2012 Annual Report

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶 勝 國 際 （ 控 股 ） 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code：3813)

寶勝國際
POU SHENG INTERNATIONAL

Short Term

Transforming from an acceptable player to a competitive winner

OUR MISSION

Long Term

To be the STRONGEST and most INNOVATIVE multi-channel national retailer in sports inspired / lifestyle industry – the customers' No. 1 choice and the brand's best partner in China

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POU SHENG INTERNATIONAL

CORPORATE OVERVIEW

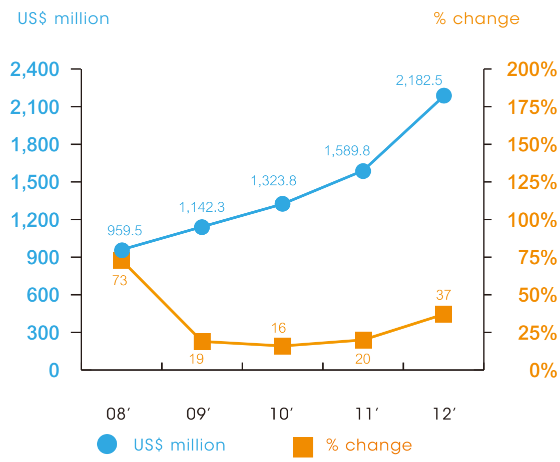
CORPORATE OVERVIEW

THE GROUP'S FINANCIAL HIGHLIGHTS

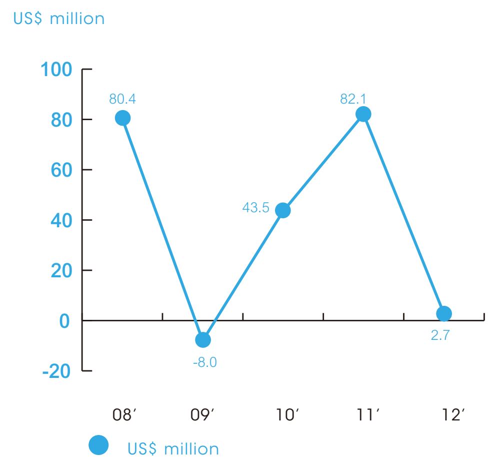
	For the fifteen months ended December 31, 2012	For the year ended September 30, 2011	Percentage increase (decrease)
Revenue *(US$'000)*	2,182,450	1,589,802	37.3%
Operating profit *(US$'000)*	2,708	82,078	(96.7)%
(Loss) profit attributable to owners of the Company *(US$'000)*	(69,151)	53,670	–
Basic (loss) earnings per share *(US cents)*	(1.56)	1.25	–

KEY SHAREHOLDER VALUE INDICES

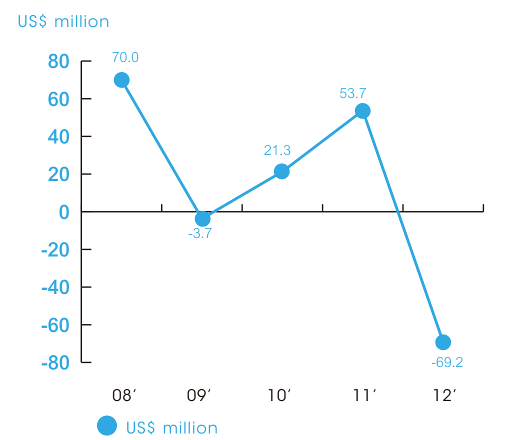
Revenue



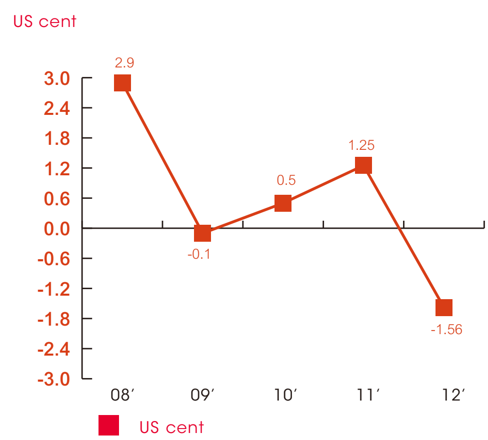
Operating Profit (Loss)



Profit (Loss) Attributable to Owners of the Company



Basic Earnings (Loss) Per Share



CORPORATE INFORMATION

DIRECTORS

Non-Executive Directors

Tsai David, Nai Fung[6] *(Chairman)*
Tsai Patty, Pei Chun[1]
Kuo, Li-Lien
Li I-nan[3]

Executive Directors

Kwan, Heh-Der
(Chief Executive Officer)
Wu, Pan-Tsu

Independent Non-Executive Directors

Chen Huan-Chung[2,3,5]
Hu Sheng-Yih
Chang Li Hsien, Leslie[1,5]
Hsieh, Wuei-Jung[4]

Notes:

1 Member of Audit Committee
2 Chairman of Audit Committee
3 Member of Remuneration Committee
4 Chairman of Remuneration Committee
5 Member of Nomination Committee
6 Chairman of Nomination Committee

COMPANY SECRETARY

Ng Lok Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suites 3106-09, 31/F., Tower 6
The Gateway, 9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

STOCK CODE

3813 HK

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

SOLICITOR

Reed Smith Richards Butler

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
Citibank (China) Co. Limited
China CITIC Bank International Limited
Hang Seng Bank (China) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS

www.pousheng.com

寶勝國際
POU SHENG INTERNATIONAL

CHAIRMAN'S STATEMENT

Dear Shareholders:

I am pleased to present the annual results of Pou Sheng Group for the fifteen months ended December 31, 2012 to all shareholders.

In the financial year of 2012, our operating environment was still flooded with challenges. The global economy was still full of uncertainties, on one hand the European debt crisis continued to spread out, the debt and deficit explosion risk of the United States of America remained in existence, on the other hand, the economy of China continued to slow down as in 2011, with the pressure of GDP slowdowns, inflation continued and RMB appreciated, causing the apparent weakening of consumer sentiment and expenditure. In the recent years, the sports production business under the shoes and apparel industry chain has expanded excessively because of the rapid growth, at the same time consumers' demand over apparel products changed, that is why homogeneous competitions obviously happened among brand owners or retailers, which led to a slowing down sales, an accumulating inventory. With increasing effort of discount clearing and the efforts of our operation team, we recorded a revenue of US$2,182.5 million, increased by 37.3% as compared with last year, however, our operating profit has dropped from US$82.1 million to US$2.7 million. Together with other loss items of non-operating and loss of the joint-venture companies, we have recorded a net loss of US$68.4 million. In the face of the ever-changing market and challenges brought about by the volatile operating environment, Pou Sheng's management has conducted in-depth review and formulated specific plans and actions to modify its operation model. We believe that our management team will swiftly make any necessary adjustment and modification to improve our operating results in return to the continuous support from our shareholders.

The obscure business situation towards the Company will soon end because of the adjustments. Such process will also force us to accelerate our transformation and reorganization, to let us participate successfully in the next economic takeoff. The management realizes that our retail scale has reached a certain level because of expansion, but the future success depends on how we uplift the output value of existing stores to create greater profitability and how we further expand our business to county-level cities to guarantee the growth scale and reduce the expenditure. As to brands cooperation, we shall integrate various brands resources to create long-term and reasonable win-win condition; while as to reorganization, we shall streamline the management team so as to achieve the best manpower allocation ratio and an effective management process. Furthermore, in order to cope with the diversification of the market trend, we will optimize and transform our current IT and

logistic systems, integrate the nationwide business resources, and develop a system with functions including unified procurement and instant redeployment. We will also activate innovative retail business plan, which bases on the existing physical stores to develop new pathways and marketing models, including multi-brand cross-industry combination, online and offline integrated e-commerce, etc. as the new growth drivers.

The Board respects our former Chief Executive Officer Ms. Chang Karen Yi-Fen's decision to resign in April 2012 and would like to express our sincere gratitude for her contribution in her tenure. Moreover, I am pleased to report that in August 2012, the Board announced to have appointed Mr. Kwan, Heh-Der as the new Chief Executive Officer and an Executive Director of the Group. The Board looks forward to his contribution to the Group in accelerating the corporate transformation process and optimizing the results of Pou Sheng with his extensive experience in market development in China, profound experience in management and capability in innovative cross-industrial operation model. During the year, several senior management in IT, logistics and other fields also joined Pou Sheng. They are experts and experienced professionals in their respective fields, the Board is eager to see new team plays to their strengths and work as one to push forward the Company's development.

With the higher awareness over health issue and the larger amount of consumer disposable income, we continue to remain optimistic towards the sports industry. However, during the short-term industry adjusting period, the Pou Sheng team will strive to develop its business in a balanced way, and perform speedy constitution adjustment. Although the overall economy may continue to show many uncertainties, the expanding Mainland China domestic market and the increasing consumers' income will benefit the development of the retail market. Meanwhile, the "the big gets bigger" development trend of China's sports equipment retail business is apparent, therefore, as a market leader in terms of scale, the mission of our management team is to uphold the operating concept of reciprocating our shareholders, and operate with professional attitude, integrate and concentrate its resources, so that the existing scale can be rapidly transformed into higher profitability, and achieve sustainable growth.

In the end, I would like to express my appreciation to all shareholders, financial institutions and business partners for their sustained supports and assistances, and to encourage the operation team to keep on improving, strive for perfection and pay consistent effort, so that we can create splendid results and achievements hand in hand.

TSAI David, Nai Fung
Chairman

March 26, 2013

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POU SHENG INTERNATIONAL

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF YEAR-END DATE

On May 30, 2012, pursuant to a resolution of the Board of the Company, the Company's financial year end date was changed from September 30 to December 31 in order to coincide the statutory financial year end date of the Company's subsidiaries incorporated in the PRC. Accordingly, the current financial year covered a fifteen-month period from October 1, 2011 to December 31, 2012 (the "Financial Year" or the "Year") whereas the corresponding comparative figures (which covered a twelve-month period from October 1, 2010 to September 30, 2011) are therefore not entirely comparable with those of the current period.

The Company had prepared the first interim report for the six-month period from October 1, 2011 to March 31, 2012, and the second interim report for the twelve-month period from October 1, 2011 to September 30, 2012.

BUSINESS REVIEW

For each of our businesses, the retail business distributes a wide range of sportswear products, including various sports footwear, apparel and accessories, for certain leading international and domestic sportswear brands to end customers through our directly operated retail outlets, and also to retail sub-distributors on a wholesale basis, which in turn sell the products through their respective retail outlets under our supervision. As at December 31, 2012, the Group had 3,659 directly operated retail outlets and 2,276 retail sub-distributors, and directly retail outlets and retail sub-distributors operated by our regional joint ventures' amounted to 749 and 691 respectively.

For our brand licensee business, in order to cope with the Group's future plan, we early terminated respective brand licensee agreements with Wolverine and Hush Puppies in Greater China and the PRC respectively on April 30, 2012. At present, the

Group remains as the exclusive brand licensee of international brands such as Converse, Reebok and Hush Puppies in specific regions in Greater China and is also negotiating with several famous outdoors brands such as O'Neill.

The brand licensee agreements entered into by the Group typically granted us exclusive rights to design, develop, manufacture, market and distribute, and the flexibility to set retail prices for products of the licensed brands in specified locations within the Greater China Region for a specified period of time. Moreover, the exclusive brand licensee agreement for Converse in Hong Kong, Macau and Taiwan and for Hush Puppies in Taiwan expired on December 31, 2012. In February 2013, the Group entered into an agreement in respect of the brand licensee arrangement of Hush Puppies in Taiwan to extend the term of the licensee agreement for three years to December 31, 2015. Currently, the Group is in negotiation with Converse to extend the term of the brand licensee agreement in Taiwan for one year to December 31, 2013 and expected that relevant arrangement will be completed shortly.

In our manufacturing business, the Group manufactured OEM/ODM products for various brands, mainly included Li Ning, ANTA and 361°.

FINANCIAL REVIEW

For the Financial Year, the Group recorded revenue of US$2,182.5 million, representing an increase of US$592.6 million or 37.3% as compared with the last financial year. The increase was mainly attributable to the change of the Company's financial year end date from September 30 to December 31, extending the reporting period of fifteen months currently being reported on when compared with the previous twelve months ended September 30, 2011. The loss attributable to owners of the Company was US$69.2 million while profit attributable to owners of the Company was US$53.7 million in the last financial year.

REVENUE

Our revenue increased by 37.3% to US$2,182.5 million for the fifteen months ended December 31, 2012 (year ended September 30, 2011: US$1,589.8 million). This increase was primarily due to the longer reporting period for the current Financial Year resulted from the change of year end date and the substantial growth in our retail business accompanied by the acquisition of Zhanxin (note (i)), and the recognition of acquisition of Pengda Business (note (ii)). Excluding such acquisitions, the Group's revenue for the current period would have been US$1,943.9 million.

Retail Business

Although the exclusive distributor contract for Converse products covering the PRC entered into with Converse expired on December 31, 2011, which affected the Group's wholesale activities in retail business, the revenue from retail business increased by 43.3% on a year-on-year basis to US$1,978.8 million (year ended September 30, 2011: US$1,380.5 million) as a result of acquisitions and mergers and organic growth of businesses for the Year.

Brand Licensee Business

Revenue from our brand licensee business increased by 22% to US$73.8 million (year ended September 30, 2011: US$60.5 million). If not taking into account the effect of a longer accounting period in the current year caused by the change of financial year end date, revenue decreased by 4.8% compared with the previous year, which was primarily due to the early termination of the respective brand licensee agreements with Wolverine and Hush Puppies covering the Greater China and the PRC respectively.

Manufacturing Business

Revenue from our manufacturing business decreased by 12.8% to US$129.8 million (year ended September 30, 2011: US$148.8 million), which was attributable to the decrease of orders from our major customers due to the impact of their terminal inventories. However, the average selling price remained stable during the Year.

notes:

(i) 河北展新體育發展有限公司 Hebei Zhanxin Sports Development Company Limited ("Zhanxin") is a limited liability company established in the PRC and is principally engaged in the sportswear retailing business. Zhanxin was a jointly controlled entity of the Group before the completion of acquisition of the remaining 55% equity interest in the company on December 1, 2011.

(ii) On February 1, 2012, the Group completed the acquisition of a chain of retail stores, including the related tangible and intangible assets, owned by Shanghai Pengda Sports Goods Company Limited and its related parties ("Pengda" and the assets acquired from Pengda is defined as the "Pengda Business").

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit amounted to US$644.4 million for the Year. Gross profit margin was 29.5%, representing a decrease of 0.8 percentage point on a year-on-year basis.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the Year amounted to US$677.7 million in aggregate, representing 31.1% of its revenue and an increase of 3.6 percentage point as compared with last year. The increase in such expenses was partly due to the higher overall expenses arising from acquisitions and mergers and partly due to the undeveloped and newly-opened shops, driven by additional staff salaries, rentals, inflation and other factors, resulting in a continuous rise in operating costs, particularly staff costs, rentals and concession expenses. The Group focused its efforts on cost control and saving measures.

OPERATING PROFIT

The Group's operating profit for the Year amounted to US$2.7 million and the operating profit margin was 0.1%, representing a decrease of 5.1 percentage point as compared with last year.

SHARE OF RESULTS OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Since joint ventures were mostly licensees of domestic brands, with the continuous adjustment experienced by the retail market of sportswear products in China, they spent more efforts to reduce inventory and intensified price markdown, thus reducing the profit and resulting in losses. Our share of results of associates and jointly controlled entities recorded losses of US$13.5 million in total for the Year.

GAIN ON DEEMED DISPOSAL OF JOINTLY CONTROLLED ENTITIES

During the Year, a non-recurring gain of US$5.9 million on a deemed disposal of a jointly controlled entity was recorded upon completion of the acquisition of remaining 55% equity interests in Zhanxin, as compared with the gain of US$18.8 million for the previous year, which was attributable to the acquisition of remaining equity interests in a joint venture, Yichuan. The difference in deemed gains is due to the different targets of acquisition.

IMPAIRMENT LOSS OF INTANGIBLE ASSETS

During the fifteen months ended December 31, 2012, the Group recognised an impairment loss of US$8.5 million (year ended September 30, 2011: nil) in relation to intangible assets (the brandname and the non-compete agreement) arising on acquisition of certain retail business that operate in chains of retails stores mainly in Northern China, for the worse than expected operating results of the relevant business unit of the retail business due primarily to difficulties arising from excessive inventory and fierce competitions in the region. This, combined with the rising operating costs, has therefore deteriorated both the operating environments and profitability of the relevant business unit and an impairment loss of certain intangible assets of the business unit is recognised during the current period. The basis of the impairment loss is set out in Note 16 to the consolidated financial statements in this report.

IMPAIRMENT LOSSES OF INTERESTS IN AN ASSOCIATE AND JOINTLY CONTROLLED ENTITIES

During the Financial Year, impairment provisions of US$9.3 million had been made in respect of interests in an associate and certain jointly controlled entities due to the expected disposal of which in the foreseeable future.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

Loss of US$20.9 million in the fair value changes on derivative financial instruments for the Year was mainly attributable to the expectation of the management that call options in respect of acquiring relevant equity interests in an associate, jointly controlled entities and subsidiaries would at no time be exercised during the remaining exercisable period of less than one year and accordingly, carried no value to the Group.

LOSS FOR THE YEAR

As a result of the above factors, the Group's loss for the Year was US$68.4 million.

ACQUISITION OF SUBSIDIARIES AND BUSINESS AND CONSOLIDATION OF RETAIL BUSINESSES

The Group has completed the acquisitions of Zhanxin and Pengda Business during the period for an aggregate consideration of US$137.5 million. The acquirees are principally engaged in the sales and distribution of sportswear products in various provinces of the PRC. The business of the acquirees are generally in line with our existing core retail business. The Group considers the strategic reasons for these acquisitions to be further strengthen and consolidating the retail channels of the sportswear distribution market in the PRC as part of the its on-going objective to take a leadership role in the market, which the Group considers would help to secure our presence and dominance in the marketplace and strengthen our bargaining power for favorable commercial terms.

The acquisitions of Zhanxin and Pengda Business are of multiple meanings to the Group. Firstly, the acquirees are of themselves well-known chains or retail stores in certain areas in the PRC and the successful completion of these acquisition inevitably strengthened the geographical presence of the Group in these regions. Secondly, as mentioned above, the main business of these acquirees coincides with those of the Group and the added distribution channels would enable economies of scale and our bargaining power in the market. Thirdly, the Group expects the growing popularity of sports would boost demands for sportswear products in the PRC in long term and the Group would stay competitive by leveraging on its persistent efforts to consolidate and building of effective distribution networks. The Group therefore believes that the high quality of the businesses of Zhanxin and Pengda Business acquired accounted for the premiums paid by the Group to make the acquisitions happened. Intangible assets and goodwill arising from these acquisitions amounting to US$37.3 million and US$40.8 million respectively and the performance and developments of these new members of the Group are generally in line with our expectations.

WORKING CAPITAL EFFICIENCY

The average inventory turnover period for the Year was 148 days (2011: 109 days). The longer inventory turnover period was partly due to the necessary stocking for newly opened shops and the increase of inventories at the end of the period as a result of the acquisition of Pengda assets, and partly due to lower-than-expected sales volume of the sportswear retail business for the Year. However, the Group strived to reduce its stocks for the sake of rationalising its inventory level and improving its cash flow. The average trade receivables turnover period was 36 days (2011: 34 days), which remained consistent with the credit terms of 30 to 60 days that the Group granted to its department store counters and retail distributors. The average trade and bill payables turnover period was 30 days (2011: 39 days).

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2012, the Group's cash and cash equivalents were US$128.5 million (September 30, 2011: US$172.7 million) and the working capital (current assets minus current liabilities) was US$537.9 million

(September 30, 2011: US$444 million). Our total bank borrowings increased by 94.6% to US$327.3 million from US$168.2 million as at September 30, 2011, of which US$313.1 million was repayable within one year and US$14.2 million was repayable after one year but not exceeding two years. Bank borrowings were denominated mainly in Renminbi, and cash and cash equivalents were mainly held in Renminbi as well. The Group's current ratio was 205% (September 30, 2011: 198%). Gearing ratio (total borrowings to total equity) was 36% (September 30, 2011: 19%).

Due to the higher inventory level and the decrease in trade and other payables for the Year, net cash used in operating activities was US$131.9 million. The Group believes our liquidity requirement will be satisfied with a combination of capital generated from operating activities (for example, the on-going operation of Pengda Business and the active reduction of inventories etc.) and bank borrowings in the future. Net cash used in investing activities was US$104.4 million, of which capital expenditure used to purchase of property, plants and equipment was US$38.9 million. Net cash from financing activities was US$189.7 million. The Group had raised and repaid bank borrowings of US$660.3 million and US$513.0 million respectively.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at December 31, 2012, the Group had capital commitments of US$11.3 million in respect of an acquisition of remaining interests in a jointly controlled entity. In addition, the Group had contingent liabilities of US$6.5 million in relation to guarantees given to banks in respect of banking facilities granted to jointly controlled entities.

FOREIGN EXCHANGE

The Group conducted its business primarily in the PRC with substantially all of its transactions denominated and settled in Renminbi. An appreciation or depreciation between US dollars and Renminbi may result in exchange difference arising on translation and is recognised as other comprehensive income or expense in the consolidated statement of comprehensive income as US dollar is used as our reporting currency. As at December 31, 2012, the Group had no significant hedge for the foreign exchange.

BUSINESS MODEL

During the fiscal year 2013, the operating environment will remain challenging. Weaknesses are seen in consumer sentiment and spending amid uncertainties in the global economy and slowdown of the PRC's growth. For the sports industry under footwear and apparel industry chain, homogeneous competition is apparent among branded companies and retailers due to the over-expansion as a result of the rapid growth in the recent years, and customers' diversified demand for apparel products, resulting in slow sales, accumulation of terminal inventory, and therefore increased efforts in clearance sales. As a result, market players must re-align their business models to a greater extent and perform reconstruction in order to adapt to macro and micro economic changes, which could bring about risks and growth opportunities at the same time.

As the Company plays a leading role in the industry, we have carried out large scale reform and reconstruction in response to such changes, apart from ensuring the current operation scale, our management realized that future growth depends on our ability to improve the productivity of existing stores and enhance the profitability, and our ability to expand into provincial municipals to ensure the growth of our scale and to save expenditures, when we have attained a certain operation scale. Therefore, our priority in 2013 will be given to increasing the productivity and profitability of existing stores. In particular, as to brand cooperation, we must integrate various brand resources to create reasonable win-win situation in the long run. We will streamline the management of the Company for corporate reorganization, so that we can have the optimal human resources allocation and efficiency in management flow. In addition, to align with the ever-changing market trend, the Group will optimize and upgrade the IT and logistics system in use to set up a base which consolidate all business resources in the whole country, and develop in full force a system which can support unified procurement and immediate distribution/allocation. As our new growth driver, we will carry out a retail innovation project, to develop new channels and marketing models over the existing store entities, for example, the development of multi-brand, mix-and-match and on-line and off-line e-commerce, etc.

After expansion, acquisition and integration in recent years, we are currently one of the most important worldwide retailers of a number of international brands such as Nike and Adidas. To maintain this advantage, we will exploit quality and potential markets to meet with the overall strategy of upgrading consumption in the PRC and the expansion of sales channels of brand companies. While streamlining existing brands and channels, we will also intensify the expansion of outdoor, leisure and sports brands and development of multi-brand channels, to strive for brand diversification while accommodating with the maturing consumers, urbanization of the PRC and differentiating and personalized consumption demands.

In addition, for our brand licensee business, apart from sports brands, the Group will also identify opportunities among outdoor leisure brand business to grasp market trend and enrich its business portfolio in order to create beneficial foundation for future performance growth. Regarding the licensee business of Reebok brand, the short-term objectives of the Group are to increase brand strength, consolidate product lines and develop designed products which meet the consumers' needs in the PRC market. The mid-term objectives are to further expand its retail and distributing network and achieve economy of scale. The long-term objective is to form a business model with a maximized value chain which combines design, development and production.

PROSPECTS

In view of the increase in health awareness, disposable income of consumers, sport awareness and participation, the Group remains optimistic about the mid- to long-term future of sports industry. We believe that the demand for functional sports and sports leisure will bring the second upsurge in the industry within next few years. We hope under the above mentioned effort, the profitability of the Group can resume and further enhance. Besides, branded companies are re-allocating their resources to large retailers due to the boom in density of retailers, giving rise to innovative operating models and enormous business opportunities. For example, due to higher rentals and labour cost in the matured sports markets such as Hong Kong and Taiwan, retailers have to increase turnover frequencies and refine management to sustain its profit margin and obtain higher investment return. It means that the underdeveloped market in China still has huge room for improving the prevailing operating conditions.

We believe that after the industry adjustment and as a result of our effort in 2013, the Group will be well positioned for next reform and upspring in the sports industry further with healthy and solid business foundation.

HUMAN RESOURCES

As at December 31, 2012, the Group had a total of 26,400 employees. The Group reviewed the performance of its employees regularly, which serves as a consideration basis in the annual salary review and promotion appraisals. In order to remain competitive in the labor market, we also made reference to remuneration packages offered by other industry players. In addition, we also provided other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs to employees based on their respective personal career development.

SHARE OPTION SCHEME

In order to provide incentives to eligible participants and greater flexibility to the Board of the Company in dealing outstanding options held by the grantees in the event that they cease to be participants, the share option scheme was amended pursuant to a resolution approved in the Company's annual general meeting held on March 7, 2012. As a result, subject to certain conditions, unexercised share options will not be automatically lapsed upon cessation of grantees' employment with the Group. Such amendments are applicable retrospectively to unexercised share options granted on January 21, 2010 and January 20, 2011.

On March 7, 2012, the Company granted to certain participants options under which the holders are entitled to subscribe for ordinary shares of HK$0.01 each in the share capital of the Company at an exercise price of HK$1.05 per share pursuant to the amended share option scheme. 5,400,000 shares will become issuable for subscription pursuant to the exercise of these granted options.

• BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DATA OF DIRECTORS

Mr. TSAI David, Nai Fung

TSAI David, Nai Fung, aged 62, is the Company's chairman and non-executive director since April 2008. He is also the chairman of the nomination committee of the Board since December 29, 2011. Prior to joining the Company in April 2008 and group of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in February 1997, Mr. Tsai was the chairman of Pou Yuen Industrial (Holdings) Limited. Mr. Tsai has been participating in the footwear sector over 30 years. Mr. Tsai is the managing director of Yue Yuen. He is also a director of Pou Chen Corporation ("PCC") and serves as a director of Elitegroup Computer Systems Co., Ltd. (the shares of these two companies are listed on the Taiwan Stock Exchange Corporation ("TSEC")). Mr. Tsai is a cousin of Ms. Tsai Patty, Pei Chun, the non-executive Director of the Company. As at December 31, 2012, he is a director of Yue Yuen which has an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

Ms. TSAI Patty, Pei Chun

TSAI Patty, Pei Chun, aged 33, is a non-executive director since April 2008. Ms. Tsai joined Yue Yuen group in 2002. She serves as an executive director of Yue Yuen from January 2005 and is responsible for the strategic planning and enterprise developments of Yue Yuen group. Ms. Tsai is also the chief executive officer of Pou Chen group. She was previously a director of Mega Financial Holding Company Limited (shares of which are listed on the TSEC). Ms. Tsai graduated from the Wharton School of the University of Pennsylvania in May 2002 with a Bachelor of Science in Economics degree with a concentration in Finance and a College Minor in Psychology. Ms. Tsai is a cousin of Mr. Tsai David, Nai Fung, the chairman of the Company. As at December 31, 2012, she is a director of Yue Yuen which has an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. KWAN, Heh-Der

KWAN, Heh-Der, aged 58, is an executive director and the chief executive officer of the Company since August 2012. He graduated from the National Taiwan University, Taiwan with a Bachelor of Arts degree. He later obtained a Master of Science degree from the University of Iowa, United States of America after he completed military duties in 1979. Mr. Kwan had worked in different technical and managerial positions of various entities of the AT&T group and was the director of strategy & business development of AT&T China, Beijing; later served as the president of Lucent Technologies Qingdao; and then the chief operating officer of Lucent Technologies China, Beijing. Mr. Kwan also served as the chief operating officer of CEC Industries Ltd., a private industrial lighting company in Illinois, United States of America. Prior to joining the Company as a senior consultant on July 16, 2012 and then the Chief Executive Officer on August 31, 2012, Mr. Kwan was the president and a board director of Tecom Co. Ltd.（東訊股份有限公司）, a company listed on the TSEC.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WU, Pan-Tsu

WU, Pan-Tsu, aged 60, was appointed as an executive director and the acting chief executive officer of the Company with effect from April 9, 2012 and ceased to be the acting chief executive officer with effect from August 31, 2012. Mr. Wu is a director of various subsidiaries and a joint venture company of the Company. He graduated from Tamkang University, Taiwan with a Bachelor's degree in Banking and Insurance and started his career at Bank of America Taipei Branch after he retired from military service in 1978. He later worked in ABN-AMRO Bank, Chase Manhattan Bank and BNP PARIBAS in various managerial positions. In 2000, Mr. Wu was invited to join Taishin Financial Holding Co. Ltd. in a position specializing in corporate banking. After serving in the financial services industry for about 25 years, Mr. Wu was invited by PCC to be its Vice President in charge of the PCC Group's finance and investment strategies and daily operations in 2003. He is a director of Kleine Developments Ltd. and a director of First Sino Bank in Shanghai, China. Mr. Wu was a supervisor of Elitegroup Computer Systems Co., Ltd., a company listed on the TSEC.

Ms. KUO, Li-Lien

KUO, Li-Lien, aged 56, was appointed as a non-executive director in March 2009. Ms. Kuo holds a bachelor degree from the School of Law of Soochow University. Ms. Kuo was a senior counselor of Lee and Li, attorneys-at-law, in Taiwan (1997-2008) before she joined PCC in January 2009. Ms. Kuo is the Chief Legal Counsel of PCC and an executive director of Yue Yuen and a director of various subsidiaries of the Company.

Mr. CHEN Huan-Chung

CHEN Huan-Chung, aged 57, was appointed as an independent non-executive director in April 2008. Mr. Chen was also appointed as the chairman of audit committee of the Board in September 2011. Mr. Chen is a partner of Wong Tong & Co., CPAS (萬通聯合會計師事務所), a certified public accountant of Taiwan and a certified securities investment analyst of Taiwan. He is also a Supervisor of PCC. Mr. Chen worked as a deputy manager in E. Sun Bills Finance Corporation of Taiwan (台灣玉山票券金融(股)公司). He became a certified public accountant of Taiwan in 1992 and a certified securities investment analyst of Taiwan in February 1990. He received a Bachelor degree from the Department of Industrial Management of National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) in June 1983.

Mr. HU Sheng-Yih

HU Sheng-Yih, aged 70, was appointed as an independent non-executive director in April 2008. He was also the chairman of the remuneration committee of the Board since March 2010 and ceased to act on March 26, 2013. Mr. Hu is an associate part-time professor at the College of Management, Shih Chien University. He worked as the first deputy general manager of Mega International Commercial Bank and an officer-in-charge of the International Commercial Bank of China (New York Branch) (中國國際商業銀行紐約分行). He received a Master degree in Economics from the Yale University in 1981, a Master and Doctoral degree in Laws from the Chinese Culture University in 1971 and 1977 respectively, and a Bachelor degree in Economics from the National Taiwan University in 1967. Mr. Hu also serves as independent director of Taiwan Shin Kong Commercial Bank (台灣新光商業銀行) and Shin Kong Life Insurance Co., LTD. (新光人壽保險股份有限公司) (Shin Kong Financial Holding Co., Ltd. (新光金融控股股份有限公司), the parent company of Taiwan Shin Kong Commercial Bank (台灣新光商業銀行) and Shin Kong Life Insurance Co., LTD. (新光人壽保險股份有限公司), shares of which are listed on the TSEC).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHANG Li Hsien, Leslie

CHANG Li Hsien, Leslie, aged 58, was appointed independent non-executive director in March 2011. He is a certified public accountant in the State of New York, a member of The American Institute of Certified Public Accountants and The Hong Kong Institute of Certified Public Accountants. Mr. Chang started his career at US Office of KPMG (formerly known as KPMG Peat Marwick) (the "Firm") and became a partner specializing in the financial services industry. He was also the Firm's director of Chinese Practice in the United States. He then joined CITIC Pacific Ltd in 1994 and was executive director and the deputy managing director of the group of CITIC Pacific Ltd. He also served as an alternate director on the board of Cathay Pacific Airways Limited. Mr. Chang is currently the executive director and chief executive officer of HKC (Holdings) Limited and the executive director and the Vice Chairman of China Renewable Energy Investment Limited (formerly Hong Kong Energy (Holdings) Limited). CITIC Pacific Ltd, Cathay Pacific Airways Limited, HKC (Holdings) Limited and China Renewable Energy Investment Limited are listed on the main board of the Stock Exchange.

Mr. LI I-nan

LI I-nan, aged 71, was appointed as a non-executive director in March 2013. He joined the group of Yue Yuen in 1992 and responsible for financial operations of the Group of Yue Yuen. He is an executive director of Yue Yuen and a director of certain subsidiaries of Yue Yuen. Mr. Li has many years of experience in the footwear business, including sourcing and wholesale operations. He holds a Bachelors and a Master of Arts degree from National Chengchi University in Taiwan and the University of Southern California, respectively. He studied corporate finance and budgeting at New York University. Mr. Li is also a non-executive director of Symphony Holdings Limited, a company listed on the Stock Exchange.

Mr. HSIEH, Wuei-Jung

HSIEH, Wuei-Jung, aged 61, was appointed as an independent non-executive director and the chairman of the remuneration committee of the Board in March 2013. He received a Bachelor of Science degree in Nuclear Engineering from the National Tsing Hua University, Taiwan in 1973 and a Master degree of Business Administration, finance from National Taiwan University in 1977. Mr. Hsieh started his career at Bank of America, National Trust and Savings Association, Taipei Branch (renamed to Bank of America N.A. Taipei Branch) as account officer in 1978 and later promoted to vice president and country banking head respectively. From February 1995 to April 2011, he was a vice president and chief finance officer of Vanguard International Semiconductor Corporation, shares of which are traded on the Gre Tai Securities Market in Taiwan. Mr. Hsieh is currently served as a member of the compensation committee of the board of Xintec Inc. and an independent director of Anpec Electronics Corporation. The shares of both Xintec Inc. and Anpec Electronic Corporation are traded on the Gre Tai Securities and Emerging Stock Market in Taiwan respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DATA OF SENIOR MANAGEMENT

Mr. LIAO Ching-yi

LIAO Ching-yi, aged 51, served as the vice financial director of the Company since August 2009 and was appointed the chief financial officer in November 2012. Mr. Liao holds a Bachelor degree in Finance from the Central Missouri State University. Mr. Liao joined PCC in February 1995, and has served in branches in Vietnam, Huangjiang Guangdong, Kunshan Jiangsu and Yangzhou Jiangsu, in charge of finance operations. He is the director of certain subsidiaries of the Group.

Mr. XING, Fred Kechun

XING, Fred Kechun, aged 41, joined the Company as the special assistant to the Chief Executive Officer in November 2012. Mr. Xing holds a bachelor degree in Radio Technology from the Xi'an Jiaotong University in 1993 and an Executive MBA from China Europe International Business School in 2007. Mr. Xing had worked in Lucent Technology (China) Co. Ltd and Intel (China) Co. Ltd, and then in Longcheer Holdings Limited as Vice President and Shenzhen Cellon Group as Senior Vice President.

Mr. TIEN Li-Ming

TIEN Li-Ming, aged 55, joined the Company in October 2012 as Vice President of Logistics to build up an overall integrated logistics network which would be a sales operations support readiness of the Company. Mr. Tien completed an Executive MBA program from China Europe International Business School in 2002 while working with Yum! Brands Inc., China Division. In his 22 years working experiences in the China Market, his main achievements are to deliver an excellent revenue/profit in trading business of logistics equipment and establish a perfect restaurant (such as KFC, Pizza Hut and East Dawning) development supporting logistics network.

Mr. CHEN Lien-shou

CHEN Lien-shou, aged 50, joined the Company in August 2012 as Vice President of Information Technologies Department. Mr. Chen holds a bachelor degree in mathematics from the National Tsing Hua University, Taiwan. Prior to joining the Company, he has served for Trust-Mart (China) Company as the Chief Information Officer for 10 years.

DIRECTORS' REPORT

The directors (the "Directors" or the "Board") of Pou Sheng International (Holdings) Limited (the "Company") have pleasure in presenting the Group's annual report and the audited consolidated financial statements for the fifteen months ended December 31, 2012.

PRINCIPAL ACTIVITIES

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

CHANGE OF FINANCIAL YEAR END DATE

On May 30, 2012, the Board resolved to change the financial year end date of the Company from September 30 to December 31 in order to coincide with the statutory financial year end date of the Company's major operating subsidiaries, which are incorporated in the People's Republic of China (the "PRC"). Accordingly, the current financial year covers the period from October 1, 2011 to December 31, 2012. The Company had prepared the first interim results for the six-month period from October 1, 2011 to March 31, 2012, and the second interim results for the twelve-month period from October 1, 2011 to September 30, 2012.

RESULTS AND APPROPRIATIONS

The results of the Group for the fifteen months ended December 31, 2012 are set out in the consolidated income statement on page 52 of the annual report.

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

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Details of the principal subsidiaries, associates and jointly controlled entities of the Group at December 31, 2012 are set out in Notes 40, 41 and 42 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the period are set out in Note 29 to the consolidated financial statements.

RIGHTS ISSUE

On September 21, 2012, the Company proposed to raise fund and announced for a proposed rights issue to qualifying shareholders in the proportion of one rights Share (the "Rights Share") for every four Shares in issue at a subscription price of HK$0.4910 per rights Share (the "Rights Issue"). The closing price of the Company was HK$0.4750 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on September 20, 2012, the date immediate before the Rights Issue was proposed.

The Company entered into an underwriting agreement (the "Underwriting Agreement") with Yue Yuen, a controlling shareholder of the Company, pursuant to which Yue Yuen through its wholly-owned subsidiary, Major Focus Management Limited ("Major Focus"), undertook to subscribe the Rights Shares allotted to Major Focus, and also underwrote in full the Rights Shares other than those allocated to Major Focus. The Underwriting Agreement constitutes a connected transaction for the Company which is exempted from announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On October 31, 2012, 180 valid acceptances and applications in respect of a total of 801,019,757 Rights Shares, representing approximately 75.10% of the total number of Rights Shares available under the Rights Issue have been received. Accordingly, the Rights Issue was under-subscribed by 265,569,033 Rights Shares, representing approximately 24.90% of the total number of Rights Shares which were subscribed by Major Focus as procured by Yue Yuen under the Underwriting Agreement.

• DIRECTORS' REPORT

RIGHTS ISSUE (Continued)

The Rights Issue was completed on November 8, 2012 with an issue of 1,066,588,790 Rights Shares in gross proceeds of approximately HK$523.7 million (equivalent to approximately US$67.6 million), net of issue costs of approximately HK$5.0 million (equivalent to approximately US$0.7 million), resulting in a net proceed of approximately HK$518.7 million (equivalent to approximately US$66.9 million) to the Company. The aggregate nominal value of the Rights Shares was HK$10,665,887.90. The new shares ranked pari passu with the then existing shares in all aspects. The net price per Rights Share was HK$0.4864.

The Company utilised the proceeds of the Rights Issue for repayment of existing loan facilities of the Group, business expansion and general working capital of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the period in the property, plant and equipment of the Group are set out in Note 12 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at December 31, 2012, the Company's reserves available for distribution consisted of contributed surplus of approximately US$166.0 million (year ended September 30, 2011: US$166.0 million) less accumulated losses of approximately US$27.9 million (year ended September 30, 2011: US$25.9 million).

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

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

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

DIRECTORS

The Directors during the fifteen months ended December 31, 2012 and up to the date of this report were:

Chairman and Non-Executive Director
Tsai David, Nai Fung

Chief Executive Officer and Executive Directors
Kwan, Heh-Der (appointed on August 31, 2012)
Chang Karen Yi-Fen (resigned on April 9, 2012)

Executive Director
Wu, Pan-Tsu (appointed on April 9, 2012, and served as the Acting Chief Executive Officer from April 9, 2012 to August 30, 2012)

Non-Executive Directors
Tsai Patty, Pei Chun
Kuo, Li-Lien
Li I-nan (appointed on March 26, 2013)

Independent Non-Executive Directors ("INEDs")
Chen Huan-Chung
Hu Sheng-Yih
Chang Li Hsien, Lesile
Hsieh, Wuei-Jung (appointed on March 26, 2013)

DIRECTORS (Continued)

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

Pursuant to Rule 3.13 of the Listing Rules, each of the existing INEDs has filed an annual confirmation with the Company confirming his independence status with the Company as of December 31, 2012, and, Mr. Hsieh, Wuei-Jung, the newly appointed independent non-executive director has filed a written confirmation with the Company confirming his independence status with the Company as of March 26, 2013, and the Company considered that all INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 19 to 22.

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

As at December 31, 2012, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 Listing Rules, were as follows:

Long position in shares

(a) The Company

Ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Number of ordinary shares: Personal interest	Family interest	Corporate interest	Other interest	Total	Percentage of the issued share capital of the Company
Tsai David, Nai Fung	Beneficial owners	6,041,250	-	-	-	6,041,250	0.11%
Tsai Patty, Pei Chun	Beneficial owners	5,575,000	-	-	-	5,575,000	0.10%

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

(b) *Associated Corporation – Yue Yuen*
Ordinary shares of HK$0.25 each of Yue Yuen

Name of Director	Capacity	Number of ordinary shares: Personal interest	Family interest	Corporate interest	Other interest	Total	Percentage of the issued share capital of Yue Yuen
Tsai David, Nai Fung	Beneficiary of a trust	-	-	-	101,126,262	101,126,262	6.13%
Tsai Party, Pei Chun	Beneficiary of a trust	-	-	-	101,126,262	101,126,262	6.13%

Save as disclosed above, none of the Directors or chief executive of the Company had, as at December 31, 2012 any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

Share Option Scheme

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

In order to provide greater flexibility to the 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 share option scheme were amended on March 7, 2012 (the "Share Option Scheme") as approved by the shareholders of the Company and Yue Yuen. The terms are amended as that in the event a grantee of an option, who is an employee or a director of the Group, ceases to be a participant under the Share Option Scheme by any reason other than death or termination of his employment on grounds of summary dismissal, the 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 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 any time during the original option period.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES (Continued)

Share Option Scheme (Continued)

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

During the fifteen months period ended December 31, 2012, the Group recognised a total expense of US$2,012,000 as equity-settled share-based payments in relation to the options granted under the Share Option Scheme.

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

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at October 1, 2011	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Number of options outstanding at December 31, 2012
Employees/consultants								
	21.01.2010	1.62	21.01.2011 - 20.01.2018	6,129,750	-	-	(945,750)	5,184,000
	21.01.2010	1.62	21.01.2012 - 20.01.2018	6,129,750	-	-	(945,750)	5,184,000
	21.01.2010	1.62	21.01.2013 - 20.01.2018	12,259,500	-	-	(1,891,500)	10,368,000
	21.01.2010	1.62	21.01.2014 - 20.01.2018	16,346,000	-	-	(2,522,000)	13,824,000
	20.01.2011	1.23	20.01.2012 - 19.01.2019	10,375,000	-	-	(2,012,500)	8,362,500
	20.01.2011	1.23	20.01.2013 - 19.01.2019	10,375,000	-	-	(2,012,500)	8,362,500
	20.01.2011	1.23	20.01.2014 - 19.01.2019	10,375,000	-	-	(2,012,500)	8,362,500
	20.01.2011	1.23	20.01.2015 - 19.01.2019	10,375,000	-	-	(2,012,500)	8,362,500
	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				82,365,000	5,400,000	-	(16,755,000)	71,010,000
Former Employees								
	21.01.2010	1.62	21.01.2011 - 20.01.2018	975,000	-	-	-	975,000
	21.01.2010	1.62	21.01.2012 - 20.01.2018	975,000	-	-	-	975,000
	21.01.2010	1.62	21.01.2013 - 20.01.2018	1,950,000	-	-	(1,950,000)	-
	21.01.2010	1.62	21.01.2014 - 20.01.2018	2,600,000	-	-	(2,600,000)	-
	20.01.2011	1.23	20.01.2012 - 19.01.2019	3,375,000	-	-	-	3,375,000
	20.01.2011	1.23	20.01.2013 - 19.01.2019	3,375,000	-	-	(3,375,000)	-
	20.01.2011	1.23	20.01.2014 - 19.01.2019	3,375,000	-	-	(3,375,000)	-
	20.01.2011	1.23	20.01.2015 - 19.01.2019	3,375,000	-	-	(3,375,000)	-
	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				20,000,000	-	-	(14,675,000)	5,325,000
Grand total				102,365,000	5,400,000	-	(31,430,000)	76,335,000

• DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES (Continued)

Share Option Scheme (Continued)

Further details of the Share Option Scheme are set out in Note 35 to the consolidated financial statements.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at December 31, 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of certain Directors and chief executives, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Notes	**Capacity/ Nature of interest**	**Number of ordinary shares held**	**Approximate percentage of interest in the issued share capital of the Company**
Major Focus	(a)	Beneficial owner	3,295,923,560	61.80%
Yue Yuen	(a), (b)	Interest of a controlled corporation/ Beneficial owner	3,295,923,560	61.80%
Wealthplus Holdings Limited ("Wealthplus")	(b)	Interest of a controlled corporation	3,295,923,560	61.80%
PCC	(b)	Interest of a controlled corporation	3,295,923,560	61.80%

Notes:

All the shares are long positions.

(a) 3,295,923,560 shares are held by Major Focus, a wholly-owned subsidiary of Yue Yuen. Mr. Li I-nan, who was appointed as a director of the Company on March 26, 2013, is also a director of Major Focus.

(b) PCC is deemed to be interested in these shares under the SFO by virtue of its interests in more than one third of the voting shares in Wealthplus, which in turn is deemed to be interested in these shares under the SFO by virtue of its interests in more than one third of the voting shares in Yue Yuen. Wealthplus is wholly owned by PCC and is interested in more than one third of the issued share capital of Yue Yuen. Mr. Tsai David, Nai Fung, Ms. Tsai Patty, Pei Chun and Ms. Kuo, Li-Lien who are Directors of the Company are also directors of Yue Yuen. Mr. Li I-nan, who was appointed as a director of the Company on March 26, 2013, is also a director of Yue Yuen. Mr. Tsai David, Nai Fung and Ms. Tsai Patty, Pei Chun, who are Directors of the Company, are also directors of Wealthplus. Mr. Tsai David, Nai Fung who is a director of the Company is also a director of PCC.

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Continued)

Save as disclosed above, as at December 31, 2012, the Directors were not aware of any other person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Four of the Directors of the Company, namely, Mr. Tsai David, Nai Fung, Ms. Tsai Patty, Pei Chun, Ms. Kuo, Li-Lien and Mr. Li I-nan are directors of Yue Yuen. In addition to directorship, Mr. Tsai David, Nai Fung and Ms. Tsai Patty Pei Chun are beneficiaries of trusts which hold shares in Yue Yuen. Yue Yuen is the Company's controlling shareholder and whose principal activities are OEM/ODM footwear manufacturing business. As the Company and Yue Yuen are separate listing entities run by separate and independent management, the Directors believe that the Company is capable of carrying on its business independently of, and at arm's length from, Yue Yuen.

There is potentially a small degree of competition between the manufacturing business of the Company and that of Yue Yuen. On May 23, 2008, the Company entered into the business separation deed (the "Business Separation Deed") with Yue Yuen to put in place certain mechanisms to separate the Company's manufacturing businesses from those of Yue Yuen. Previously, besides the Taicang Brands, i.e., Li Ning, ANTA, Kappa, 361°, Umbro and XTEP, the Company and its subsidiaries, with Yue Yuen's consent, had manufactured for four other brands namely Lotto, Diadora, Pony and Footzone. In February 2013, Yue Yuen also consented for the Company to take up certain number of production orders of a brand ("Brand A"). In addition, Yue Yuen subcontracted to the Company certain stage of the manufacturing process of "Brand AM" (the "Brand AM") in February 2013. In March 2013, Yue Yuen further subcontracted certain stage of the manufacturing process of "Brand PM" (the "Brand PM") to the Company. Yue Yuen has confirmed that the Company would not breach the terms of the Business Separation Deed by taking up the said orders of Brand A and providing subcontracting service in respect of Brand AM and Brand PM. The Company confirms that it has complied with the undertakings given by it under the clauses stipulated in the Business Separation Deed, and the independent non-executive Directors of the Company had reviewed the cases and are satisfied with them.

The entering into of the processing agreements in respect of footwear products for each of Brand AM and Brand PM constitute connected transactions for the Company under Chapter 14A of the Listing Rules and when aggregated, are subject to the reporting and announcement requirements under Rule 14A.32 of the Listing Rules. Details of the connected transactions are stipulated in the announcement dated March 26, 2013 of the Company.

DIRECTOR'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

• DIRECTORS' REPORT

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company after November 28, 2012, the date of the Company's 2012 second interim report are set out below:

1. Mr. Hsieh, Wuei-Jung has been appointed as an independent non-executive director of the Company and the chairman of the remuneration committee of the Board with effect from March 26, 2013.

2. Mr. Li I-nan has been appointed as a non-executive director of the Company and a member of the remuneration committee of the Board with effect from March 26, 2013.

3. Mr. Hu Sheng-Yih ceased to be the chairman of the remuneration committee of the Board but remains as an independent non-executive director of the Company with effect from the conclusion of the Board meeting of the Company on March 26, 2013. Mr. Hu will retire as director by rotation and will not offer himself for re-election at the forthcoming annual general meeting which is expected to be held in May 2013. The Company has been informed that his retirement as a director of the Company is part of his general retirement plan.

4. Ms. Kuo, Li-Lien ceased to be a member of the remuneration committee of the Board but remains as a non-executive director of the Company with effect from the conclusion of the Board meeting of the Company on March 26, 2013. Ms. Kuo will retire as director by rotation and will not offer herself for re-election at the forthcoming annual general meeting which is expected to be held in May 2013. The Company has been informed that Ms. Kuo retires as a director of the Company so that she can spend more time on the management affair of PCC and Yue Yuen.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OBLIGATIONS ON THE CONTROLLING SHAREHOLDER

As at December 31, 2012, the Company was a party to certain bank facilities that include conditions specifying the minimum equity interest of the Company to be held, directly or indirectly, by Yue Yuen, the controlling shareholder of the Company (the "Specific Performance Obligation") and any breach of the Specific Performance Obligation will cause a default in respect of the facilities. Disclosures pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules in respect of the relevant loans were made in 2011 annual report, subsequent interim report 2012, and second interim report 2012. The Specific Performance Obligation were released in entirety during the period upon the renewal of the bank facilities. At September 30, 2011, the borrowing under such facilities was US$19,998,000.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OBLIGATIONS ON THE CONTROLLING SHAREHOLDER (Continued)

On March 26, 2013, the Company entered into a facility agreement and a general agreement in respect of loans that are relevant to the operations of the Company and certain conditions imposing Specific Performance Obligation on its controlling shareholder. Details are as follows:

	Aggregate level of the facility granted that maybe affected by such breach US$'000	Borrowing under such facility as at December 31, 2012 US$'000	Life of the facility	Specific Performance Obligation
Loan	50,000	–	2 years after the date from the first drawdown	The bank may opt to demand prepayment if change of control

LOANS FROM CONNECTED PERSONS TO THE COMPANY

During the current financial period, the Group obtained advances from certain entities controlled by Yue Yuen and its substantial shareholder for an aggregate amount of US$3.5 million, which are unsecured, interest-bearing at 4.5% per annum and repayable within one year. Further details are set out in Note 27 of the consolidated financial statements.

Yue Yuen is the controlling shareholder of the Company. Accordingly both Yue Yuen and its substantial shareholder are connected persons of the Company under the Listing Rules.

Pursuant to Rule 14A.65(4) of the Listing Rules, the abovementioned financial assistances obtained from the above connected persons are on commercial terms better to the Company where no security over the assets of the Company is granted in respect of the financial assistances, and are exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. However, the Company believes the voluntary disclosure in this annual report can enhance the recognition of the public as to the financial position and operation of the Company, and maintain corporate transparency and accountability to its Shareholders.

CONNECTED TRANSACTION

On February 5, 2013, 繁昌裕盛體育用品有限公司 (Fanchang Yusheng Sports Goods Company Limited) ("Fanchang Yusheng"), an indirect wholly-owned subsidiary of the Company, entered into a processing agreement (the "AM Processing Agreement") with 東莞高埗裕元製造廠第一分廠 (Dongguan Gaobu Yueyuen Manufacturing Factory First Sub-factory) ("Dongguan Gaobu"), a processing factory established in the PRC and controlled and operated by Yue Yuen, pursuant to which Dongguan Gaobu agreed to engage Fanchang Yusheng to provide processing services in respect of not more than certain pairs of footwear for Brand AM. The aggregate consideration for the provision of footwear processing services is RMB2,264,230 (equivalent to approximately US$364,387), which is payable within 45 days after the date of issue of invoice. The consideration was determined after arm's length negotiations between Dongguan Gaobu and Fanchang Yusheng with reference to the prevailing market rate for processing work of similar nature.

• DIRECTORS' REPORT

CONNECTED TRANSACTION (Continued)

On March 26, 2013, 淮濱裕盛體育用品有限公司 (Huaibin Yue-shen Sporting Goods., Ltd.) ("Huaibin Yue-shen"), an indirect wholly-owned subsidiary of the Company, entered into a processing agreement (the "PM Processing Agreement") with 陽新寶加鞋業有限公司 (Yangxin Baojia Footwear Co., Ltd.) ("Yangxin Baojia"), an indirect wholly-owned subsidiary of Yue Yuen, pursuant to which Yangxin Baojia has agreed to engage Huaibin Yue-shen to provide processing services in respect of footwear products for Brand PM. The aggregate consideration for the provision of footwear processing services is RMB10,766,112 (equivalent to approximately US$1,732,613), which is payable within 45 days after the end of the relevant month during which footwear processing services were provided. The consideration was determined after arm's length negotiations between Yangxin Baojia and Huaibin Yue-shen with reference to the prevailing market rate for processing work of similar nature.

Yue Yuen is a controlling shareholder of the Company and is a connected person of the Company.

Mr. Tsai David, Nai Fung, Ms. Tsai Patty, Pei Chun and Ms. Kuo, Li-Lien are also directors of Yue Yuen and are considered to have a material interest in the AM Processing Agreement and PM Processing Agreement by virtue of their directorship with Yue Yuen. Mr. Li I-nan, who was appointed as a director of the Company on March 26, 2013, is also a director of Yue Yuen and is also considered to have a material interest in the PM Processing Agreement.

Dongguan Gaobu and Yangxin Baojia are associates of Yue Yuen and they are connected persons of the Company under the Listing Rules.

For business and capacity reasons, Yue Yuen subcontracted part of the manufacturing process of footwear products for both Brand AM and Brand PM to the Company under the AM Processing Agreement and PM Processing Agreement respectively. Entering into each of the AM Processing Agreement and PM Processing Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the relevant percentage ratios (as defined in the Listing Rules) in respect of the PM Processing Agreement when aggregated with the AM Processing Agreement are more than 0.1% but less than 5%, the PM Processing Agreement is subject to the reporting and announcement requirements under Rule 14A.32 of the Listing Rules. Details of the connected transactions are stipulated in the announcement dated March 26, 2013 of the Company and included in this annual report pursuant to Rule 14A.45 of the Listing Rules.

Save as disclosed above, there was no other transaction which needs to be disclosed as connected transaction in accordance with Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the fifteen months ended December 31, 2012, subsidiaries of the Company in the PRC purchased sportswear products of approximately US$0.1 million from Yue Yuen and its associates. The exact terms of the purchases were to be set out in individual order. The above continuing connected transactions entered into by the Group with the connected persons are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33 of the Listing Rules.

RELATED AND CONNECTED PARTY TRANSACTIONS

Details of related and connected party transactions for the period are set out in Note 37 to the consolidated financial statements.

Save for as disclosed above and in this Directors' Report, the Company has not entered into other transactions with its connected parties and has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

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

PENSION SCHEME

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

The Group also operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules.

The Group contributed approximately US$20.5 million to the above-mentioned schemes for the fifteen months ended December 31, 2012.

MAJOR CUSTOMERS AND SUPPLIERS

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

Aggregate purchases attributable to the Group's largest and five largest suppliers were 37% and 83% of the Group's total purchases, respectively.

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

• DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the fifteen months ended December 31, 2012, the Company repurchased 36,800,000 (year ended September 30, 2011: Nil) its own shares on the Stock Exchange as follows:

Month of repurchases	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration paid (including direct costs) HK$
October 2011	34,890,000	1.20	1.00	36,715,000
November 2011	1,910,000	1.19	1.00	2,187,000
	36,800,000			38,902,000

The above repurchased shares were subsequently cancelled and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account.

The repurchase of the Company's shares during the fifteen months ended December 31, 2012 was effected by the Board, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value and earnings per share of the Group.

Save as disclosed above, the Company had not redeemed any of the Company's listed securities, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the fifteen months ended December 31, 2012.

EMOLUMENT POLICY

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

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

The Company has adopted the Share Option Scheme which can be used to motivate and reward its Directors and eligible employees. Details of the Share Option Scheme are set out in Note 35 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the fifteen months ended December 31, 2012.

AUDITOR

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

On behalf of the Board

Tsai David, Nai Fung
Chairman
Hong Kong
March 26, 2013

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has revised the Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to Corporate Governance Code (the "New Code") effective from April 1, 2012. During the fifteen months ended December 31, 2012, the Company has applied the principles of and has complied with all code provisions set out in the Former Code and the New Code.

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standards as set out in the Model Code throughout the fifteen months ended December 31, 2012.

The Company has also established and adopted internal guidelines for securities transactions by relevant employees (the "Employees Guidelines") which are no less exacting terms than the Model Code. Specified employees who are likely to be in possession of unpublished price-sensitive information related to the Group and its activities must comply with the Employees Guidelines. For the fifteen months ended December 31, 2012, the Company had not found any non-compliance by any employees.

BOARD OF DIRECTORS

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

The Board has in place an audit committee (the "Audit Committee"), a remuneration committee (the "Remuneration Committee") and a nomination committee (the "Nomination Committee"). Further details of these committees are provided hereafter.

The Board is made up of ten Directors, including two executive Directors, four non-executive Directors and four independent non-executive Directors (the "INEDs"). Biographical information of the Directors is set out in this annual report under the heading "Biographical Details of Directors and Senior Management" on pages 19 to 22.

Two of the four INEDs, Mr. Chang Li Hsien, Leslie and Mr. Chen Huan-Chung, possess appropriate professional accounting qualifications and financial management expertise for the purpose of, in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

BOARD OF DIRECTORS (Continued)

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

Name of Directors	Specific Position
Executive Directors	
Kwan, Heh-Der[1]	Chief Executive Officer
Wu, Pan-Tsu[2]	
Non-executive Directors	
Tsai David, Nai Fung[3]	Chairman of the Board and Chairman of the Nomination Committee
Tsai Patty, Pei Chun	
Kuo, Li-Lien	
Li I-nan[4]	
Independent Non-executive Directors	
Chen Huan-Chung	Chairman of the Audit Committee
Hu Sheng-Yih[5]	
Chang Li Hsien, Leslie	
Hsieh, Wuei-Jung[6]	Chairman of the Remuneration Committee

Notes:

1 Mr. Kwan, Heh-Der was appointed as an executive director and the chief executive officer of the Company on August 31, 2012.

2 Mr. Wu, Pan-Tsu was appointed as an executive director and the acting chief executive officer of the Company on April 9, 2012 replacing the vacancy of Ms. Chang Karen Yi-Fen; and ceased to be the acting chief executive officer of the Company on August 31, 2012.

Ms. Chang Karen Yi-Fen resigned as an executive director and the chief executive officer of the Company with effect from April 9, 2012.

3 Mr. Tsai David, Nai Fung was appointed the chairman of the Nomination Committee of the Board on December 29, 2011.

4 Mr. Li I-nan was appointed as a non-executive director of the Company on March 26, 2013.

5 Mr. Hu Sheng-Yih resigned as the chairman of the Remuneration Committee of the Board on March 26, 2013.

6 Mr. Hsieh, Wuei-Jung was appointed as an independent non-executive director of the Company and the chairman of Remuneration Committee of the Board on March 26, 2013.

• CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Appropriate and sufficient information was provided to each of the Directors to keep abreast of his/her responsibilities as a director and of the conduct, business activities and development of the Group. Every newly appointed director received a tailored induction upon his/her first appointment, and subsequently such briefing and professional development as is necessary, to ensure that he or she has a proper understanding of the operations and business of the Group and that he or she is fully aware of his or her responsibilities under applicable legal requirements and the business and corporate governance policies of the Group. Seminars were organized by the Company to all Directors to refresh their knowledge and skills. Details of directors' training were stipulated in page 41.

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

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

The Board believes that the eight Board meetings held for the fifteen months ended December 31, 2012, in which Directors participated either in person or through electronic means of communication, were adequate to cover all major issues during that period. In any event all Directors were available for consultation by management of the Group from time to time during the period.

Attendance of each director at Board meetings and the annual general meeting are set out as follows:

Name of Directors	Number of meetings attended/held	
	Board meetings	annual general meeting
Executive Directors		
Kwan, Heh-Der[1]	2/2	0/0
Wu, Pan-Tsu[2]	4/5	0/0
Non-executive Directors		
Tsai David, Nai Fung (Chairman)	7/8	1/1
Tsai Patty, Pei Chun	7/8	0/1
Kuo, Li-Lien	7/8	1/1
Li I-nan[3]	0/0	0/0
Independent Non-executive Directors		
Chen Huan-Chung	8/8	1/1
Hu Sheng-Yih	8/8	1/1
Chang Li Hsien, Leslie	7/8	1/1
Hsieh, Wuei-Jung[4]	0/0	0/0

BOARD OF DIRECTORS (Continued)

Notes:

1 Mr. Kwan, Heh-Der was appointed as an executive director on August 31, 2012.

2 Mr. Wu Pan-Tsu was appointed as an executive director on April 9, 2012.

3 Mr. Li I-nan was appointed as a non-executive director on March 26, 2013.

4 Mr. Hsieh, Wuei-Jung was appointed as an independent non-executive director on March 26, 2013.

Directors and Board Practices

The Board, led by the Chairman, is responsible for approving and monitoring the Group's overall strategies and policies; approving business plans; evaluating the performance of the Group; overseeing sales and marketing activities of the Group; and ensuring that a good governance framework and procedures are established and practiced throughout the Group. One of the important roles of the Chairman is to provide leadership to the Board and to ensure that the Board works effectively, discharges its responsibilities, and acts in the best interests of the Group and the shareholders of the Company (the "Shareholders"). The Chairman aims to ensure that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda of the Board meetings. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary. With the support of the executive Directors and the company secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive not less than fourteen days' notice for regular Board meetings, invite to include matters in the agenda; and adequate and reliable information in a timely manner typically not less than three days before the Board meeting.

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

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Directors and Board Practices (Continued)

All Directors have full access to information on the Group and are able to seek independent professional advice whenever necessary. Matters which are material and may cause potential conflict of interest will be dealt with at Board meetings instead of by way of circulation; and INEDs who, and whose associates, have no material interest in the transaction, would be present at the Board meeting. The company secretary prepares minutes which are recorded in sufficient detail the matters considered by the Board and the decisions reached, including any concerns raised by Directors or dissenting views expressed and keeps records in sufficient details of matters discussed and decisions resolved at all Board meetings. Draft versions of Board minutes are sent to all Directors for their comments within a reasonable time after the Board meeting. Final versions of Board minutes are kept by the company secretary and would be opened for inspection at any reasonable notice by any director.

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

The Group's management is delegated with the authority and responsibility by the Board for the management of the Group. The management of the Group is responsible for the day-to-day operations of the Group under the leadership and supervision of the Chief Executive Officer. The Chief Executive Officer, working with the management team, is responsible for overseeing and managing the businesses of the Group, including implementation of policies and strategies delegated and adopted by the Board and assuming full accountability to the Board for the operations of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Mr. Tsai David, Nai Fung and the Chief Executive Officer is Mr. Kwan, Heh-Der.

Mr. Wu, Pan-Tsu was appointed as the acting Chief Executive Officer of the Company when Ms. Chang Karen Yi-Fen resigned as the Chief Executive Officer of the Company on April 9, 2012; and thereafter, Mr. Kwan, Heh-Der was appointed as the Chief Executive Officer of the Company on August 31, 2012 to substitute the vacancy.

The segregation of duties and responsibilities between the Chairman and Chief Executive Officer have been clearly established. Mr. Tsai David, Nai Fung is responsible for the effective running of the Board and he does not participate in the day-to-day operation and management of the Group. Mr. Kwan, Heh-Der is responsible for overseeing the overall strategies, planning and day-to-day operations and management of the Group.

NON-EXECUTIVE DIRECTORS

All non-executive Directors (including INEDs) are appointed for a specific term. All Directors including INEDs are subject to the retirement by rotation under the New Code and Bye-laws of the Company once every three years.

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

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

Directors' Training

Newly appointed Directors are given with an induction for providing information regarding their responsibilities under the statutes, rules and regulations.

Pursuant to Code Provision A.6.5 of the New Code, the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. In this connection, the Company has organized several seminars for the Directors and provided with relevant training materials to the Directors. Individual director has also attended training courses or workshop relevant to his/her profession and/or duties as directors. A summary of the training they have received from October 1, 2011 to December 31, 2012 is listed as follows:–

	Attending seminar organized by the Company relating to Corporate Governance, updates on laws etc.	Reading Materials	Other trainings relevant to directors' profession and/or duties
Executive Directors			
Kwan, Heh-Der	√	–	√
Wu, Pan-Tsu	√	√	√
Non-executive Directors			
Tsai David, Nai Fung	√	–	–
Tsai Patty, Pei Chun	√	√	–
Kuo, Li-Lien	√	–	–
Li I-nan	N/A	N/A	N/A
Independent Non-executive Directors			
Chen Huan-Chung	√	–	–
Hu Sheng-Yih	√	–	√
Chang Li Hsien, Leslie	√	√	√
Hsieh, Wuei-Jung	N/A	N/A	N/A

• CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has set up three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee to oversee various aspects of the Group's affairs.

NOMINATION COMMITTEE

Directors are appointed, elected and/or removed in compliance with the provisions of the Bye-laws. In accordance with Bye-laws 86(1) of the Bye-laws, Shareholders at general meeting may authorise the Board to fill any vacancy left unfilled. According to Bye-laws 86(2) of the Bye-Laws, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a causal vacancy on the Board or, subject to authorisation in general meeting, as an addition to the Board. All Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment.

The Board has established a Nomination Committee on December 29, 2011 pursuant to the New Code and the terms of reference are available on the Company's website. Members of the Nomination Committee comprises one non-executive director, namely Mr. Tsai David, Nai Fung (chairman of the Nomination Committee) and two INEDs, namely Mr. Chen Huan-Chung and Mr. Chang Li Hsien, Leslie. Three meetings were held during the fifteen months ended December 31, 2012 and the record of attendance of individual member is listed out below:

Member of Nomination Committee	Number of meetings attended/held
Tsai David, Nai Fung (chairman)	3/3
Chen Huan-Chung	3/3
Chang Li Hsien, Leslie	3/3

Functions and Role

The primary functions of the Nomination Committee are to assist the Board in identification of suitable individuals qualified to become Board members, review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Nomination Committee carried out the following duties during the fifteen months ended December 31, 2012:

1. review the structure, size and composition of the Board;

2. identify individuals qualified to become Board members and select and make recommendations to the Board on the selection of individuals nominated for directorships;

3. assess the independence of INEDs; and

4. make recommendations to the Board on the appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

AUDIT COMMITTEE

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

The Audit Committee consists of two INEDs, namely Mr. Chen Huan-Chung (chairman of the Audit Committee) and Mr. Chang Li Hsien, Leslie; and one non-executive director, namely Ms. Tsai Patty, Pei Chun. In compliance with Rule 3.21 of the Listing Rules, Mr. Chen Huan-Chung, the chairman of the Audit Committee and Mr. Chang Li Hsien, Leslie, a member of the Audit Committee possesses the appropriate professional and accounting qualifications.

Five Audit Committee meetings were held during the fifteen months ended December 31, 2012 and the record of attendance of individual member is listed out below:

Member of Audit Committee	Number of meetings attended/held
Chen Huan-Chung (chairman)	5/5
Tsai Patty, Pei Chun	4/5
Chang Li Hsien, Leslie	5/5

Functions and Role

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

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

In discharging its responsibilities, the Audit Committee performed the following work during the fifteen months ended December 31, 2012:

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

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

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

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

• CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (Continued)

Functions and Role (Continued)

(v) reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(vi) considered major investigation findings on internal control matters and management's response to these findings;

(vii) reviewed the external auditor's management letter, and ensured that the Board will provide a timely response to the issues raised therein;

(viii) reviewed the arrangements which employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and ensured that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

(ix) discussed with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

AUDITORS' REMUNERATION

During the period under review, the remuneration paid or to be payable to Messrs. Deloitte Touche Tohmatsu, the Company's external auditor, in respect of audit services rendered were approximately US$541,000 and in respect of non-audit services rendered were approximately US$246,000. The non-audit services fees include the first and second interim review (approximately US$191,000) and professional services rendered in connection with the rights issue of the Company (approximately US$55,000).

REMUNERATION COMMITTEE

The Remuneration Committee was established in May 2008 with specific written terms of reference which define the authority and duties of the committee. The terms of reference are available on the Company's website. The Remuneration Committee consists of one non-executive director, namely Mr. Li I-nan and two INEDs, namely Mr. Chen Huan-Chung and Mr. Hsieh, Wuei-Jung. Mr. Hsieh, Wuei-Jung and Mr. Li I-nan were appointed the chairman and a member of the Remuneration Committee on March 26, 2013 replacing Mr. Hu Sheng-Yih and Ms. Kuo, Li-Lien respectively.

Five meetings of the Remuneration Committee were held during the fifteen months ended December 31, 2012. None of the Directors were involved in determining his or her own remuneration. The record of attendance of individual member is listed out below:

Member of Remuneration Committee	Member of meetings attended/held
Hu Sheng-Yih*	5/5
Kuo, Li-Lien**	5/5
Chen Huan-Chung	5/5
Hsieh, Wuei-Jung*	0/0
Li I-nan**	0/0

REMUNERATION COMMITTEE (Continued)

* Mr. Hsieh, Wuei-Jung was appointed as the chairman of the Remuneration Committee replacing Mr. Hu Sheng-Yih with effect from March 26, 2013.

** Mr. Li I-nan was appointed as a member of the Remuneration Committee replacing Ms. Kuo, Li-Lien with effect from March 26, 2013.

Functions and Role

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

In order to attract, retain and motivate talented eligible staff and officers, including the Directors, the Company has adopted a share option scheme in 2008 and amended on March 7, 2012.

The Share Option Scheme provides incentives to participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole. Details of the Share Options Scheme are set out in the Directors' Report and Note 35 to the consolidated financial statements.

The following is a summary of the work performed by the Remuneration Committee during the fifteen months ended December 31, 2012:

1. made recommendations to the Board on the remuneration policy on Directors;

2. reviewed and made recommendations to the Board on the remuneration packages of the Directors;

3. assessed performance of executive Directors and recommended the terms of executive Directors' service contracts;

4. reviewed the adequacy of the terms of reference of the Remuneration Committee;

5. considered salaries of the Directors paid by comparable companies;

6. ensured that no director or any of his associates is involved in deciding his own remuneration;

• CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE (Continued)

Functions and Role (Continued)

7. reviewed and recommended the grant of share options to eligible employees under the Share Option Scheme; and

8. recommended the amendment of the share option scheme.

CORPORATE GOVERNANCE FUNCTION

The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and thereby enhancing Shareholders' value. The Board is collectively responsible for performing the corporate governance duties including:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) to review the Company's compliance with the New Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the Shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance Shareholders' relationship with the Company.

During the fifteen months ended December 31, 2012, the Board has adopted a statement of policy on Corporate Governance as a framework guideline to assist the Board in supervising the management of the business and affairs of the Group. The Board has also devised a Shareholders' communication policy to set out the Company's strategies for maintaining continuous and open communication with Shareholders and the investment community at large.

COMPANY SECRETARY

Mr. Ng Lok Ming, has been appointed as the company secretary of the Company since May 2008. He was admitted as a solicitor of the High Court of Hong Kong in 2001 and is also the company secretary and Head of Legal Department of Yue Yuen since January 2008. During the fifteen months ended December 31, 2012, he has undertaken more than 15 hours of relevant professional training.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The report of the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, with regard to their reporting responsibilities on the Group's financial statements is set out in the Independent Auditor's Report on pages 50 to 51.

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

INTERNAL CONTROLS AND RISKS MANAGEMENT

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

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

SHAREHOLDERS' RIGHT

Set out below are procedures by which Shareholders may: (i) convene a special general meeting; (ii) put forward enquiries to the Board; and (iii) put forward proposals at Shareholders' meetings. These procedures are generally governed by the provisions of the Company's bye-laws and applicable laws, rules and regulations, which prevail what is stated in this section in case of inconsistencies.

1. Procedures by which Shareholders may convene a special general meeting

1.1 Shareholders holding not less than one-tenth of the paid-up capital of the Company as at the date of the deposit of the requisition carrying the right of voting at general meetings of the Company may requisit the Board to convene a special general meeting by depositing a requisition at the registered office of the Company for the attention of the Board or the company secretary.

1.2 The requisition must specify the purposes of the meeting, signed by the requisitionist Shareholders and may consist of several documents in like form each signed by one or more of those Shareholders.

SHAREHOLDERS' RIGHT (Continued)

1. Procedures by which Shareholders may convene a special general meeting (Continued)

1.3 The signatures and the requisition will be verified by the Company's share registrars. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within 21 days from the date of deposit of such requisition if it has been validly raised.

1.4 If the Board does not within 21 days from the date of the deposit of a valid requisition, proceed duly to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

2. Procedures for putting forward enquiries to the Board

2.1 Shareholders may put forward enquiries to the Board through the company secretary, whose contact details are as follows:

The company secretary
Pou Sheng International (Holdings) Limited
Suites 3106-09, 31/F., Tower 6, The Gateway
9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong

Tel. No.: +852 3182 5800
Fax No.: +852 3182 5808

3. Procedures for putting forward proposals at Shareholders' meeting

3.1 In general, subject to paragraph 3.2 below, no resolution may be proposed at a Shareholders' meeting (whether it is a special general meeting or an annual general meeting) if such resolution is not included in the notice convening the general meeting. However, if the proposal is to amend an existing resolution set out in the notice convening the general meeting and such amendment is within the scope of the notice, such amendment may be made if approved by the Shareholders by ordinary resolution.

3.2 On the requisition in writing of (i) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates, or (ii) not less than 100 Shareholders, the Company shall be under a duty to:

(a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and/or

(b) circulate to Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

SHAREHOLDERS' RIGHT (Continued)

3. Procedures for putting forward proposals at Shareholders' meeting (Continued)

3.3 Notice of any such intended resolution under paragraph 3.2 shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholders by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company.

3.4 The requisition under paragraph 3.2 must be signed by the requisitionists and deposited at the registered office of the Company:

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain good investor relationship with the Shareholders and potential investors by way of meeting them at annual general meetings, publishing interim and annual reports on the websites of the Company and the Stock Exchange, and releasing timely press releases on the Company's website. In this connection, a shareholder's communication policy was adopted by the Board on March 5, 2012.

The Company has set up its own website as a means to provide information on the Company to the Shareholders and investors and to communicate with them directly and effectively. Further, the Company's investor relations department is responsible for handling general public relation and investor relation matters.

Shareholders are also encouraged to attend the Company's annual general meetings and general meetings for which notices would be served with at least 20 clear business days period and 10 clear business days' period respectively. The chairmen of the Board, the Audit, Remuneration and Nomination Committees are available to answer questions on the Group's business at the meetings. Furthermore, the external auditor also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

In order to ensure that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole, a Shareholders communication policy was established on March 5, 2012.

In order to reflect the changes of the amendments of the Listing Rules, as well as the New Code contained in Appendix 14 of the Listing Rules, and certain housekeeping amendments, the Bye-laws of the Company were approved to be amended and a set of new Bye-laws was adopted by the Shareholders on March 7, 2012, the annual general meeting of the Company.

• INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Pou Sheng International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 159, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fifteen months from October 1, 2011 to December 31, 2012, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

• INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY (Continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at December 31, 2012, and of its loss and cash flows for the fifteen months from October 1, 2011 to December 31, 2012 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 26, 2013

CONSOLIDATED INCOME STATEMENT

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

	Notes	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Revenue	6	2,182,450	1,589,802
Cost of sales		(1,538,014)	(1,107,456)
Gross profit		644,436	482,346
Other income and gains/losses		35,944	37,694
Selling and distribution expenses		(573,673)	(366,718)
Administrative expenses		(103,999)	(71,244)
Operating profit		2,708	82,078
Interests on bank borrowings wholly repayable within five years		(22,772)	(9,984)
Finance income	7	5,210	5,845
Finance costs – net		(17,562)	(4,139)
Share of results of associates		313	697
Share of results of jointly controlled entities		(13,768)	(3,182)
Gain on deemed disposal of a jointly controlled entity	31(j)	5,898	18,767
Gain on disposal of properties	26	4,685	–
Gain on deregistration of subsidiaries		–	341
Impairment loss of intangible assets	14	(8,485)	–
Impairment losses of interests in associates	17(i)	(3,040)	(500)
Impairment losses of interests in jointly controlled entities	18(ii)	(6,305)	(1,500)
Impairment loss of an available-for-sale investment		–	(100)
Fair value changes on derivative financial instruments		(20,916)	(15,601)
Fair value changes on consideration payable for acquisition of business	31(g)	(2,085)	–
(Loss) profit before taxation		(58,557)	76,861
Income tax expense	8	(9,860)	(22,051)
(Loss) profit for the period/year	9	(68,417)	54,810
Attributable to:			
Owners of the Company		(69,151)	53,670
Non-controlling interests		734	1,140
		(68,417)	54,810
(Loss) earnings per share	11		
– basic		US(1.56) cents	US1.25 cents
– diluted		US(1.56) cents	US1.25 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
(Loss) profit for the period/year	(68,417)	54,810
Other comprehensive income		
Exchange difference arising on translation	28,493	30,755
Total comprehensive (expense) income for the period/year	(39,924)	85,565
Attributable to:		
Owners of the Company	(41,058)	83,718
Non-controlling interests	1,134	1,847
	(39,924)	85,565

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2012

	Notes	December 31, 2012 US$'000	September 30, 2011 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12(a)	124,449	117,173
Deposit paid for acquisition of property, plant and equipment		470	918
Prepaid lease payments	12(b)	24,466	24,321
Rental deposits and prepayments		23,159	25,927
Deposit paid for proposed acquisition of a business	13	–	3,127
Intangible assets	14	134,031	111,882
Goodwill	15	82,977	42,226
Interests in associates	17	2,611	8,387
Loans to associates	17	2,407	7,536
Interests in jointly controlled entities	18	19,373	41,950
Loans to jointly controlled entities	18	30,491	45,878
Deposit paid for acquisition of the remaining interest in a jointly controlled entity	18	–	1,219
Long-term loan receivables	19	827	8,311
Available-for-sale investments	20	–	–
Derivative financial instruments	21	–	22,363
Pledged bank deposits	22	–	12,507
Deferred tax assets	23	4,051	1,978
		449,312	475,703
CURRENT ASSETS			
Inventories	24	591,670	400,806
Trade and other receivables	25	323,233	285,035
Taxation recoverable		6,033	1,369
Bank balances and cash	22	128,488	172,688
		1,049,424	859,898
Assets classified as held for sale	26	1,674	37,168
		1,051,098	897,066

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2012

	Notes	December 31, 2012 US$'000	September 30, 2011 US$'000
CURRENT LIABILITIES			
Trade and other payables	27	193,259	279,577
Taxation payable		6,867	5,298
Bank borrowings	28	313,040	168,187
		513,166	453,062
NET CURRENT ASSETS		537,932	444,004
TOTAL ASSETS LESS CURRENT LIABILITIES		987,244	919,707
NON-CURRENT LIABILITIES			
Bank borrowings	28	14,247	–
Consideration payable for acquisition of business	31(g)	17,980	–
Deferred tax liabilities	23	36,945	30,403
		69,172	30,403
NET ASSETS		918,072	889,304
CAPITAL AND RESERVES			
Share capital	29	6,850	5,513
Reserves		894,873	868,819
Equity attributable to owners of the Company		901,723	874,332
Non-controlling interests		16,349	14,972
TOTAL EQUITY		918,072	889,304

The consolidated financial statements on pages 52 to 159 were approved and authorised for issue by the Board of Directors on March 26, 2013 and are signed on its behalf by:

Tsai David, Nai Fung
CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Kwan, Heh-Der
CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

	Equity attributable to owners of the Company											
	Share capital US$'000 (Note 29)	Share premium US$'000	Special reserve US$'000 (note (i))	Other reserve US$'000 (note (ii))	Revaluation reserve US$'000 (note (iii))	Share-based compensation reserve US$'000	Non-distributable reserve US$'000 (note (iv))	Translation reserve US$'000	Accumulated profits US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
At October 1, 2010	5,504	692,681	96,269	(211,176)	8,108	1,578	19,369	44,170	133,814	790,317	14,008	804,325
Exchange difference arising on the translation of financial statements	-	-	-	-	-	-	-	30,048	-	30,048	707	30,755
Profit for the year	-	-	-	-	-	-	-	-	53,670	53,670	1,140	54,810
Total comprehensive income and expense for the year	-	-	-	-	-	-	-	30,048	53,670	83,718	1,847	85,565
Acquisition of subsidiaries	9	889	-	2,887	-	-	-	-	-	3,785	-	3,785
Recognition of equity-settled share-based payments	-	-	-	-	-	2,473	-	-	-	2,473	-	2,473
Realised on deregistration of subsidiaries	-	-	-	-	-	-	-	965	(965)	-	-	-
Realised on deemed disposal of a jointly controlled entity	-	-	-	-	-	-	-	(1,126)	1,126	-	-	-
Realised on disposal of a jointly controlled entity	-	-	-	-	-	-	-	(377)	377	-	-	-
Acquisition of additional interest in subsidiaries	-	-	-	(5,961)	-	-	-	-	-	(5,961)	(1,162)	(7,123)
Capital contribution by non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	590	590
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(311)	(311)
Transfer	-	-	-	-	-	-	6,454	-	(6,454)	-	-	-
At September 30, 2011	5,513	693,570	96,269	(214,250)	8,108	4,051	25,823	73,680	181,568	874,332	14,972	889,304
Exchange difference arising on the translation of financial statements	-	-	-	-	-	-	-	28,093	-	28,093	400	28,493
(Loss) profit for the period	-	-	-	-	-	-	-	-	(69,151)	(69,151)	734	(68,417)
Total comprehensive income and expense for the period	-	-	-	-	-	-	-	28,093	(69,151)	(41,058)	1,134	(39,924)
Repurchase of own shares	(48)	(4,970)	-	-	-	-	-	-	-	(5,018)	-	(5,018)
Issue of shares for acquisition of subsidiaries in previous years	9	889	-	(898)	-	-	-	-	-	-	-	-
Issue of shares under rights issue, net of issue costs	1,376	65,525	-	-	-	-	-	-	-	66,901	-	66,901
Recognition of equity-settled share-based payments	-	-	-	-	-	2,012	-	-	-	2,012	-	2,012
Recognition of considerations for acquisition of business (Note 31)	-	-	-	2,940	-	-	-	-	-	2,940	-	2,940
Realised on deemed disposal of a jointly controlled entity	-	-	-	-	-	-	-	(451)	451	-	-	-
Realised on disposal of an associate and a jointly controlled entity	-	-	-	-	-	-	-	(291)	291	-	-	-
Deemed partial disposal of interests in subsidiaries without losing control	-	-	-	1,614	-	-	-	-	-	1,614	1,123	2,737
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(880)	(880)
Transfer	-	-	-	-	-	-	2,921	-	(2,921)	-	-	-
At December 31, 2012	6,850	755,014	96,269	(210,594)	8,108	6,063	28,744	101,031	110,238	901,723	16,349	918,072

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

notes:

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

(ii) The other reserve represents (i) the difference between the fair value of the consideration paid or received and the relevant share of carrying value of the subsidiaries' net assets acquired from or disposed of to the non-controlling interests and (ii) the fair values of the share-settled consideration at the dates of acquisition of subsidiaries' business in current and prior periods that, less the amount already settled by the Company by the issue of 6,330,000 shares for the acquisition of Yichuan (as defined in Note 14) during each of the year ended September 30, 2011 and the fifteen months ended December 31, 2012, will be settled by the Company by the issue of a fixed number of its ordinary shares in a future date, as set out in Note 29.

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

(iv) According to the relevant laws in the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer at least 10% of their net profit 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.

(v) No dividend was paid or proposed during the period (year ended September 30, 2011: nil), nor has any dividend been proposed since the end of the reporting period.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	(58,557)	76,861
Adjustments for:		
Depreciation of property, plant and equipment	43,949	27,380
Release of prepaid lease payments	800	620
Amortisation of intangible assets	10,083	5,746
Loss on disposal of property, plant and equipment	3,704	1,411
Impairment loss of intangible assets	8,485	–
Impairment loss (reversal of impairment loss) recognised on trade receivables	3,899	(460)
Impairment loss recognised on other receivables	608	2,014
Allowance (reversal of allowance) for inventories, net	1,088	(4,782)
Interest expense	22,772	9,984
Interest income	(5,210)	(5,845)
Share of results of associates	(313)	(697)
Share of results of jointly controlled entities	13,768	3,182
Recognition of equity-settled share-based payments	2,012	2,473
Gain on deemed disposal of a jointly controlled entity	(5,898)	(18,767)
Gain on disposal of properties	(4,685)	–
Gain on deregistration of subsidiaries	–	(341)
Impairment losses of interests in associates	3,040	500
Impairment losses of interests in jointly controlled entities	6,305	1,500
Impairment loss of an available-for-sale investment	–	100
Fair value changes on derivative financial instruments	20,916	15,601
Fair value changes on consideration payable for acquisition of business	2,085	–
Operating cash flows before movements in working capital	68,851	116,480
Decrease (increase) in rental deposits and prepayments	7,278	(11,242)
Increase in inventories	(103,392)	(77,556)
Increase in trade and other receivables	(16,307)	(31,823)
(Decrease) increase in trade and other payables	(67,505)	58,096
Cash (used in) generated from operations	(111,075)	53,955
Income tax paid	(20,856)	(25,598)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(131,931)	28,357

• CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

	Note	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries and business (net of cash and cash equivalents acquired)	31	(107,162)	(1,608)
Purchase of property, plant and equipment		(38,941)	(30,439)
Deposit paid for acquisition of property, plant and equipment		(458)	(142)
Proceeds from capital reduction of a jointly controlled entity		563	–
Proceeds from disposal of property, plant and equipment		637	2,326
Proceeds from disposal of an associate		1,569	–
Dividends received from an associate		1,628	–
Deposits received for disposal of assets classified as held for sale		1,674	30,329
Decrease in loan receivables		2,155	25,942
Repayment of advance to jointly controlled entities		2,773	1,669
Interest income		5,210	5,845
Repayment of advance to associates		5,328	464
Proceeds from disposal of properties		7,929	–
Withdrawal (placement) of pledged bank deposits		12,665	(12,507)
Deposit paid for acquisition of the remaining interest in a jointly controlled entity		–	(1,219)
Deposit paid for proposed acquisition of a business		–	(3,127)
Capital contribution by non-controlling interests of subsidiaries		–	590
Proceeds from maturity of available-for-sale investment		–	8,227
Proceeds from disposal of jointly controlled entities		–	8,586
Proceeds from disposal of subsidiaries in previous years (net of cash and cash equivalents disposed)		–	17,630
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(104,430)	52,566

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
FINANCING ACTIVITIES		
New bank borrowings raised	660,294	164,585
Proceeds from issue of shares, net of issue cost	66,901	–
Advance from (repayment of advance to) related and connected parties	4,158	(962)
Proceeds from deemed partial disposal of interests in subsidiaries without losing control	2,737	–
Dividend paid to a non-controlling interest of subsidiaries	(880)	(311)
Acquisition of additional interest in subsidiaries	(2,698)	(4,425)
Shares repurchased	(5,018)	–
Interest paid	(22,772)	(9,984)
Repayment of bank borrowings	(513,022)	(237,361)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	189,700	(88,458)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,661)	(7,535)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,461	2,167
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	172,688	178,056
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, represented by bank balances and cash	128,488	172,688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The principal activities of the Group are set out in Note 6.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As set out in the announcement of the Company issued on May 30, 2012, the financial year end date of the Company and the Group has been changed from September 30 to December 31 to align the financial year end dates of the Company's subsidiaries as set out in Note 40 that are established in the PRC, which are required under relevant laws to close their accounts with the financial year end on December 31. Accordingly, the current accounting period covers a period of fifteen months from October 1, 2011 to December 31, 2012. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a period of twelve months from October 1, 2010 to September 30, 2011 are therefore not entirely comparable with those of the current period.

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HKAS 24 (as revised in 2009)	Related Party Disclosures

The application of the new and revised HKFRSs in the current period has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements 2009 – 2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[5]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after January 1, 2013.
2 Effective for annual periods beginning on or after January 1, 2014.
3 Effective for annual periods beginning on or after January 1, 2015.
4 Effective for annual periods beginning on or after July 1, 2012.
5 Effective for annual periods beginning on or after January 1, 2012.

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

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

The directors anticipate that, based on the financial instruments of the Group as at December 31, 2012, the adoption of HKFRS 9 will have no material effect on the Group's financial assets and financial liabilities.

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HK (SIC)-Int 12 "Consolidation – Special Purpose Entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time. These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors are in the process of determining the financial impacts of the application of these five standards on amounts reported in the consolidated financial statements.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Investment Entities"

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after January 1, 2014, with early application permitted. The directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The directors anticipate that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Income and expenses of subsidiaries acquired or disposed of during the period/year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in an existing subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity (other reserve) and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at either their fair value or, when applicable, on the basis specified in another standard.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arisen from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU"), or groups of CGU, that are expected to benefit from the synergies of the combination. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

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

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

Joint ventures

Jointly controlled entities

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

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures (Continued)

Jointly controlled entities (Continued)

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale in which case it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

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

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

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

Revenue recognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of items of property, plant and equipment less their residual values, over their estimated useful life, using the straight-line method. The estimated useful life, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Leasing

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

The Group as lessor

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

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee

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

Contingent rentals and concessionaire fees, which are not fixed but based on factors such as percentage of sales, are recognised as expenses in the periods in which they are incurred. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

Financial assets at fair value through profit or loss

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

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

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in "fair value changes on consideration payable for acquisition of business" in profit or loss.

Other financial liabilities

The Group's other financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Borrowing costs

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

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

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Retirement benefit costs

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

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of the share options granted, at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of original options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based compensation reserve.

When the share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated profits.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Customer loyalty programmes

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting policies

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

Intangible assets with indefinite useful lives

The directors consider that the brandnames, as set out in Note 14, for all practical purposes have indefinite useful lives and are therefore not amortised until their useful lives are determined to be finite. The brandnames are tested for impairment annually.

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

Key sources of estimation uncertainty

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

(i) Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill and the intangible assets have been allocated. This calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise. Details of the recoverable amount calculation and the impairment loss made for the period are disclosed in Note 16.

(ii) Estimated impairment of interests in associates and jointly controlled entities

Management review the recoverable amounts of the Group's associates and jointly controlled entities by reference to the expected disposal proceeds from the joint venture partners of the relevant associates and jointly controlled entities whenever there are concrete plans for the disposals. The amounts of the impairment losses in respect of each associate and jointly controlled entity is measured as the difference between the carrying amounts of the associates and jointly controlled entities and the anticipated disposal proceeds. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iii) Impairment loss for inventories

The management of the Group reviews the aging of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production nor saleable in the market. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iv) Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

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

Key sources of estimation uncertainty (Continued)

(v) Fair value of Call Options

Measurements of the fair value of the Call Options (as defined in Note 21) require the use of variables and assumptions including (i) the underlying value of the relevant equity interests, (ii) the profitability of the Company and the relevant companies, (iii) the share price of the Company and (iv) the expectation of the management on the likelihood of the Call Options be exercised. Details of the measurements of the fair value and assumptions used are disclosed in Note 21.

(vi) Income taxes

The realisability of the deferred tax asset arising from the unused tax losses is mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, a material provision or reversal of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a provision or reversal takes place.

In addition, the Group provided for deferred tax liabilities in relation to the earnings expected to be distributed from its subsidiaries, associates and jointly controlled entities in the PRC and overseas. Deferred tax liabilities have not been provided on the distributable profits of these entities that the Group plans to retain in the respective entities for their daily operations and future developments. In case where the actual distribution of profits are larger than expected, material tax liabilities will arise, which will be recognised in profit or loss in the period in which such profits are declared or the future development plan of the Group is vanished, whichever is earlier.

6. REVENUE AND SEGMENTAL INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM"), being the Board of Directors of the Company, for the purpose of resource allocation and performance assessment, as set out below for which discrete financial information is available.

(i) retailing of sportswear products and footwear products and commissions from leasing of large scale commercial spaces to retailers and distributors for concessionaire sales ("Retail Business");

(ii) distribution of licensed sportswear products and footwear products ("Brand Licensee Business"); and

(iii) manufacturing and sales of OEM footwear products ("Manufacturing Business").

The following is an analysis of the Group's revenue and results by operating segment for the period/year under review.

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment revenue and results

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

For the fifteen months ended December 31, 2012

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment total US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales - sportswear and footwear products	1,962,277	73,822	129,801	2,165,900	-	2,165,900
External sales - commissions from concessionaire sales	16,550	-	-	16,550	-	16,550
Inter-segment sales*	-	21,117	-	21,117	(21,117)	-
Total segment revenue	1,978,827	94,939	129,801	2,203,567	(21,117)	2,182,450
RESULTS						
Segment results	21,054	(17,135)	3,376	7,295	-	7,295
Reconciling items:						
Central administrative expenses						(4,587)
Finance costs - net						(17,562)
Share of results of associates						313
Share of results of jointly controlled entities						(13,768)
Gain on deemed disposal of a jointly controlled entity						5,898
Gain on disposal of properties						4,685
Impairment loss of intangible assets						(8,485)
Impairment losses of interests in associates						(3,040)
Impairment losses of interests in jointly controlled entities						(6,305)
Fair value changes on derivative financial instruments						(20,916)
Fair value changes on consideration payable for acquisition of business						(2,085)
Loss before taxation						(58,557)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended September 30, 2011

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment total US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales - sportswear and footwear products	1,370,875	60,487	148,786	1,580,148	-	1,580,148
External sales - commissions from concessionaire sales	9,654	-	-	9,654	-	9,654
Inter-segment sales*	2,072	16,956	-	19,028	(19,028)	-
Total segment revenue	1,382,601	77,443	148,786	1,608,830	(19,028)	1,589,802
RESULTS						
Segment results	69,456	3,951	15,435	88,842	-	88,842
Reconciling items:						
Central administrative expenses						(6,764)
Finance costs - net						(4,139)
Share of results of associates						697
Share of results of jointly controlled entities						(3,182)
Gain on deemed disposal of a jointly controlled entity						18,767
Gain on deregistration of subsidiaries						341
Impairment losses of interests in associates						(500)
Impairment losses of interests in jointly controlled entities						(1,500)
Impairment loss of an available-for-sale investment						(100)
Fair value changes on derivative financial instruments						(15,601)
Profit before taxation						76,861

* *Inter-segment sales are charged at prevailing market rates*

Segment results represent profit (loss) earned (incurred) by each segment without absorption of reconciling items, details of which are set out above. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

	December 31, 2012 US$'000	September 30, 2011 US$'000
Segment assets		
Retail business	1,153,295	900,165
Brand licensee business	40,088	35,875
Manufacturing business	93,461	104,399
Total segment assets	1,286,844	1,040,439
Interests in associates	2,611	8,387
Loans to associates	2,407	7,536
Interests in jointly controlled entities	19,373	41,950
Loans to jointly controlled entities	30,491	45,878
Loan receivables	9,527	11,461
Derivative financial instruments	–	22,363
Bank balances and cash and pledged bank deposits	128,488	185,195
Other unallocated assets	20,669	9,560
Consolidated assets	1,500,410	1,372,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment assets and liabilities (Continued)

	December 31, 2012 US$'000	September 30, 2011 US$'000
Segment liabilities		
Retail business	166,172	237,902
Brand licensee business	23,391	14,435
Manufacturing business	14,020	23,444
Total segment liabilities	203,583	275,781
Bank borrowings	327,287	168,187
Other unallocated liabilities	51,468	39,497
Consolidated liabilities	582,338	483,465

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates and jointly controlled entities, loans to associates and jointly controlled entities, loan receivables, derivative financial instruments, available-for-sale investments, certain property, plant and equipment, deferred tax assets, taxation recoverable, certain other receivables, pledged bank deposits and bank balances and cash; and

- all liabilities are allocated to operating segments other than accruals and other payables of the head office, taxation payable, bank borrowings and deferred tax liabilities.

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Other segment information

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
For the fifteen months ended December 31, 2012						
Amounts included in the measure of segment results or segment assets:						
Additions to non-current assets (note)	84,524	832	2,511	87,867	1,571	89,438
Depreciation of property, plant and equipment	33,579	1,447	8,103	43,129	820	43,949
Release of prepaid lease payments	725	33	42	800	-	800
Amortisation of intangible assets	10,083	-	-	10,083	-	10,083
Deposit paid for acquisition of property, plant and equipment	470	-	-	470	-	470
Loss on disposal of property, plant and equipment	3,461	152	85	3,698	6	3,704
Impairment loss of intangible assets	8,485	-	-	8,485	-	8,485
Allowance (reversal of allowance) for inventories	1,530	(442)	-	1,088	-	1,088
Impairment loss recognised on trade receivables	3,437	327	135	3,899	-	3,899
Impairment loss recognised on other receivables	608	-	-	608	-	608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Other segment information (Continued)

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
For the fifteen months ended December 31, 2012 (Continued)						
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:						
Interests in associates	2,611	-	-	2,611	-	2,611
Interests in jointly controlled entities	19,373	-	-	19,373	-	19,373
Share of profit of associates	313	-	-	313	-	313
Share of loss of jointly controlled entities	(13,768)	-	-	(13,768)	-	(13,768)
Gain on deemed disposal of a jointly controlled entity	5,898	-	-	5,898	-	5,898
Gain on disposal of properties	4,685	-	-	4,685	-	4,685
Impairment losses of interests in associates	(3,040)	-	-	(3,040)	-	(3,040)
Impairment losses of interests in jointly controlled entities	(6,305)	-	-	(6,305)	-	(6,305)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Other segment information (Continued)

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
For the year ended September 30, 2011						
Amounts included in the measure of segment results or segment assets:						
Additions to non-current assets (note)	69,994	918	4,388	75,300	1,061	76,361
Depreciation of property, plant and equipment	20,615	204	5,899	26,718	662	27,380
Release of prepaid lease payments	594	-	26	620	-	620
Amortisation of intangible assets	5,746	-	-	5,746	-	5,746
Deposits paid for acquisition of property, plant and equipment	915	3	-	918	-	918
Deposit paid for proposed acquisition of a business	3,127	-	-	3,127	-	3,127
Pledged bank deposits	12,507	-	-	12,507	-	12,507
Loss on disposal of property, plant and equipment	1,367	-	33	1,400	11	1,411
(Reversal of allowance) allowance for inventories	(5,580)	798	-	(4,782)	-	(4,782)
Impairment loss (reversed) recognised on trade receivables	(497)	3	34	(460)	-	(460)
Impairment loss recognised on other receivables	2,014	-	-	2,014	-	2,014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Other segment information (Continued)

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment total US$'000	Unallocated US$'000	Consolidated US$'000
For the year ended September 30, 2011 (Continued)						
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:						
Interests in associates	8,387	-	-	8,387	-	8,387
Interests in jointly controlled entities	41,950	-	-	41,950	-	41,950
Share of profit of associates	697	-	-	697	-	697
Share of loss of jointly controlled entities	(3,182)	-	-	(3,182)	-	(3,182)
Gain on deemed disposal of a jointly controlled entity	18,767	-	-	18,767	-	18,767
Gain on deregistration of subsidiaries	341	-	-	341	-	341
Impairment losses of interests in associates	(500)	-	-	(500)	-	(500)
Impairment losses of interests in jointly controlled entities	(1,500)	-	-	(1,500)	-	(1,500)
Impairment loss of an available-for-sale investment	(100)	-	-	(100)	-	(100)

note: Non-current assets exclude financial instruments, deferred tax assets and goodwill.

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Information about major customers

The directors are not aware of any customer that individually contributed over 10% of the consolidated revenue from external customers for the period/year.

Geographical information

The Group's operations are mainly located in the PRC.

The following table provides an analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods and information about its non-current assets by geographical location of the assets.

	Revenue from external customers		Non-current assets (note)	
	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000	December 31, 2012 US$'000	September 30, 2011 US$'000
PRC	2,099,488	1,527,689	388,307	322,259
Hong Kong	34,517	25,292	66	272
Other locations	48,445	36,821	1,179	1,135
	2,182,450	1,589,802	389,552	323,666

note: Non-current assets exclude interests in associates and jointly controlled entities, financial instruments and deferred tax assets.

7. FINANCE INCOME

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Interest income on:		
Bank deposits	2,660	2,381
Advances to associates	189	470
Advances to jointly controlled entities	1,497	1,345
Advances to former jointly controlled entities	864	1,649
	5,210	5,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

8. INCOME TAX EXPENSE

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Taxation attributable to the Company and its subsidiaries:		
Current year:		
Hong Kong Profits Tax (note i)	721	743
PRC Enterprise Income Tax ("EIT") (note ii)	14,101	20,788
Overseas income tax (note iii)	2,751	988
	17,573	22,519
(Over)underprovision in prior years:		
PRC EIT	(196)	1,026
Overseas income tax	166	–
	(30)	1,026
Current tax charge – total	17,543	23,545
Deferred tax credit (Note 23)	(7,683)	(1,494)
	9,860	22,051

8. INCOME TAX EXPENSE (Continued)

notes:

(i) Hong Kong
Hong Kong Profits Tax is calculated at 16.5% (year ended September 30, 2011: 16.5%) of the estimated assessable profit for the period.

(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 are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. These tax holidays and concessions expired 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.

(b) Pursuant to《財政部、國家税務總局、海關總署關於西部大開發税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、國家税務總局】關於深入實施西部大開發戰略有關税收政策問題的通知》(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.

(iii) Overseas
Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

8. INCOME TAX EXPENSE (Continued)

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

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
(Loss) profit before taxation	(58,557)	76,861
Tax at income tax rate of 25% (note)	(14,639)	19,215
Tax effect of share of results of associates and jointly controlled entities	3,364	621
Tax effect of expenses not deductible for tax purposes	8,929	9,033
Tax effect of income not taxable for tax purposes	(4,017)	(7,713)
Effect of tax holidays granted to PRC subsidiaries	(748)	(2,384)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(499)	(184)
Effect of tax loss not recognised	18,471	4,463
Utilisation of tax losses previously not recognised	(3,268)	(2,026)
(Over)underprovision of tax in prior years	(30)	1,026
Withholding income tax on unremitted earnings of overseas subsidiaries	2,297	–
Income tax expenses for the period/year	9,860	22,051

note: The income tax rate in the jurisdiction where the operations of the Group substantially based is used.

9. (LOSS) PROFIT FOR THE PERIOD/YEAR

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
(Loss) profit for the period/year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments (Note 10)	1,343	1,119
Retirement benefit scheme contributions, excluding directors and the chief executive	20,523	11,724
Equity-settled share-based payments, excluding directors and the chief executive	2,122	2,233
Other staff costs	209,311	124,246
Total staff costs	233,299	139,322

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

9. (LOSS) PROFIT FOR THE PERIOD/YEAR (Continued)

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Auditor's remuneration	541	526
Depreciation of property, plant and equipment	43,949	27,380
Release of prepaid lease payments	800	620
Amortisation of intangible assets (included in selling and distribution expenses)	10,083	5,746
Loss on disposal of property, plant and equipment	3,704	1,411
Costs of inventories recognised as an expense	1,538,014	1,107,456
Research and development expenditure recognised as an expense	3,596	3,631
Impairment loss (reversal of impairment loss) recognised on trade receivables (included in other income and gains/losses)	3,899	(460)
Impairment loss recognised on other receivables (included in other income and gains/losses)	608	2,014
Allowance (reversal of allowance) for inventories, net (included in other income and gains/losses) (note)	1,088	(4,782)
Subsidies, rebates and other income from suppliers (included in other income and gains/losses)	(26,196)	(19,783)
Net exchange gain (included in other income and gains/losses)	(1,618)	(4,083)
Share of taxation of associates (included in share of results of associates)	191	511
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	(2,041)	1,413

note: Certain of the write-down of inventories previously recognised was reversed during the year ended September 30, 2011 as evidenced by the subsequent sales of the relevant inventories.

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

Details of emoluments of each of the nine (year ended September 30, 2011: nine) individual directors are set out as follows:

	Fees US$'000	Salaries and other allowances US$'000	Bonus US$'000 (note i)	Retirement benefit scheme contributions US$'000	Equity-settled share-based payment US$'000	Total US$'000
For the fifteen months ended December 31, 2012						
Executive directors:						
Kwan, Heh-Der (note ii)	-	118	68	1	-	187
Wu, Pan-Tsu (note iii)	-	30	-	-	-	30
Chang Karen Yi-Fen (note iv)	-	199	829	1	(110)	919
Non-executive directors:						
Tsai David, Nai Fung	-	-	-	-	-	-
Kuo, Li-Lien	72	-	-	-	-	72
Tsai Patty, Pei Chun	-	-	-	-	-	-
Independent non-executive directors:						
Chen Huan-Chung	47	-	-	-	-	47
Hu Sheng-Yih	40	-	-	-	-	40
Chang Li Hsien, Leslie	48	-	-	-	-	48
	207	347	897	2	(110)	1,343

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executives' emoluments (Continued)

	Fees US$'000	Salaries and other allowances US$'000	Bonus US$'000 (note i)	Retirement benefit scheme contributions US$'000	Equity-settled share-based payment US$'000	Total US$'000
For the year ended September 30, 2011						
Executive director:						
Chang Karen Yi-Fen	-	247	434	2	240	923
Non-executive Directors:						
Tsai David, Nai Fung	-	-	-	-	-	-
Kuo, Li-Lien	58	-	-	-	-	58
Tsai Patty, Pei Chun	-	-	-	-	-	-
Independent non-executive Directors:						
Chen Huan-Chung	32	-	-	-	-	32
Hu Sheng-Yih	32	-	-	-	-	32
Chang Li Hsien, Leslie (note v)	22	-	-	-	-	22
Cheng Ming Fun Paul (note vi)	16	-	-	-	-	16
Mak Kin Kwong (note vii)	36	-	-	-	-	36
	196	247	434	2	240	1,119

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executives' emoluments (Continued)

notes:

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

(ii) Mr. Kwan, Heh-Der ("Mr. Kwan") was appointed as an executive director on August 31, 2012.

(iii) Mr. Wu, Pan-Tsu ("Mr. Wu") was appointed as an executive director on April 9, 2012.

(iv) Ms. Chang Karen Yi-Fen ("Ms. Chang") resigned as an executive director on April 9, 2012.

(v) Mr. Chang Li Hsien, Leslie was appointed as an independent non-executive director on March 7, 2011.

(vi) Mr. Cheng Ming Fun Paul resigned as an independent non-executive director on March 1, 2011.

(vii) Mr. Mak Kin Kwong resigned as an independent non-executive director on August 2, 2011.

(viii) Ms. Chang was the Chief Executive of the Group for the year ended September 30, 2011 and up till April 9, 2012, upon her resignation as a director of the Company. Mr. Wu, took the office of Ms. Chang on the same date and served as the Acting Chief Executive of the Group from April 9, 2012 to August 30, 2012 when Mr. Kwan was appointed as a director of the Company and assumes the duties as the Chief Executive. The emoluments of all of Ms. Chang, Mr. Wu and Mr. Kwan disclosed above include those for their services rendered by them as the Chief Executive.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group for the fifteen months ended December 31, 2012, one (year ended September 30, 2011: one) is a director and the chief executive of the Company whose emoluments are set out above. The emoluments of the remaining four (year ended September 30, 2011: four) individuals for the period/year are as follows:

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Salaries and other allowances	1,043	802
Bonus	398	290
Equity-settled share-based payment	329	465
	1,770	1,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments (Continued)

Their emoluments were within the following bands:

	For the fifteen months ended December 31, 2012 Number of employees	For the year ended September 30, 2011 Number of employees
HK$2,000,001 to HK$2,500,000	–	2
HK$2,500,001 to HK$3,000,000	2	1
HK$3,500,001 to HK$4,000,000	1	–
HK$4,000,001 to HK$4,500,000	1	–
HK$4,500,001 to HK$5,000,000	–	1
	4	4

During the period/year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the chief executive has waived any emoluments during the period/year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

11. (LOSS) EARNINGS PER SHARE

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

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
(Loss) earnings:		
(Loss) profit for the period/year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	(69,151)	53,670

	For the fifteen months ended December 31, 2012	For the year ended September 30, 2011
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	4,426,441,854	4,309,485,163

The computation of diluted (loss) earnings per share for the period/year does not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of the shares for the period/year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

12. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

(a) Property, plant and equipment

	Leasehold land and buildings US$'000	Office and shopping mall buildings US$'000	Factory buildings and warehouses US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Furniture, fixture and equipment US$'000	Motor vehicles US$'000	Total US$'000
COST								
At October 1, 2010	9,006	41,285	52,980	21,511	77,272	29,094	3,281	234,429
Additions	-	577	-	3,914	22,181	3,182	796	30,650
Acquired on acquisition of subsidiaries (Note 31)	-	-	-	-	3,002	392	247	3,641
Transfer to assets classified as held for sale (Note 26)	-	(30,289)	-	-	(695)	(4,627)	-	(35,611)
Disposals	-	-	-	(75)	(9,782)	(1,206)	(583)	(11,646)
Exchange realignment	315	1,463	1,740	-	3,196	706	115	7,535
At September 30, 2011	9,321	13,036	54,720	25,350	95,174	27,541	3,856	228,998
Additions	-	-	-	2,269	33,399	3,616	575	39,859
Acquired on acquisition of subsidiaries and business (Note 31)	-	-	-	-	11,147	1,083	58	12,288
Disposals	-	-	-	(10)	(14,399)	(1,488)	(326)	(16,223)
Exchange realignment	249	429	1,368	608	3,231	1,047	109	7,041
At December 31, 2012	9,570	13,465	56,088	28,217	128,552	31,799	4,272	271,963
DEPRECIATION								
At October 1, 2010	705	2,042	10,092	7,223	55,506	13,675	1,506	90,749
Provided for the year	261	386	2,136	2,134	17,291	4,593	579	27,380
Transfer to assets classified as held for sale (Note 26)	-	(1,530)	-	-	-	(269)	-	(1,799)
Eliminated on disposals	-	-	-	(44)	(6,607)	(949)	(309)	(7,909)
Exchange realignment	40	83	42	4	2,805	372	58	3,404
At September 30, 2011	1,006	981	12,270	9,317	68,995	17,422	1,834	111,825
Provided for the period	338	361	3,223	3,275	30,570	5,472	710	43,949
Eliminated on disposals	-	-	-	(1)	(10,650)	(1,019)	(212)	(11,882)
Exchange realignment	33	20	238	280	2,342	658	51	3,622
At December 31, 2012	1,377	1,362	15,731	12,871	91,257	22,533	2,383	147,514
CARRYING VALUE								
At December 31, 2012	8,193	12,103	40,357	15,346	37,295	9,266	1,889	124,449
At September 30, 2011	8,315	12,055	42,450	16,033	26,179	10,119	2,022	117,173

12. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS (Continued)

(a) Property, plant and equipment (Continued)

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

As at September 30, 2011, office and shopping mall buildings with an aggregate carrying amount of US$3,868,000 were pledged to secure general banking facilities granted to the Group. The pledge was released upon settlement of the relevant borrowings during the period.

All buildings, office and shopping mall buildings and factory buildings and warehouses are erected on land with medium-term land use rights in the PRC.

The shopping mall buildings are held mainly for the Group's retail business.

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

Leasehold land and buildings/office and shopping mall buildings/factory buildings and warehouses	2% – 3%
Plant and machinery	5% – 15%
Leasehold improvements	10% – 50%
Furniture, fixture and equipment	20% – 30%
Motor vehicles	20% – 30%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

12. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS (Continued)

(b) Prepaid lease payments

	December 31, 2012 US$'000	September 30, 2011 US$'000
The carrying amount of the Group's prepaid lease payments are analysed as follows:		
Non-current assets	24,466	24,321
Current assets (included in trade and other receivables)	649	625
	25,115	24,946

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

As at September 30, 2011, prepaid lease payments with an aggregate carrying amount of US$17,012,000 were pledged to secure general banking facilities granted to the Group. The pledge was released upon settlement of the relevant borrowings during the period.

13. DEPOSIT PAID FOR PROPOSED ACQUISITION OF A BUSINESS

On September 30, 2011, the Group entered into a non-legally binding letter of intent with Shanghai Pengda Sports Goods Company Limited and its related parties ("Pengda"), independent third parties, pursuant to which the Group would acquire, subject to completion of due diligence, negotiations and the entering into a formal agreement, the tangible assets (including but not limited to the shop operating assets, property, plant and equipment and inventories) and intangible assets (including but not limited to non-competing agreements and customer relationships) in the sportswear retailing business in the PRC owned by Pengda and its related parties (the "Pengda Business").

The acquisition of the Pengda Business was completed during the current period. Further details are set out in Note 31.

14. INTANGIBLE ASSETS

	Customer relationship US$'000	Brandnames US$'000	Licensing agreements US$'000	Non-compete agreements US$'000	Total US$'000
COST					
At October 1, 2010	4,429	32,408	-	39,670	76,507
Acquired on acquisition of subsidiaries (Note 31)	-	37,501	-	4,569	42,070
Exchange realignment	200	3,154	-	1,996	5,350
At September 30, 2011	4,629	73,063	-	46,235	123,927
Acquired on acquisition of subsidiaries and business (Note 31)	3,775	-	9,911	23,605	37,291
Exchange realignment	166	1,936	232	1,548	3,882
At December 31, 2012	8,570	74,999	10,143	71,388	165,100
AMORTISATION AND IMPAIRMENT					
At October 1, 2010	675	-	-	5,220	5,895
Provided for the year	551	-	-	5,195	5,746
Exchange realignment	44	-	-	360	404
At September 30, 2011	1,270	-	-	10,775	12,045
Provided for the period	1,151	-	1,084	7,848	10,083
Impairment loss recognised for the period	-	4,785	-	3,700	8,485
Exchange realignment	49	-	15	392	456
At December 31, 2012	2,470	4,785	1,099	22,715	31,069
CARRYING VALUE					
At December 31, 2012	6,100	70,214	9,044	48,673	134,031
At September 30, 2011	3,359	73,063	-	35,460	111,882

Addition of the Group's intangible assets during the period arose from the acquisition of (i)河北展新體育發展有限公司Hebei Zhanxin Sports Development Company Limited ("Zhanxin") and (ii) the Pengda Business. Addition of the Group's intangible assets during the year ended September 30, 2011 arose from the acquisition of 浙江易川體育用品連鎖有限公司Zhejiang Yichuan Sports Goods Chain Company Limited ("Yichuan"). Details are set out in Note 31.

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14. INTANGIBLE ASSETS (Continued)

All of the intangible assets were valued as of the respective dates of acquisitions by American Appraisal China Limited ("American Appraisal"), a firm of professional valuer, on the following basis:

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

The management of the Group considers customer relationship, non-compete agreements and licensing agreements have finite useful lives and are amortised on a straight-line basis over the following periods:

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

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.

During the fifteen months ended December 31, 2012, the Group recognised an impairment loss of US$8,485,000 (year ended September 30, 2011: nil) in relation to the brandname and the non-compete agreement arising on acquisition of certain retail business that operate in chains of retails stores under Unit A (as defined in Note 16), for the worse than expected operating results of the relevant CGU of the Retail Business due primarily to difficulties arising from excessive inventory and fierce competitions in the region. This, combined with the rising operating costs, has therefore deteriorated both the operating environments and profitability of the relevant CGU and an impairment loss of certain intangible assets of the CGU is recognised during the current period. Further details of the basis of the impairment loss is set out in Note 16.

The brandnames are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows to the Group indefinitely. They are tested for impairment annually and whenever there is an indication that they may have been impaired. Particulars of the impairment testing are set out in Note 16.

15. GOODWILL

	US$'000
COST	
At October 1, 2010	27,622
Arising on acquisition of subsidiaries (Note 31)	14,604
At September 30, 2011	42,226
Arising on acquisition of subsidiaries and business (Note 31)	40,751
At December 31, 2012	82,977

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

16. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

For the purpose of impairment testing, intangible assets of the Group as set out in Note 14 are allocated to the CGUs of Retail Business that are expected to benefit from the intangible assets to generate future economic benefits. The carrying amount of the intangible assets at the end of the reporting period allocated to these units are as follows:

	Customer relationship US$'000	Brandnames US$'000	Licensing agreements US$'000	Non-compete agreements US$'000	Total US$'000
At December 31, 2012					
Retails Business:					
- chains of stores mainly in Northern China ("Unit A")	2,723	29,982	-	23,180	55,885
- chains of stores mainly in Zhejiang Province, the PRC ("Unit B")	-	40,232	-	2,696	42,928
- chains of stores mainly in Hebei Province, the PRC ("Unit C")	-	-	9,044	3,764	12,808
- chains of stores mainly in Liaoning Province, the PRC ("Unit D")	3,377	-	-	19,033	22,410
	6,100	70,214	9,044	48,673	134,031
At September 30, 2011					
Retails Business:					
- Unit A	3,359	33,870	-	31,641	68,870
- Unit B	-	39,193	-	3,819	43,012
	3,359	73,063	-	35,460	111,882

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16. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS (Continued)

For the purpose of impairment testing, goodwill of the Group as set out in Note 15 is allocated to Retail Business as a group of CGUs.

The basis of recoverable amount of each of Units A, B, C, D and the group of CGUs in the Retail Business has been determined based on the value in use calculation and valued by Savills Valuations and Professional Services Limited as at December 31, 2012 and Vigers Appraisal & Consulting Limited as at September 30, 2011, firms of independent professional valuers.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 14% (year ended September 30, 2011: 14%) for all of the above CGUs. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (year ended September 30 2011: 3%) for all of the above CGUs. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumption for the value in use calculation relates to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount.

During the fifteen months ended December 31, 2012 and the year ended September 30, 2011, management of the Group determined that none of (i) goodwill, allocated to Retail Business as the group of CGUs, nor (ii) intangible assets allocated to Units B, C and D had suffered any impairment.

As set out in Note 14, impairment loss amounting to US$8,485,000 has been made in respect of brandname and non-compete agreement allocated to Unit A during the fifteen months ended December 31, 2012. Unit A had not suffered any impairment during the year ended September 30, 2011.

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES

	December 31, 2012 US$'000	September 30, 2011 US$'000
Cost of unlisted investments in associates	3,917	5,258
Share of post-acquisition results, net of dividends received	(620)	3,819
Share of post-acquisition reserves	814	1,110
Impairment losses (note i)	(1,500)	(1,800)
	2,611	8,387
Loans to associates (note ii)	2,407	7,536

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

notes:

(i) During the period, impairment losses of US$3,040,000 (year ended September 30, 2011: US$500,000) were made in respect of the Group's interests in certain associates of which US$3,040,000 (year ended September 30, 2011: nil) made during the period have been derecognised upon the completion of the disposal of the associate during the period. Impairment loss of US$300,000 made in prior years was derecognised upon the completion of the disposal during the period. The recoverable amounts of the relevant associates were estimated by reference to their expected disposal proceeds from the joint venture partners of the relevant associates from their anticipated disposals after the end of the respective reporting periods.

(ii) The loans to associates are secured by the equity interests in the relevant associates held by the other joint venture partners, interest bearing at the quoted lending rate of People's Bank of China ("PBOC") and have no fixed terms of repayment. Before offering any new loans to associates, the Group assesses the associates' credit qualities and the intended usages of the loans by the associates. The recoverability of the loans is reviewed throughout the tenures of the loans. In the opinion of the directors, the associates are of good credit qualities based on their regular assessments and the absence of any default record in the past. At September 30, 2011 and December 31, 2012, the loans were neither past due nor impaired. The loans are not expected to be repaid within one year and are classified as non-current.

Details of the Group's associates at December 31, 2012 and September 30, 2011 are set out in Note 41.

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

	December 31, 2012 US$'000	September 30, 2011 US$'000
Total assets	15,223	55,875
Total liabilities	(6,834)	(34,003)
Net assets	8,389	21,872
Group's share of net assets of associates	4,111	10,187
Revenue	18,411	46,224
Profit for the period/year	1,032	1,789
Group's share of results of associates for the period/year	313	697

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18. INTERESTS IN JOINTLY CONTROLLED ENTITIES/LOANS TO JOINTLY CONTROLLED ENTITIES/DEPOSIT PAID FOR ACQUISITION OF THE REMAINING INTEREST IN A JOINTLY CONTROLLED ENTITY

	December 31, 2012 US$'000	September 30, 2011 US$'000
Cost of unlisted investments in jointly controlled entities (note i)	18,164	23,344
Share of post-acquisition profits, net of dividends received	2,146	15,660
Share of post-acquisition reserves	4,368	4,546
Impairment losses (note ii)	(5,305)	(1,600)
	19,373	41,950
Loans to jointly controlled entities (note iii)	30,491	45,878
Deposit paid for acquisition of the remaining interest in a jointly controlled entity (note iv)	–	1,219

notes:

(i) Included in cost of investments in jointly controlled entities as at October 1, 2010, September 30, 2011 and December 31, 2012 was goodwill of US$2,119,000 arising from the acquisition of a jointly controlled entity.

(ii) During the period, impairment losses of US$6,305,000 (year ended September 30, 2011: US$1,500,000) were made in respect of the Group's interests in certain jointly controlled entities which the Group expected to dispose of after the end of the respective reporting periods, of which US$1,000,000 related to the Group's investment in the relevant jointly controlled entity that was reclassified to asset classified as held for sale as set out in Note 26. Impairment loss of US$1,600,000 made in prior years was derecognised upon the completion of the disposal during the period. The recoverable amounts of the relevant jointly controlled entities were estimated by reference to their expected disposal proceeds from the joint venture partners of the relevant jointly controlled entities from their anticipated disposals after the end of the respective reporting periods.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES/LOANS TO JOINTLY CONTROLLED ENTITIES/DEPOSIT PAID FOR ACQUISITION OF THE REMAINING INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

notes: (continued)

(iii) The loans to jointly controlled entities are secured by the equity interests in the relevant jointly controlled entities held by the other joint venture partners, interest bearing at the prevailing lending rate of PBOC and have no fixed terms of repayment. Before offering any new loans to jointly controlled entities, the Group assesses the jointly controlled entities' credit quality and the intended usages of the loans by the jointly controlled entities. The recoverability of the loans is reviewed throughout the tenure of the loans. In the opinion of the directors, the jointly controlled entities are of good credit qualities based on their regular assessments and the absence of any default record in the past. At September 30, 2011 and December 31, 2012, the loans were neither past due nor impaired. The loans are not expected to be repaid within one year and are classified as non-current.

(iv) The entire amount as at September 30, 2011 represented the deposit paid for acquisition of the remaining 55% of the issued share capital of a jointly controlled entity, Zhanxin, not already held by the Group by exercising the call options granted by the Relevant Partners (as defined in Note 21) of Zhanxin. The call options were recognised on the consolidated statement of financial position of the Group as derivative financial instruments, as set out in Note 21. The principal activities of Zhanxin are retailing of sportswear and sports footwear in the PRC. The acquisition was completed during the period. Further details are set out in Note 31.

Details of the Group's principal jointly controlled entities at December 31, 2012 and September 30, 2011 are set out in Note 42.

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

	December 31, 2012 US$'000	September 30, 2011 US$'000
Non current assets	3,719	8,111
Current assets	86,234	121,634
Current liabilities	(64,184)	(88,314)
Non current liabilities	(3,210)	–
Net assets	22,559	41,431
Revenue	152,040	199,272
Expense and income tax expense	(165,808)	(202,454)
Loss for the period/year	(13,768)	(3,182)

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19. LONG-TERM LOAN RECEIVABLES

These related to loan receivables due from certain former jointly controlled entities which carry variable interests ranging from 6.65% to 7.32% per annum.

	December 31, 2012 US$'000	September 30, 2011 US$'000
The loan receivables are expected to be repayable as follows:		
Within one year	8,700	3,150
More than one year, but not exceeding two years	827	7,506
More than two years, but not exceeding three years	–	805
	9,527	11,461
Less: amount due within one year shown under current assets (Note 25)	(8,700)	(3,150)
Amount due after one year	827	8,311
Analysed as:		
Secured	7,874	9,046
Unsecured	1,653	2,415
	9,527	11,461

The collaterals for the secured portion of these loans are certain property, plant and equipment of the relevant entities. The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrowers.

The recoverability of the loans is reviewed and monitored by the Group closely throughout the tenure of the loans. No significant balance was past due at the end of the reporting period. For the balance not yet past due at the end of the reporting period, no provision for impairment loss was considered necessary since there has been no past default history in respect of those receivables. The directors of the Company considered that the net balance of the loan receivables at the end of the reporting period is recoverable.

20. AVAILABLE-FOR-SALE INVESTMENTS

The amount represents unlisted equity securities issued by a private entity incorporated in BVI that engages in the business of retailing of sportswear in the PRC and is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors are of the opinion that their fair value could not be measured reliably.

The entity experienced significant financial difficulties and the carrying amount was fully impaired in prior periods.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2012 US$'000	September 30, 2011 US$'000
Derivative financial assets, analysed for reporting purposes as non-current assets, comprise:		
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 "Call Options").

The Call Options are exercisable within five years commencing from December 6, 2008, the expiry of the first six months after dealing in the shares of the Company on the Stock Exchange commenced and upon the mutual agreements between the Company and the Relevant Partners on certain conditions stipulated in the respective agreements in respect of the performance of the Relevant Companies during the pre-determined evaluation periods. Such conditions were not yet fulfilled other than those relating to Zhanxin as at September 30, 2011.

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

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21. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The value of each of the Call Options at September 30, 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 Call Option. Accordingly, the carrying amount of the relevant Call Option was derecognised and included as cost of investment in Zhanxin, as set out in Note 31.

The fair value changes on derivative financial instruments during the current period is mainly attributable to the expectation of the management that all remaining unexercised Call Options as at December 31, 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 December 31, 2012 was therefore considered to be zero.

The remaining unexercised Call Options are expiring in December 2013.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits as at September 30, 2011 were placed with a bank for certain banking facilities granted to a former subsidiary of the Group. The pledged bank deposits were released as the relevant loan was settled during the period.

The bank balances are interest-bearing at market interest rates. All deposits have an original maturity of three months or less.

During the fifteen months ended December 31, 2012, the bank deposits carried variable interest rates ranging from 0.01% to 3.75% (year ended September 30, 2011: 0.01% to 3.30%) per annum.

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

	December 31, 2012 US$'000	September 30, 2011 US$'000
USD	41,276	14,342
Hong Kong dollars ("HKD")	3,857	3,740
	45,133	18,082

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23. DEFERRED TAXATION

The followings are the major deferred tax (assets) liabilities recognised and movements thereon during current and prior periods:

	Tax losses US$'000	Undistributed earnings of PRC and overseas entities US$'000	Fair value adjustments of intangible assets on business combination US$'000	Total US$'000
At October 1, 2010	(2,293)	4,458	17,237	19,402
Acquired on acquisition of subsidiaries (Note 31)	-	-	10,517	10,517
Charge (credit) to profit or loss (Note 8)	315	(272)	(1,537)	(1,494)
At September 30, 2011	(1,978)	4,186	26,217	28,425
Acquired on acquisition of subsidiaries and business (Note 31)	-	-	9,323	9,323
Credit to profit or loss (Note 8)	(1,760)	(1,281)	(4,642)	(7,683)
Exchange realignment	(313)	532	2,610	2,829
At December 31, 2012	(4,051)	3,437	33,508	32,894

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

	December 31, 2012 US$'000	September 30, 2011 US$'000
Deferred tax assets	(4,051)	(1,978)
Deferred tax liabilities	36,945	30,403
	32,894	28,425

At December 31, 2012, the Group had unused tax losses of approximately US$161.2 million (September 30, 2011: approximately US$92.5 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$16.2 million (September 30, 2011: approximately US$7.9 million) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax loss of approximately US$145.0 million (September 30, 2011: approximately US$84.6 million) due to the unpredictability of future profit streams.

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23. DEFERRED TAXATION (Continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of PRC subsidiaries amounting to approximately US$338.7 million (September 30, 2011: US$291.3 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Included in these accumulated profits of PRC subsidiaries are profits arising from PRC associates and jointly controlled entities that are equity accounted for in the Group's consolidated financial statements amounting to approximately US$42.0 million (September 30, 2011: approximately US$48.6 million). The Group is able to control the timing of the reversal of such temporary differences as these investments are made through PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future.

Under the relevant laws of Republic of China, withholding tax is also imposed on dividend declared in respect of profits earned by the Taiwanese subsidiaries. The aggregate amount of temporary differences associated with undistributed earnings of those subsidiaries for which deferred tax liabilities have not been recognised was US$4.3 million (September 30, 2011: US$11.3 million).

24. INVENTORIES

	December 31, 2012 US$'000	September 30, 2011 US$'000
Raw materials	3,394	6,588
Work in progress	3,701	6,489
Finished goods	584,575	387,729
	591,670	400,806

25. TRADE AND OTHER RECEIVABLES

	December 31, 2012 US$'000	September 30, 2011 US$'000
Trade receivables	177,148	170,720
Deposits, prepayments and other receivables	146,085	114,315
	323,233	285,035

	December 31, 2012 US$'000	September 30, 2011 US$'000
Deposits, prepayments and other receivables represent:		
Rental deposits and prepaid rentals	27,471	30,467
Prepayments paid to suppliers	31,118	19,401
Value-added tax recoverable	31,455	16,291
Receivables of subsidies and rebates from suppliers	3,943	7,543
Other prepaid expenses	6,476	4,334
Long-term loan receivables – due within one year (Note 19)	8,700	3,150
Prepaid lease payments – current (Note 12(b))	649	625
Consideration receivable for disposal of properties	6,580	–
Consideration receivable for disposal of subsidiaries	–	7,397
Amounts due from related parties (note)	8,140	3,693
Other deposits, prepayments and receivables	21,553	21,414
	146,085	114,315

note: The amounts are due from certain jointly controlled entities and are unsecured and expected to be recovered within one year. Except for an aggregate amount of US$4,349,000 (September 30, 2011: nil) which was interest-bearing and carries variable interest ranged from 5.25% to 7.32% per annum, the remaining balance is interest-free. The directors considered the related parties are of good credit qualities because none of them were past due and the counterparties have no default payment history.

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25. TRADE AND OTHER RECEIVABLES (Continued)

The Group generally allows an average credit period of 30 days to 60 days which are agreed with each of its trade customers. The aged analysis of the Group's trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	December 31, 2012 US$'000	September 30, 2011 US$'000
0 – 30 days	164,176	165,904
31 – 90 days	10,317	2,869
Over 90 days	2,655	1,947
	177,148	170,720

Included in trade receivables are trade balances with related parties of US$3,765,000 (September 30, 2011: US$17,330,000). Details of the relevant transactions are set out in Note 37.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of US$8,291,000 (September 30, 2011: US$3,724,000) which were past due at the end of the reporting period and for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances.

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25. TRADE AND OTHER RECEIVABLES (Continued)

The aged analysis of trade receivables which are past due but not impaired is as follows:

	December 31, 2012 US$'000	September 30, 2011 US$'000
31 – 90 days	5,636	1,777
Over 90 days	2,655	1,947
	8,291	3,724

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

Movements in the allowance for doubtful debt are as follows:

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Balance at beginning of the period/year	311	771
Impairment loss (reversal of impairment loss) recognised on trade receivables	3,899	(460)
Balance at the end of the period/year	4,210	311

26. ASSETS CLASSIFIED AS HELD FOR SALE

	December 31, 2012 US$'000	September 30, 2011 US$'000
Amount comprises:		
Interest in a jointly controlled entity (note i)	1,674	–
Property, plant and equipment (note ii)	–	33,812
Prepaid lease payments (note ii)	–	3,356
	1,674	37,168

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26. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

notes:

(i) On April 30, 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, amongst other matters, the disposal of the Group's investment in the relevant jointly controlled entity. The Group has recognised an impairment loss of US$1,000,000 during the period, which was calculated based on the differences between the carrying value of the Group's interest in the relevant jointly controlled entity as at the date of sale and purchase agreement and the estimated consideration receivables.

A deposit of US$1,674,000 has been received by the Group during the period for the transaction (included in trade and other payables).

At the date of this report, the transaction has not yet been completed.

(ii) This represented the carrying amount of a shopping mall and related land use rights, the disposal of which was agreed prior to, but not completed as at September 30, 2011.

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

27. TRADE AND OTHER PAYABLES

	December 31, 2012 US$'000	September 30, 2011 US$'000
Trade payables	53,742	147,266
Bills payables	542	614
Other payables	138,975	131,697
	193,259	279,577
Other payables represent:		
Receipt in advance from customers	42,762	32,283
Royalty payables	1,497	1,769
Amounts due to related and connected parties (note i)	4,280	65
Deposits received for assets classified as held for sale (Note 26)	1,674	30,329
Consideration payable for acquisition of subsidiaries (note ii)	–	3,280
Consideration payable for additional interests in subsidiaries (note iii)	–	2,698
Accruals and other payables	88,762	61,273
	138,975	131,697

27. TRADE AND OTHER PAYABLES (Continued)

notes:

(i) The amounts represent amounts due to non-controlling interests of subsidiaries of US$749,000 (September 30, 2011: US$65,000) and certain entities controlled by Yue Yuen and its substantial shareholder of US$3,531,000 (September 30, 2011: Nil). The directors of the Company consider Yue Yuen and its substantial shareholder are connected persons of the Company and the loans therefrom constitute connected transactions of the Company.

The entire amounts are temporary fund transfers, which are non-trade in nature, and are unsecured and repayable within one year. Amounts due to non-controlling interests of subsidiaries are non-interest bearing. Amounts due to certain entities controlled by Yue Yuen and its substantial shareholder carry fixed interest at 4.5% per annum.

(ii) Amount as at September 30, 2011 represented the consideration payable for the acquisition of subsidiaries in prior periods and were unsecured, interest free and fully settled during the period.

(iii) Amount as at September 30, 2011 represented the consideration payable to the vendors for the acquisition of additional interests in certain non-wholly owned subsidiaries not yet owned by the Group in prior periods. The amount was settled during the period.

The aged analysis of the Group's trade and bills payables, based on invoice date, is as follows:

	December 31, 2012 US$'000	September 30, 2011 US$'000
0 – 30 days	51,748	145,627
31 – 90 days	1,745	1,231
Over 90 days	791	1,022
	54,284	147,880

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

Included in trade payables are trade balances with related parties of US$2,453,000 (September 30, 2011: US$1,840,000). Details of the relevant transactions are set out in Note 37.

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28. BANK BORROWINGS

	December 31, 2012 US$'000	September 30, 2011 US$'000
The bank borrowings are repayable:		
Within one year	313,040	168,187
More than one year, but not exceeding two years	14,247	–
	327,287	168,187
Less: amount included in current liabilities	(313,040)	(168,187)
Amount due after one year	14,247	–
Analysed as:		
Secured	–	14,227
Unsecured	327,287	153,960
	327,287	168,187

The secured bank borrowings as at September 30, 2011 were secured by certain of the Group's property, plant and equipment and prepaid lease payments. The carrying amount of the assets pledged was disclosed in Note 12. All of the assets pledged have been released upon settlement of the relevant borrowings during the period.

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

	December 31, 2012 US$'000	September 30, 2011 US$'000
Fixed rate borrowings	–	1,251
Variable rate borrowings	327,287	166,936
	327,287	168,187

The Group's variable rate borrowings carry interests at margins over Hong Kong Interbank Offer Rate ("HIBOR"), London Interbank Offer Rate ("LIBOR") or prevailing rate quoted by the PBOC, as appropriate. Interest is repriced every one to six months.

28. BANK BORROWINGS (Continued)

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

	December 31, 2012	September 30, 2011
Effective interest rate:		
Fixed rate borrowings	6.08%	6.08%
Variable rate borrowings	1.20% – 8.24%	1.02% – 7.63%

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

	December 31, 2012 US$'000	September 30, 2011 US$'000
USD	105,997	53,998

29. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At October 1, 2010, September 30, 2011 and December 31, 2012	30,000,000,000	300,000
Issued and fully paid:		
At October 1, 2010	4,290,495,163	42,905
Issue of shares upon acquisition of subsidiaries (note i)	6,330,000	63
At September 30, 2011	4,296,825,163	42,968
Repurchase of own shares (note ii)	(36,800,000)	(368)
Issue of shares for acquisition of subsidiaries (note i)	6,330,000	63
Issue of shares under rights issue (note iii)	1,066,588,790	10,666
At December 31, 2012	5,332,943,953	53,329

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29. SHARE CAPITAL (Continued)

	December 31, 2012 US$'000	September 30, 2011 US$'000
Shown in the consolidated financial statements	6,850	5,513

notes:

(i) In October 2010, the Group completed the acquisition of the remaining 50% interest in Yichuan not already owned by the Group by agreeing to issue of a maximum of 33,990,000 ordinary shares of HK$0.01 each as part of the consideration, of which 6,330,000 ordinary shares were issued during each of the year ended September 30, 2011 and the fifteen months ended December 31, 2012.

(ii) During the fifteen months ended December 31, 2012, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchases	Number of ordinary shares of HK$0.01 each repurchased	Price per share Highest price paid HK$	Price per share Lowest price paid HK$	Aggregate consideration paid HK$'000
October 2011	34,890,000	1.20	1.00	36,715
November 2011	1,910,000	1.19	1.00	2,187
	36,800,000			38,902

The aggregate consideration paid of HK$38,902,000 was equivalent to approximately US$5,018,000.

No own shares were repurchased during the year ended September 30, 2011.

(iii) On November 8, 2012, a rights issue on the basis of one rights share for every four existing shares held was completed with a subscription price of HK$0.491 per rights share. A total of 1,066,588,790 rights shares were issued for in gross proceeds of approximately HK$523.7 million (equivalent to approximately US$67.6 million), net of issue costs of approximately HK$5.0 million (equivalent to approximately US$0.7 million), resulting in a net proceed of HK$518.7 million (equivalent to approximately US$66.9 million) to the Company. The new shares ranked pari passu with the then existing shares in all aspects.

30. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	December 31, 2012 US$'000	September 30, 2011 US$'000
ASSETS AND LIABILITIES		
Property, plant and equipment	54	123
Investments in subsidiaries, unlisted	176,689	169,569
Other receivables	1,037	482
Amounts due from subsidiaries	551,892	454,706
Bank balances and cash	3,669	6,932
Total assets	733,341	631,812
Other payables	1,079	1,293
Amounts due to subsidiaries	23,429	26
Bank borrowings	54,997	39,498
Total liabilities	79,505	40,817
	653,836	590,995
CAPITAL AND RESERVES		
Share capital	6,850	5,513
Reserves (note)	646,986	585,482
	653,836	590,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

30. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

note:

Movements of the Company's reserves are as follows:

	Reserves US$'000	Accumulated losses US$'000	Total US$'000
At October 1, 2010	608,020	(22,246)	585,774
Loss and total comprehensive expense for the year	–	(3,654)	(3,654)
Issue of shares for acquisition of subsidiaries	889	–	889
Recognition of equity-settled share-based payment	2,473	–	2,473
At September 30, 2011	611,382	(25,900)	585,482
Loss and total comprehensive expense for the period	–	(1,952)	(1,952)
Repurchase of own shares	(4,970)	–	(4,970)
Issue of shares for acquisition of subsidiaries	889	–	889
Issue of shares under rights issue, net of issue costs	65,525	–	65,525
Recognition of equity-settled share-based payment	2,012	–	2,012
At December 31, 2012	674,838	(27,852)	646,986

31. ACQUISITION OF SUBSIDIARIES AND BUSINESS

The Group acquired Zhanxin and the Pengda Business during the fifteen months ended December 31, 2012 and Yichuan during the year ended September 30, 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.

	notes	2012			2011
	(a)(b)(c)	Zhanxin US$'000	Pengda Business US$'000	Total US$'000	Yichuan US$'000
The consideration for the acquisitions comprise the following:					
Cash consideration	(d)	12,344	98,201	110,545	25,501
Consideration shares	(e)	-	-	-	2,693
Consideration shares with trading restrictions	(f)	-	2,940	2,940	-
Fair value of guaranteed compensation	(g)	-	15,862	15,862	-
Contingently issuable shares	(h)	-	-	-	1,092
Related call options	(i)	1,171	-	1,171	8,060
Fair value of previously held interests	(j)	6,959	-	6,959	27,124
Total consideration		20,474	117,003	137,477	64,470
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	3,641
Deposit paid for acquisition of property, plant and equipment		-	-	-	480
Intangible assets		13,800	23,491	37,291	42,070
Inventories		12,060	55,516	67,576	38,335
Trade and other receivables	(k)	8,869	-	8,869	23,477
Bank balances and cash		2,176	-	2,176	1,531
Trade and other payables		(14,712)	-	(14,712)	(31,535)
Taxation payable		(56)	-	(56)	(638)
Bank borrowings		(7,383)	-	(7,383)	(16,978)
Deferred tax liabilities		(3,450)	(5,873)	(9,323)	(10,517)
		12,708	84,018	96,726	49,866
Goodwill arising on acquisitions	(l)	7,766	32,985	40,751	14,604
Acquisition-related costs	(m)	36	217	253	51

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FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

31. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Cash flows arising on acquisitions:		
Cash consideration paid for acquisition of		
– Yichuan	(3,139)	(3,139)
– Zhanxin	(11,125)	(1,219)
– Pengda Business	(95,074)	(3,127)
Less: bank balances and cash acquired	2,176	1,531
	(107,162)	(5,954)
Analysed for presentation of consolidated statement of cash flows as:		
Acquisition of subsidiaries and business (net of cash and cash equivalents acquired)	(107,162)	(1,608)
Deposit paid for acquisition of remaining interest in a jointly controlled entity	–	(1,219)
Deposit paid for proposed acquisition of a business	–	(3,127)
	(107,162)	(5,954)

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 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 December 1, 2011.

(b) On February 1, 2012, the Group completed the acquisition of the Pengda Business for the purpose of strengthening its market position and geographical coverage in the PRC sportswear retail market.

Pursuant to the acquisition agreement entered into between Pengda and the Group for the acquisition of the Pengda Business, the parties have subsequently entered into a supplementary agreement under which the original consideration for the transaction, including cash of US$103,797,000 and 46,000,000 shares of HK$0.01 each in the Company, has been reduced to cash of US$98,201,000 and 39,634,662 shares of HK$0.01 each in the Company. The fair value of the aggregate consideration for the transaction has been reduced by an amount of US$8,616,000, with a corresponding reduction of goodwill arising on this transaction.

31. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(c) 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 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 October 1, 2010.

(d) For the cash consideration of US$12,344,000 for the acquisition of Zhanxin, US$1,219,000 was paid as a deposit as at September 30, 2011 and US$11,125,000 was paid during the current period.

For the cash consideration of US$98,201,000 for the acquisition of the Pengda Business, US$3,127,000 was paid as a deposit as at September 30, 2011 and US$95,074,000 was paid during the current period.

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 of US$3,139,000 was paid during the current period.

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

(f) This represents 39,634,662 shares of HK$0.01 each in the Company which are issuable for the acquisition of the Pengda Business (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 the Company's consent (the "Restricted Period"). The fair value of these consideration shares was determined by American Appraisal by applying a marketability discount of 40% to the closing share price of the Company as at February 1, 2012.

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31. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(g) Pursuant to the relevant agreements, the Group has to compensate Pengda for the shortfall, if any, between the market value of each Pengda Consideration Share and HK$4 at the expiry of the Restricted Period. The market value applied being the average closing price of the Company'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 the Company as at February 1, 2012.

The fair value of the guaranteed compensation as at December 31, 2012, represented as consideration payable for acquisition of business, 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.

	At December 31, 2012	At February 1, 2012
Share price at date of valuation	HK$0.455	HK$0.960
Exercise price per share	HK$4.000	HK$4.000
Risk free rate	0.220%	0.395%
Expected volatility	52%	59%
Expected life of the guaranteed compensation	3.89 years	4 years
Expected dividend yield	Nil	Nil

The change in fair value of the guaranteed compensation amounting to US$2,085,000 is recognised in profit or loss for the period.

(h) For each of the three twelve-month periods ending September 30, 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"), the Company will be required to issue an additional 5,000,000 shares of HK$0.01 each in the Company to the vendors. The fair value of these contingently issuable shares was determined by American Appraisal, using the closing share price of the Company as at September 30, 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 twelve-month periods ended September 30, 2011 and 2012 were not reached, and no contingently issuable shares were issued for these years.

(i) Amounts represent the carrying values of the Group's Call Options relating to Zhanxin and Yichuan as at the respective dates of acquisitions.

31. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(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 period.

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 year ended September 30, 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) At the respective acquisition dates, the gross contractual amounts of the receivables acquired were equivalent to their fair value as it was expected that all amounts were fully collectible.

(l) 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.

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

(n) Pro-forma revenue and profit/loss

Included in the loss for the fifteen months ended December 31, 2012 is profit of US$142,000 and loss of US$10,721,000 attributable to the additional businesses generated by Zhanxin and Pengda Business, respectively. Revenue for the fifteen months ended December 31, 2012 includes US$65,906,000 and US$172,604,000 generated from Zhanxin and Pengda Business, respectively. Had the acquisitions been completed on October 1, 2011, total group revenue for the fifteen months ended December 31, 2012 would have been US$2,237,703,000, and loss for the same period would have been US$69,599,000. 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 October 1, 2011, nor is it intended to be a projection of future results.

The revenue and profit of Yichuan for the year ended September 30, 2011 were US$156,871,000 and US$2,697,000, respectively. As the acquisition of Yichuan was completed on October 1, 2010, such revenue and profit were consolidated in full in the consolidated income statement for the year ended September 30, 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. OPERATING LEASES

(a) The Group as lessee

The Group made the following lease payments during the period/year:

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Operating lease rentals and concessionaire fees in respect of:		
Minimum lease payments:		
– street level stores	34,176	26,952
– shopping mall stores	35,840	16,835
– other properties	13,217	9,558
	83,233	53,345
Contingent rentals:		
– street level stores	–	657
– shopping mall stores	194,229	130,151
	194,229	130,808
	277,462	184,153
Representing		
– shopping malls/retail outlets (included in selling and distribution expenses)	269,430	178,132
– offices (included in administrative expenses)	8,032	6,021
	277,462	184,153

32. OPERATING LEASES (Continued)

(a) The Group as lessee (Continued)

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

	December 31, 2012 US$'000	September 30, 2011 US$'000
Within one year	53,879	43,033
In the second to fifth year inclusive	73,914	67,994
Over five years	22,839	23,095
	150,632	134,122

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

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

(b) The Group as lessor

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

	December 31, 2012 US$'000	September 30, 2011 US$'000
Within one year	2,331	2,288
In the second to fifth year inclusive	6,148	6,439
Over five years	8,601	8,379
	17,080	17,106

In addition to the basic rental receipts as disclosed above, the lease agreements with the tenants also include provision for the payment of contingent rents to the Group. In general, these contingent rents are calculated with reference to the revenue generated by the tenants operating in the Group's retailing complex using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rents receivable. Rental income received by the Group during the period amounted to US$16,550,000 (year ended September 30, 2011: US$9,654,000), included in which was contingent rental income arising from contingent lease contracts of US$14,262,000 (year ended September 30, 2011: US$7,463,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. CAPITAL COMMITMENTS

	December 31, 2012 US$'000	September 30, 2011 US$'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of acquisition of the remaining interests in a jointly controlled entity	11,254	10,975
Other commitments contracted for but not provided in the consolidated financial statements in respect of capital investment in jointly controlled entities	–	1,626
	11,254	12,601

34. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had contingent liabilities as follow:

	December 31, 2012 US$'000	September 30, 2011 US$'000
Guarantee given to banks in respect of banking facilities granted to:		
(i) jointly controlled entities		
– amount guaranteed	7,623	11,647
– amount utilised	6,547	9,899
(ii) a former subsidiary		
– amount guaranteed	–	12,507
– amount utilised	–	12,507

35. SHARE-BASED PAYMENT TRANSACTIONS

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

Without prior approval from the Group's shareholder, (i) the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time; and (iii) options in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million may not be granted to substantial shareholders or independent non-executive directors.

Options are exercisable over the vesting periods to be determined by the Board of Directors, but in no case after the tenth anniversary of the date of grant. The exercise price is determined by the Board of Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following tables disclose movements in the Company's share options under the Scheme during the current and prior periods:

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at October 1, 2010	Granted during the year	Lapsed/ cancelled during the year	Number of options outstanding at September 30, 2011	Granted during the period	Lapsed/ cancelled during the period	Number of options outstanding at December 31, 2012
Former director										
Chang Karen Yi-Fen	21.1.2010	1.62	21.1.2011 - 20.1.2018	570,000	-	-	570,000	-	-	570,000
	21.1.2010	1.62	21.1.2012 - 20.1.2018	570,000	-	-	570,000	-	-	570,000
	21.1.2010	1.62	21.1.2013 - 20.1.2018	1,140,000	-	-	1,140,000	-	(1,140,000)	-
	21.1.2010	1.62	21.1.2014 - 20.1.2018	1,520,000	-	-	1,520,000	-	(1,520,000)	-
	20.1.2011	1.23	20.1.2012 - 19.1.2019	-	1,250,000	-	1,250,000	-	-	1,250,000
	20.1.2011	1.23	20.1.2013 - 19.1.2019	-	1,250,000	-	1,250,000	-	(1,250,000)	-
	20.1.2011	1.23	20.1.2014 - 19.1.2019	-	1,250,000	-	1,250,000	-	(1,250,000)	-
	20.1.2011	1.23	20.1.2015 - 19.1.2019	-	1,250,000	-	1,250,000	-	(1,250,000)	-
				3,800,000	5,000,000	-	8,800,000	-	(6,410,000)	2,390,000
Employees/consultants	21.1.2010	1.62	21.1.2011 - 20.1.2018	8,356,500	-	(1,821,750)	6,534,750	-	(945,750)	5,589,000
	21.1.2010	1.62	21.1.2012 - 20.1.2018	8,356,500	-	(1,821,750)	6,534,750	-	(945,750)	5,589,000
	21.1.2010	1.62	21.1.2013 - 20.1.2018	16,713,000	-	(3,643,500)	13,069,500	-	(2,701,500)	10,368,000
	21.1.2010	1.62	21.1.2014 - 20.1.2018	22,284,000	-	(4,858,000)	17,426,000	-	(3,602,000)	13,824,000
	20.1.2011	1.23	20.1.2012 - 19.1.2019	-	12,500,000	-	12,500,000	-	(2,012,500)	10,487,500
	20.1.2011	1.23	20.1.2013 - 19.1.2019	-	12,500,000	-	12,500,000	-	(4,137,500)	8,362,500
	20.1.2011	1.23	20.1.2014 - 19.1.2019	-	12,500,000	-	12,500,000	-	(4,137,500)	8,362,500
	20.1.2011	1.23	20.1.2015 - 19.1.2019	-	12,500,000	-	12,500,000	-	(4,137,500)	8,362,500
	07.3.2012	1.05	07.3.2013 - 06.3.2020	-	-	-	-	1,350,000	(600,000)	750,000
	07.3.2012	1.05	07.3.2014 - 06.3.2020	-	-	-	-	1,350,000	(600,000)	750,000
	07.3.2012	1.05	07.3.2015 - 06.3.2020	-	-	-	-	1,350,000	(600,000)	750,000
	07.3.2012	1.05	07.3.2016 - 06.3.2020	-	-	-	-	1,350,000	(600,000)	750,000
				55,710,000	50,000,000	(12,145,000)	93,565,000	5,400,000	(25,020,000)	73,945,000
Grand total				59,510,000	55,000,000	(12,145,000)	102,365,000	5,400,000	(31,430,000)	76,335,000
Exercisable as at October 1, 2010, September 30, 2011 and December 31, 2012				-			7,104,750			24,055,500

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The fair value of the share options granted on March 7, 2012, the date of grant, determined using the Binomial Option Pricing Model (the "Model"), was HK$2,592,000 (equivalent to US$333,000). The inputs into the Model and the estimated fair value of the share options are as follows:

	Share options with a vesting period of one to four years
Exercise price	HK$1.05
Grant date share price	HK$0.99
Expected life of share options	8 years
Expected volatility	45% per annum
Expected dividend yield	Nil
Risk free rates	1.08% per annum
Fair value per share option	HK$0.48

The closing price of the Company's shares immediately before the grant of the share options on March 7, 2012 was HK$0.99 per share.

The fair value of the share options granted on January 20, 2011, the date of grant, determined using the Model, was HK$30,938,000 (equivalent to US$3,982,000). The closing price of the Company's shares immediately before the grant of the share options on January 20, 2011 was HK$1.28 per share.

Pursuant to a resolution passed in the Company's annual general meeting held on March 7, 2012, the Scheme was amended whereby any unexercised share options will not be automatically lapsed upon cessation of employment with the Group, subject to certain conditions. Such amendment is applicable retrospectively to the unexercised share options granted on January 21, 2010 and January 20, 2011 and resulted in a net increase in fair value of such share options measured immediately before and after the modifications by HK$11,153,000 (equivalent to US$1,434,000), of which an amount of US$505,000 relating to share options already vested was recognised as an expense immediately and an amount of US$929,000 relating to share options not yet vested is to be amortised over the remaining vesting period.

	Share options with a vesting period of one year	Share options with a vesting period of two years	Share options with a vesting period of three years	Share options with a vesting period of four years
Granted on January 21, 2010				
Exercise price	HK$1.62	HK$1.62	HK$1.62	HK$1.62
Grant date share price	HK$1.62	HK$1.62	HK$1.62	HK$1.62
Expected life of share options	5.88 years	5.88 years	5.88 years	5.88 years
Expected volatility	45% per annum	45% per annum	45% per annum	45% per annum
Expected dividend yield	Nil	Nil	Nil	Nil
Risk free rates	0.78% per annum	0.78% per annum	0.78% per annum	0.78% per annum
Incremental fair value per share option	HK$0.14	HK$0.14	HK$0.12	HK$0.09

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

	Share options with a vesting period of one year	Share options with a vesting period of two years	Share options with a vesting period of three years	Share options with a vesting period of four years
Granted on January 20, 2011				
Exercise price	HK$1.23	HK$1.23	HK$1.23	HK$1.23
Grant date share price	HK$1.23	HK$1.23	HK$1.23	HK$1.23
Expected life of share options	6.87 years	6.87 years	6.87 years	6.87 years
Expected volatility	45% per annum	45% per annum	45% per annum	45% per annum
Expected dividend yield	Nil	Nil	Nil	Nil
Risk free rates	0.96% per annum	0.96% per annum	0.96% per annum	0.96% per annum
Incremental fair value per share option	HK$0.15	HK$0.12	HK$0.10	HK$0.08

During the fifteen months ended December 31, 2012, the Group recognised an expense of US$2,012,000 (year ended September 30, 2011: US$2,473,000) as equity-settled share-based payments in the consolidated income statement with reference to their respective vesting periods, after taking into account the reversal of share option expenses of US$954,000 (year ended September 30, 2011: US$323,000) in respect of those share options lapsed prior to their vesting dates and the effects of the amendments to the Scheme as set out above.

36. RETIREMENT BENEFIT PLANS

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

The Group also operates a MPF Scheme for all its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules.

The total cost of US$20,525,000 (year ended September 30, 2011: US$11,726,000) charged to profit or loss represents contribution paid or payable to the above retirement benefit plans by the Group for the period/year.

At the end of the reporting periods, the Group had no significant obligation apart from the contribution as stated above.

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

37. RELATED AND CONNECTED PARTY DISCLOSURES

(a) Transactions and trade balances

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

Relationship	Nature of transactions/balances	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Yue Yuen			
Substantial shareholder of Yue Yuen (note i)	Purchase of sportswear products by the Group	51	125
Associates and jointly controlled entities of the Group			
Associates	Sales of sportswear products by the Group	413	4,860
	Purchase of sportswear products by the Group	-	1,840
	Interest income received by the Group	189	470
	Management fee received by the Group	89	104
	Trade receivables of the Group at the end of the reporting period	312	6,637
	Trade payables of the Group at the end of the reporting period	2,404	1,840
Jointly controlled entities (note ii)	Sales of sportswear products by the Group	2,257	36,362
	Interest income received by the Group	1,497	1,345
	Management fee received by the Group	215	228
	Trade receivables of the Group at the end of the reporting period	3,453	10,693
	Trade payables of the Group at the end of the reporting period	49	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

37. RELATED AND CONNECTED PARTY DISCLOSURES (Continued)

(a) Transactions and trade balances (Continued)

Relationship	Nature of transactions/balances	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Other related parties			
Joint venture partners of an associate and jointly controlled entities of the Group	Consideration paid and payable by the Group for acquisition of Yichuan (Note 31)	-	37,346
	Consideration paid and payable by the Group for acquisition of Zhanxin (Note 31)	13,515	-
	Considerations received and receivable by the Group for disposal of interests in an associate	1,569	-

notes:

(i) The entity held as to 49.98% of the equity interest in Yue Yuen at the end of the reporting period.

(ii) The amounts include transactions with Yichuan up to September 30, 2011 and Zhanxin up to November 30, 2011.

(iii) Other than as stipulated in note (i) of this note, none of the above transactions falls under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) under the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Non-trade balances

Details of the Group's non-trade balances with related and connected parties are set out on the consolidated statement of financial position and in Notes 17, 18, 25 and 27.

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

37. RELATED AND CONNECTED PARTY DISCLOSURES (Continued)

(c) Guarantees

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

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Non-controlling interests of subsidiaries on a joint and several basis (note)	3,303	4,252

note: these entities are not considered to be connected persons of the Company.

Details of the Group's guarantees to certain jointly controlled entities are set out in Note 34.

At September 30, 2011, the Group was a party to certain bank facilities that included conditions specifying the minimum equity interest of the Company to be held, directly or indirectly, by Yue Yuen and any breach of such obligation will cause a default in respect of the loans. The aggregate balance of the bank borrowings under such facilities was approximately US$19,998,000. These conditions were released upon the renewal of the facilities during the period.

(d) Compensation of key management personnel

	For the fifteen months ended December 31, 2012 US$'000	For the year ended September 30, 2011 US$'000
Short term benefits	3,741	2,626
Post employment benefits	2	2
Equity-settled share-based payments	304	906
	4,047	3,534

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

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FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

38. CAPITAL RISK MANAGEMENT

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

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

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

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	December 31, 2012 US$'000	September 30, 2011 US$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	375,992	433,672
Derivative financial instruments	–	22,363
Financial liabilities		
Amortised cost	407,406	343,992
Consideration payable for acquisition of business	17,980	–

(b) Financial risk management objectives

The Group's major financial instruments include deposit paid for proposed acquisition of a business, long term loan receivables, loans to associates/jointly controlled entities, available-for-sale investments, derivative financial instruments, trade and other receivables, bank balances and cash, trade and other payables, consideration payable for acquisition of business and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign exchange risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 22), loans to associates (Note 17) and jointly controlled entities (Note 18), loan receivables (Note 19), amounts due from related parties (Note 25) and bank borrowings (Note 28). Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate amounts due to related and connected parties and bank borrowings for the year ended September 30, 2011 (see Notes 27 and 28 for details).

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates of variable rate bank balances and borrowings. The analysis is prepared assuming all of the above amounts outstanding at the end of the reporting period were outstanding for the whole period/year. A 10 basis point increase or decrease for bank balances in the PRC and 50 basis points for loans to associates and jointly controlled entities, loan receivables and bank borrowings are used and represent management's assessment of the reasonably possible change in interest rates for the fifteen months ended December 31, 2012 and year ended September 30, 2011.

If interest rates on interest-bearing bank balances, loans to associates and jointly controlled entities, amounts due from related parties and loan receivables had been 10 or 50 basis points higher/lower, as appropriate, and all other variables were held constant, the Group's loss for the period would decrease/increase by US$268,000 (profit for the year ended September 30, 2011: increase/decrease by US$365,000).

If interest rates on interest-bearing bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the period would increase/decrease by US$1,227,000 (profit for the year ended September 30, 2011: decrease/increase by US$626,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk (Continued)

(ii) Foreign exchange risk

Certain subsidiaries of the Company have foreign currency bank balances and bank borrowings as detailed in Notes 22 and 28, respectively, which expose the Group to foreign exchange risk, whilst over 96% (year ended September 30, 2011: over 96%) of the Group's sales and purchases are denominated in the respective group entities' functional currency.

Sensitivity analysis

The following is the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis mainly includes the Group's USD bank balances and bank borrowings. Where RMB strengthens against USD by 5%, the Group's loss for the period would decrease by US$2,427,000 (profit for the year ended September 30, 2011: increase by US$1,487,000), while a 5% weakening of RMB against USD, there would be an equal and opposite impact on the loss/profit.

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

(iii) Other price risk

The Group is exposed to other price risk arising from the Call Options as at September 30, 2011. The fair values of the Call Options were calculated using the binomial model and amongst other inputs, the estimates of earnings of the Relevant Companies and the price earnings ratio of the Company. Details of which are set out in Note 21.

Sensitivity analysis

As set out in Note 21, the fair values of the Call Options were valued using the binomial model, which uses cash flow projections based on assumptions that are not supported by observable current market transactions nor based on available observable market data. The fair values of the Call Options recognised in the consolidated financial statements would have been changed significantly if one or more of those assumptions were changed.

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

If the following inputs to the valuation model had been 10% higher/lower while all variables were held constant, the profit for the year ended September 30, 2011 would have increased (decreased) as follows:

	For the year ended September 30, 2011	
	Higher by 10% US$'000	Lower by 10% US$'000
Growth rate	371	(325)
Expected price earnings ratio		
– the Company	(240)	321

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

Credit risk

As at December 31, 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in Note 34.

The Group's customer base is diverse and the trade receivables consist of a large number of customers. In order to minimise the credit risk arising from its open account sales, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are provided for irrecoverable amounts. In this regard, the directors consider that the credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Credit risk (Continued)

In addition to the credit risk on trade debts, the Group is also exposed to concentration of credit risk on its advances to, and guarantees granted to banks on behalf of, one associate and eight jointly controlled entities, which account for over 9% (September 30, 2011: 12%) of its loans and receivables. Such sums are secured by the equity interests of the other joint venture partners in these entities as collateral for the advances. In addition, because of the Group's involvement in the management of these entities, the Group is in a position to monitor their financial performance and would take timely actions to safeguard its assets and/or to minimise its losses. Accordingly, management believes that the Group's exposure to the credit risk associated with these loans is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which covered over 96% (year ended September 30, 2011: over 97%) of its total receivables as at December 31, 2012.

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

Liquidity risk

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

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

• NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Liquidity risk (Continued)

The following table details the contractual maturity of the Group's financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is based on the interest rate at the end of the reporting periods.

	Weighted average interest rate %	0 to 30 days US$'000	31 to 90 days US$'000	91 to 365 days US$'000	Over 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
As at December 31, 2012							
Non-interest bearing	-	77,583	1,745	791	-	80,119	80,119
Variable interest rate instruments	4.72	297,952	14,644	777	14,919	328,292	327,287
		375,535	16,389	1,568	14,919	408,411	407,406
Financial guarantee contracts	-	7,623	-	-	-	7,623	-
Consideration payable for acquisition of business	-	-	-	-	17,980	17,980	17,980

	Weighted average interest rate %	0 to 30 days US$'000	31 to 90 days US$'000	91 to 365 days US$'000	Over 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
As at September 30, 2011							
Non-interest bearing	-	173,552	1,231	1,022	-	175,805	175,805
Fixed interest rate instruments	6.08%	1,251	-	-	-	1,251	1,251
Variable interest rate instruments	4.33%	84,707	40,610	43,400	-	168,717	166,936
		259,510	41,841	44,422	-	345,773	343,992
Financial guarantee contracts	-	24,154	-	-	-	24,154	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives (Continued)

Liquidity risk (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group can be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair values of the Call Options are determined based on binomial model and estimated earnings of the Relevant Companies and price earning ratio of the Company.

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

(d) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3 Measurements").

Financial instruments that are measured subsequently to initial recognition at fair value, being the Group's derivative financial instruments (Note 21) and consideration payable for acquisition of business, are based on Level 3 Measurements.

39. FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurements recognised in the consolidated statement of financial position (Continued)

Reconciliation of Level 3 Measurements of financial assets and liabilities are as follows:

	Derivative financial instruments US$'000
At October 1, 2010	46,024
Fair values loss, recognised in profit or loss	(15,601)
Derecognised upon disposals of certain jointly controlled entities	(8,060)
At September 30, 2011	22,363
Fair values loss, recognised in profit or loss	(20,916)
Derecognised upon disposal of a jointly controlled entity	(276)
Derecognised upon exercise of call options	(1,171)
At December 31, 2012	–

	Consideration payable for acquisition of business US$'000
At October 1, 2010 and September 30, 2011	–
Acquired on acquisition of business	(15,862)
Fair value loss, recognised in profit or loss	(2,085)
Exchange realignment	(33)
At December 31, 2012	(17,980)

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40. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at December 31, 2012 and September 30, 2011:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) December 31, 2012	Attributable equity interests held (note i) September 30, 2011	Principal activities
YY Sports Holdings Limited ("YY Sports") (note i)	BVI	US$1	100%	100%	Investment holding
A - Grade Holdings Limited	BVI	US$9,000	100%	100%	Investment holding
Baosheng Daoji (Beijing) Trading Company Limited 寶盛道吉（北京）貿易有限公司(note ii)	PRC	US$20,000,000	100%	100%	Retailing of sportswear
Baoxin (Chengdu) Trading Company Limited 寶信（成都）商貿有限公司(note ii)	PRC	US$5,000,000	100%	100%	Retailing of sportswear
Pou Yu (Chengdu) Trading Co., Ltd. 寶渝（成都）商貿有限公司(note ii)	PRC	US$7,400,000	100%	100%	Retailing of sportswear
Brightup Group Limited	HK	HK$1	100%	100%	Investment holding
Charming Technology Limited	BVI	US$200	100%	100%	Investment holding
Dailan Baoshun Sports Goods Company Limited 大連寶順體育用品有限公司(note iv)	PRC	RMB2,000,000	100%	100%	Retailing of sportswear
Dalian Dongzhijie Sports Production Development Company Limited 大連東之杰運動產業發展有限公司(note ii)	PRC	RMB200,000,000	100%	100%	Retailing of sportswear
Dedicated Group Limited	BVI	US$1,000	100%	100%	Investment holding
Diodite Limited	BVI	US$1	100%	100%	Investment holding
Diodite (China) Sports Good Co., Ltd. 笛亞泰（中國）體育用品有限公司(note ii)	PRC	US$20,000,000	100%	100%	Retailing of sportswear
Dragonlight Group Limited	BVI	US$1	100%	100%	Investment holding
Dragon Light (China) Sporting Goods Co., Ltd. 龍光（中國）體育用品有限公司(note ii)	PRC	US$66,000,000	100%	100%	Investment holding
Farsighted International Limited	BVI	US$100	100%	100%	Investment holding
Favour Mark Holdings Limited	HK	HK$200	100%	100%	Investment holding
Fujian Baomin Sporting Goods, Co., Ltd. 福建寶閩體育用品有限公司(note ii)	PRC	US$4,500,000	90%	90%	Retailing of sportswear

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

40. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) December 31, 2012	September 30, 2011	Principal activities
Guangzhou Baoyuen Trading Company Limited 廣州寶元貿易有限公司(note ii)	PRC	US$13,310,000	100%	100%	Retailing of sportswear
Guangzhou Shengdao Sports Goods Company Limited 廣州勝道體育用品有限公司(note iv)	PRC	RMB20,000,000	100%	100%	Property leasing and management
Guangzhou Yangji Information Technology Company Limited 廣州市揚基信息科技有限公司(note ii)	PRC	HK$13,000,000	100%	100%	Retailing of sportswear
Guiyang Baoxin Sports Goods Company Limited 貴陽寶新體育用品有限公司(note ii)	PRC	US$10,000,000	100%	100%	Retailing of sportswear
Guizhou Shengdao Sports Goods Development Company Limited 貴州勝道體育用品開發有限公司(note iv)	PRC	RMB70,000,000	100%	100%	Property leasing and management
Harbin Baosheng Sports Goods Company Limited 哈爾濱寶勝體育用品有限公司(note iv)	PRC	RMB7,000,000	100%	100%	Retailing of sportswear
Hebei Zhanxin Sports Development Company Limited 河北展新體育發展有限公司(note v)	PRC	RMB18,180,000	100%	-	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited 合肥寶勳體育用品商貿有限公司(note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Nanning Pou Guan Sporting Goods Company Limited 南寧寶冠體育用品有限公司(note ii)	PRC	US$1,300,000	100%	100%	Retailing of sportswear
Nice Palace Investments Limited	HK	HK$200	100%	100%	Investment holding
Pau Yuen Trading Corporation 寶原興業股份有限公司	Taiwan	NTD50,000,000	90%	90%	Distribution of licenced products
Pau Zhi Trading Corporation 寶智企業股份有限公司	Taiwan	NTD5,000,000	90%	90%	Retailing of sportswear
Profit Concept Group Limited	BVI	US$100	51%	51%	Investment holding
Qingdao Baoruina Sports Goods Company Limited 青島寶瑞納體育用品有限公司(note iii)	PRC	RMB20,000,000	72%	72%	Retailing of sportswear

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FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

40. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) December 31, 2012	Attributable equity interests held (note i) September 30, 2011	Principal activities
Qujing Shengdao Sports Goods Co., Ltd. 曲靖勝道體育用品有限公司(note iv)	PRC	RMB35,000,000	60%	60%	Property leasing and management
Rainbow Faith Investments Limited	HK	HK$200	100%	100%	Investment holding
Richwin Management Limited	BVI	US$1	100%	100%	Investment holding
Shanghai Baoyuen Sports Goods Company Limited 上海寶原體育用品商貿有限公司(note ii)	PRC	US$20,000,000	100%	100%	Retailing of sportswear
Shanghai Shengdao Sports Goods Company Limited 上海勝道體育用品有限公司(note iv)	PRC	RMB5,100,000	100%	100%	Property leasing and management
Sheng Dao (Yangzhou) Sporting Goods Dev. Co., Ltd. 勝道（揚州）體育用品開發有限公司(note ii)	PRC	US$66,000,000	100%	100%	Investment holding
Shengyang Bao Yi Trading Company Limited 沈陽寶益貿易有限公司(note iv)	PRC	RMB10,000,000	100%	-	Retailing of sportswear
Selangor Gold Limited	BVI	US$1,000	100%	100%	Investment holding
Taicang Yusheng Moulding Company Limited 太倉裕盛模具有限公司(note ii)	PRC	US$2,100,000	100%	100%	Manufacturing of shoe moulds
Tiajian Baoxin Sports Goods Company Limited 天津寶信體育用品有限公司(note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Treasure Chain International Limited	BVI	US$1	100%	100%	Investment holding
Wellmax Business Group Limited	BVI	US$9,000	100%	100%	Investment holding
Wuxi Baoyuen Sports Goods Trading Company Limited 無錫寶原體育用品商貿有限公司(note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Xian Bao Qin Trading Company Ltd. 西安寶秦貿易有限公司(note ii)	PRC	US$36,000,000	100%	100%	Retailing of sportswear
Yue-Shen (Taicang) Footwear Co., Ltd. 裕盛（太倉）鞋業有限公司(note ii)	PRC	US$15,000,000	100%	100%	Manufacturing of sportswear

40. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) December 31, 2012	Attributable equity interests held (note i) September 30, 2011	Principal activities
Yue Cheng (Kunshan) Sports Co., Ltd. 裕程（昆山）體育用品有限公司(note ii)	PRC	US$10,000,000	100%	100%	Retailing of sportswear
Yue Ming International Limited	HK	HK$1	100%	100%	Distribution of licensed products
Yue Sheng (Kunshan) Sports Co., Ltd. 裕晟（昆山）體育用品有限公司(note ii)	PRC	US$4,200,000	100%	100%	Retailing of sportswear
Yunnan Orientsport Trading Co., Ltd. 雲南奧龍世博經貿有限公司(note ii)	PRC	RMB56,100,000	51%	51%	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited 雲南勝道體育用品有限公司(note iv)	PRC	RMB87,500,000	60%	60%	Property leasing and management
Zhejiang Yichuan Sports Goods Chain Company Limited 浙江易川體育用品連鎖有限公司(note iv)	PRC	RMB92,000,000	100%	100%	Retailing of sportswear

notes:

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

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

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

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

(v) This entity became a subsidiary of the Company during the period. As at September 30, 2011, this entity was a jointly controlled entity.

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

None of the subsidiaries had issued any debt securities during the period or at the end of the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2012

41. ASSOCIATES

As at the end of the reporting periods, the Group had interests in the following associates:

Name of entity	Place of incorporation or establishment/ operation	Proportion of issued and fully paid up capital indirectly held by the Company (note i) December 31, 2012	September 30, 2011	Principal activities
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited 陝西五環勝道運動產業開發有限公司(note)	PRC	-	40%	Retailing of sportswear
Zhejiang Baohong Sports Goods Company Limited 浙江寶宏體育用品有限公司	PRC	49%	49%	Retailing of sportswear

Note: This entity has been disposed of by the Group during the period.

Both associates are sino-foreign enterprises established in the PRC.

42. PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at the end of the reporting periods, the Group had interest in the following principal jointly controlled entities:

Name of entity	Place of incorporation or establishment/ operation	Proportion of issued and fully paid up capital indirectly held by the Company (note i) December 31, 2012	September 30, 2011	Principal activities
Guiyang Baoshang Sports Goods Company Limited 貴陽寶尚體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Hangzhou Baohong Sports Goods Company Limited 杭州寶宏體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Hebei Zhanxin Sports Development Company Limited 河北展新體育發展有限公司(note ii)	PRC	-	45%	Retailing of sportswear
Heifei Tengrei Sports Goods Company Limited 合肥騰瑞體育用品有限公司	PRC	50%	50%	Retailing of sportswear

42. PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

Name of entity	Place of incorporation or establishment/ operation	Proportion of issued and fully paid up capital indirectly held by the Company (note i) December 31, 2012	September 30, 2011	Principal activities
Jilin Lingpao Sporting Goods Co., Ltd. 吉林領跑體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Jilin Xinfangwei Sports Goods Company Limited 吉林新方位體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Shaanxi Jixian Longyue Sports Goods Company Limited 陝西極限龍躍體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Suzhou Xinjun Trading Development Company Limited 蘇州信俊貿易發展有限公司(note iv)	PRC	49%	49%	Retailing of sportswear
Wenzhou Baofeng Trading Company Limited 溫州寶灃商貿有限公司(note iii)	PRC	-	50%	Retailing of sportswear

notes:

(i) Under the relevant shareholders' agreements, decisions on operating and financing activities of each of these entities require unanimous consent from all of the relevant joint venture partners. Accordingly, neither the Group nor the other relevant joint venture partners has the ability to control the respective entities unilaterally and each of these entities is therefore considered as jointly controlled by the Group and the relevant joint venture partners. Therefore, the above entities are accounted for as jointly controlled entities of the Group.

(ii) This entity became a subsidiary during the period. As at September 30, 2011, it was a jointly controlled entity.

(iii) This entity has been disposed of by the Group during the period.

(iv) This entity has been reclassified to assets classified as held for sale during the period.

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

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

FINANCIAL SUMMARY

RESULTS

	For the year ended September 30,				For the fifteen months ended December 31,
	2008 US$'000	2009 US$'000	2010 US$'000	2011 US$'000	2012 US$'000
Revenue	959,548	1,142,293	1,323,845	1,589,802	2,182,450
Profit (loss) for the year/period	79,701	(6,250)	20,167	54,810	(68,417)
Attributable to:					
Owners of the Company	70,024	(3,696)	21,287	53,670	(69,151)
Non-controlling interests	9,677	(2,554)	(1,120)	1,140	734
	79,701	(6,250)	20,167	54,810	(68,417)

ASSETS AND LIABILITIES

	As at September 30,				As at December 31,
	2008 US$'000	2009 US$'000	2010 US$'000	2011 US$'000	2012 US$'000
Total assets	1,137,406	1,266,502	1,211,118	1,372,769	1,500,410
Total liabilities	(475,097)	(495,926)	(406,793)	(483,465)	(582,338)
	662,309	770,576	804,325	889,304	918,072
Equity attributable to:					
Owners of the Company	645,716	754,331	790,317	874,332	901,723
Non-controlling interests	16,593	16,245	14,008	14,972	16,349
	662,309	770,576	804,325	889,304	918,072