yu, Mr. Kung Sung Yen, Mr. Chan Lu Min, Mr. Li I Nan, Steve, Ms. Tsai Pei Chun, Patty, Ms. Kuo Li-Lien and Mr. Lee Shao Wu are the Executive Directors and Dr. Liu Len Yu, Mr. Leung Yee Sik, Mr. Huang Ming Fu, Mr. Chu Li-Sheng and Ms. Teresa Yen are the Independent Non-executive Directors.

By Order of the Board
Tsai Chi Neng
Chairman

Hong Kong, 28th November, 2012

Website: www.yueyuen.com