裕元工業(集團)有限公司
Yue Yuen Industrial (Holdings) Limited

Stock Code 股份代號：551

2012 ANNUAL REPORT 年報

Our Mission

Leveraging on our defined strategies, we will work to maintain our position as the world's largest manufacturer of branded athletic and casual footwear. We will continue to develop the wholesale and retail business in Greater China. We are committed to deepening the strategic relationships we have with our partners and fulfilling our responsibilities as an international corporate citizen.

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Corporate Overview

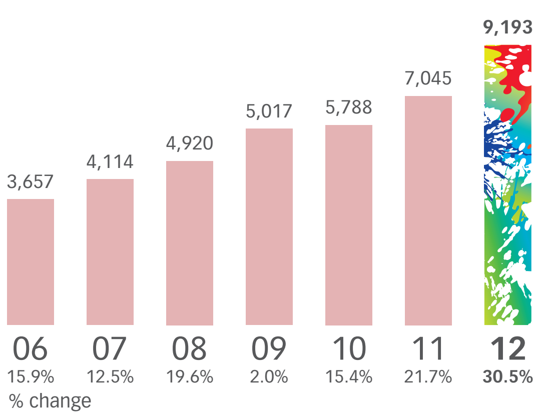
Financial and Operating Highlights for the fifteen months ended 31st December, 2012 with the comparative amounts for the twelve months ended 30th September, 2011

(US$ millions, except where otherwise stated)	**1.10.2011 to 31.12.2012 (15 months)**	1.10.2010 to 30.9.2011 (12 months)	% change
Total Production Volume (million pairs)	**393.3**	326.6	20.4
Turnover	**9,193.2**	7,045.4	30.5
Recurrent Operating Profit	**582.8**	499.1	16.8
Net Profit to Owners of the Company	**623.7**	449.8	38.7
Recurrent Net Profit attributable to Owners of the Company	**583.1**	464.6	25.5
Total Assets	**6,836.1**	6,473.3	5.6
Capital Expenditure	**309.5**	516.6	(40.1)
EBITDA	**879.8**	707.5	24.4
Basic Earnings Per Share (US cents)	**37.82**	27.28	38.6
Dividend Per Share			
1st Interim	**HK$0.35**	HK$0.34	2.9
2nd Interim	**HK$0.65**	N/A	N/A
Final	**(proposed) HK$0.25**	HK$0.56	N/A
Full Year	**(proposed) HK$1.25**	HK$0.90	38.9
Total Equity	**4,421.4**	4,106.7	7.7
Return on Total Equity (%)	**11.1**	11.8	(5.9)
Gearing Ratio (%)	**25.0**	28.0	(10.7)
Net Debt to Equity Ratio (%)	**7.0**	11.0	(36.4)
Number of Outstanding Issued Shares	**1,648,928,486**	1,648,928,486	–

Key Shareholder Value Indices (For 2012, the figures represent fifteen months results)

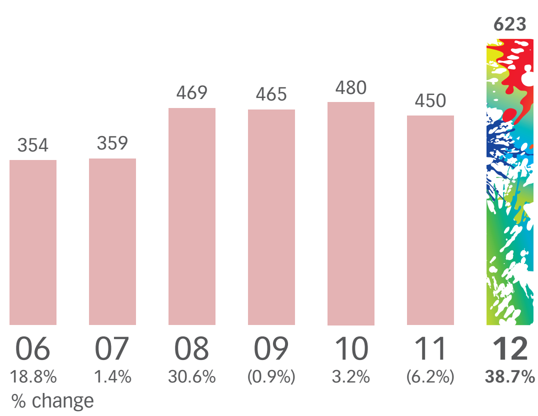
Consolidated Turnover

US$ million

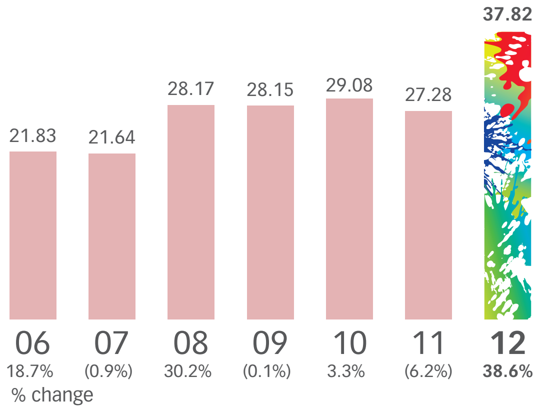


Net Profit Attributable to Owners of the Company

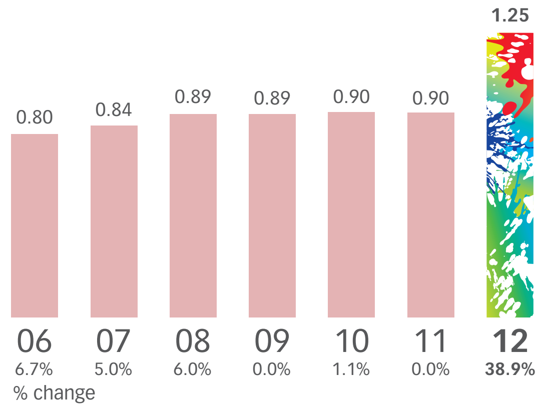
US$ million



Earnings Per Share
US cents

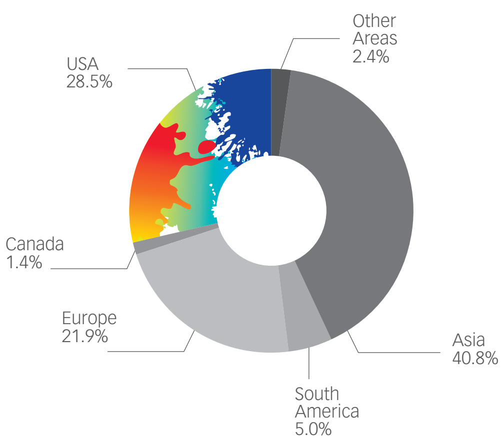


Dividend Per Share
HK$

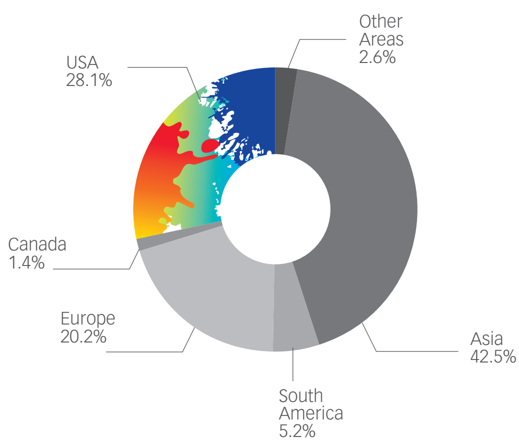


Market Distribution for the fifteen months ended 31st December , 2012 with the comparative amounts for the twelve months ended 30th September, 2011

2011 Turnover by Geographical Market



2012 Turnover by Geographical Market



Corporate Information

Executive Directors
Tsai Chi Neng *(Chairman)*
David N. F. Tsai *(Managing Director)*
Kuo Tai Yu
Kung Sung Yen
Chan Lu Min
Li I Nan, Steve
Tsai Pei Chun, Patty[5]
Kuo Li Lien[5]
Lee Shao Wu

Independent Non-executive Directors
Liu Len Yu[1, 3, 5, 6]
Leung Yee Sik[1, 2, 3, 4]
Huang Ming Fu[1, 3, 5]
Chu Li-Sheng[1, 3, 5]
Teresa Yen[1, 3] *(appointed on 28th November, 2012)*

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 3307-09, 33/F
Tower 6, The Gateway
9 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Auditors
Deloitte Touche Tohmatsu

Principal Share Registrar and Transfer Office
Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Registrars
Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

Principal Bankers
- ANZ Bank
- Bank of America Merrill Lynch
- Bank of China (Hong Kong) Limited
- Bank of Taiwan
- Bank SinoPac
- BNP Paribas
- Cathay Bank
- China Construction Bank
- Chinatrust Commercial Bank, Ltd.
- Citibank, N.A.
- Citic Bank International Ltd.
- Credit Agricole Corporate & Investment Bank
- DBS Bank Ltd.
- E. Sun Bank
- First Commercial Bank Ltd.
- Industrial Bank of Taiwan
- ING Bank, N.V.
- Land Bank of Taiwan
- Mizuho Corporate Bank Ltd.
- Royal Bank of Scotland
- Scotiabank (Hong Kong) Limited
- Shin Kong Bank
- Standard Chartered Bank (Hong Kong) Limited
- Sumitomo Mitsui Banking Corporation
- Taipei Fubon Commercial Bank Co., Ltd.
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- The Hongkong and Shanghai Banking Corporation Limited
- The Shanghai Commercial & Savings Bank
- United Overseas Bank Ltd.

Solicitors
Reed Smith Richards Butler

Website
www.yueyuen.com


Anhui
Jiangsu
Hubei
Bangladesh
Jiangxi
Guangdong
Hong Kong
Taiwan
Cambodia
Vietnam
Indonesia

MANAGING FOR EXCELLENCE AND THE HIGHEST TEAM SPIRIT

Chairman's Statement

The Group has changed its statutory financial year end to 31st December from 30th September for fiscal 2012 and the audited financial statements for the current period covers the fifteen months from 1st October 2011 to 31st December, 2012. The change is to coincide the statutory financial year end date of the Company and Pou Sheng International (Holdings) Limited ("Pou Sheng") with the statutory financial year end date of major operating subsidiaries which are incorporated in the People's Republic of China (the "PRC").

During fifteen month reporting period ended 31st December, 2012, the Group's sales to its customers were lighter than expected. Given previous historical patterns, management's expectations at the beginning of the year were that the European Cup in June 2012 and the Olympics in August 2012 would ensure notable sales growth of athletic footwear in the current period. However these positive business factors were negated by the uncertainties arising from the different regions in the world. Economic and financial issues affected the European Union ("EU") and caused volatility within the financial markets of the EU. The US presidential elections created open discussion of many issues, like the Fiscal Cliff, and at times created that the impression that the US government would become dysfunctional. The common economic themes in both Europe and the USA were: government expenditures had to come down, the cost of social benefits was becoming a significant burden and tax revenues had to rise. The economic slowdown trend in the PRC continued from 2011, with the pressure of GDP slowdowns, inflation continued and RMB appreciated, causing the apparent weakening of consumer sentiment and expenditure. Our customers felt these uncertainties would adversely affect consumer demand for their products in the various regions and they decided to carry lower levels of inventory compared to earlier years. As a consequence the Group only saw a tepid increase in shoe manufacturing sales and a satisfactory increase in the sales of its retail arm. During this current period fraught with uncertainties, the management team of the manufacturing operations retained a watchful eye over costs so that recurring profit margins were stable. However challenges arose from various angles. Minimum wages across the different Asia regions continued to go up in accordance with government regulations. Efficiency issues with respect to newly opened factories as well as high staff turnover in certain factories, created upward pressure on costs. The increase in social benefits in the PRC also led to higher costs. Inflation across the Asia region generally also made it difficult for management to control costs.

For this current period, the Group experienced sales growth both for its shoe manufacturing business as well as the retailing business, as compared to the fiscal year ended 30th September, 2011. Consolidated turnover of the Group increased by 30.5% to US$9,193.2 million, compared to the last fiscal year's US$7,045.4 million. When looking at the business units making up the consolidated turnover figure, the Group's retailing flag ship Pou Sheng achieved sales of US$2,182.5 million, an increase of 37% compared to the previous fiscal year. In the current period, net profit attributable to equity holders of the Group, increased by 38.7% to US$623.7 million compared to last fiscal year's figure of

Chairman's Statement

US$449.8 million. For Pou Sheng circumstances were more challenging so that it experienced a net loss attributable to equity holders of US$69.2 million compared to last fiscal year's net profit figure of US$53.7 million.

During the current period, the Group produced 393.3 million pairs of shoes, representing an increase of 20.4% compared to the previous period. Following last fiscal year's trend, Asia region, which includes both manufacturing and retailing activities was the largest market represented 42.5% of the Group's sales. The USA market was next with at 28.1% and finally Europe was the other significant region at 20.2% of the Group's Sales. The remaining balance encompasses all smaller markets including South America, North America (excluding the USA) etc. accounted for 9.2%.

For the current period it was generally observed that consumer spending in the PRC was weak compared to the last fiscal year. 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 happened among both brand owners and retailers, which led to a slowing down sales, an accumulating inventory, and an increasing effort of discount clearing. At the end of the current period, the Company had 3,659 directly operated stores/counters and 2,276 sub-distributors within its PRC retail network. Pou Sheng's new management team will focus on improving operating efficiency in the coming years so that the business will primarily operate in the 1st and 2nd tier cities. Less discounting, better inventory management and higher sales yield per unit of floor space, will help the business return to profitability over time. The long term prospects for the business remain excellent given the PRC should still see economic growth for many years to come and consumer incomes should also move up during this period.

The general rise in price levels across Asia have made it necessary to actively plan ahead for manufacturing activities undertaken in the region. Factory management has been focusing on the Group's supply chain processes and multiple manufacturing bases across the different regions in Asia to gain significant advantages over other manufacturers. Factory management also works closely with the brand name customers to pursue the best designs at the beginning so as to achieve more automation and simplicity.

The Group's associate companies and jointly controlled entities have performed better in the current reporting period. These business entities combined for the current period provided a profit contribution of almost US$114.0 million a significant step up compared to last fiscal year's US$62.5 million. Quite a few of these entities benefited from their competitive strengths that enabled them to take business away from their competitors. These competitive strengths should continue to benefit these businesses as weaker participants will likely be forced out of the respective industries given the difficult economic conditions.

Sustainable Development

The Group believes in the importance of sustainable development and always incorporates the concept in its long term planning. Sustainable development has been given due consideration in the areas of supply chain management, human resource management, industrial process management and end to end supply chain management. Fundamental principles have been established across all plants to facilitate sustainable development. One set of standards has been created for moral conduct and values. An organisational structure has been created that all factories must follow. Incentives have been established to reward plants that achieve the designated standards. The factories strive for a happy working environment in which employees want to work in. Factories aim to pursue the best practices for sustainable production.

Looking Ahead

For the two months ended February 2013, Group turnover had increased by 0.3% year-on-year to approximately US$1.1 billion.

The global economic environment in 2013 should be stable. On balance there are many signs that the US economy is gradually improving. Many agree that Europe has already avoided the worst outcomes and should begin to see economic improvement. Consumption and economic activity in the PRC should pick up as the new personnel in the Government assert their authority to lead the country forward. Both manufacturing and retail businesses will go through business enhancement processes in 2013 in preparation for better times in 2014. The long term trends for the sales of athletic footwear and apparel continue to be favourable with the steady global growth in the number of consumers, and the long run growth of customer incomes.

The retail business is in a stage of transition and should be better than the level of performance achieved in 2012. Better times should be seen in 2014 and later.

Acknowledgements

On behalf of the Board of Directors, I wish to thank our customers, suppliers, business associates and shareholders for their supports. I would also like to offer special thanks to our staff for their invaluable service and contribution throughout last year.

Tsai Chi Neng
Chairman

Hong Kong
26th March, 2013

QUALITY THAT PEOPLE CAN TRUST

Management Discussion and Analysis

Results

For the fifteen months ended 31st December, 2012, the Group recorded turnover of US$9,193.2 million, representing growth of 30.5% compared to the last fiscal period's US$7,045.4 million. The last fiscal period or year refers to the twelve months of operations ended 30th September, 2011 ("FY2011"). Net profit attributable to owners of the Company increased by 38.7% to US$623.7 million from the US$449.8 million recorded in the last fiscal period. Basic earnings per share increased by 38.6% to US37.82 cents compared to last fiscal year's US27.28 cents.

Recurring Operating Profit Attributable to Owners of the Company

Excluding all items of non-recurring operating in nature, the recurring operating profit for the current period amounted to US$583.1 million, an increase of 25.5% as compared with the previous year.

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Profit for the period/year attributable to owners of the Company	**623,701**	449,829
Less: Non-recurring operating income (expenses) attributable to owners of the Company *(Note)*		
Impairment loss on investments in associates	**(3,040)**	(500)
Impairment loss on loan to an associate	**(1,366)**	–
Impairment loss on investments in jointly controlled entities	**(6,305)**	(1,500)
Impairment loss of an available-for-sale investment	**–**	(100)
Impairment loss on intangible assets	**(8,485)**	–
Fair value changes on derivative financial instruments	**(4,637)**	(36,144)
Fair value changes on consideration payable for acquisition of business	**(2,085)**	–
Gain on deemed disposal of jointly controlled entity	**5,898**	18,767
Gain on disposal of subsidiaries	**5,761**	–
Gain on disposal of property, plant and equipment	**18,177**	–
Gain on disposal of land leases	**4,505**	–
Share of result of a jointly controlled entity	**18,830**	–
Fair value changes on investment properties (net of tax)	**390**	5,216
Amounts attributable to non-controlling interests	**12,928**	(468)
Non-recurring operating profit (loss) attributable to owners of the Company	**40,571**	(14,729)
Recurring operating profit attributable to owners of the Company	**583,130**	464,558

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

Management Discussion and Analysis

To provide meaningful comparative information, the Group has also prepared proforma comparative financial information covering the fifteen months period of operations from 1st October, 2010 to 31st December, 2011. The proforma figures have not been audited. They are derived by combining the audited figures for the twelve months ended 30th September, 2011 with the unaudited figures for the three months ended 31st December, 2011. Figures for both periods have previously been reported to the public. The key highlights are as follows:

	1.10.2011 to 31.12.2012 (audited)	1.10.2010 to 31.12.2011 (proforma)	% change
Turnover (US$'000)	**9,193,226**	8,957,989	+2.63%
Recurring operating profit attributable to owners of the Company (US$'000)	**583,130**	606,185	-3.80%
Non-recurring operating profit (loss) attributable to owners of the Company (US$'000)	**40,571**	(421)	N/A
Profit for the period attributable to owners of the Company (US$'000)	**623,701**	605,764	+2.96%
Basic earnings per share (US cents)	**37.82**	36.74	+2.94%

Operations

General Overview

Footwear manufacturing activity for the Group experienced stable volume and turnover. Profit margins were stable as the rise in raw material costs and factory wages were of smaller magnitudes as compared to previous years. Besides working together with brand name customers to implement new processes to achieve manufacturing excellence and supply chain improvements, the Group has also been exploring ways to increase production in areas outside the PRC.

When considering geography, the Group's largest market is Asia representing 42.5% of total turnover. However Asia region contains both manufacturing and retail operations. In the context of manufacturing, Asia region represents 20.2% of total turnover. Thus when looking at manufacturing operations only, USA is the largest region at 28.1% of total turnover, with Asia and Europe both at 20.2%. Thus good order flow from our customers for shoes to be sold in the USA have a significant impact on the Group. For the Group's manufacturing sales in Asia, the PRC represents 7.9% of total turnover and for Asia excluding the PRC represents 12.3% of total turnover. The Group does not determine the turnover split between Western and Eastern Europe.

Total Turnover by Geographical Market

	1.10.2011 to 31.12.2012 US$ millions	%	1.10.2010 to 30.9.2011 US$ millions	%
USA	2,584.2	28.1	2,010.8	28.5
Europe	1,855.5	20.2	1,541.5	21.9
Asia	3,909.1	42.5	2,870.2	40.8
South America	477.4	5.2	352.4	5.0
Canada	132.1	1.4	99.2	1.4
Other Areas	234.9	2.6	171.3	2.4
Total Turnover	**9,193.2**	**100.0**	**7,045.4**	**100.0**

When examining total turnover by product category, the manufacturing of athletic shoes is the dominant category at 51.6% of turnover. If only considering shoe manufacturing alone, then the manufacturing of athletic shoes is the key category representing 74.0% of shoe manufacturing turnover. Correspondingly casual shoes represent 24.4% of shoe manufacturing turnover. The Group helps leading brand name customers to offer a multitude of products across a spectrum of prices so as to ensure that consumers with different budgets can find a pair of shoes they would consider affordable. Retail sales have been positively influenced by acquisitions made during the period: if these were excluded, retail sales would be near flat on a like for like basis.

Total Turnover by Product Category

	1.10.2011 to 31.12.2012 US$ millions	%	1.10.2010 to 30.9.2011 US$ millions	%
Athletic Shoes	4,744.7	51.6	3,680.2	52.2
Casual/Outdoor Shoes	1,562.0	17.0	1,239.6	17.6
Sports Sandals	105.4	1.1	81.2	1.2
Retail Sales — Shoes, Apparel & Leasing	2,052.7	22.3	1,441.0	20.3
Soles, Components & Others	728.4	8.0	603.4	8.7
Total Turnover	**9,193.2**	**100.0**	**7,045.4**	**100.0**

At the end of December 2012, the total number of directly operated counters/stores in the PRC under the Group stood at about 3,659 and there were 2,276 sub-distributors in the Greater China region. The expiration of the exclusive distributor license with Converse at the end of calendar 2011, led to a significant reduction in the number of sub-distributors.

Management Discussion and Analysis

During fifteen months ended 31st December, 2012, the Group decreased the number of production lines by 2.8% to 522. The majority of the Group's production lines are now based outside the PRC.

The Group's investments in a number of associates and jointly controlled entities ("JCEs") engaged in activities such as material supplies, the production of sports apparel, ladies' shoes, safety shoes, and shoe components, have performed better this period due to consolidation in some of their industries. Brand name customers are now more concerned with the execution and quality of their suppliers. The operating environment for the retail business in the PRC was difficult, due to the undeveloped and newly-opened shops, additional staff salaries, rentals, inflation, other factors, resulting in a continuous rise in operating costs, particularly staff costs, rentals and concession expenses.

Production Review

During fifteen months ended 31st December, 2012, the Group produced a total of 393.3 million pairs of shoes, whereas 326.6 million were produced in the twelve months ended 30th September, 2011. In general the Group's major customers were more careful when placing their orders to suppliers and those selling casual/outdoor shoes behaved in a similar fashion. The average selling price for shoes was US$16.30 per pair compared to the average selling price of US$15.31 derived for the twelve months ended 30th September, 2011.

In the period, the Group decreased slightly its production capacity, so that by 31st December, 2012 there were 522 production lines (FY2011: 537), a decrease of 2.8% compared to last fiscal year.

External demand from medium and small sized shoe manufacturers for soles and components was stable despite the more cautious attitude in their purchasing. This enabled the business unit in the Group selling to these shoe manufacturers, to generate a dependable level of profit. The unit's existing capacity was sufficient to handle this period's turnover of US$728.4 million.

Cost review

With respect to the manufacturing operations, total sales during the fifteen months period ended 31st December, 2012 amounted to US$7.1 billion (FY2011: US$5.6 billion), whereas the direct labour costs in total were US$1.1 billion (FY2011: US$0.9 billion). Total main material costs were US$2.9 billion (FY2011: US$2.4 billion) and total production overhead amounted to US$1.5 billion (FY2011: US$1.1 billion).

Product development

During fifteen months ended 31st December, 2012, the Group spent US$208.6 million (FY2011: US$153.7 million) in product development. The Group has a leading role to help the brand name customers as part of the business service offered, to design shoes with features that the market research department of the brand has found to be attractive to consumers. The product development expenses included items such as sample development, preparation work for the technical development package, and enhancing production

efficiency. For each key brand name customer that has a research/development team, a corresponding independent product development centre exists within the Group to look after the said research/development team. Besides this product development work, the Group collaborates with its customers to enhance production lead times and engineer new techniques to produce high-quality footwear.

Financial Review

Liquidity

The Group's financial position remained stable. As at 31st December, 2012, the Group had cash and cash equivalents of US$809 million (FY2011: US$704 million) and total borrowings of US$1,099 million (FY2011: US$1,152 million). The gearing ratio (total borrowings to total equity) was 25% (FY2011: 28%) and the net debt to equity ratio (total borrowings net of cash on hand to total equity) stood at 7% (FY2011: 11%). The low net debt to equity ratio reflects the Group's desire to keep borrowings at a manageable level.

Total borrowings consists of US$734 million of short-term bank borrowings and US$365 million of long-term bank borrowings. Short-term bank borrowings are unsecured and carry interest at a premium over London Interbank Offered Rate ("LIBOR"), Hong Kong Interbank Offered Rate ("HIBOR") and prevailing lending rate quoted by PBOC. Long-term bank borrowings are unsecured and carry interest at a premium over LIBOR, HIBOR and prevailing rate quoted by the PBOC. At the end of the current period there were no convertible bonds outstanding.

Capital expenditure

Capital expenditure was amounted to US$309.5 million (FY2011: US$516.6 million), as the Group's key investments for the expansion of production capacity outside the Pearl River Delta had been made in earlier years. The Group spent about US$82.3 million on constructing new factory buildings and ancillary facilities, mainly in the PRC, Vietnam and Indonesia. Meanwhile, another US$21.4 million went into buildings and properties, and a further US$168.3 million was spent on machinery and leasehold improvements.

Capital expenditure for fiscal 2013 will principally be for maintenance of capacity. Any increase in capacity will likely occur outside of the PRC.

Dividends

A final dividend of HK$0.25 (FY2011: HK$0.56) per share has been recommended, making the fifteen months period dividend per share amount to HK$1.25 (FY2011: HK$0.90).

The Group's operating cash flow remains strong, and a suitable level of cash holdings will be maintained. The policy of upholding steady growth in the normal dividend payment over time remains intact. The dividend payout ratio for the fifteen months period is 42.6%, which is similar to the 42.5% in FY2011.

Foreign exchange exposure

For the manufacturing of footwear for international brands, all revenues are denominated in US dollars. The majority of material and component costs are also paid for in US dollars. Expenses incurred locally are paid for in the local currency, i.e. wages, utilities and local regulatory fees.

Management Discussion and Analysis

For the retail business in the PRC, all revenues are denominated in RMB. Correspondingly all expenses are denominated in RMB. For the retail business outside of the PRC, both revenues and expenses are denominated in the local currencies.

Orders from customers

For the manufacturing of footwear for international brands, orders are received by the sales departments managing each brand name customer and normally take about two to three months to fill.

For the retail business in the Greater China region, sales orders are taken either from customers of the shops on a daily basis or from sub-distributors at periodic intervals.

Employees

As at 31st December, 2012, the Group had about 423,000 staff employed within its various manufacturing facilities and retail chain. The Group adopts a remuneration system based on an employee's performance throughout the period, and offers equal opportunities to all staff. There are incentives in the form of discretionary performance bonuses to those who make creative suggestions that improve productivity.

Goodwill and Intangible assets

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 its on-going objective to take a leadership role in the market, which the Group believes would help to secure our presence and dominance in the marketplace, 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 acquisitions inevitably strengthened the geographical presence of the Group in these regions. Secondly, as mentioned above, the main business of these acquirees coincides with those retail businesses 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. Please refer to the notes to the financial statements for more details.

Business Model

The Company is involved in two businesses. Firstly it manufactures footwear, predominantly athletic and casual, for international brand name companies. Secondly, it operates a retail network in the Greater China region that sells international brand name footwear and apparel either directly to consumers or to sub-distributors on a wholesale basis. The Company manages these business units with certain key principles. Each business unit must be managed for sustainable development. The business unit must consider corporate social responsibility as part of its normal operations. Each business unit must consider the interests of all stakeholders in the business, including employees and the surrounding community. Sustainable development means that business activities will be undertaken in the pursuit of long term goals, and not be directed by short term profit motives. Corporate social responsibility means that the Company will be operated as a member of society and will lead in a manner that will be harmonious with society at large. In recognising the various stakeholders in the business unit, operations will be managed with due consideration to the expectations of each stakeholder e.g. working staff, suppliers, customers etc.

The manufacturing business is managed for certain objectives in mind. Firstly the business is viewed as a partnership with the brand name customers so that the Company's operations are run on a basis that allows for long term cooperation. The business unit is operated to provide the broadest level of support to the customer so as to enable the customer to be able to apply its resources principally to enhancing and promoting its brand name. Finally, the Company tries to provide choices to the brand name customers that allows for the management of input costs and provides diversification of operations that assist in risk management.

For a better understanding of the business model of the retail business, please refer to the annual report of Pou Sheng.

Prospects

During the fiscal year 2013 which covers the same period as calendar 2013, the Group will closely observe the business needs of its customers both in the manufacturing and retail businesses.

Ongoing supply chain integration and operations excellence programs will help improve quality and production. The Group will utilise its expertise and diversified manufacturing base to provide customers with the necessary flexibility in design and pricing to create shoes that can fulfill different consumer needs. Given the underlying inflation in the environment, managing costs will be one of the key challenges for all manufacturing businesses. The Group believes consumer demand for shoes should improve in the coming years on the back of major sporting events such as World Cup and the Olympics.

Improved sales strategies and inventory management will help the retail business gradually return to profitability. The retail environment for athletic apparel and footwear in the PRC is maturing so that periodic demand creation strategies combined with effective cost management are needed to generate attractive profit levels. In the longer term, high growth will likely be derived from new areas such as performance casual wear and consumer demand uncovered in less developed smaller cities.

LOOKING TO ACHIEVE SUSTAINABLE GROWTH

Biographical Data of Directors and Senior Management

Executive Directors

Tsai Chi Neng, aged 64, is Chairman of the Group, responsible for overall management, marketing and production. Mr. Tsai, who joined the Group in 1992, has more than 30 years of experience in the footwear business in Taiwan, Canada and the US. Over the years, he has implemented various cost control projects, creative production management scheme and experiences sharing programs that have allowed the Group to continue to grow. Mr. Tsai is also a director of certain subsidiaries of the Company. Mr. Tsai is an uncle of Mr. David, N.F. Tsai and Ms. Tsai Pei Chun, Patty. Both are executive directors of the Company.

David, N.F. Tsai, aged 62, is the Group's Managing Director. Prior to taking up this position in 1997, he was Chairman of Pou Yuen Industrial (Holdings) Limited. Mr. Tsai has more than 30 years' experience in the footwear sector and is well known in the industry. He has worked closely with the top management of leading global athletic and casual footwear brands. In addition to overall management, his responsibilities include high level contacts with senior brands management. Mr. Tsai is also a director of Pou Chen Corporation ("PCC"), whose shares are listed on the Taiwan Stock Exchange ("TSE"). He is also a director of Wealthplus Holdings Limited ("Wealthplus"). PCC and Wealthplus are companies which have interests in the shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). He is a director of San Fang Chemical Industry Co., Ltd. with shares listed on the TSE, as well as chairman and a non-executive director of Pou Sheng, a non-wholly owned subsidiary of the Company, whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), Elitegroup Computer System Co. Ltd., whose shares are listed on the TSE, and certain subsidiaries of the Company. Mr. Tsai is a nephew of Mr. Tsai Chi Neng, Chairman of the Company and also a cousin of Ms. Tsai Pei Chun, Patty, an executive director of the Company.

Kuo Tai Yu, aged 63, joined the Group in 1996 and is a General Manager of the garment department in charge of development and integration of garment manufacturing. He has over 30 years of experience in the production of footwear in Taiwan. He was re-designated to the garment department from the shoes manufacturing unit in 2012. Mr. Kuo holds a Bachelors degree from Chung Hsing University in Taiwan. Mr. Kuo is also a director of PCC, Wealthplus and Eagle Nice (International) Holdings Limited, whose shares are listed on the Stock Exchange, and certain subsidiaries of the Company.

Biographical Data of Directors and Senior Management

Kung Sung Yen, aged 59, joined the Group in 1996 and is a General Manager of the department of joint venture and is in charge of the management and development of certain joint ventures. He has over 30 years of experience in the footwear industry. Mr. Kung is also a director of Wealthplus and certain subsidiaries of the Company.

Chan Lu Min, aged 58, is in charge of finance and accounting for the Group, which he joined in 2001. He has 32 years of finance and accounting experience in Taiwan. Mr. Chan is a graduate of Chung Hsing University in Taiwan. Mr. Chan is also a director of PCC, Wealthplus, and Symphony Holdings Limited ("Symphony"), a company listed on the Stock Exchange, and certain subsidiaries of the Company.

Li I Nan, Steve, aged 71, is responsible for financial operations of the Group. He joined the Group in 1992, and 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, and a director of certain subsidiaries of the Company. Mr. Li was appointed as a non-executive director of Pou Sheng on 26th March, 2013.

Tsai Pei Chun, Patty, aged 33, graduated from the Wharton School of the University of Pennsylvania in May 2002 with a Bachelor of Science in Economics with a concentration in Finance and a College Minor in Psychology. She joined the Group in 2002 and serves as a director of the Company from 2005 with focus on the Group strategic planning, enterprise developments and execution. She is currently the chief executive officer of Pou Chen group. Ms. Tsai also serves as a non-executive director of Pou Sheng. She is also a director of Wealthplus. She previously served as a board director of Mega Financial Holding Company Limited, a company listed on the TSE. Ms. Tsai is a daughter of Mr. Tsai Chi Jui, who is a deemed substantial shareholder of the Company within the meaning of Part XV of the SFO. Ms. Tsai is a niece of Mr. Tsai Chi Neng, Chairman of the Company and also a cousin of Mr. David N.F. Tsai, managing director of the Company.

Kuo Li Lien, aged 56, holds a bachelor degree granted by the School of Law of Soochow University. Ms. Kuo joined the Company in June 2009. She 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. Apart from being an executive director of the Company, Ms. Kuo is a non-executive director of Pou Sheng, and also a director in a subsidiary of the Company.

Lee Shao Wu, aged 49, holds a Master of International Enterprise Administration granted by China Culture University, Taiwan and a bachelor of Mechanical Engineering granted by Central University. Mr. Lee was the Managing Director of Barits Securities (HK) Ltd before he joined Infovision Optoelectronics (KunShan) Co., Ltd., a TFT-LCD panel manufacturer in the PRC as CFO and vice president of administration center in 2004. Mr. Lee then joined the Company in January 2011 as Head of Strategic Investment Planning Department and was appointed as an executive director of the Company. He is also a director in a subsidiary of the Company.

Independent Non-executive Directors

Liu Len Yu, aged 52, is a law professor in the Department of Law at National Cheng Chi University, a director of the Securities and Futures Investors Protection Center, and a supervisory member of the Public Interest Fund for Studying the New Trend of Economic and Financial Laws in Taiwan. Dr. Liu was appointed as an Independent Non-executive Director of the Company in March 2006. Dr. Liu was formerly a commissioner at the Taiwan Fair Trade Commission, Taiwan listing review committee for the TSE and GreTai Securities Market (the OTC market) respectively. He is currently a director for public interests of TSE. Dr. Liu holds a Doctor of Laws (JSD) from Stanford Law School, Master of Laws degrees from Harvard Law School and National Chung Hsing University, and a Bachelor of Laws from National Chung Hsing University.

Leung Yee Sik, aged 51, graduated from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants and an associate member of both the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Leung was appointed as an Independent Non-executive Director of the Company in January 2009. He had worked with KPMG and BDO Limited and is currently a partner of an accounting firm.

Biographical Data of Directors and Senior Management

Huang Ming Fu, aged 72, graduated from Soochow University in Taiwan in 1964. Mr. Huang was appointed as an Independent Non-executive Director of the Company in March 2010. He had worked for Formosa Plastics Corporation in Taiwan from 1966 to 1994. He then joined Chialease Finance Co. Ltd. until 2008 and he was the Chairman of IBT Management Corp. until October 2010, an affiliate of Industrial Bank of Taiwan. Mr. Huang is also an independent director of two TSE listed companies, namely Alpha Networks Inc. and Solartech Energy Corp..

Chu Li-Sheng, aged 44, holds a Bachelor in Business Administration from Tatung University and Master degree in Business Administration from National Taiwan University. Mr. Chu was appointed as an Independent Non-executive Director of the Company in June 2011. Mr. Chu is an independent director of Wellpool Co., Ltd., a company listed on OTC market in Taiwan, a supervisor of Global Life Insurance Co., Ltd., a lecturer in the Department of Business Administration at Asia University, and a supervisor of Trade-Van Information Services Co., a company listed on TSE. Mr. Chu had worked for Le Louis Enterprise Co., Ltd. from 1993 to 2009 and he was a chairman of AVC Forum Partners from 2004 to 2009.

Teresa Yen, aged 43, holds an undergraduate degree from University of California at Berkeley and Master degree in Business Administration from University of Southern California, Marshall School of Business. Ms. Yen was appointed as an Independent Non-executive Director of the Company in November 2012. Ms. Yen is a non-executive director of HKC (Holdings) Limited ("HKC"), a company listed on the Stock Exchange, and a senior advisor to Cerberus Asia Capital Management, LLC. ("Cerberus"), a substantial shareholder of HKC. Prior to joining Cerberus, Ms. Yen had worked with KPMG real estate consulting, Sumitomo Bank, Long-Term Credit Bank of Japan and Heller Financial.

Senior Management

Lu Chin Chu, aged 59, joined the Group in 1977 and is a General Manager of the department of footwear supply chain of the Group and is in charge of the management of the footwear supply chain. He has over 31 years of experience in the manufacturing of footwear and footwear materials, and is a college graduate.

Lee Chung Wen, aged 60, joined the Group in 1988 and is currently a General Manager of one of the Business Units in the Group. He graduated from National Taiwan University and is in charge of certain major brand customers' manufacturing business in the PRC, Vietnam and Indonesia.

Huang Lung Kuang, aged 52, joined the Group in 2012 and is a general manager of one of the Business Units of the Group. He graduated from Tung Hai University in Taiwan and is mainly in charge of business development and production of certain brands.

Tsai Nai Kun, aged 58, joined the Group in 1985 and is an Executive Vice President of the Group in charge of a major brand business development and operation. He is a college graduate and has 33 years of experience in the footwear business.

Lin Cheng Tien, Jerry, aged 53, joined the Group in 1990 and is an Executive Vice President responsible for the production, sales and marketing of certain footwear brand customers. He has more than 22 years of experience in the footwear sector.

Huang Chin Yuan, aged 54, joined the Group in 1982 and is a Vice President of the Group, responsible for the management of the footwear supply chain.

Chin Chieh Huei, aged 52, joined the Group in 2001 and is a Vice President of the Group in charge of the operation and business development of certain major brands.

Hsiao Tsai Yuan, aged 54, joined the Group in 1981 and is a Vice President of the Group in charge of the business development and production of certain major brands.

Chen Hsin Chien, aged 56, joined the Group in 1984 and is a Vice President of the Group in charge of a production operation for a major customer in the PRC.

Chau Chi Ming, Dickens, aged 49, is a Director, Finance & Treasury, responsible for daily financial management and treasury functions. Mr. Chau had nine years of corporate banking experience before joining the Group in 1993. He graduated from The Chinese University of Hong Kong with a Bachelors in Business Administration, majoring in Finance. He is a member of The Hong Kong Institute of Certified Public Accountants and a Fellow of The Association of Chartered Certified Accountants of the UK.

Biographical Data of Directors and Senior Management

Chow Sai Kin, aged 61, serves as a Senior Accounting Manager overseeing the Group's accounting activities. He graduated from The Chinese University of Hong Kong in 1975, majoring in Economics. Mr. Chow holds a Bachelors in Social Science, and has 31 years of working experience in the accounting and auditing fields. Before joining the Group in 1994, he was chief accountant at a financial institution.

Yau Suet Fong, Christina, aged 52, joined the Group in 1993 and is a Senior Accounting Manager of the Group responsible for the financial and management accounting of several major subsidiaries of the Group, tax review and special projects. She holds a Bachelor of Business (Accounting) from Charles Sturt University, Australia and has more than 21 years of accounting experience.

Ng Lok Ming, William, aged 40, is the Company Secretary and Head of Legal Department of the Group. He is primarily responsible for the company secretarial matters and legal affairs of the Group. Before joining the Group in 2007, Mr. Ng worked as a director of a computer company and the legal counsel of a listed company. Mr. Ng graduated from the University of Hong Kong with a LL.B. and a P.C.LL. in 1995 and 1996, respectively. He later obtained a LL.M. in Comparative and PRC law from the City University of Hong Kong in 2002. Mr. Ng was admitted as a solicitor of the High Court of Hong Kong in 2001. He is also a member of the Law Society of Hong Kong.

Shum, Jerry, aged 47, is the Head of the Investor Relations Department and joined the Group in 2008. He has a Bachelors of Arts from McGill University and holds the designations CA (Can), CPA (USA), CPA (HK) and CFA. Prior to joining the Group, he worked for various international financial institutions in the areas of investment products, debt and equity capital markets.

Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the fifteen months ended 31st December, 2012.

Principal Activities

Yue Yuen Industrial (Holdings) Limited (the "Company") is an investment holding company. The principal activities of the Company and its subsidiaries (hereafter collectively refer to as the "Group") are the manufacturing, marketing and retailing of athletic footwear, athletic style leisure footwear, casual and outdoor footwear.

Results and Appropriations

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

A first and second interim dividends of HK$0.35 and HK$0.65 per share respectively were paid to the shareholders during the fifteen months ended 31st December, 2012. The directors recommend the payment of a final dividend of HK$0.25 per share to the shareholders on the register of members on 10th June, 2013, amounting to approximately HK$412,232,000.

Subsidiaries, Associates and Jointly Controlled Entities

Details of the principal subsidiaries, associates and jointly controlled entities of the Group at 31st December, 2012 are set out in Notes 55, 56 and 57 to the consolidated financial statements, respectively.

Share Capital

Details of the share capital of the Company are set out in Note 39 to the consolidated financial statements.

Investment Properties

Details of movements during the period are set out in Note 14 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment during the period are set out in Note 15 to the consolidated financial statements.

Donations

During the period, the Group made charitable and other donations totalling approximately US$1.2 million.

Distributable Reserves of the Company

As at 31st December, 2012, the Company's reserves available for distribution to shareholders were US$708,776,000, which comprises contributed surplus of US$38,126,000, other reserve of US$18,272,000, investment revaluation reserve of US$5,606,000 and retained profits of US$646,772,000 of the Company.

Distributable Reserves of the Company (continued)

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

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

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

Directors and Directors' Service Contracts

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

Executive directors:

Tsai Chi Neng *(Chairman)*
David N.F. Tsai *(Managing Director)*
Kuo Tai Yu
Kung Sung Yen
Chan Lu Min
Li I Nan, Steve
Tsai Pei Chun, Patty[5]
Kuo Li Lien[5]
Lee Shao Wu

Independent non-executive directors:

Liu Len Yu[1, 3, 5, 6]
Leung Yee Sik[1, 2, 3, 4]
Huang Ming Fu[1, 3, 5]
Chu Li-Sheng[1, 3, 5]
Teresa Yen[1, 3] *(appointed on 28th November, 2012)*

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*

Mr. Kuo Tai Yu, Mr. Chan Lu Min, Ms. Tsai Pei Chun, Patty, Ms. Kuo Li-Lien and Mr. Huang Ming Fu will retire by rotation at the forthcoming annual general meeting of the Company in accordance with 87 of the bye-laws of the Company (the "Bye-laws") and, being eligible, offer themselves for re-election. Ms. Teresa Yen, who was appointed as an addition to the Board, will hold office until the forthcoming annual general meeting and be eligible for re-election in accordance with 86(2) of the Bye-laws.

Directors and Directors' Service Contracts (continued)

Currently, all independent non-executive directors are appointed for a specific term of three years, subject to retirement by rotation in accordance with the provision of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company's Bye-laws.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executives' Interests in Securities

At 31st December, 2012, the interests or short positions of the Company's directors, chief executives and their associates in the shares and/or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long Position

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

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

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

Directors' and Chief Executives' Interests in Securities (continued)

Long Position (continued)

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

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of Pou Sheng
David N.F. Tsai	Beneficial Owner	6,041,250	0.11%
Chan Lu Min	Beneficial Owner	851,250	0.01%
Tsai Pei Chun, Patty	Beneficial Owner	5,575,000	0.10%

Other than the interest disclosed above, none of the directors nor the chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2012.

Interests in Competing Businesses

The Company has a 61.80% indirect interest in Pou Sheng which is accounted for as a subsidiary of the Company. Pou Sheng is listed on the main board of the Stock Exchange. The principal business activities of Pou Sheng and its subsidiaries are the retail and wholesale sales of footwear and sportswear in the Greater China region. Pou Sheng and its subsidiaries also manufacture footwear at its factory in Taicang, PRC.

There is little potential competition between the manufacturing business of the Company and Pou Sheng. On 23rd May, 2008, the Company entered into a business separation deed with Pou Sheng to put in place certain mechanisms to separate the Company's manufacturing businesses from those of Pou Sheng. The Company and Pou Sheng provided certain undertakings in relation to their respective manufacturing businesses. In compliance with such undertakings, the Company confirms that it would not (except through Pou Sheng and its subsidiaries) solicit or manufacture for any of the brands: Li Ning, ANTA, Kappa, 361°, Umbro and XTEP. A meeting of board of directors of the Company was held on 16th December, 2008 at which meeting it was resolved that Pou Sheng may engage in the business of manufacturing two new brands, namely, Lotto and Diadora (the "New Business"), for which the Company confirmed that it did not wish to (except through Pou Sheng and its subsidiaries) take up the opportunity of the New Business. Another meeting of board of directors of the Company was held on 20th January, 2010 at which it was resolved that Pou Sheng may engage in the business of manufacturing two new brands, namely Pony and Footzone ("Another New Business"), for which the Company confirmed that it did not wish to (except through Pou Sheng and its subsidiaries) take up the opportunity of Another New Business. At the board meeting of the Company held on 4th February, 2013, it was resolved that the Company would consent for Pou Sheng to take up certain number of the Company's production orders of "Brand A" and subcontract certain stage of the manufacturing process of "Brand AM" (the "Two New Brands") to Pou Sheng, and the Company further confirmed that Pou Sheng would not breach the business separation deed by taking the said orders of the Two New Brands. And, the board of directors of Pou Sheng (with the participation of decision of all independent non-executive directors of Pou Sheng) resolved on 5th February, 2013 to take up the production of the Two New Brands under the permission of the Company. At the board meeting of the Company held on 26th March, 2013, it was resolved that the Company would subcontract certain stage of the manufacturing process of "Brand PM" to Pou Sheng, and the Company further confirmed that Pou Sheng would not breach the business separation deed by taking the said subcontracting orders of "Brand PM".

Interests in Competing Businesses (continued)

As at 31st December, 2012, Mr. David N.F. Tsai, Ms. Tsai Pei Chun, Patty and Ms. Kuo Li Lien who are directors of the Company, were also directors of Pou Sheng. Mr. David N.F. Tsai and Ms. Tsai Pei Chun, Patty also hold shares in Pou Sheng. In addition, Mr. Li Nan, who is a director of the Company, was appointed as a non-executive director of Pou Sheng on 26th March, 2013. As the Company and Pou Sheng are separate listed entities run by separate and independent management teams, the directors of the Company believe that the Company is capable of carrying on its business independently of, and at arms length from Pou Sheng. The Company intends to maintain its shareholding in Pou Sheng.

The Company also has an investment in Symphony whose shares are listed on the main board of the Stock Exchange. The principal activities of Symphony and its subsidiaries are the manufacturing and sales of footwear products. Symphony and its subsidiaries also engage in retail and wholesale business of apparel and footwear as well as outlet mall operation in the PRC. Mr. Chan Lu Min and Mr. Li I Nan, Steve, both of whom are directors of the Company, are also directors of Symphony. As Symphony is operated under separate and independent management, the directors of the Company believe that the Company is capable of carrying on its business independently of, and at arms length from, Symphony.

Save as described above, as at 31st December, 2012, none of the directors of the Company had any interest in a business which may compete with that of the Group and which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Share Incentive Schemes

(a) Share Option Scheme of the Company

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

On 27th February, 2009, the Company adopted a share option scheme (the "Scheme") under which the Board may at its discretion grant any eligible participant share options, as it may determine appropriate. The Scheme is valid and effective for a period of ten years commencing on 27th February, 2009, after which no further options may be offered or granted.

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

Further details of the Scheme are set out in Note 42 to the consolidated financial statements.

Share Incentive Schemes (continued)

(b) Share Option Scheme of Pou Sheng

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

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

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

During the fifteen months ended 31st December, 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 Pou Sheng Share Option Scheme.

Share Incentive Schemes (continued)

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

The following table discloses movements in Pou Sheng's share options, which were granted under the Pou Sheng Share Option Scheme, during the fifteen months period ended 31st December, 2012 were listed below:

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1st October, 2011	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Number of options outstanding at 31st December, 2012
Employees/Consultants of Pou Sheng								
	21.1.2010	1.62	21.1.2011–20.1.2018	6,129,750	–	–	(945,750)	5,184,000
	21.1.2010	1.62	21.1.2012–20.1.2018	6,129,750	–	–	(945,750)	5,184,000
	21.1.2010	1.62	21.1.2013–20.1.2018	12,259,500	–	–	(1,891,500)	10,368,000
	21.1.2010	1.62	21.1.2014–20.1.2018	16,346,000	–	–	(2,522,000)	13,824,000
	20.1.2011	1.23	20.1.2012–19.1.2019	10,375,000	–	–	(2,012,500)	8,362,500
	20.1.2011	1.23	20.1.2013–19.1.2019	10,375,000	–	–	(2,012,500)	8,362,500
	20.1.2011	1.23	20.1.2014–19.1.2019	10,375,000	–	–	(2,012,500)	8,362,500
	20.1.2011	1.23	20.1.2015–19.1.2019	10,375,000	–	–	(2,012,500)	8,362,500
	7.3.2012	1.05	7.3.2013–6.3.2020	–	1,350,000	–	(600,000)	750,000
	7.3.2012	1.05	7.3.2014–6.3.2020	–	1,350,000	–	(600,000)	750,000
	7.3.2012	1.05	7.3.2015–6.3.2020	–	1,350,000	–	(600,000)	750,000
	7.3.2012	1.05	7.3.2016–6.3.2020	–	1,350,000	–	(600,000)	750,000
Sub-total				**82,365,000**	**5,400,000**		**(16,755,000)**	**71,010,000**

Share Incentive Schemes (continued)

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

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1st October, 2011	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Number of options outstanding at 31st December, 2012
Former Employees of Pou Sheng								
	21.1.2010	1.62	21.1.2011–20.1.2018	975,000	–	–	–	975,000
	21.1.2010	1.62	21.1.2012–20.1.2018	975,000	–	–	–	975,000
	21.1.2010	1.62	21.1.2013–20.1.2018	1,950,000	–	–	(1,950,000)	–
	21.1.2010	1.62	21.1.2014–20.1.2018	2,600,000	–	–	(2,600,000)	–
	20.1.2011	1.23	20.1.2012–19.1.2019	3,375,000	–	–	–	3,375,000
	20.1.2011	1.23	20.1.2013–19.1.2019	3,375,000	–	–	(3,375,000)	–
	20.1.2011	1.23	20.1.2014–19.1.2019	3,375,000	–	–	(3,375,000)	–
	20.1.2011	1.23	20.1.2015–19.1.2019	3,375,000	–	–	(3,375,000)	–
	7.3.2012	1.05	7.3.2013–6.3.2020	–	–	–	–	–
	7.3.2012	1.05	7.3.2014–6.3.2020	–	–	–	–	–
	7.3.2012	1.05	7.3.2015–6.3.2020	–	–	–	–	–
	7.3.2012	1.05	7.3.2016–6.3.2020	–	–	–	–	–
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**

Further details of the Pou Sheng Share Option Scheme are set out in Note 42 to the consolidated financial statements.

Arrangement to Purchase Shares or Debentures

Save as disclosed in the "Share Incentive Schemes" above, at no time during the fifteen months ended 31st December, 2012 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that, as at 31st December, 2012, other than the interests disclosed in "Directors' and Chief Executives' Interests in Securities", the following shareholders had notified the Company of their relevant interests in shares representing 5% or more of the issued share capital of the Company.

Long position

Ordinary shares of HK$0.25 each in the Company

Name of shareholder	Notes	Number of ordinary shares beneficially held	Percentage of the issued share capital of the Company as at 31st December, 2012
Pou Chen Corporation ("PCC")	(a)	824,143,835	49.98%
Wealthplus Holdings Limited ("Wealthplus")	(a)	773,156,303	46.88%
Mr. Tsai Chi Jui	(b)	115,321,998	6.99%
Ms. Tsai Huang Shu Man	(b)	115,321,998	6.99%
Royal Bank of Canada Trust Company (Cayman) Limited	(c)	101,126,262	6.13%
Accord Management Limited	(d)	101,126,262	6.13%
Ms. Tsai Hsu Li Min	(e)	101,126,262	6.13%
Ms. Tsai Hsu Shu Chun	(e)	101,126,262	6.13%
Merrill Lynch & Co. Inc.	(f)	99,315,703	6.02%
Citigroup Inc.	(g)	109,162,108	6.62%
Short Position			
Merrill Lynch & Co. Inc.	(f)	109,341,792	6.63%
Citigroup Inc.	(g)	5,056,886	0.30%

Substantial Shareholders (continued)

Long position (continued)

Notes:

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

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

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

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

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

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

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

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

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

Substantial Shareholders (continued)

Long position (continued)

Notes: (continued)

(g) The 109,162,108 ordinary shares (long position) are held as to 102,050,970 ordinary shares as corporate interest, 7,101,138 ordinary shares in the capacity as Custodian Corporation/approved lending agent and 10,000 ordinary shares as security interest. Further, 5,056,886 ordinary shares in short position are held as corporate interest. Of the 109,162,108 ordinary shares in long position, 98,459,559 ordinary shares represent underlying interests in physically settled unlisted derivatives.

Of the 109,162,108 ordinary shares (long position) held by Citigroup Inc., 92,257,276 ordinary shares (long position) are directly held by Umbrella Asset Services Hong Kong Limited, 8,155,893 ordinary shares (long position) are directly held by Citigroup Global Markets Limited, 981,936 ordinary shares (long position) are directly held by Citigroup Global Markets Inc., 364,475 ordinary shares (long position) are directly held by Morgan Stanley Smith Barney Holdings LLC, 7,102,078 ordinary shares (long position) are directly held by Citibank N.A., 450 ordinary shares (long position) are directly held by Citicorp Trust South Dakota, 258,500 ordinary shares (long position) are directly held by Citigroup Global Markets Asia Limited and 41,500 ordinary shares (long position) are directly held by Cititrust (Bahamas) Limited.

Of the 5,056,886 ordinary shares (short position) interested by Citigroup Inc., 13,869 ordinary shares (short position) are directly interested by Umbrella Asset Services Hong Kong Limited, 4,330,581 ordinary shares (short position) are directly interested by Citigroup Global Markets Limited and 712,436 ordinary shares (short position) are directly interested by Citigroup Global Markets Inc..

Umbrella Asset Services Hong Kong Limited is wholly-owned by Citigroup Financial Products Inc.. Morgan Stanley Smith Barney Holdings LLC is owned as to 49% by Citigroup Global Markets Inc., which is in turn wholly-owned by Citigroup Financial Products Inc.. Citigroup Global Markets Limited is wholly-owned by Citigroup Global Markets Europe Limited, which is in turn owned as to 64.67% by Citigroup Financial Products Inc., 35.22% by Citigroup Global Markets International LLC and 0.11% by Citigroup Global Markets (International) Finance AG. Citigroup Global Markets International LLC is wholly-owned by Citigroup Financial Products Inc.. Citigroup Global Markets Asia Limited is wholly-owned by Citigroup Global Markets Hong Kong Holding Limited, which is in turn wholly-owned by Citigroup Global Markets Overseas Finance Limited, which is in turn owned as to 51.86% by Citigroup Global Markets (International) Finance AG and 48.14% by Citigroup Global Markets Switzerland Holding GmbH. Citigroup Global Markets Switzerland Holding GmbH is wholly-owned by Citigroup Financial Products Inc.. Citigroup Financial Products Inc. is therefore deemed to be interested in an aggregate of 102,018,080 ordinary shares (long position) and 5,056,886 ordinary shares (short position). Citigroup Financial Products Inc. is wholly-owned by Citigroup Global Markets Holdings Inc., which is in turn wholly-owned by Citigroup Inc..

Citicorp Trust South Dakota is wholly owned by Citibank N.A.. Cititrust (Bahamas) Limited is wholly-owned by Citigroup Participation Luxembourg Limited, which is in turn wholly-owned by Citigroup International Luxembourg Limited, which is in turn wholly-owned by Citigroup Overseas Investments Bahamas Inc., which is in turn wholly-owned by Citigroup Overseas Investment Corporation, which is in turn wholly-owned by Citibank N.A., which is in turn wholly-owned by Citicorp Holdings Inc., which is in turn wholly-owned by Citigroup Inc.. Citicorp Holdings Inc. is therefore deemed to be interested in an aggregate of 7,144,028 ordinary shares (long position).

In light of the above, Citigroup Inc. is deemed to be interested in an aggregate of 109,162,108 ordinary shares (long position) and 5,056,886 ordinary shares (short position). The above have been prepared based on the disclosure of interest form filed with the Company.

Other than the interests disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 31st December, 2012.

Connected Transactions and Directors' Interests in Contracts

Details of the transactions regarded as connected transactions for the fifteen months ended 31st December, 2012 are set out in Note 53(I) and (II) to the consolidated financial statements. The Company has complied with all the rule requirements for connected transactions under the Listing Rules.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors have reviewed the continuing connected transactions and the report of auditor and engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the board of directors. Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive directors have confirmed that the transactions were entered into by the Company in ordinary course of its business, on normal commercial terms or on terms no less favourable than terms available to or from independent third parties, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed in Note 53(I) and (II):

(i) no contracts of significance to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at the end of the period or at any time during the fifteen months ended 31st December, 2012; and

(ii) there were no transactions which need to be disclosed as connected transactions in accordance with Chapter 14A of the Listing Rules.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers were approximately 51% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 23% of the Group's total sales for the fifteen months ended 31st December, 2012.

The aggregate purchases during the fifteen months ended 31st December, 2012 attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

At no time during the fifteen months ended 31st December, 2012, did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the directors owns more than 5% of the Company's issued share capital, have an interest in the share capital of any of the five largest customers of the Group.

Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules

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

On 28th December, 2012, Mr. Tsai Nai Fung and Mr. Chan Lu Min, the executive directors of the Company, was appointed as the directors of Idea (Macao Commercial Offshore) Limited, a subsidiary of the Company, which was incorporated in Macao.

On 26th March, 2013, Mr. Li I Nan, an executive director of the Company, was appointed as a non-executive director and member of remuneration committee of Pou Sheng.

Ms. Kuo, Li Lien, an executive director of the Company, ceased to be a member of the remuneration committee of Pou Sheng but remains as a non-executive director of Pou Sheng with effect from the conclusion of the board meeting of Pou Sheng on 26th March, 2013. Ms. Kuo will retire as director of Pou Sheng by rotation and will not offer herself for re-election at the forthcoming annual general meeting of Pou Sheng which is expected to be held in May 2013.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the fifteen months ended 31st December, 2012.

Emolument Policy

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

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the board of directors, as authorised by shareholders at the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

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.

Corporate Governance

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report in the annual report.

Sufficiency of Public Float

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

Directors' Report

Event after the Reporting Period

No significant events occurred after the end of the reporting period.

Auditor

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

David N. F. Tsai
Managing Director

Hong Kong, 26th March, 2013

Corporate Governance Report

Corporate Governance Practices

The Company is committed to the establishment of a good standard of corporate governance practices by emphasizing transparency, accountability and responsibility to our shareholders.

Code on Corporate Governance Practices and Corporate Governance Code

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

Board of Directors

The overall management of the Company's business is vested in the Board.

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The directors make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

The Board is composed of nine executive Directors (including the Chairman and the Managing Director of the Company) and five independent non-executive Directors, whose biographical details are set out in "Biographical Data of Directors and Senior Management" section on pages 19 to 24. Mr. Tsai Chi Neng, Mr. David N.F. Tsai and Ms. Tsai Pei Chun, Patty are, amongst others, members of Tsai's family. Mr. Tsai Chi Neng is uncle of Mr. David N.F. Tsai and Ms. Tsai Pei Chun, Patty. Mr. David N.F. Tsai and Ms Tsai Pei Chun, Patty are cousins. Save as disclosed herein, none of the members of the Board are related to one another.

Matters which are material and may cause potential conflict of interest will be dealt with a Board meetings instead of by way of circulation. The company secretary prepares minutes which are recorded in sufficient detail the matters considered by the Board and the decisions reached, and final version would be opened for inspection at any reasonable notice by any director. The Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings with reasonable meeting notice.

During the fifteen months ended 31st December, 2012, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. On 28th November, 2012, Ms. Teresa Yen was appointed as an independent non-executive director of the Company to fulfill the requirement under rule 3.10A of the Listing Rules.

In addition, the Company has received from each of the independent non-executive director an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. These directors' independence have been verified.

The Company has arranged for appropriate liability insurance to cover the liabilities of the Directors that may arise out of the corporate activities. The insurance coverage is reviewed on an annual basis.

Corporate Governance Report

Appointment and Re-Election of Directors

The appointment of a new Director is made on the recommendation of the Nomination Committee and Board or by the shareholders in general meeting. Any Director who is appointed by the Board to fill a casual vacancy on the Board shall retire at the first general meeting after appointment. Any director who is appointed as an addition to their number shall hold office only until the next following annual general meeting and shall then be eligible for re-election at the meeting.

Currently, all independent non-executive Directors are appointed for a specific term of three years. All Directors are subject to retirement by rotation at least every three years and re-election in accordance with the provision of the Listing Rules and the Bye-laws. At least one-third of Directors shall retire from office every year at the Company's annual general meeting.

Mr. Kuo Tai Yu, Mr. Chan Lu Min, Ms. Tsai Pei Chun, Patty, Ms. Kuo Li-Lien and Mr. Huang Ming Fu will retire by rotation at the forthcoming annual general meeting of the Company in accordance with 87 of the Bye-laws and, being eligible, offer themselves for re-election. Ms. Teresa Yen, who was appointed as an addition to the Board, will hold office until the forthcoming annual general meeting and be eligible for re-election in accordance with 86(2) of the Bye-laws.

Directors' Training

According to the code provision A.6.5 of the New Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

The Company has received from each Director the training record. The details of training received by each director from 1st October, 2011 to 31st December, 2012 are as follows:

	Self-study by reading seminar materials	Attending seminars
Executive Directors		
Tsai Chi Neng	N/A	3 hours
David N. F. Tsai	N/A	3 hours
Kuo Tai Yu	2 hours	1 hour
Kung Sung Yen	2 hours	1 hour
Chan Lu Min	N/A	3 hours
Li I Nan, Steve	N/A	3 hours
Tsai Pei Chun, Patty	1 hour	2 hours
Kuo Li Lien	N/A	3 hours
Lee Shao Wu	1 hour	2 hours
Independent Non-executive Directors		
Liu Len Yu	N/A	3 hours
Leung Yee Sik	N/A	3 hours
Huang Ming Fu	N/A	3 hours
Chu Li-Sheng	N/A	3 hours
Teresa Yen	N/A	6.5 hours

Board Meetings

During the fifteen months ended 31st December, 2012, the Board held eight meetings. The members of the Board and the attendance of each member are as follows:

Name of Directors	Meetings attended/held
Executive Directors	
Tsai Chi Neng	6/8
David N. F. Tsai	7/8
Kuo Tai Yu	2/8
Kung Sung Yen	3/8
Chan Lu Min	8/8
Li I Nan, Steve	8/8
Tsai Pei Chun, Patty	7/8
Kuo Li Lien	7/8
Lee Shao Wu	7/8
Independent Non-executive Directors	
Liu Len Yu	6/8
Leung Yee Sik	6/8
Huang Ming Fu	6/8
Chu Li-Sheng	6/8
Teresa Yen *(appointed on 28th November, 2012)*	1/1

General Meetings

The Board is responsible for maintaining an on-going dialogue with the shareholders and in particular, communicates with them in annual general meetings or other general meetings and encourages their participation.

A general meeting, being the annual general meeting held on 7th March 2012, was convened during the fifteen months ended 31st December, 2012, and the attendances of each Director at this general meeting are set out as follows:

	Meetings attended/held
Executive Directors	
Tsai Chi Neng *(Chairman)*	1/1
David N. F. Tsai *(Managing Director)*	1/1
Kuo Tai Yu	0/1
Kung Sung Yen	0/1
Chan Lu Min	1/1
Li I Nan, Steve	1/1
Tsai Pei Chun, Patty	0/1
Kuo Li Lien	1/1
Lee Shao Wu	1/1
Independent Non-executive Directors	
Liu Len Yu *(Chairman of Nomination Committee)*	1/1
Leung Yee Sik *(Chairman of Audit Committee and Remuneration Committee)*	1/1
Huang Ming Fu	0/1
Chu Li-Sheng	1/1
Teresa Yen *(appointed on 28th November, 2012)*	0/0

Chairman and Chief Executive

The positions of the Chairman and the Managing Director are held by Mr. Tsai Chi Neng and Mr. David N.F. Tsai respectively.

In order to reinforce their respective independence, accountability and responsibility, the role of the Chairman is separate from that of the Managing Director. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice and ensures the effectiveness of the Board. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Managing Director focuses on managing the Company and its subsidiaries, developing and implementing objectives, policies and strategies approved and delegated by the Board. The Managing Director is in charge of the Group's day-to-day management and operations and is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Board Committees

The Board has established the Remuneration Committee, the Nomination Committee and the Audit Committee.

Remuneration Committee

The Remuneration Committee was established with written terms of reference which are available for viewing under the Corporate Governance section of the Company's website at www.yueyuen.com (the "Company's Website").

The Remuneration Committee currently comprises Dr. Liu Len Yu, Mr. Leung Yee Sik, Mr. Huang Ming Fu, Mr. Chu Li-Sheng and Ms. Teresa Yen. The Chairman of the Remuneration Committee is Mr. Leung Yee Sik, an independent non-executive director of the Company. All of the Remuneration Committee members are independent non-executive directors.

The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration, make recommendations to the Board on the remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation payments, and make recommendations to the Board of the remuneration of non-executive directors.

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

- Reviewed and made recommendations to the Board on the amendments to the terms of reference of the Remuneration Committee;
- Reviewed and made recommendations to the Board on the amendments to the remuneration policy;
- Considered salaries of the directors paid by comparable companies;
- Made recommendations to the Board on the remuneration of executive and non-executive directors; and
- Made sure that no director or his/her associate was involved in deciding his/her own remuneration.

During the fifteen months ended 31st December, 2012, the Remuneration Committee held two meetings. The attendances of each committee member at these meetings are set out as follows:

	Meetings attended/held
Independent Non-executive Directors	
Liu Len Yu	2/2
Leung Yee Sik	2/2
Huang Ming Fu	2/2
Chu Li-Sheng	2/2
Teresa Yen *(appointed on 28th November, 2012)*	0/0

Nomination Committee

The Board established a Nomination Committee on 29th December, 2011 with written terms of reference in compliance with the New Code, setting out the duties (containing the minimum specific duties as set out in the New Code) and authority of the Nomination Committee. The terms of reference of Nomination Committee are available under the Corporate Governance section of the Company's Website. The principal duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board, make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive directors of the Company, and make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors. The Nomination Committee currently comprises five members including three independent non-executive directors, Dr. Liu Len Yu (Chairman), Mr. Huang Ming Fu and Mr. Chu Li-Sheng and two executive directors, Ms. Tsai Pei Chun, Patty and Ms. Kuo Li-Lien.

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

- Discussed and reviewed the structure and composition of the Board;
- Reviewed and made recommendation to the Board on the directors succession plan;
- Nominated Ms. Teresa Yen as an independent non-executive director, member of Audit Committee and Remuneration Committee of the Company; and
- Assessed the independence of independent non-executive directors.

During the fifteen months ended 31st December, 2012, the Nomination Committee held two meetings. The attendances of each committee member at these meetings are set out as follows:

	Meetings attended/held
Executive Directors	
Tsai Pei Chun, Patty	2/2
Kuo Li Lien	2/2
Independent Non-executive Directors	
Liu Len Yu	2/2
Huang Ming Fu	2/2
Chu Li-Sheng	2/2

Before the establishment of the Nomination Committee, nomination of new director is subject to the assessment and approval by the Board based on the nominee's qualification and experience, integrity, commitment and potential contributions to the Company.

Audit Committee

The Audit Committee was established with written terms of reference available under the Corporate Governance section of the Company's Website.

The Audit Committee meets, at least twice a year, with the external auditors to discuss any area of concern during the audit or review. At least once a year the Audit Committee meets with the external auditors without executive board members present. The Audit Committee is mainly responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor and any questions of its resignation or dismissal, review of the Company's financial information and oversight of the Company's financial reporting system and internal control procedures. It is also responsible for reviewing the interim and final results of the Company.

The audited consolidated financial statements for the fifteen months ended 31st December, 2012 have been reviewed by the Audit Committee.

The Audit Committee currently comprises of Mr. Leung Yee Sik, Dr. Liu Len Yu, Mr. Huang Ming Fu, Mr. Chu Li-Sheng and Ms. Teresa Yen. The Chairman of Audit Committee is Mr. Leung Yee Sik, an independent non-executive director of the Company. All of the Audit Committee members are independent non-executive directors. None of the members of the Audit Committee are a former partner of the Company's existing external auditors.

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

- Met with the external auditors to discuss the general scope of their audit work;
- Reviewed external auditor's management letter and management's response;
- Reviewed and approved the appointment of external auditor for providing non-audit services to the Group;
- Reviewed and recommended to the Board for approval of the audit fee proposal for the Group;
- Recommended to the Board to re-appoint Deloitte Touche Tohmatsu as the Group's external auditor;
- Reviewed the Group's connected parties transactions;
- Reviewed the Group Internal Audit Policy;
- Received and approved the Group internal audit plan;
- Reviewed the internal audit reports covering the evaluation of internal controls;
- Reviewed the audited accounts and final results announcement for the fifteen months ended 31st December, 2012; and
- Reviewed the Interim Reports and the interim results announcements for the six months ended 31st March, 2012 and twelve months ended 30th September, 2012.

Audit Committee (continued)

The Audit Committee held five meetings during the fifteen months ended 31st December, 2012. The attendances of each committee member at these meetings are set out as follows:

	Meetings attended/held
Independent Non-executive Directors	
Liu Len Yu	5/5
Leung Yee Sik	5/5
Huang Ming Fu	5/5
Chu Li-Sheng	5/5
Teresa Yen *(appointed on 28th November, 2012)*	0/0

Corporate Governance Functions

The Board is primarily responsible for performing the corporate governance functions of the Company, including the following:

(a) developing and reviewing the Company's policies and practices on corporate governance and make changes as required;

(b) reviewing and monitoring the training and continuous professional development of directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual applicable to the Company's employees and directors; and

(e) reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Board has adopted a Statement of Policy on Corporate Governance in this regard.

Internal Control

The Board is responsible for maintaining a sound and effective internal control system of the Group and to regularly review its effectiveness through the Audit Committee.

The key objectives of the internal control system are to provide reasonable assurance against material misstatement or losses; to manage risk of system failure and to assist in the achievement of the Group objectives. The system also ensures the maintenance of proper accounting records and compliance with relevant laws and regulations.

For the fifteen months ended 31st December 2012, Audit Committee of the Company considered that the Group's internal control system was reasonably effective and adequate.

Auditors' Remuneration

During the fifteen months ended 31st December, 2012, the remuneration paid to the Company's external auditors, Messrs. Deloitte Touche Tohmatsu is set out as follows:

	US$'000
Audit services	2,310
Non-audit services	697
	3,007

The above non-audit services include the review of two sets of interim financial statements, professional advisory on taxation, professional services rendered in connection with the setting up of overseas companies, the report of factual findings on agreed upon procedures in respect of connected parties transactions, and professional services rendered in connection with the rights issue of Pou Sheng.

Director's Responsibility in Respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements for each financial period which give a true and fair view of the financial affairs of the Group.

Model Codes for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard as set out in the Model Code for the fifteen months ended 31st December, 2012.

Company Secretary

Mr. Ng Lok Ming ("Mr. Ng") was appointed as the company secretary and the head of legal department of the Company on 17th January, 2008. The biographical details of Mr. Ng are set out under the section headed "Biographical Data of Directors and Senior Management".

According to the newly introduced Rule 3.29 of the Listing Rules, Mr. Ng has taken more than 15 hours of relevant professional training during the 15 months period ended 31st December, 2012.

Shareholders' Rights

The general meetings of the Company provide a communication channel between the shareholders and the Board. An annual general meeting of the Company is held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, is called a special general meeting. The Board may whenever it thinks fit convene special general meetings.

The Procedures for Shareholders to Convene a Special General Meeting

Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong, to require a special general meeting to be convened by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The Procedures for Sending Enquiries to the Board

The enquiries must be in writing with the detail contact information of the requisitionists and deposited with the Board or the Company Secretary at the Company's principal place of business in Hong Kong as below:

Yue Yuen Industrial (Holdings) Limited
Suites 3307-09, 33/F., Tower 6, The Gateway,
9 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong.

The Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

Pursuant to the Bermuda Companies Act 1981 (as amended), to put forward proposals at an annual general meeting, or a special general meeting, either any number of the registered shareholders holding not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 of such registered shareholders, can request the Company in writing to submit a written notice of those proposals with the detail contact information to the Company Secretary at the Company's principal place of business in Hong Kong. The request will be verified with the Company's share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the proposal raised by the shareholders concerned at an annual general meeting or a special general meeting varies according to the nature of the proposal, as follows:

- At least 14 clear days' notice (the notice period must include 10 clear Business Days (Note)) in writing if the proposal constitutes an ordinary resolution of the Company in a special general meeting.
- At least 21 clear days' notice (the notice period must include 10 clear Business Days (Note)) in writing if the proposal constitutes a special resolution of the Company in a special general meeting.
- At least 21 clear days' notice (the notice period must include 20 clear Business Days (Note)) in writing if the proposal constitutes an ordinary resolution or a special resolution of the Company in an annual general meeting.

Note: Business Day means any date on which the Stock Exchange is open for the businesses of dealing in securities. For the avoidance of doubt, where the Stock Exchange is closed for business in dealing in securities in Hong Kong on a business day for the reason of a number 8 or higher typhoon signal, black rainstorm warning or other similar event, such day shall be counted as a business day.

The Procedures for Shareholders to Propose a Person for Election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section of the Company's Website.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands.

Shareholders Communication Policy

The Company has adopted a Shareholders Communication Policy to set out the Company's procedures in providing the shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the shareholders to exercise their rights in an informed manner, and to allow the shareholders and the investment community to engage actively with the Company.

Information Disclosure and Investor Relations

The Board and the Company maintain an on-going dialogue with the Company's shareholders and the investment community mainly through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's Website. To foster regular and contribute two-way communication amongst the Company, its shareholders and potential investors, the Group has established an Investor Relations Department to respond to enquiries from shareholders and the public.

There were changes to the Bye-Laws during the fifteen months ended 31st December, 2012 to reflect the changes of the amendments of the Listing Rules, including the New Code and certain house keeping amendments. In this regard, please refer to announcements made by the Company on 29th December, 2012 and 7th March, 2012 and circular on 18th January, 2012, which are available under the Announcements section of the Company's Website. The amended Bye-laws were approved to be adopted by the shareholders of the Company at the annual general meeting held on 7th March, 2012.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yue Yuen Industrial (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 184, which comprise the consolidated statement of financial position as at 31st December, 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 1st October, 2011 to 31st December, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2012, and of its profit and cash flows for the fifteen months from 1st October, 2011 to 31st December, 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
26th March, 2013

Consolidated Income Statement

For the fifteen months ended 31st December, 2012

	NOTES	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Turnover	6	**9,193,226**	7,045,373
Cost of sales		**(7,094,107)**	(5,489,700)
Gross profit		**2,099,119**	1,555,673
Other income		**194,801**	169,222
Fair value changes on investment properties	14	**390**	6,955
Fair value changes on derivative financial instruments	7	**(4,637)**	(36,144)
Fair value changes on consideration payable for acquisition of business	45(g)	**(2,085)**	–
Selling and distribution expenses		**(788,249)**	(542,283)
Administrative expenses		**(678,030)**	(513,396)
Other expenses		**(244,853)**	(170,076)
Gain on deemed disposal of a jointly controlled entity	45(j)	**5,898**	18,767
Gain on disposal of subsidiaries	47	**5,761**	–
Impairment loss on investments in associates	20(ii)	**(3,040)**	(500)
Impairment loss on loan to an associate		**(1,366)**	–
Impairment loss on investments in jointly controlled entities	22(iii)	**(6,305)**	(1,500)
Impairment loss on intangible assets	17	**(8,485)**	–
Impairment loss on an available-for-sale investment	26	**–**	(100)
Finance costs	8	**(46,053)**	(37,419)
Share of results of associates		**58,702**	35,355
Share of results of jointly controlled entities		**55,332**	27,174
Profit before taxation		**636,900**	511,728
Income tax expense	9	**(25,578)**	(28,203)
Profit for the period/year	10	**611,322**	483,525
Attributable to:			
Owners of the Company		**623,701**	449,829
Non-controlling interests		**(12,379)**	33,696
		611,322	483,525
		US cents	US cents
Earnings per share	13		
– Basic		**37.82**	27.28
– Diluted		**35.67**	23.15

Consolidated Statement of Comprehensive Income

For the fifteen months ended 31st December, 2012

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Profit for the period/year	**611,322**	483,525
Other comprehensive income (expense)		
Exchange difference arising on the translation of foreign operations	**35,749**	44,768
Gain (loss) on fair value changes of available-for-sale investments	**3,504**	(4,024)
Gain on fair value changes of properties prior to its reclassification as investment properties	**–**	692
Deferred taxation recognised on fair value changes of properties prior to its reclassification as investment properties	**–**	(173)
Other comprehensive income for the period/year	**39,253**	41,263
Total comprehensive income for the period/year	**650,575**	524,788
Total comprehensive income attributable to:		
Owners of the Company	**650,519**	476,630
Non-controlling interests	**56**	48,158
	650,575	524,788

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	31.12.2012 US$'000	30.9.2011 US$'000
Non-current assets			
Investment properties	14	**42,290**	41,469
Property, plant and equipment	15(a)	**1,874,614**	1,849,997
Deposits paid for acquisition of property, plant and equipment	15(b)	**11,698**	15,156
Prepaid lease payments	16	**181,653**	189,000
Intangible assets	17	**134,031**	111,882
Goodwill	18	**273,962**	233,211
Investments in associates	20	**411,160**	382,677
Amounts due from associates	21	**4,906**	11,155
Investments in jointly controlled entities	22	**424,197**	352,153
Deposit paid for acquisition of the remaining interest in a jointly controlled entity	22	**–**	1,219
Amounts due from jointly controlled entities	23	**59,836**	123,387
Long-term loan receivables	24	**827**	8,311
Convertible note receivable	25	**4,322**	–
Available-for-sale investments	26	**23,492**	30,959
Rental deposits and prepayments		**23,159**	25,927
Derivative financial instruments	28	**936**	22,363
Pledged bank deposits	29	**–**	12,507
Deferred tax assets	38	**4,051**	1,978
Deposit paid for proposed acquisition of a business	30	**–**	3,127
		3,475,134	3,416,478
Current assets			
Inventories	31	**1,207,787**	1,087,895
Trade and other receivables	32	**1,317,735**	1,152,069
Prepaid lease payments	16	**5,428**	5,403
Taxation recoverable		**7,278**	1,435
Available-for-sale investments	26	**–**	938
Investments held for trading	27	**9,024**	–
Derivative financial instruments	28	**2,897**	226
Bank balances and cash	29	**809,153**	704,095
		3,359,302	2,952,061
Assets classified as held for sale	33	**1,674**	104,725
		3,360,976	3,056,786

	NOTES	31.12.2012 US$'000	30.9.2011 US$'000
Current liabilities			
Trade and other payables	34	**1,094,545**	1,109,451
Dividend payable		**138,320**	–
Taxation payable		**19,464**	15,314
Derivative financial instruments	28	**92**	13,349
Bank borrowings	35	**734,110**	453,951
Convertible bonds	36	**–**	283,377
		1,986,531	1,875,442
Liabilities associated with assets classified as held for sale	33	**–**	38,550
		1,986,531	1,913,992
Net current assets		**1,374,445**	1,142,794
Total assets less current liabilities		**4,849,579**	4,559,272
Non-current liabilities			
Long-term bank borrowings	37	**364,895**	415,120
Consideration payable for acquisition of business	45(g)	**17,980**	–
Deferred tax liabilities	38	**45,308**	37,475
		428,183	452,595
Net assets		**4,421,396**	4,106,677
Capital and reserves			
Share capital	39	**53,211**	53,211
Reserves		**3,949,577**	3,600,557
Equity attributable to owners of the Company		**4,002,788**	3,653,768
Non-controlling interests	54	**418,608**	452,909
Total equity		**4,421,396**	4,106,677

The consolidated financial statements on pages 52 to 184 were approved and authorised for issue by the Board of Directors on 26th March, 2013 and are signed on its behalf by:

David N.F. Tsai
MANAGING DIRECTOR

Li I Nan, Steve
DIRECTOR

Consolidated Statement of Changes in Equity

For the fifteen months ended 31st December, 2012

	Equity attributable to owners of the Company												
	Share capital US$'000	Share premium US$'000	Investments revaluation reserve US$'000	Special reserve US$'000 (note a)	Other reserve US$'000 (note b)	Other revaluation reserve US$'000 (note c)	Property revaluation reserve US$'000	Non-distributable reserve fund US$'000 (note d)	Translation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1st October, 2010	53,211	695,536	6,641	(16,688)	43,666	4,551	–	19,369	71,750	2,493,020	3,371,056	405,447	3,776,503
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	30,306	–	30,306	14,462	44,768
Loss on fair value changes of investments	–	–	(4,024)	–	–	–	–	–	–	–	(4,024)	–	(4,024)
Gain on fair value changes of properties prior to its reclassification as investment properties (Note 14)	–	–	–	–	–	–	692	–	–	–	692	–	692
Deferred taxation recognised on fair value changes of properties prior to its reclassification as investment properties	–	–	–	–	–	–	(173)	–	–	–	(173)	–	(173)
Profit for the year	–	–	–	–	–	–	–	–	–	449,829	449,829	33,696	483,525
Total comprehensive (expense) income for the year	–	–	(4,024)	–	–	–	519	–	30,306	449,829	476,630	48,158	524,788
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–	2,473	2,473
Recognition of share-settled considerations for acquisition of subsidiaries (Note 45)	–	–	–	–	–	–	–	–	–	–	–	3,785	3,785
Realised on deregistration of subsidiaries	–	–	–	–	–	–	–	–	965	(965)	–	–	–
Realised on deemed disposal of a jointly controlled entity	–	–	–	–	–	–	–	–	(1,126)	1,126	–	–	–
Realised on disposal of jointly controlled entities	–	–	–	–	–	–	–	–	(377)	377	–	–	–
Realised on disposal of an associate	–	–	–	–	–	–	–	–	(522)	522	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,886	1,886
Acquisition of additional interests in subsidiaries	–	–	–	–	(3,345)	–	–	–	–	–	(3,345)	(3,778)	(7,123)
Dividends (Note 12)	–	–	–	–	–	–	–	–	–	(190,573)	(190,573)	–	(190,573)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(5,062)	(5,062)
Transfer to non-distributable reserve fund	–	–	–	–	–	–	–	6,981	–	(6,981)	–	–	–
At 30th September, 2011	53,211	695,536	2,617	(16,688)	40,321	4,551	519	26,350	100,996	2,746,355	3,653,768	452,909	4,106,677
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	23,314	–	23,314	12,435	35,749
Gain on fair value changes of investments	–	–	3,504	–	–	–	–	–	–	–	3,504	–	3,504
Profit for the period	–	–	–	–	–	–	–	–	–	623,701	623,701	(12,379)	611,322
Total comprehensive income for the period	–	–	3,504	–	–	–	–	–	23,314	623,701	650,519	56	650,575
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–	2,012	2,012
Shares repurchased by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(5,018)	(5,018)
Realised on deregistration of subsidiaries	–	–	–	–	–	–	–	–	(5)	5	–	(83)	(83)
Realised on deemed disposal of a jointly controlled entity	–	–	–	–	–	–	–	–	(451)	451	–	–	–
Realised on disposal of jointly controlled entities	–	–	–	–	–	–	–	–	(409)	409	–	–	–
Realised on disposal of an associate	–	–	–	–	–	–	–	–	(443)	443	–	–	–
Realised on disposal of subsidiaries (Note 47)	–	–	–	–	–	–	–	–	–	–	–	(10,767)	(10,767)
Realised on expiry of call option	–	–	–	–	(25,394)	–	–	–	–	25,394	–	–	–
Contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	13,205	13,205
Deemed partial disposal of interests in subsidiaries without losing control	–	–	–	–	910	–	–	–	–	–	910	1,827	2,737
Refund of investment cost in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(480)	(480)
Recognition of consideration for acquisition of business settled by shares of a subsidiary (Note 45(f))	–	–	–	–	–	–	–	–	–	–	–	2,940	2,940
Deemed acquisition of additional interests in subsidiaries	–	–	–	–	1,131	–	–	–	–	–	1,131	(1,131)	–
Acquisition of additional interests in subsidiaries	–	–	–	–	28,244	–	–	–	–	–	28,244	(29,707)	(1,463)
Dividends (Note 12)	–	–	–	–	–	–	–	–	–	(331,784)	(331,784)	–	(331,784)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(7,155)	(7,155)
Transfer to non-distributable reserve fund	–	–	–	–	–	–	–	5,332	–	(5,332)	–	–	–
At 31st December, 2012	53,211	695,536	6,121	(16,688)	45,212	4,551	519	31,682	123,002	3,059,642	4,002,788	418,608	4,421,396

notes:

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

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

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

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

On 7th November, 2011, the USD Call Option 2011 remained unexercised and lapsed. Accordingly, the premium received by the Company of approximately US$25,394,000 was derecognised and transferred to the retained profits in current period.

Up to 31st December, 2012, the holders of the USD Call Option 2015 had not exercised any of their rights thereof.

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

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

(d) According to the relevant laws in the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer at least 10% of their net profits after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any.

Consolidated Statement of Cash Flows

For the fifteen months ended 31st December, 2012

	NOTES	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
OPERATING ACTIVITIES			
Profit before taxation		**636,900**	511,728
Adjustments for:			
Release of prepaid lease payments		**6,122**	5,060
Depreciation of property, plant and equipment		**295,627**	208,549
Amortisation of intangible assets		**10,083**	5,746
Dividend income from available-for-sale investments		**(290)**	(1,167)
Finance costs		**46,053**	37,419
Interest income		**(14,831)**	(11,004)
Impairment loss on an available-for-sale investment		**–**	100
Impairment loss on intangible assets		**8,485**	–
Impairment loss on trade receivables		**9,335**	2,206
Impairment loss on investments in jointly controlled entities		**6,305**	1,500
Impairment loss on loan to an associate		**1,366**	–
Impairment loss on investments in associates		**3,040**	500
Impairment loss recognised on other receivables		**608**	2,014
Written back of impairment loss on trade receivables		**–**	(1,060)
Allowance (reversal of allowance) for inventories, net		**5,061**	(21)
Recognition of share-based payment expense of a listed subsidiary		**2,012**	2,473
Loss on disposal of jointly controlled entities		**1,150**	–
(Gain) loss on disposal of property, plant and equipment		**(1,382)**	187
Gain on disposal of land leases		**(4,871)**	(2,846)
Gain on disposal of subsidiaries	47	**(5,761)**	–
Gain on disposal of associates		**–**	(325)
Gain on deregistration of a subsidiary		**–**	(764)
Gain on deemed disposal of a jointly controlled entity	45(j)	**(5,898)**	(18,767)
Fair value changes on investment properties		**(390)**	(6,955)
Fair value changes on derivative financial instruments		**4,637**	36,144
Fair value changes on consideration payable for acquisition of business		**2,085**	–
Share of results of associates		**(58,702)**	(35,355)
Share of results of jointly controlled entities		**(55,332)**	(27,174)

	NOTES	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Operating cash flows before movements in working capital		**891,412**	708,188
Increase in inventories		**(36,388)**	(255,022)
Increase in trade and other receivables		**(146,618)**	(3,113)
Decrease (increase) in rental deposits and prepayments		**4,282**	(29,030)
Increase in investments held for trading		**(9,024)**	–
(Decrease) increase in trade and other payables		**(20,095)**	166,547
Cash generated from operations		**683,569**	587,570
Hong Kong Profits Tax paid		**(16)**	(12)
Overseas taxation paid		**(36,862)**	(29,889)
Refund of overseas taxation		**2,997**	345
NET CASH FROM OPERATING ACTIVITIES		**649,688**	558,014
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(290,197)**	(482,047)
Acquisition of subsidiaries and business (net of cash and cash equivalents acquired)	45	**(107,162)**	(2,829)
Deposit paid for acquisition of property, plant and equipment		**(12,089)**	(18,260)
Prepaid land leases		**(7,184)**	(16,326)
Acquisition of assets arises through acquisition of subsidiaries (net of cash and cash equivalents acquired)	46	**(4,491)**	–
Purchase of available-for-sale investments		**(2,172)**	(14,405)
Refund of investment cost in a subsidiary		**(563)**	–
Investments in associates		**(380)**	(328)
Interest received from Convertible Note (as defined in Note 25)		**25**	–
Dividends received from available-for-sale investments		**290**	1,167
Refund of investment cost in associates		**498**	–
Proceeds from disposal of associates		**1,569**	1,889
Deposit received for sales of assets classified as held for sale		**1,674**	34,029
Refund of investment costs in jointly controlled entities		**2,078**	473
Decrease in loan receivables		**2,155**	25,942
Proceeds from disposal of jointly controlled entities		**3,124**	8,586
Repayment of advance from associates		**5,083**	464
Repayment from jointly controlled entities		**9,078**	1,669
Withdrawal (placement) in pledged bank deposits		**12,665**	(12,507)
Dividends received from jointly controlled entities		**13,045**	16,810
Proceeds on disposal of subsidiaries	47	**13,213**	17,630
Proceeds from maturity of available-for-sale investments		**13,799**	8,227
Proceeds on disposal of prepaid lease		**14,214**	–
Interest received		**14,500**	10,809
Dividends received from associates		**28,856**	19,647
Proceeds from disposal of property, plant and equipment		**41,566**	31,966
Increase in loan receivables		**–**	(24,134)
Advance to associates		**–**	(13,500)
Advance to jointly controlled entities		**–**	(4,955)
Deposit paid for proposed acquisition of a business		**–**	(3,127)
Deposit paid for acquisition of the remaining interest in a jointly controlled entity		**–**	(1,219)
Proceeds from early termination of land leases		**–**	3,888
Proceeds from disposal of investment properties		**–**	8,638
NET CASH USED IN INVESTING ACTIVITIES		**(246,806)**	(401,803)

Consolidated Statement of Cash Flows

For the fifteen months ended 31st December, 2012

	NOTE	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(8,448,420)**	(5,947,452)
Redemption of convertible bonds		**(286,043)**	–
Dividends paid		**(193,464)**	(190,573)
Interest paid on bank borrowings		**(43,830)**	(21,537)
Dividends paid to non-controlling interests of subsidiaries		**(7,155)**	(5,062)
Share repurchased of a subsidiary		**(5,018)**	–
Acquisition of additional interests in subsidiaries		**(1,463)**	(4,425)
Proceeds from partial disposal of interests in subsidiaries without losing control		**2,737**	–
Contribution from non-controlling interests		**13,205**	1,475
Bank borrowings raised		**8,666,540**	6,096,340
NET CASH USED IN FINANCING ACTIVITIES		**(302,911)**	(71,234)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**99,971**	84,977
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,332**	540
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		**707,850**	622,333
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR, represented by:			
Bank balances and cash		**809,153**	704,095
Bank balances and cash classified as assets held for sale	33	**–**	3,755
		809,153	707,850

Notes to the Consolidated Financial Statements

For the fifteen months ended 31st December, 2012

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information Section of the annual report.

The consolidated financial statements are presented in United States dollar ("USD"), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are the manufacturing, marketing and retailing of athletic footwear, athletic style leisure footwear, casual and outdoor footwear.

2. Basis of Preparation of Consolidated Financial Statements

As set out in the announcement of the Company issued on 30th May, 2012, the financial year end date of the Company and the Group has been changed from 30th September to 31st December to coincide with the statutory financial year end date of the Company's major operating subsidiaries, which are incorporated in the PRC. Accordingly, the current accounting period covers a period of fifteen months from 1st October, 2011 to 31st December, 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 1st October, 2010 to 30th September, 2011 and therefore may not be comparable with amounts shown for the current period.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

New and revised HKFRSs applied in current period

In the current period, the Group has applied the following new and revised HKFRSs 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 these new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

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

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs issued but not yet effective (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 1st January, 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 will have no material effect on the Group's financial assets and financial liabilities.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs issued but not yet effective (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 1st January, 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)

New and revised HKFRSs issued but not yet effective (continued)

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 1st January, 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.

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 1st July, 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 HKFRSs will have no material impact on the financial performance and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the fifteen months ended 31st December, 2012

4. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or 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.

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 and 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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from 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 existing subsidiaries that do not result in the Group losing control over subsidiaries 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 and attributed to owners of the Company.

4. Significant Accounting Policies (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

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.

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 generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, 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; 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.

4. Significant Accounting Policies (continued)

Business combinations (continued)

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 their fair value or, when applicable, on the basis specified by another standard.

When 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 included 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. Measurement period adjustments are adjustments that arise 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 at the acquisition date that, if known, would have affected the amounts recognised at that date.

4. Significant Accounting Policies (continued)

Goodwill

Goodwill arising on an 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 is 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 in the consolidated income statement. An impairment loss recognised 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.

Investments in associates

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

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 the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's 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.

4. Significant Accounting Policies (continued)

Investments in associates (continued)

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.

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

When 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.

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.

4. Significant Accounting Policies (continued)

Joint ventures (continued)

Jointly controlled entities (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of 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 "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.

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

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

4. Significant Accounting Policies (continued)

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 groups) 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.

Revenue recognition

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

Revenue from sale of goods are recognised when goods are delivered and titles have passed.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the period of the relevant lease.

Service income is recognised when services are provided.

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

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

4. Significant Accounting Policies (continued)

Investment properties

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

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

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

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

Property, plant and equipment

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

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30th September, 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using either the straight-line method or reducing balance method. The estimated useful lives, 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.

4. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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

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

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

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 recognised 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).

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

4. Significant Accounting Policies (continued)

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 an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives 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 CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Significant Accounting Policies (continued)

Leasing

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

The Group as 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.

The Group as lessee

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

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. 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)

Inventories

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

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 or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, 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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

The financial assets at FVTPL of the Group comprise of investments held for trading and derivatives 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 and interests earned on the financial assets.

Loans and receivables

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

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.

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of the reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- 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, in addition, 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 credit period of 30 days to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 recorded at the proceeds received, net of direct issue costs.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include derivatives that are 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 recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank borrowings and debt component of convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the liability component, conversion option component and other embedded derivatives are recognised at fair value.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Convertible bonds (continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative together with other embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability component and conversion option derivative and other embedded derivatives in proportion to the allocation of the proceeds. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method.

USD Call Option

USD Call Option issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

The fair value of USD Call Option on the date of issue is recognised in equity (other reserve). The USD Call Option will be transferred to share capital and share premium upon exercise of the USD Call Option. Where the USD Call Option remains unexercised at the expiry date, the amount previously recognised in other reserve will be released to retained profits.

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

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 of obligation under the contract, as 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.

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 rights/options to subscribe for shares under the Group's share incentive schemes at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of rights/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 equity.

4. Significant Accounting Policies (continued)

Share-based payment transactions (continued)

Equity-settled share-based payment transactions (continued)

At the time when the rights/options are exercised, the amount previously recognised in equity will be transferred to share premium of the relevant group entity. When the rights/options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in equity will be transferred to retained profits.

At the time when the rights/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 equity will be transferred to retained profits upon cancellation.

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 "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.

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 differences 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 differences arise 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, associates and joint ventures, 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.

4. Significant Accounting Policies (continued)

Taxation (continued)

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.

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

4. Significant Accounting Policies (continued)

Foreign currencies (continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

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 asset 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 asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

4. Significant Accounting Policies (continued)

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.

Retirement benefit costs

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

5. Critical Accounting Judgments 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 judgments, 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 judgments in applying the entity's accounting policies

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

(i) Property interest in land

Despite the Group has paid substantially the full purchase consideration as detailed in Notes 14, 15(a) and 16, formal titles of certain of the Group's rights to the use of the land were not yet granted from the relevant government authorities. In the opinion of the directors, the absence of formal title to these land use rights does not impair the carrying value of the relevant properties to the Group.

(ii) Intangible assets with indefinite useful lives

The directors of the Company considered that the brandnames, as set out in Note 17, for all practical purposes have indefinite useful lives and are therefore not amortised until their useful lives are determined to be finite. They will be tested for impairment annually.

5. Critical Accounting Judgments 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.

(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 CGU to which goodwill and the intangible assets have been allocated. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGU containing goodwill and the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGU 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 Notes 17 and 19.

(ii) Fair value of derivative financial instruments

The directors of the Company use their judgment in selecting an appropriate valuation technique to determine the fair value of derivative financial instruments not quoted in an active market, where the valuation techniques are those commonly applied by market practitioners. Assumptions are made based on market statistics and adjusted for specific features of the instrument. Measurements of the fair value of the JV Call Options (as defined in Note 28(a) require the use of variables and assumptions including (i) the underlying value of the relevant equity interests, (ii) the profitability of Pou Sheng International (Holdings) Limited ("Pou Sheng") and the Relevant Companies (as defined in Note 28(a), (iii) the share price of Pou Sheng and (iv) the expectation of the management on the likelihood of the JV Call Options be exercised. Details of the measurement of the fair value and assumptions used are disclosed in Note 28(a).

6. Turnover and Segmental Information

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

Accordingly, the directors of the Company have determined that the Group has one operating segment, as defined in HKFRS 8. The information regarding turnover derived from the principal businesses described above is reported below.

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Turnover		
Manufacturing Business	**7,140,577**	5,604,357
Retailing Business	**2,052,649**	1,441,016
Total turnover	**9,193,226**	7,045,373

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Athletic shoes	**4,744,743**	3,680,208
Casual/outdoor shoes	**1,561,988**	1,239,572
Sports sandals	**105,409**	81,151
Soles and components	**662,720**	548,283
Retail sales – shoes and apparel	**2,036,100**	1,431,349
Others	**82,266**	64,810
	9,193,226	7,045,373

6. Turnover and Segmental Information (continued)

Geographical information

The Group's revenue is mainly derived from customers located in the United States of America ("USA"), Europe and the PRC. The Group's revenue by the geographical location of the customers, irrespective of the origin of the goods, is detailed below:

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
USA	**2,584,254**	2,010,832
Europe	**1,855,496**	1,541,506
PRC	**2,700,307**	1,977,072
Others	**2,053,169**	1,515,963
	9,193,226	7,045,373

The Group's business activities are conducted predominantly in the PRC, Vietnam and Indonesia. Information about the Group's non-current assets by the geographical location of the assets is detailed below:

	31.12.2012 US$'000	30.9.2011 US$'000
PRC	**1,350,643**	1,328,906
Indonesia	**439,990**	445,170
Vietnam	**431,871**	414,146
Others	**44,941**	45,209
	2,267,445	2,233,431

note: Non-current assets excluded goodwill, investments in associates, investments in jointly controlled entities, deposit paid for acquisition of the remaining interest in a jointly controlled entity, deferred tax assets, deposit paid for proposed acquisition of a business and financial instruments.

6. Turnover and Segmental Information (continued)

Information about major customers

Revenue from customers contributing over 10% of the total annual revenue of the Group are as follows:

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Customer A	**2,069,725**	1,564,860
Customer B	**1,476,338**	1,153,476

7. Fair Value Changes on Derivative Financial Instruments

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
(Loss) gain on changes in fair value of:		
– JV Call Options (Note 28(a))	**(20,917)**	(15,601)
– HKD Call Option (Note 28(b))	**(3)**	(31,997)
– derivatives embedded in convertible bonds (Note 36)	**–**	24,768
– derivative embedded in convertible note (Note 25)	**352**	–
– other derivative financial instruments (Note 28(c))	**15,931**	(13,314)
	(4,637)	(36,144)

8. Finance Costs

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Interest on bank borrowings:		
– wholly repayable within five years	**43,830**	21,537
Effective interest expense on convertible bonds (Note 36)	**2,223**	15,882
	46,053	37,419

9. Income Tax Expense

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Taxation attributable to the Company and its subsidiaries:		
Hong Kong Profits Tax (note i)		
– current period/year	**721**	743
PRC Enterprise Income Tax ("EIT") (note ii)		
– current period/year	**16,475**	21,589
– (over)underprovision in prior years	**(768)**	1,041
Overseas taxation (note iii)		
– current period/year	**15,376**	5,866
– underprovision in prior years	**166**	–
	31,970	29,239
Deferred tax credit (Note 38)	**(6,392)**	(1,036)
	25,578	28,203

9. Income Tax Expense (continued)

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period/year.

(ii) PRC

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

(a) Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries were exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. These tax holidays and concessions expired 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、國家稅務總局、海關總署關於西部大開發稅收優惠政策問題的通知》(Caishui [2001] No. 202), the relevant state policy and with approval obtained from tax authorities in charge, certain subsidiaries which are located in specified provinces of Western China and engaged in a specific state-encouraged industry were subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year. Such preferential tax treatment is further extended for a period of ten years from 2011 to 2020 on the condition that the enterprise must be engaged in state-encouraged industries as defined under the "Catalogue of Encouraged Industries in the Western Region" (the "Catalogue") pursuant to《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(Caishui [2011] No. 58) issued in 2011. The directors of the Company consider that the relevant subsidiaries are engaged in the state-encouraged industries under the Catalogue and continue to enjoy the preferential tax rate of 15% in the current period.

(iii) Overseas

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

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

9. Income Tax Expense (continued)

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

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Profit before taxation	**636,900**	511,728
Tax at domestic rates applicable to profits of taxable entities in the countries concerned (note)	**101,912**	92,703
Tax effect of share of results of associates and jointly controlled entities	**(16,093)**	(11,345)
Tax effect of expenses not deductible for tax purpose	**37,895**	37,232
Tax effect of income not taxable for tax purpose	**(79,881)**	(72,292)
Tax effect of tax losses not recognised	**22,919**	3,940
Effect of reduced and preferential tax rates granted to PRC subsidiaries	**(748)**	(2,555)
Effect of tax exemption granted to overseas subsidiaries	**(38,543)**	(20,249)
Deferred tax relating to dividend withholding tax	**(1,281)**	(272)
(Over) underprovision in prior years	**(602)**	1,041
Income tax expense for the period/year	**25,578**	28,203

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

10. Profit for the Period/Year

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Profit for the period/year has been arrived at after charging:		
Employee benefit expense, including directors' emoluments		
– basic salaries and allowances	**2,016,056**	1,452,223
– retirement benefit scheme contributions	**62,239**	40,059
– share-based payment	**2,012**	2,473
	2,080,307	1,494,755
Release of prepaid lease payments	**6,122**	5,060
Auditors' remuneration	**2,310**	2,099
Amortisation of intangible assets (included in selling and distribution expense)	**10,083**	5,746
Depreciation of property, plant and equipment	**295,627**	208,549
Loss on disposal of property, plant and equipment (included in other expenses)	**–**	187
Loss on disposal of jointly controlled entities (included in other expenses)	**1,150**	–
Impairment loss recognised on trade receivables (included in other expenses)	**9,335**	2,206
Impairment loss recognised on other receivables (included in other expenses)	**608**	2,014
Impairment loss on loan to an associate	**1,366**	–
Allowance for inventories, net (included in cost of sales)	**5,061**	–
Research and development expenditure (included in other expenses)	**208,589**	153,656
Share of taxation of associates (included in share of results of associates)	**8,795**	6,838
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**–**	9,495
and after crediting to other income:		
Interest income	**14,831**	11,004
Dividend income from available-for-sale investments	**290**	1,167
Net exchange gain (included in other income)	**28,000**	40,248
Reversal of allowance for inventory, net	**–**	21
Written back of impairment loss on trade receivables (included in other income)	**–**	1,060
Gain on disposal of property, plant and equipment (included in other income)	**1,382**	–
Gain on deregistration of subsidiaries (included in other income)	**–**	764
Gain on disposal of land leases (included in other income)	**4,871**	2,846
Gain on disposal of an associate (included in other income)	**–**	325
Subsidies, rebates and other income from suppliers	**38,138**	32,628
Utility income from provision of electricity and water supply	**10,347**	5,813
Subcontracting income	**1,606**	687
Gross rental income on investment properties, before deduction of direct operating expenses of approximately US$287,000 (2011: US$239,000)	**12,645**	8,235
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**17,418**	–

note: For the fifteen months ended 31st December, 2012 and twelve months ended 30th September, 2011, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

11. Directors' Emoluments and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 14 (twelve months ended 30th September, 2011: 15) directors are set out as follows:

	Fees US$'000	Salaries and other benefits US$'000	Bonus US$'000	Retirement benefit schemes US$'000	Total US$'000
For the fifteen months ended 31st December, 2012					
Executive directors:					
Tsai Chi Neng	**–**	**321**	**1,270**	**–**	**1,591**
David N.F. Tsai	**–**	**415**	**1,161**	**–**	**1,576**
Kuo Tai Yu	**–**	**169**	**1,137**	**–**	**1,306**
Kung Sung Yen	**–**	**175**	**1,135**	**–**	**1,310**
Chan Lu Min	**–**	**25**	**227**	**–**	**252**
Li I Nan, Steve	**–**	**261**	**81**	**2**	**344**
Tsai Pei Chun, Patty	**–**	**125**	**258**	**–**	**383**
Kuo Li Lien	**–**	**71**	**24**	**–**	**95**
Lee Shao Wu (note i)	**–**	**244**	**65**	**2**	**311**
Independent non-executive directors:					
Liu Len Yu	**42**	**–**	**–**	**–**	**42**
Leung Yee Sik	**43**	**–**	**–**	**–**	**43**
Huang Ming Fu	**42**	**–**	**–**	**–**	**42**
Chu Li-Sheng (note ii)	**42**	**–**	**–**	**–**	**42**
Teresa Yen (note iii)	**3**	**–**	**–**	**–**	**3**
	172	**1,806**	**5,358**	**4**	**7,340**
For the twelve months ended 30th September, 2011					
Executive directors:					
Tsai Chi Neng	–	256	1,010	–	1,266
David N.F. Tsai	–	331	923	–	1,254
Kuo Tai Yu	–	105	905	–	1,010
Lu Chin Chu (note iv)	–	131	346	–	477
Kung Sung Yen	–	162	903	–	1,065
Chan Lu Min	–	21	180	–	201
Li I Nan, Steve	–	199	64	2	265
Tsai Pei Chun, Patty	–	100	35	–	135
Kuo Li Lien	–	57	19	–	76
Lee Shao Wu (note i)	–	139	14	1	154
Non-executive directors:					
John J.D. Sy (note v)	22	50	–	–	72
Independent non-executive directors:					
Liu Len Yu	32	–	–	–	32
Leung Yee Sik	32	–	–	–	32
Huang Ming Fu	32	–	–	–	32
Chu Li-Sheng (note ii)	8	–	–	–	8
	126	1,551	4,399	3	6,079

11. Directors' Emoluments and Employees' Emoluments (continued)

(a) Directors' emoluments (continued)

notes:

(i) Mr. Lee Shao Wu was appointed as an executive director on 19th January, 2011.

(ii) Mr. Chu Li-Sheng was appointed as an independent non-executive director on 28th June, 2011.

(iii) Ms. Teresa Yen was appointed as an independent non-executive director on 28th November, 2012.

(iv) Mr. Lu Chin Chu retired as an executive director on 4th March, 2011.

(v) Mr. John J.D. Sy retired as a non-executive director on 4th March, 2011.

Bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group for the fifteen months ended 31st December, 2012, four (twelve months ended 30th September, 2011: four) were directors of the Company whose emoluments are set out above. The emoluments of the remaining one (twelve months ended 30th September, 2011: one) individual were as follows:

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Basic salaries and other allowances	**199**	247
Bonus	**829**	434
Retirement benefit scheme contributions	**1**	2
Share-based payments	**(110)**	240
	919	923

11. Directors' Emoluments and Employees' Emoluments (continued)

(b) Employees' emoluments (continued)

Their emoluments were within the following bands:

	1.10.2011 to 31.12.2012 Number of employees	1.10.2010 to 30.9.2011 Number of employees
HK$7,000,001 to HK$8,000,000	**1**	1

No emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during current period and prior year. None of the directors has waived any emoluments during current period and prior year.

12. Dividends

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Dividends recognised as distribution during the period/year:		
2012 Second interim dividend of HK$0.65 per share (2011: Nil)	**138,320**	–
2012 First interim dividend of HK$0.35 per share (2011: 2011 Interim dividend of HK$0.34 per share)	**74,380**	72,018
2011 Final dividend of HK$0.56 per share (2011: 2010 Final dividend of HK$0.56 per share)	**119,084**	118,555
	331,784	190,573

The directors recommend the payment of a final dividend of HK$0.25 per share for the fifteen months ended 31st December, 2012. The proposed dividend of approximately HK$412,232,000 will be paid on or before 17th June, 2013 to those shareholders whose names appear on the Company's register of members on 10th June, 2013.

This proposed dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

13. Earnings per Share

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

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Earnings:		
Profit for the period/year attributable to owners of the Company for the purpose of basic earnings per share	**623,701**	449,829
Effect of dilutive potential ordinary shares:		
Finance costs on convertible bonds (net of income tax)	**1,856**	13,261
Fair value changes on derivative embedded in convertible bonds	**–**	(24,768)
Profit for the period/year attributable to owners of the Company for the purpose of diluted earnings per share	**625,557**	438,322

	1.10.2011 to 31.12.2012	1.10.2010 to 30.9.2011
Number of shares:		
Number of ordinary shares in issue during the period/year, for the purpose of basic earnings per share	**1,648,928,486**	1,648,928,486
Effect of dilutive potential ordinary shares:		
USD Call Option 2011	**6,513,488**	78,504,672
USD Call Option 2015	**92,247,920**	92,247,920
Convertible bonds	**6,096,624**	73,480,373
Number of ordinary shares in issue during the period/year, for the purpose of diluted earnings per share	**1,753,786,518**	1,893,161,451

note: The computation of diluted earnings per share for the fifteen months ended 31st December, 2012 and twelve months ended 30th September, 2011 do not assume the exercise of share options of Pou Sheng because the exercise price of those options was higher than the average market price of Pou Sheng's shares in the respective period/year.

14. Investment Properties

	US$'000
FAIR VALUE	
At 1st October, 2010	59,746
Fair value changes recognised in other comprehensive income	692
Fair value changes recognised in profit or loss	6,955
Transfer from property, plant and equipment (Note 15)	1,783
Transfer to property, plant and equipment (Note 15)	(19,069)
Disposals	(8,638)
At 30th September, 2011	41,469
Fair value changes recognised in profit or loss	390
Transfer from property, plant and equipment (Note 15)	431
At 31st December, 2012	42,290

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

As at 31st December, 2012, the fair value of the Group's investment properties situated in the PRC of US$30,318,000 (30.9.2011: US$30,319,000) has been arrived at on the basis of a valuation carried out as of that date by Knight Frank Petty Limited ("Knight Frank"), independent qualified professional valuers not connected with the Group, by reference to recent market prices for similar properties.

14. Investment Properties (continued)

As at 31st December, 2012, the fair value of the Group's investment properties situated in the USA of US$11,972,000 (30.9.2011: US$11,150,000) has been determined by the directors of the Company by reference to recent market prices for similar properties. No valuation has been performed by independent qualified professional valuers.

	31.12.2012	30.9.2011
	US$'000	US$'000
The carrying value of investment properties shown above comprises properties situated on:		
– long-term leases or land use rights in the PRC	**1,191**	1,395
– medium-term land use rights in the PRC	**29,127**	28,924
– freehold land in the USA	**11,972**	11,150
	42,290	41,469

As at 31st December, 2012, the Group had not obtained the formal land use rights for certain of its investment properties, the carrying value of which at that date was approximately US$4.2 million (30.9.2011: US$5.4 million). In the opinion of the directors, the absence of formal title to these land use rights does not impair their carrying value to the Group as the Group has paid substantially the full purchase consideration of these land interests and the probability of being evicted on the ground of an absence of formal title is remote.

15. Property, Plant and Equipment/Deposits Paid for Acquisition of Property, Plant and Equipment

(a) Property, plant and equipment

	Buildings US$'000 (note i)	Freehold land US$'000	Land and buildings US$'000 (notes i, ii & iii)	Hotel properties US$'000	Construction in progress US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
COST OR VALUATION										
At 1st October, 2010	1,000,726	4,496	85,974	14,264	105,354	1,165,619	326,349	175,057	33,377	2,911,216
Exchange realignment	3,205	–	316	–	–	9	3,205	715	116	7,566
Additions	62,357	–	–	14	160,723	183,114	36,693	36,043	7,807	486,751
Acquired on acquisition of subsidiaries	2,522	–	–	–	–	1,432	3,001	404	369	7,728
Reclassification	76,980	–	–	–	(76,980)	–	–	–	–	–
Disposals	(1,231)	–	(1,887)	(14)	–	(42,271)	(28,188)	(11,669)	(3,805)	(89,065)
Transfer to investment properties (Note 14)	(1,894)	–	–	–	–	–	–	–	–	(1,894)
Transfer from investment properties (Note 14)	–	–	19,069	–	–	–	–	–	–	19,069
Reclassified as held for sale (Note 33)	(30,288)	–	–	(14,264)	(52,990)	–	(5,324)	(219)	(118)	(103,203)
At 30th September, 2011	1,112,377	4,496	103,472	–	136,107	1,307,903	335,736	200,331	37,746	3,238,168
Exchange realignment	1,842	–	249	–	16	945	3,221	1,074	134	7,481
Additions	21,417	–	–	–	82,298	117,792	50,459	28,792	4,595	305,353
Acquired on acquisition of subsidiaries and business (Note 45)	–	–	–	–	–	–	11,147	1,083	58	12,288
Acquired on acquisition of assets through acquisition of subsidiaries (Note 46)	33,020	–	–	–	–	–	–	–	–	33,020
Reclassification	168,867	–	–	–	(168,867)	–	–	–	–	–
Transfer to investment properties (Note 14)	–	–	(541)	–	–	–	–	–	–	(541)
Disposals	(2,138)	–	–	–	(588)	(74,916)	(38,914)	(13,701)	(2,746)	(133,003)
At 31st December, 2012	**1,335,385**	**4,496**	**103,180**	**–**	**48,966**	**1,351,724**	**361,649**	**217,579**	**39,787**	**3,462,766**
Comprising:										
At cost	1,335,385	4,496	67,667	–	48,966	1,351,724	361,649	217,579	39,787	3,427,253
At valuation — 1995	–	–	35,513	–	–	–	–	–	–	35,513
	1,335,385	4,496	103,180	–	48,966	1,351,724	361,649	217,579	39,787	3,462,766
DEPRECIATION										
At 1st October, 2010	249,959	–	19,893	7,383	–	684,445	148,682	111,631	21,168	1,243,161
Exchange realignment	149	–	41	–	–	3	2,813	368	59	3,433
Provided for the year	41,200	–	2,384	599	–	102,005	34,296	23,690	4,375	208,549
Eliminated on transfer to investment properties (Note 14)	(111)	–	–	–	–	–	–	–	–	(111)
Eliminated on disposals	(665)	–	(619)	(15)	–	(32,323)	(12,475)	(8,221)	(2,594)	(56,912)
Reclassified as held for sale (Note 33)	(1,530)	–	–	(7,967)	–	–	(269)	(118)	(65)	(9,949)
At 30th September, 2011	289,002	–	21,699	–	–	754,130	173,047	127,350	22,943	1,388,171
Exchange realignment	373	–	33	–	–	406	2,322	667	59	3,860
Provided for the period	61,734	–	2,965	–	–	142,133	55,163	28,466	5,166	295,627
Eliminated on transfer to investment properties (Note 14)	–	–	(110)	–	–	–	–	–	–	(110)
Eliminated on disposals	(312)	–	–	–	–	(58,409)	(25,778)	(12,469)	(2,428)	(99,396)
At 31st December, 2012	**350,797**	**–**	**24,587**	**–**	**–**	**838,260**	**204,754**	**144,014**	**25,740**	**1,588,152**
CARRYING VALUE										
At 31st December, 2012	**984,588**	**4,496**	**78,593**	**–**	**48,966**	**513,464**	**156,895**	**73,565**	**14,047**	**1,874,614**
At 30th September, 2011	823,375	4,496	81,773	–	136,107	553,773	162,689	72,981	14,803	1,849,997

15. Property, Plant and Equipment/Deposits Paid for Acquisition of Property, Plant and Equipment (continued)

(a) Property, plant and equipment (continued)

notes:

(i) As at 31st December, 2012, the Group had not obtained the formal land use rights and building ownership certificates for certain of the properties included in buildings and land and buildings above, the carrying values of which at that date were approximately US$104.0 million (30.9.2011: US$119.6 million) and US$4.9 million (30.9.2011: US$5.1 million), respectively. In the opinion of the directors, the absence of formal title to these land use rights and building ownership certificates do not impair their carrying value to the Group as the Group has paid substantially the full purchase consideration of these land interests and buildings and the probability of being evicted on the ground of an absence of formal title is remote.

(ii) As at 31st December, 2012, certain of the Group's properties included in land and buildings were carried at their 1995 valuation less subsequent depreciation. If such properties had not been revalued in 1995, the carrying value of these land and buildings would have been US$23,749,000 (30.9.2011: US$24,637,000) instead of US$23,259,000 (30.9.2011: US$24,147,000).

(iii) In the opinion of the directors, the land and building element of certain of properties held by the Group cannot be allocated reliably. Accordingly they are presented on a combined basis as land and buildings as above. As at 31st December, 2012, the carrying value of such properties situated in the PRC was approximately US$78,593,000 (30.9.2011: US$81,773,000).

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

Property, plant and equipment, other than construction in progress, are depreciated at the following rates per annum:

Land and buildings and Buildings	Over 20 years to 50 years, or the lease terms of the relevant land whichever is shorter	(straight-line method)
Freehold land	Nil	
Hotel properties	3.3%–15%	(straight-line method)
Plant and machinery	5%–15%	(straight-line method)
Leasehold improvements	10%–50%	(reducing balance method)
Furniture, fixtures and equipment	20%–30%	(reducing balance method)
Motor vehicles	20%–30%	(reducing balance method)

15. Property, Plant and Equipment/Deposits Paid for Acquisition of Property, Plant and Equipment (continued)

(a) Property, plant and equipment (continued)

	31.12.2012	30.9.2011
	US$'000	US$'000
The carrying value of the properties shown above comprises properties situated on:		
Land or land use rights under long-term leases in		
– PRC	**3,940**	2,288
– Indonesia	**218,599**	202,219
Land or land use rights under medium-term leases in		
– Hong Kong	**1,232**	1,295
– PRC	**582,280**	469,620
– Vietnam	**243,112**	216,588
– Mexico	**2,401**	2,170
– Bangladesh	**11,617**	10,968
Freehold land in Mexico	**4,496**	4,496
	1,067,677	909,644

(b) Deposits paid for acquisition of property, plant and equipment

Details of the related capital commitments are set out in Note 50.

16. Prepaid Lease Payments

	31.12.2012	30.9.2011
	US$'000	US$'000
The Group's prepaid lease payments comprise leasehold land held under:		
Long-term leases or land use rights in		
– PRC	**6,144**	1,243
– Indonesia	**31,482**	31,483
Medium-term leases or land use rights in		
– PRC	**112,473**	122,923
– Vietnam	**36,982**	38,754
	187,081	194,403
Analysed for reporting purposes as:		
Current asset	**5,428**	5,403
Non-current asset	**181,653**	189,000
	187,081	194,403

The Group has acquired various interests in land in the PRC, Indonesia and Vietnam and erected buildings thereon. As of 31st December, 2012, the Group had not obtained the formal title to certain of these land interests, the carrying value of which at that date was approximately US$22.5 million (30.9.2011: US$22.6 million). In the opinion of the directors, the absence of formal title to these land interest does not impair their carrying value to the Group as the Group has paid substantially the full purchase consideration of these land interests and the probability of being evicted on the ground of an absence of formal title is remote.

As at 30th September, 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.

17. Intangible Assets

	Customer relationship US$'000	Brandnames US$'000	Licensing agreements US$'000	Non-compete agreements US$'000	Total US$'000
COST					
At 1st October, 2010	4,429	32,408	–	39,670	76,507
Acquired on acquisition of subsidiaries (Note 45)	–	37,501	–	4,569	42,070
Exchange realignment	200	3,154	–	1,996	5,350
At 30th September, 2011	4,629	73,063	–	46,235	123,927
Acquired on acquisition of subsidiaries and business (Note 45)	3,775	–	9,911	23,605	37,291
Exchange realignment	166	1,936	232	1,548	3,882
At 31st December, 2012	**8,570**	**74,999**	**10,143**	**71,388**	**165,100**
AMORTISATION AND IMPAIRMENT					
At 1st October, 2010	675	–	–	5,220	5,895
Provided for the year	551	–	–	5,195	5,746
Exchange realignment	44	–	–	360	404
At 30th September, 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 31st December, 2012	2,470	4,785	1,099	22,715	31,069
CARRYING VALUE					
At 31st December, 2012	**6,100**	**70,214**	**9,044**	**48,673**	**134,031**
At 30th September, 2011	3,359	73,063	–	35,460	111,882

17. Intangible Assets (continued)

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 (as defined in Note 30). Addition of the Group's intangible assets during the twelve months ended 30th September, 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 45.

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 (as defined in Note 30) 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 31st December, 2012, the Group recognised an impairment loss of US$8,485,000 (twelve months ended 30th September, 2011: Nil) in relation to the brandnames and the non-compete agreements arising on acquisition of certain retail business that operate in chains of retails stores in Northern China, for the worse than expected operating results of the relevant CGU of the Retailing Business due primarily to difficulties arising from excessive inventory and fierce competitions in the region. This, combined with the arising 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 19.

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 19.

18. Goodwill

	US$'000
COST	
At 1st October, 2010	218,607
Arising on acquisition of subsidiaries (Note 45)	14,604
At 30th September, 2011	233,211
Arising on acquisition of subsidiaries and business (Note 45)	40,751
At 31st December, 2012	**273,962**

Particulars regarding impairment testing on goodwill are disclosed in Note 19.

19. Impairment Testing on Goodwill and Intangible Assets

For the purposes of impairment testing of goodwill, the carrying value of goodwill with indefinite useful lives as detailed in Note 18 have been allocated to three groups of CGUs, as follows:

	Goodwill	
	31.12.2012	30.9.2011
	US$'000	US$'000
Manufacture and marketing of footwear materials ("Unit A")	**182,127**	182,127
Manufacture and marketing of sports apparel ("Unit B")	**5,724**	5,724
Retailing Business – Retail sales of footwear and apparel ("Unit C")	**86,111**	45,360
	273,962	233,211

Management of the Group determined that there were no impairment in any of its CGUs containing goodwill during the fifteen months ended 31st December, 2012 and for the twelve months ended 30th September, 2011. The basis of the recoverable amounts of the above CGUs and their principal underlying assumptions are summarised below.

For the purposes of impairment testing of intangible assets, intangible assets of the Group as set out in Note 17 are allocated to individual CGUs of Unit C, which consist of the chains of stores in Northern China, Zhejiang Province, Hebei Province and Liaoning Province, the PRC, that are expected to benefit from the intangible assets to generate future economic benefits.

19. Impairment Testing on Goodwill and Intangible Assets (continued)

As set out in Note 17, for the worse than expected operating results of the chains of stores in Northern China, an impairment loss amounting to US$8,485,000 has been made in respect of its brandnames and non-compete agreements during the fifteen months ended 31st December, 2012. No impairment on intangible assets was recognised during the twelve months ended 30th September, 2011.

The recoverable amounts of the above CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rates of 15%, 15% and 14% (30.9.2011: 15%, 15% and 14%) for Unit A, Unit B and Unit C respectively. The cash flows for the next five years are extrapolated using a steady growth rate of 2%, 4% and 3% (30.9.2011: 2%, 4% and 3%) for Unit A, Unit B and Unit C respectively. These growth rates are based on the forecasts of the relevant industries and do not exceed their average long-term growth rate. Other key assumptions for the value in use calculations included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the units' historical performance and management's expectation of the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amounts of Unit A, Unit B and Unit C to fall below their respective carrying amounts.

20. Investments in Associates

	31.12.2012 **US$'000**	30.9.2011 US$'000
Cost of investments in associates (note i):		
Listed in Hong Kong	**52,647**	52,647
Listed in Taiwan	**88,053**	88,053
Unlisted	**118,727**	120,172
Share of post-acquisition profits and reserves, net of dividends received	**153,233**	123,605
Less: impairment losses (note ii)	**(1,500)**	(1,800)
	411,160	382,677
Fair value of listed investments	**192,842**	158,913

Details of the Group's principal associates at 31st December, 2012 and 30th September, 2011 are set out in Note 56.

20. Investments in Associates (continued)

notes:

(i) Included in cost of investments is goodwill of US$81,785,000 (30.9.2011: US$81,785,000) and the movements thereon are as follows:

	US$'000
COST	
At 1st October, 2010, 30th September, 2011 and 31st December, 2012	81,785

(ii) During the fifteen months ended 31st December, 2012, impairment losses of US$3,040,000 (twelve months ended 30th September, 2011: US$500,000) were made in respect of the Group's interests in certain associates of which US$3,040,000 (twelve months ended 30th September, 2011: Nil) made during the period have been derecognised upon the completion of the disposal of the associates 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 their anticipated disposals after the end of the respective reporting periods.

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

	31.12.2012 US$'000	30.9.2011 US$'000
Total assets	**2,353,412**	2,362,650
Total liabilities	**(1,175,956)**	(1,312,261)
Net assets	**1,177,456**	1,050,389
The Group's share of net assets of associates	**330,875**	302,692

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Turnover	**3,769,945**	2,911,585
Profit for the period/year	**203,996**	108,482
The Group's share of results of associates for the period/year	**58,702**	35,355

20. Investments in Associates (continued)

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of results of these associates, extracted from the relevant management accounts of the associates, for the period/year and cumulatively, are as follows:

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Unrecognised share of losses (profits) of associates for the period/year	**107**	(70)

	31.12.2012 US$'000	30.9.2011 US$'000
Accumulated unrecognised share of losses of associates	**5,460**	5,353

21. Amounts due from Associates

Included in the balance are loans of US$2,407,000 (30.9.2011: US$7,536,000) receivable from associates which are secured by the equity interests in relevant associates held by the other majority shareholders. These loans have no fixed repayment terms and they carry interest at the lending rate quoted by the People's Bank of China ("PBOC").

The other amounts included in the balance are unsecured, interest-free and have no fixed repayment terms.

Before offering any new loans to associates, the Group assesses the associates' credit quality 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 quality. At 30th September, 2011 and 31st December, 2012, the loans were neither past due nor impaired.

During the fifteen months ended 31st December, 2012, impairment losses of US$1,366,000 (twelve months ended 30th September, 2011: nil) were made in profit or loss in respect of the Group's loan to an associate.

All the amounts are not expected to be repaid within one year and are therefore classified as non-current.

22. Investments in Jointly Controlled Entities/Deposit Paid for Acquisition of the Remaining Interest in a Jointly Controlled Entity

	31.12.2012	30.9.2011
	US$'000	US$'000
Cost of unlisted investments in jointly controlled entities (note i)	**247,828**	194,907
Share of post-acquisition profits and reserves, net of dividends received	**184,468**	161,640
Less: impairment losses (note ii)	**(8,099)**	(4,394)
	424,197	352,153
Deposit paid for acquisition of the remaining interest in a jointly controlled entity (note iii)	**–**	1,219

Details of the Group's principal jointly controlled entities at 31st December, 2012 and 30th September, 2011 are set out in Note 57.

notes:

(i) Included in cost of investments is goodwill of approximately US$11,327,000 (30.9.2011: US$11,507,000) and the movements thereon are as follows:

	US$'000
COST	
At 1st October, 2010	11,980
Adjustment to cost of acquisition (note)	(473)
At 30th September, 2011	11,507
Derecognised on disposal of a jointly controlled entity	(180)
At 31st December, 2012	**11,327**

note: This represents an adjustment to the acquisition of a jointly controlled entity in a prior year following compensation to the Group because the financial performance of that jointly controlled entity did not meet the specified level.

22. Investments in Jointly Controlled Entities/Deposit Paid for Acquisition of the Remaining Interest in a Jointly Controlled Entity (continued)

notes: (continued)

(ii) During the fifteen months ended 31st December, 2012, impairment losses of US$6,305,000 (twelve months ended 30th September, 2011: US$1,500,000) were made in respect of the Group's interest in certain jointly controlled entities which the Group expected to dispose of after the end of the reporting period, 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 33. 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.

(iii) The entire amount as at 30th September, 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 28(a)) 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 28(a). The principal activities of Zhanxin are retailing of sportswear and sports footwear in the PRC. The acquisition was completed during the period, further details of which are set out in Note 45.

(iv) During the fifteen months ended 31st December, 2012, the Group recognised loss on disposal of certain jointly controlled entities of approximately US$1,150,000 upon the disposal of these jointly controlled entities during the period, calculated as the difference between the net disposal proceeds and the carrying amounts of the jointly controlled entities.

During the twelve months ended 30th September, 2011, the Group disposed of a jointly controlled entity at a consideration approximated to its then carrying amount of US$2,182,000 and no gain or loss on disposal is recognised in the consolidated income statement for the year.

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

	31.12.2012 **US$'000**	30.9.2011 US$'000
Current assets	**638,312**	634,115
Non-current assets	**294,645**	273,689
Current liabilities	**(401,150)**	(408,691)
Non-current liabilities	**(53,375)**	(98,822)
Non-controlling interests	**(57,463)**	(55,251)

22. Investments in Jointly Controlled Entities/Deposit Paid for Acquisition of the Remaining Interest in a Jointly Controlled Entity (continued)

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Income recognised in profit or loss	**1,199,553**	981,821
Expenses recognised in profit or loss	**(1,144,221)**	(954,647)
Profit for the period/year	**55,332**	27,174

23. Amounts due from Jointly Controlled Entities

Included in the balance are loans of US$30,491,000 (30.9.2011: US$45,878,000) receivable from certain jointly controlled entities which are secured by the equity interests in the relevant jointly controlled entities held by the other joint venture partners, interest bearing at the quoted lending rate of PBOC and have no fixed terms of repayment.

The other amounts included in the balance are unsecured, interest-free and have no fixed repayment terms.

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 30th September, 2011 and 31st December, 2012, the loans were neither past due nor impaired.

All the amounts are not expected to be repaid within one year and are therefore classified as non-current.

24. Long-Term Loan Receivables

	31.12.2012	30.9.2011
	US$'000	US$'000
The loan receivables are expected to be repayable as follows:		
Within one year	**8,700**	27,284
More than one year, but not exceeding two years	**827**	7,506
More than two years, but not exceeding three years	**–**	805
	9,527	35,595
Less: amount due within one year shown under current assets (Note 32)	**(8,700)**	(27,284)
Amount due after one year	**827**	8,311
Analysed as:		
Secured	**7,874**	9,046
Unsecured	**1,653**	26,549
	9,527	35,595

These related to loan receivables due from certain former jointly controlled entities which carry variable interests ranging from 5.31% to 6.67% per annum.

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.

25. Convertible Note Receivable

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

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

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

Subsequent to initial recognition, the debt component is carried at amortised cost. The effective interest rate of the debt component is 14.5% per annum.

Derivative component is measured at fair value using the Binomial Option Pricing Model at the end of the reporting period. The key inputs into the model at date of subscription and at 31st December, 2012 are set out below.

	Date of subscription	**31.12.2012**
Share price of Luen Thai	HK$0.98	HK$1.17
Expected volatility	49%	49%
Risk free rate	0.28%	0.04%
Option life	2 years	1.14 years
Expected dividend yield	8%	8%

25. Convertible Note Receivable (continued)

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

	Debt component US$'000	Derivative component US$'000	Total US$'000
At date of subscription	4,016	584	4,600
Effective interest income	331	–	331
Coupon interest received	(25)	–	(25)
Change in fair value	–	352	352
At 31st December, 2012	**4,322**	**936**	**5,258**

26. Available-for-sale Investments

Available-for-sale investments comprise:

	31.12.2012 US$'000	30.9.2011 US$'000
Listed investments:		
– Equity securities listed in Hong Kong	**16,458**	12,538
– Equity securities listed overseas	**5,765**	6,139
	22,223	18,677
Unlisted investments:		
– Private entities	**1,269**	1,269
– Funds	**–**	11,951
	1,269	13,220
	23,492	31,897
Analysed for reporting purpose as:		
Non-current assets	**23,492**	30,959
Current assets	**–**	938
	23,492	31,897

26. Available-for-sale Investments (continued)

All the listed investments are stated at their fair value, determined by reference to bid prices quoted in active markets.

The unlisted private entities are equity issued by private entities incorporated overseas. The unlisted funds represent units in investment funds managed by financial institutions. The underlying assets of the funds comprise unlisted bonds issued by banks in the PRC and corporate entities.

All of the unlisted investments are 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 of the Company are of the opinion that their fair values could not be measured reliably.

During the fifteen months ended 31st December, 2012, certain unlisted equity funds with carrying amount of US$13,799,000 (twelve months ended 30th September, 2011: US$8,227,000) were matured, which were previously carried at cost less impairment. No gain or loss was recognised in profit or loss. In addition, during the twelve months ended 30th September, 2011, one of the private entities experienced significant financial difficulties and an impairment loss of US$100,000 was recognised in the consolidated income statement.

The management considered that the available-for-sale investments as at the end of the reporting period are held for strategic purpose and are not to be disposed of in the foreseeable future, except for an unlisted fund of approximately US$938,000 as at 30th September, 2011 which was mature within one year from the end of the reporting period.

The available-for-sale investments that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2012 **US$'000**	30.9.2011 US$'000
Hong Kong dollars ("HKD")	**16,458**	12,538
New Taiwan dollars ("NTD")	**5,765**	17,152
Renminbi ("RMB")	**–**	938
	22,223	30,628

27. Investments Held for Trading

Investments held for trading include:

	31.12.2012	30.09.2011
	US$'000	US$'000
Unlisted overseas funds	**9,024**	–

At the end of the reporting period, the held for trading investments are carried at their fair values determined by reference to prices provided by the respective issuing financial institutions.

28. Derivative Financial Instruments

		31.12.2012		30.9.2011	
		Assets	**Liabilities**	Assets	Liabilities
	notes	**US$'000**	**US$'000**	US$'000	US$'000
Derivatives:					
Non-current:					
JV Call Options	(a)	**–**	**–**	22,363	–
Derivative embedded in Convertible Note (Note 25)		**936**	**–**	–	–
		936	**–**	22,363	–
Current:					
HKD Call Option	(b)	**–**	**–**	3	–
Foreign currency derivatives	(c)	**2,897**	**92**	223	13,349
		2,897	**92**	226	13,349
		3,833	**92**	22,589	13,349

28. Derivative Financial Instruments (continued)

notes:

(a) JV Call Options

	31.12.2012	30.9.2011
	US$'000	US$'000
Derivative financial assets:		
Call options for acquisition of additional interests in subsidiaries, associates and jointly controlled entities	–	22,363

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

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

Pursuant to the JV Call Options agreements, each of the Relevant Partners has agreed not to transfer or dispose of the Relevant Equity Interests during the JV Call Options exercisable period without the Group's prior written consent. Furthermore, the consideration for acquiring the Relevant Equity Interests is to be determined based on the actual profit of the Relevant Companies attributable to the Relevant Partners during the pre-determined evaluation periods and the price earnings ratio of Pou Sheng during a specified period and after certain discount agreed between Pou Sheng and the Relevant Partners. The consideration is to be settled by the issue of shares in Pou Sheng at the average price during the same specified period and after deducting the Option Premium paid.

The value of each of the JV Call Options at 30th September, 2011 was valued by Savills 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 45.

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

The remaining unexercised JV Call Options are expiring in December 2013.

28. Derivative Financial Instruments (continued)

notes: (continued)

(b) HKD Call Option

On 10th March, 2008, the Company entered into a derivative contract with an independent third party to purchase a cash-settled call option for the notional amount of approximately HK$2,100 million (equivalent to approximately US$269,231,000) under which the Company has the right, but not the obligation, from time to time on or after 14th March, 2008 up to 7th November, 2011, to require settlement in USD the net difference between the market value of one share of the Company and the agreed price of HK$26.75 per share for each option exercised ("HKD Call Option")

At the issue of the HKD Call Option in March 2008, the initial premium paid of US$27,994,000 was recognised as a derivative financial asset. During the current period, the HKD Call Option lapsed and change in fair value of US$3,000 (twelve months ended 30th September, 2011: US$31,997,000) has been accounted for in the consolidated income statement for the fifteen months ended 31st December, 2012.

(c) Foreign currency derivatives

		31.12.2012		30.9.2011	
		Assets	**Liabilities**	Assets	Liabilities
	notes	**US$'000**	**US$'000**	US$'000	US$'000
Foreign currency derivatives:					
Forward contracts	(i)	**1,025**	**92**	223	–
Currency structured forward contracts	(ii)	**1,600**	**–**	–	13,349
Currency swap	(iii)	**272**	**–**	–	–
		2,897	**92**	223	13,349

(i) Forward contracts

Major terms of foreign currency forward contracts are as below:

Aggregate notional amount	**Maturity**	**Forward exchange rates**
As at 31st December, 2012		
US$72 million	From August 2013 to January 2014	Sell USD/buy RMB at 6.3530 to 6.5000
US$10 million	August 2013	Sell RMB/buy USD at 6.3632
As at 30th September, 2011		
US$11 million	From October 2011 to January 2012	Sell USD/buy RMB at 6.5104 to 6.5454

At the end of the reporting period, the fair values of the above forward contracts were determined based on valuations provided by counterparty banks using valuation techniques.

28. Derivative Financial Instruments (continued)

notes: (continued)

(c) Foreign currency derivatives (continued)

(ii) Currency structured forward contracts

The Group has entered into a number of USD/RMB structured forward contracts in which the Group is able to sell USD/buy RMB on a monthly basis at more favorable exchange rates than the market plain forward rates or spot rates prevailing on the trade dates of the transactions, or receive fixed or variable USD amounts per month, under certain RMB exchange rate scenario. However, the Group is obligated to sell USD/buy RMB for certain specified amounts at pre-determined exchange rates which are less favorable than the then prevailing market spot rates on settlements under certain scenario of depreciation of RMB against USD. As at 31st December, 2012, the Group has outstanding USD/RMB structured forward contracts which cover monthly settlements up to October 2014. However, there are also knock out features for certain contracts under which the contracts will terminate earlier under certain conditions.

At the end of the reporting period, the fair values of the above currency structured forward contracts were determined based on valuation provided by the counterparty banks using valuation techniques.

(iii) Currency swaps

The Group has entered into a number of currency swap contracts in which the Group receives a pre-determined fixed amount in USD. However, the Group is obligated to sell certain specified amount of USD in exchange for RMB at pre-determined exchange rates which are less favorable than the then prevailing market spot rates on settlements under certain scenario of depreciation of RMB against USD.

At the end of the reporting period, the fair values of the above currency swaps were determined based on valuation provided by the counterparty bank using valuation techniques.

29. Pledged Bank Deposits/Bank Balances and Cash

The pledged bank deposits at 30th September, 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 and short-term bank deposits are interest-bearing at market interest rate and are with an original maturity of three months or less. The bank deposits carry interest at rates ranged from 0.01% to 3.75% (twelve months ended 30th September 2011: 0.01% to 3.30%) per annum during the period.

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

	31.12.2012	30.9.2011
	US$'000	US$'000
USD	**44,079**	25,884
RMB	**232,321**	222,484
HKD	**12,735**	13,817
NTD	**1,830**	2,885
Vietnamese Dong ("VND")	**15,260**	5,146
Indonesian Rupiah ("IDR")	**14,253**	10,838
	320,478	281,054

30. Deposit Paid for Proposed Acquisition of a Business

On 30th September, 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 the 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 Pendga Business was completed during the current period. Further details are set out in Note 45.

31. Inventories

	31.12.2012 US$'000	30.9.2011 US$'000
Raw materials	**262,538**	338,038
Work in progress	**155,417**	156,398
Finished goods	**789,832**	593,459
	1,207,787	1,087,895

32. Trade and Other Receivables

	31.12.2012 US$'000	30.9.2011 US$'000
Trade and bills receivables	**973,715**	786,946
Less: allowance for doubtful debts	**(14,202)**	(4,867)
	959,513	782,079
Other receivables (note)	**150,927**	156,379
Rental deposits, unamortised mould costs and prepayments	**109,364**	119,719
Deposits paid to suppliers	**20,827**	33,532
Value-added tax recoverable	**61,824**	25,679
Loan receivables (Note 24)	**8,700**	27,284
Consideration receivable for disposal of subsidiaries	**–**	7,397
Consideration receivable for disposal of property	**6,580**	–
	1,317,735	1,152,069

note: Included in other receivables are amounts due from associates, jointly controlled entities and connected parties of US$22,055,000 (30.9.2011: US$22,804,000) , US$8,901,000 (30.9.2011: US$15,246,000) and US$7,285,000 (30.9.2011: US$7,904,000), respectively. The amounts relate to current accounts which are unsecured, non-interest bearing and repayable on demand. The remaining balance represents mainly the deposits paid for other purchases and advances to suppliers for purchase of materials.

32. Trade and Other Receivables (continued)

The Group allows credit period ranging from 30 days to 90 days which are agreed with each of its trade customers. Included in trade and other receivables are trade and bills receivables, net of allowance for doubtful debts, of US$959,513,000 (30.9.2011: US$782,079,000) and an aged analysis based on invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates, is as follows:

	31.12.2012	30.9.2011
	US$'000	US$'000
0 to 30 days	**661,795**	576,200
31 to 90 days	**283,847**	188,892
Over 90 days	**13,871**	16,987
	959,513	782,079

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 twice a year. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of US$42,545,000 (30.9.2011: US$23,891,000) which were past due at the end of the reporting period but 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. The average age of these receivables is approximately 90 days (30.9.2011: 90 days).

32. Trade and Other Receivables (continued)

Movement in the allowance account for doubtful debts during the period/year are as follows:

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Balance at beginning of the period/year	**4,867**	3,721
Impairment losses recognised on receivables	**9,335**	2,206
Amounts recovered during the period/year	**–**	(1,060)
Balance at end of the period/year	**14,202**	4,867

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$14,202,000 (30.9.2011: US$4,867,000) which have either been placed under liquidation or in severe financial difficulties. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount. The Group does not hold any collateral over these balances.

The trade and other receivables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2012 US$'000	30.9.2011 US$'000
USD	**–**	1,765
RMB	**32,891**	36,628
HKD	**4,210**	10,753
NTD	**2,385**	11,587
VND	**16,408**	24,932
IDR	**2,952**	7,446
	58,846	93,111

33. Disposal Group Held for Sale

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

	31.12.2012	30.9.2011
	US$'000	US$'000
	(note a)	(note b)
Investment in a jointly controlled entity	**1,674**	–
Property, plant and equipment	**–**	93,254
Prepaid lease payments	**–**	4,091
Deposits paid for acquisition of property, plant and equipment	**–**	3,625
Bank balances and cash	**–**	3,755
Total assets classified as held for sale	**1,674**	104,725
Accruals and other payables	**–**	23,550
Bank borrowings	**–**	15,000
Total liabilities associated with assets classified as held for sale	**–**	38,550

notes:

(a) On 30th April, 2012, the Group entered into a sale and purchase agreement with the joint venture partners of a jointly controlled entity, pursuant to which the parties agreed to, amongs other matters, the disposal of the Group's investment in the relevant jointly controlled entity. The Group has recognised an impairment loss of US$1,000,000 during the current period, which was calculated based on the difference 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 current period for the transaction (included in trade and other payables). At the date of this report, the transaction has not yet been completed.

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

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

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

During the current period, the transaction was completed and a gain on disposal of the properties of US$13,492,000 and a gain on disposal of subsidiaries of US$5,761,000 were recognised in profit or loss for the current period. Details of the disposal of subsidiaries are set out in Note 47.

34. Trade and Other Payables

	31.12.2012	30.9.2011
	US$'000	US$'000
Trade and bills payables	**407,168**	537,680
Accrued staff costs and bonus and other accruals	**349,205**	295,318
Other payables (note i)	**227,641**	138,368
Construction payable	**53,776**	53,606
Receipts in advance from customers	**53,584**	42,703
Deposits received for assets classified as held for sale	**1,674**	34,029
Consideration payable for acquisition of subsidiaries	**–**	3,280
Consideration payable for acquisition of an additional interest in subsidiaries (note ii)	**–**	2,698
Royalty payables	**1,497**	1,769
	1,094,545	1,109,451

notes:

(i) Included in other payables are amounts due to associates, jointly controlled entities and connected parties of US$1,871,000 (30.9.2011: US$2,474,000), US$965,000 (30.9.2011: US$1,030,000) and US$22,236,000 (30.9.2011: US$20,913,000), respectively. The amounts relate to current accounts which are unsecured, non-interest bearing and repayable on demand. The remaining balances represented mainly deposits received from customers and value-added tax payables.

(ii) Amount as at 30th September, 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 has been settled during the period.

Included in trade and other payables are trade and bills payables of US$407,168,000 (30.9.2011: US$537,680,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	31.12.2012	30.9.2011
	US$'000	US$'000
0 to 30 days	**285,213**	400,002
31 to 90 days	**102,851**	112,925
Over 90 days	**19,104**	24,753
	407,168	537,680

The credit period on purchases of goods ranged from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

34. Trade and Other Payables (continued)

The trade and other payables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2012	30.9.2011
	US$'000	US$'000
USD	**–**	75
RMB	**91,140**	83,555
HKD	**9,385**	22,589
NTD	**30,094**	25,682
VND	**22,538**	8,953
IDR	**8,985**	9,640
	162,142	150,494

35. Bank Borrowings

	31.12.2012	30.9.2011
	US$'000	US$'000
Current portion of long-term bank borrowings (Note 37)	**378,058**	72,975
Short-term bank borrowings	**356,052**	380,976
Amount classified as current liabilities	**734,110**	453,951

	31.12.2012	30.9.2011
	US$'000	US$'000
Analysed as:		
Secured	**–**	14,227
Unsecured	**734,110**	439,724
	734,110	453,951

As at 30th September, 2011, the above secured borrowings were secured by certain property, plant and equipment and prepaid lease payments. The carrying amount of the assets pledged is disclosed in Notes 15(a) and 16.

35. Bank Borrowings (continued)

The Group's bank borrowings classified as current liabilities are interest bearing as follows:

	31.12.2012 US$'000	30.9.2011 US$'000
Fixed rate borrowings	–	1,251
Variable rate borrowings	734,110	452,700
	734,110	453,951

The Group has variable rate borrowings which carry interest at a premium over London Interbank Offered Rate ("LIBOR"), Hong Kong Interbank Offered Rate ("HIBOR") and prevailing lending rate quoted by PBOC.

The range of effective interest rates on the Group's bank borrowings classified as current liabilities during the period/year are as follows:

	1.10.2011 to 31.12.2012	1.10.2010 to 30.9.2011
Effective interest rate:		
Fixed rate borrowings	6.08%	6.08%
Variable rate borrowings	1.00% to 8.24%	1.00% to 7.63%

The above borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2012 US$'000	30.9.2011 US$'000
USD	91,750	53,998
HKD	51,620	–
	143,370	53,998

36. Convertible Bonds

(i) Convertible bonds

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

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

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

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

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

The movement of the liability component of the CB 2011 during the period/year is set out below:

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
At the beginning of the period/year	**283,377**	268,649
Effective interest expenses	**2,223**	15,882
Redemption of CB 2011	**(286,043)**	–
Exchange difference	**443**	(1,154)
At the end of the period/year	**–**	283,377

During the fifteen months ended 31st December, 2012, the effective interest rate of CB 2011 was 5.93% (twelve months ended 30th September, 2011: 5.93%).

36. Convertible Bonds (continued)

(ii) Derivative financial instruments

The movement of the derivatives embedded in the CB 2011 during the period/year is set out below:

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Derivatives embedded in CB 2011:		
At the beginning of the period/year	–	24,822
Exchange realignment	–	(54)
Change in fair value	–	(24,768)
At the end of the period/year	–	–

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

The inputs used in the Monis Model adopted by the management in determining the fair values of the derivatives embedded in CB 2011 at 30th September, 2011 were as follows:

	30.9.2011
Share price	HK$20.35
Exercise price	HK$26.75
Expected dividend yield	4.4%
Volatility	33%

37. Long-Term Bank Borrowings

	31.12.2012	30.9.2011
	US$'000	US$'000
The long-term bank borrowings are unsecured and repayable:		
Within one year	**378,058**	72,975
In more than one year, but not exceeding two years	**364,895**	376,370
In more than two years, but not exceeding three years	**–**	38,750
	742,953	488,095
Less: Amount due within one year included in current liabilities (Note 35)	**(378,058)**	(72,975)
Amount due after one year	**364,895**	415,120

notes:

(i) The above borrowings that are denominated in currencies other than the functional currency of the relevant group entity are set out below:

	31.12.2012	30.9.2011
	US$'000	US$'000
USD	**14,247**	–
HKD	**260,648**	51,620
	274,895	51,620

(ii) All long term borrowing are variable rate borrowings and the borrowings carry interest at a premium over LIBOR, HIBOR and the prevailing lending rate quoted by PBOC. Interest is recalculated every six months.

The ranges of effective interest rates on the Group's long-term bank borrowing during the period/year are as follows:

	1.10.2011 to	1.10.2010 to
	31.12.2012	30.9.2011
	US$'000	US$'000
Effective interest rate:		
Variable rate borrowings	**0.91% to 1.63%**	0.94% to 2.26%

38. Deferred Taxation

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

	Accelerated tax depreciation US$'000	Revaluation of investment properties US$'000	Undistributed earnings of PRC and overseas entities US$'000 (note)	Fair value adjustments of intangible assets on business combinations US$'000	Tax losses US$'000	Total US$'000
At 1st October, 2010	3,538	2,903	4,458	17,237	(2,293)	25,843
(Credited) charged to profit or loss	(267)	725	(272)	(1,537)	315	(1,036)
Charged to equity for the year	–	173	–	–	–	173
Acquired on acquisition of subsidiaries (note 45)	–	–	–	10,517	–	10,517
At 30th September, 2011	3,271	3,801	4,186	26,217	(1,978)	35,497
Charged (credited) to profit or loss	1,291	–	(1,281)	(4,642)	(1,760)	(6,392)
Acquired on acquisition of subsidiaries (note 45)	–	–	–	9,323	–	9,323
Exchange realignment	–	–	532	2,610	(313)	2,829
At 31st December, 2012	**4,562**	**3,801**	**3,437**	**33,508**	**(4,051)**	**41,257**

note: These entities include subsidiaries, associates and jointly controlled entities.

38. Deferred Taxation (continued)

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

	31.12.2012 US$'000	30.9.2011 US$'000
Deferred tax assets	**(4,051)**	(1,978)
Deferred tax liabilities	**45,308**	37,475
	41,257	35,497

At 31st December 2012, the Group had unused tax losses of approximately US$272.7 million (30.9.2011: US$164.0 million). A deferred tax asset has been recognised in respect of such tax losses of approximately US$16.2 million (30.9.2011: US$7.9 million). No deferred tax asset has been recognised in respect of the remaining tax losses of US$256.5 million (30.9.2011: US$156.1 million) due to the unpredictability of future profit streams.

Deferred taxation has not been provided in respect of certain undistributed earnings of the Group's PRC and overseas subsidiaries, associates and jointly controlled entities arising after 1st January, 2008, because 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.

At 31st December, 2012, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax was approximately US$253.1 million (30.9.2011: US$246.4 million).

Under the relevant laws of Republic of China, withholding tax is also imposed on dividend declared in respect of profits earned by the subsidiaries of the Group. The aggregate amount of temporary differences associated with undistributed earnings of overseas subsidiaries for which deferred tax liabilities have not been recognised was US$4.3 million (30.9.2011: US$11.3 million).

There was no other significant unprovided deferred taxation for the period/year or at the end of the reporting period.

39. Share Capital

	No. of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.25 each		
At 1st October, 2010, 30th September, 2011 and 31st December, 2012	2,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.25 each		
At 1st October, 2010, 30th September, 2011 and 31st December, 2012	1,648,928,486	412,232

	US$'000
Shown in the consolidated financial statements as at 30th September, 2011 and 31st December, 2012	53,211

40. Information on the Financial Position of the Company

	31.12.2012	30.9.2011
	US$'000	US$'000
ASSETS		
Property, plant and equipment	**504**	550
Investments in subsidiaries	**60,832**	60,832
Amounts due from subsidiaries	**2,854,346**	3,258,750
Available-for-sale investments	**14,101**	9,547
Sundry receivables	**1,220**	2,468
Derivative financial instruments	**2,815**	3
Bank balances and cash	**233,417**	104,973
	3,167,235	3,437,123
LIABILITIES		
Sundry payables	**10,338**	2,116
Dividend payable	**138,320**	–
Derivative financial instruments	**92**	13,349
Bank borrowings	**725,768**	530,120
Amounts due to subsidiaries	**835,194**	940,530
Convertible bonds	**–**	283,377
	1,709,712	1,769,492
NET ASSETS	**1,457,523**	1,667,631
CAPITAL AND RESERVES		
Share capital	**53,211**	53,211
Reserves (Note 41)	**1,404,312**	1,614,420
	1,457,523	1,667,631

41. Reserves of the Company

	Share premium US$'000	Contributed surplus US$'000 (note a)	Other reserve US$'000 (note b)	Investment revaluation reserve US$'000	Retained profits US$'000	Total US$'000
At 1st October, 2010	695,536	38,126	43,666	–	552,075	1,329,403
Profit for the year	–	–	–	–	474,538	474,538
Gain on fair value changes of investments	–	–	–	1,052	–	1,052
Dividends (Note 12)	–	–	–	–	(190,573)	(190,573)
At 30th September, 2011	695,536	38,126	43,666	1,052	836,040	1,614,420
Profit for the period	–	–	–	–	117,122	117,122
Realised on expiry of call option	–	–	(25,394)	–	25,394	–
Gain on fair value changes of investments	–	–	–	4,554	–	4,554
Dividends (Note 12)	–	–	–	–	(331,784)	(331,784)
At 31st December, 2012	695,536	38,126	18,272	5,606	646,772	1,404,312

notes:

(a) The contributed surplus of the Company represents the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company under a corporate reorganisation in 1992 and the nominal amount of the Company's shares issued for the acquisition.

(b) Other reserves consist of USD Call Option 2011 and USD Call Option 2015

The total premiums received by the Company for USD Call Option 2011 and USD Call Option 2015 of approximately US$43,666,000 were recognised as equity and presented in reserves as "other reserve".

On 7th November, 2011, the USD Call Option 2011 remained unexercised and lapsed. Accordingly, the premium received by the Company of approximately US$25,394,000 was derecognised and transferred to the retained profits in current period.

Up to 31st December, 2012, the holders of the USD Call Option 2015 had not exercised any of their rights thereof.

42. Share-based Payment Transactions

The Company and Pou Sheng, a listed subsidiary of the Company, operate share incentive schemes, particulars of which are set out below.

(i) Share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27th February, 2009 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 26th February, 2019. Under the Scheme, the board of directors of the Company may at its discretion grant any eligible participant, including inter alia, directors and employees of the Company and its subsidiaries, share options, as it may determine appropriate.

Without prior approval from the Company's shareholders,

(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 twelve-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million (equivalent to US$0.6 million) must be approved in advance by the Company's shareholders.

The exercise price is to be determined by the 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 grants, (ii) the average closing price of the Company's shares for the five business days immediately proceeding the date of grant; and (iii) the nominal value of the Company's share.

No option has been granted, exercised nor lapsed under the Scheme since its adoption.

42. Share-based Payment Transactions (continued)

(ii) Share option scheme of Pou Sheng

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

Without prior approval from Pou Sheng's shareholders,

(i) the total number of shares in respect of which options may be granted under the Pou Sheng Share Option Scheme is not permitted to exceed 10% of the shares of Pou Sheng 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 twelve-month period is not permitted to exceed 1% of the shares of Pou Sheng in issue at any point in time; and

(iii) options in excess of 0.1% of Pou Sheng'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 of Pou Sheng, but in no case after the tenth anniversary of the date of grant. The exercise price is determined by the Board of Directors of Pou Sheng, and will not be less than the highest of (i) the closing price of Pou Sheng's shares on the date of grant; (ii) the average closing price of Pou Sheng's shares for the five business days immediately proceeding the date of grant; and (iii) the nominal value of Pou Sheng's share.

42. Share-based Payment Transactions (continued)

(ii) Share option scheme of Pou Sheng (continued)

The following tables disclose movements in the share options under the Pou Sheng Share Option Scheme during current and prior periods:

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1st October, 2010	Granted during the year	Lapsed/ cancelled during the year	Number of options outstanding at 30th September, 2011	Granted during the period	Lapsed/ cancelled during the period	Number of options outstanding at 31st December, 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 1st October, 2010, 30th September, 2011 and 31st December, 2012				–			7,104,750			24,055,500

42. Share-based Payment Transactions (continued)

(ii) Share option scheme of Pou Sheng (continued)

The fair value of the share options granted on 7th March, 2012, the date of grant, determined using the Binomial Option Pricing Model, was HK$2,592,000 (equivalent to US$333,000). The inputs into the Binomial Option Pricing 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 Pou Sheng's shares immediately before the grant of the share options on 7th March, 2012 was HK$0.99 per share.

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

Pursuant to a resolution passed in Pou Sheng's annual general meeting held on 7th March, 2012, the Pou Sheng Share Option Scheme was amended whereby any unexercised share options will not automatically lapse upon cessation of employment with Pou Sheng, subject to certain conditions. Such amendment is applicable retrospectively to the unexercised share options granted on 21st January, 2010 and 20th January, 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.

42. Share-based Payment Transactions (continued)

(ii) Share option scheme of Pou Sheng (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 21st January, 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

	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 20th January, 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 31st December, 2012, the Group recognised an expense of US$2,012,000 (twelve months ended 30th 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 (twelve months ended 30th September, 2011: US$323,000) in respect of those share options lapsed prior to their vesting dates and the effects of the amendments to the Pou Sheng Share Option Scheme as set out above.

43. 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 net debt, which includes the bank borrowings and convertible bonds (net of cash and cash equivalents) and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider 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 share issues and share repurchases as well as the issue of new debt or the redemption of existing debt.

44. Financial Instruments

a. Categories of financial instruments

	31.12.2012	30.9.2011
	US$'000	US$'000
Financial assets		
Derivative financial instruments	**3,833**	22,589
Loans and receivables (including cash and cash equivalents)	**1,943,262**	1,740,380
Available-for-sale investments	**23,492**	31,897
Investments held for trading	**9,024**	–
Financial liabilities		
Derivative financial instruments	**92**	13,349
Amortised cost	**1,653,648**	1,863,194
Consideration payable for acquisition of business	**17,980**	–

b. Financial risk management objectives and policies

The Group's financial instruments include amounts due from associates, amounts due from jointly controlled entities, long-term loan receivables, available-for-sale investments, derivative financial instruments, investments held for trading, convertible note receivable, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings, consideration payable for acquisition of business and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate 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. There has been no change to the policies on how to mitigate these risks.

44. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

Majority of the Group's turnover are denominated in USD. However, the Group has certain trade payables, bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. In order to mitigate the currency risk, the Group has entered into forward and other foreign currency contracts to hedge USD against RMB and HKD. Details of the contracts are set out in Note 28(c). The Group regularly reviews the effectiveness of these instruments and the underlying strategies in monitoring currency risk.

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than the functional currency of the relevant group entities at the end of the reporting period are as follows:

	Assets		Liabilities	
	31.12.2012	30.9.2011	**31.12.2012**	30.9.2011
	US$'000	US$'000	**US$'000**	US$'000
USD	**44,079**	27,649	**105,997**	54,073
RMB	**265,212**	260,050	**91,140**	83,555
NTD	**9,980**	31,624	**30,094**	25,682
VND	**31,668**	30,078	**22,538**	8,953
IDR	**17,205**	18,284	**8,985**	9,640
HKD	**33,403**	37,108	**321,653**	357,586

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of USD, HKD, RMB and NTD. Since HKD is pegged to USD, the Group does not expect any significant movements in USD/HKD exchange rate.

The management expects the movement in functional currencies of the relevant group entities against the relevant foreign currencies is 5%. These percentages are therefore the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change the other currencies exchange rates respectively.

44. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

The following table details the Group's sensitivity to a 5% (twelve months ended 30th September, 2011: 5%) decrease in the functional currency of the relevant group entities against the relevant foreign currencies. The following sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the period/year end for a 5% change in foreign currency exchange rates. A positive (negative) number below indicates an increase (decrease) in profit before taxation when the currency below strengthen 5% against the functional currencies of the relevant group entities. For a 5% (twelve months ended 30th September, 2011: 5%) weakening of these currency against the functional currency of the relevant group entities, there would be an equal and opposite impact on the profit before taxation.

	notes	**31.12.2012** **US$'000**	30.9.2011 US$'000
(Loss) gain in relation to:			
– USD	(i)	**(3,096)**	(1,321)
– RMB	(i)	**8,704**	8,825
– NTD	(ii)	**(1,006)**	297
– VND	(ii)	**457**	1,056
– IDR	(ii)	**411**	432

notes:

(i) This is mainly attributable to the exposure on bank balances.

(ii) This is mainly attributable to the exposure outstanding on receivables and payables denominated in NTD, VND and IDR.

44. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to amounts due from associates and jointly controlled entities, loan receivables, bank balances and bank borrowings (see Notes 21, 23, 24, 29, 35 and 37 for details respectively) due to the fluctuation of the prevailing market interest rate. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk. The directors consider the Group's exposure of the bank balances to interest rate risk is not significant as interest bearing bank balances are within short maturity period. The management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR, HIBOR and rates quoted by PBOC.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For amounts due from associates and jointly controlled entities, variable-rate bank borrowings and loan receivables, the analysis is prepared assuming the carrying amount of assets and liabilities which carried floating interest rates and outstanding at the end of the reporting period were outstanding for the whole period/year and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year. A 100 basis point (twelve months ended 30th September, 2011: 100 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on interest-bearing amounts due from associates and jointly controlled entities, loan receivables, bank balances and bank borrowings had been 100 basis points (twelve months ended 30th September, 2011: 100 basis points) higher and all other variables were held constant, the Group's profit before taxation for the period/year would decrease by US$10,566,000 (twelve months ended 30th September, 2011: decrease by US$7,788,000). If interest rates were lower by 100 basis points (twelve months ended 30th September, 2011: 100 basis points), there would be an equal and opposite impact on the profit before taxation for the period/year.

This is mainly attributable to the Group's exposure to its variable-rate borrowing.

44. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

The Group's available-for-sale investments, JV Call Options and foreign currency derivatives at the end of the reporting period exposed the Group to other price risk. The Group's other price risk is mainly concentrated on equity instruments which operate in footwear industry. Details of those are set out in Notes 26 and 28.

Sensitivity analysis

(a) Available-for-sale investments

The Group is exposed to equity price risk through its available-for-sale equity investments. If the market price of the listed investment had increased/decreased by 10% (twelve months ended 30th September, 2011: 10%), the Group's reserve would increase/decrease by US$2,222,000 (twelve months ended 30th September, 2011: US$1,868,000) at 31st December, 2012.

(b) JV Call Options

As set out in Note 28, the fair values of the JV Call Options were valued using the Binomial Option Pricing 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 JV Call Options recognised in the consolidated financial statements would have been changed significantly if one or more of those assumptions were changed.

If the following inputs to the valuation model had been 10% higher/lower while all other variables were held constant, the profit before taxation for the twelve months ended 30th September, 2011 would increase (decrease) as follows:

	30.9.2011	
	Higher by 10%	**Lower by 10%**
	US$'000	US$'000
Growth rate	371	(325)
Expected price-earning rate – Pou Sheng	(240)	321

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

44. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis (continued)

(c) Forward and other foreign currency derivatives

For the outstanding forward and other foreign currency derivatives contracts, if the market forward exchange rate of USD against RMB had been 5% (twelve months ended 30th September, 2011: 5% or 1% for exchange rate of USD against RMB or HKD respectively) higher/lower, respectively, profit before taxation for the fifteen months ended 31st December, 2012 would decrease/increase by US$140,000 (twelve months ended 30th September, 2011: decrease/increase by US$1,281,000) as a result of the changes in the market foreign currency forward exchange rate of USD against RMB.

In management's opinion, the sensitivity analyses are not necessarily representative of the inherent market risk as the pricing model used in determining the fair value of the derivatives and financial liabilities are interdependent.

Credit risk

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 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the guarantee given as set out in Note 51.

The Group has concentration of credit risk on certain individual customers. At the end of the reporting period, the five largest trade receivable balances accounted for approximately 64% (30.9.2011: 42%) of the trade receivables and the largest trade receivable was approximately 19% (30.9.2011: 13%) of the Group's total trade receivables. For both period/year, the five largest customers, which are internationally well known companies engaging in sports footwear and sportswear business with good financial position by reference to their respective published financial statements, have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group. The Group seeks to minimise its risk by dealing with counterparties which have good credit history.

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

44. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

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

The Group does not have a concentration of credit risk on the advances to, and guarantees granted to banks in respect of banking facilities utilised by, its associates and jointly controlled entities as these spread across a number of entities.

The Group's concentration of credit risk by geographical locations of customers are mainly on the USA, Europe and Asia which accounted for 31%, 22% and 38% (30.9.2011: 30%, 20% and 41%, respectively), respectively, of the trade receivables at 31st December, 2012.

The credit risk on liquid funds is limited because the counterparties are banks and a financial institution with high reputation.

Liquidity risk

The Group has net current assets of US$1,374,445,000 (30.9.2011: US$1,142,794,000) as at 31st December, 2012. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cashflows from operations.

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

The following table details the Group's remaining contractual maturity for its 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 derived from interest rate curve at the end of the reporting period.

44. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 month US$'000	1–3 months US$'000	3 months to 1 year US$'000	1–5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2012 US$'000
As at 31st December, 2012							
Non-derivative financial liabilities							
Trade and other payables	–	475,646	77,824	1,173	–	554,643	554,643
Bank borrowing							
– variable rate	1.70	712,732	19,574	2,974	370,733	1,106,013	1,099,005
Consideration payable for acquisition of business	–	–	–	–	17,980	17,980	17,980
Financial guarantee contracts	–	109,302	–	–	–	109,302	–
		1,297,680	97,398	4,147	388,713	1,787,938	1,671,628
Derivatives – net settlement							
Forward contracts	–	92	–	–	–	92	92

44. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	On demand or less than 1 month US$'000	1–3 months US$'000	3 months to 1 year US$'000	1–5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 30.9.2011 US$'000
As at 30th September, 2011							
Non-derivative financial liabilities							
Trade and other payables	–	620,920	79,823	8,368	1,635	710,746	710,746
Bank borrowings							
– fixed rate	6.08	1,257	–	–	–	1,257	1,251
– variable rate	1.30	370,966	42,334	44,545	417,158	875,003	867,820
Convertible bonds	5.93	–	287,578	–	–	287,578	283,377
Financial guarantee contracts	–	130,631	–	–	–	130,631	–
		1,123,774	409,735	52,913	418,793	2,005,215	1,863,194
Derivatives – net settlement							
Currency structured forward contracts	–	595	1,921	5,269	5,564	13,349	13,349

44. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (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.

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

c. Fair value

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

- the fair value of financial assets and financial liabilities (excluding derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices respectively;

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

- the fair value of the HKD Call Option and embedded derivative of CB 2011 are determined using the Monis Model;

- the fair value of the JV Call Options are determined based on the Binomial Option Pricing Model and estimated earnings of the Relevant Companies and price earning ratio of Pou Sheng;

- the fair value of the derivative component of the Convertible Note are determined based on the Binomial Option Pricing Model; and

- the fair value of the foreign currency derivative is determined using the prices provided by counter banks using valuation techniques.

Except for convertible note receivable and convertible bonds as disclosed in Notes 25 and 36 respectively, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost on the consolidated financial statements approximate their fair value.

44. Financial Instruments (continued)

c. Fair value (continued)

Fair value measurements recognised in the 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).
- 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).

	31st December, 2012		
	Level 1	Level 3	Total
	US$'000	US$'000	US$'000
Financial assets at FVTPL			
Derivative financial instruments	–	3,833	3,833
Available-for-sale investments			
Listed equity securities	22,223	–	22,223
Total	22,223	3,833	26,056
Financial liabilities at FVTPL			
Derivative financial instruments	–	92	92
Consideration payable for acquisition of business	–	17,980	17,980
	–	18,072	18,072

44. Financial Instruments (continued)

c. Fair value (continued)

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

	30th September, 2011		
	Level 1	Level 3	Total
	US$'000	US$'000	US$'000
Financial assets at FVTPL			
Derivative financial instruments	–	22,589	22,589
Available-for-sale investments			
Listed equity securities	18,677	–	18,677
Total	18,677	22,589	41,266
Financial liabilities at FVTPL			
Derivative financial instruments	–	13,349	13,349

Reconciliation of Level 3 measurements of financial assets and liabilities is as follows:

	Derivative financial instruments		
	Assets	Liabilities	Total
	US$'000	US$'000	US$'000
At 1st October, 2010	80,431	(27,041)	53,390
Fair values changes, recognised in profit or loss	(49,836)	13,692	(36,144)
Exchange realignment	54	–	54
Derecognised upon disposals of certain jointly controlled entities	(8,060)	–	(8,060)
At 30th September, 2011	22,589	(13,349)	9,240
Fair values changes, recognised in profit or loss	(17,894)	13,257	(4,637)
Exchange realignment	1	–	1
Recognised upon subscription of convertible note receivable (Note 25)	584	–	584
Derecognised upon exercise of JV Call Options (Note 45)	(1,171)	–	(1,171)
Derecognised upon disposal of a jointly controlled entity	(276)	–	(276)
At 31st December, 2012	**3,833**	**(92)**	**3,741**

44. Financial Instruments (continued)

c. Fair value (continued)

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

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

There were no transfers between Levels in both periods.

45. Acquisition of Subsidiaries and Business

The Group acquired Zhanxin and the Pengda Business during the fifteen months ended 31st December, 2012 and acquired Yichuan and Yi Sheng Leather Co., Ltd. ("Yi Sheng") during the twelve months ended 30th September, 2011. The Group obtained control over these entities/business on the dates of completion of these acquisitions which have been accounted for using the purchase method. Further details of these acquisitions, including considerations paid or payable, assets acquired, liabilities recognised and goodwill arising, are set out below.

			2012			2011	
			Pengda				
	notes	**Zhanxin**	**Business**	**Total**	Yi Sheng	Yichuan	Total
	(a)(b)(c)	**US$'000**	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
The consideration for the acquisitions comprise the following:							
Cash consideration	(d)	**12,344**	**98,201**	**110,545**	1,235	25,501	26,736
Consideration shares	(e)	**–**	**–**	**–**	–	2,693	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	1,092
Related call options	(i)	**1,171**	**–**	**1,171**	–	8,060	8,060
Fair value of previously held interests	(j)	**6,959**	**–**	**6,959**	–	27,124	27,124
Total consideration		**20,474**	**117,003**	**137,477**	1,235	64,470	65,705

45. Acquisition of Subsidiaries and Business (continued)

	notes	2012 Zhanxin	2012 Pengda Business	2012 Total	2011 Yi Sheng	2011 Yichuan	2011 Total
	(a)(b)(c)	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Fair value of assets acquired and liabilities recognised at the date of acquisitions are as follow:							
Property, plant and equipment		1,404	10,884	12,288	4,087	3,641	7,728
Prepaid lease payments		–	–	–	645	–	645
Deposit paid for acquisition of property, plant and equipment		–	–	–	–	480	480
Intangible assets		13,800	23,491	37,291	–	42,070	42,070
Inventories		12,060	55,516	67,576	110	38,335	38,445
Trade and other receivables	(k)	8,869	–	8,869	966	23,477	24,443
Bank balances and cash		2,176	–	2,176	14	1,531	1,545
Trade and other payables		(14,712)	–	(14,712)	(2,041)	(31,535)	(33,576)
Taxation payable		(56)	–	(56)	–	(638)	(638)
Bank borrowings		(7,383)	–	(7,383)	(2,135)	(16,978)	(19,113)
Deferred tax liabilities		(3,450)	(5,873)	(9,323)	–	(10,517)	(10,517)
		12,708	84,018	96,726	1,646	49,866	51,512
Less: non-controlling interests		–	–	–	(411)	–	(411)
		12,708	84,018	96,726	1,235	49,866	51,101
Goodwill arising on acquisitions	(l)	7,766	32,985	40,751	–	14,604	14,604
Acquisition-related costs	(m)	36	217	253	–	51	51

45. Acquisition of Subsidiaries and Business (continued)

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Cash flows arising on acquisitions:		
Cash consideration paid for acquisition of		
— Yi Sheng	**–**	(1,235)
— Yichuan	**(3,139)**	(3,139)
— Zhanxin	**(11,125)**	(1,219)
— Pengda Business	**(95,074)**	(3,127)
Less: bank balances and cash acquired	**2,176**	1,545
	(107,162)	(7,175)
Analysed for presentation of consolidated statement of cash flows as:		
Acquisition of subsidiaries and business (net of cash and cash equivalents acquired)	**(107,162)**	(2,829)
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)	(7,175)

notes:

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

(b) On 1st February, 2012, the Group completed the acquisition of 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 Pou Sheng, has been reduced to cash of US$98,201,000 and 39,634,662 shares of HK$0.01 each in Pou Sheng. 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.

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

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

45. Acquisition of Subsidiaries and Business (continued)

notes: (continued)

(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 30th September, 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 Pengda Business, US$3,127,000 was paid as a deposit as at 30th September, 2011 and US$95,074,000 was paid during the current period.

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

For the cash consideration of US$25,501,000 for the acquisition of Yichuan, US$22,362,000 was paid in prior years and the remaining balance 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 Pou Sheng in each of the 3 years ending 30th September, 2013 (which in aggregate are 18,990,000 shares of HK$0.01 each in Pou Sheng). 6,330,000 shares were issued during each of the twelve months ended 30th September, 2011 and 30th September, 2012 respectively and the remaining 6,330,000 shares are to be issued on or before 30th September, 2013. The fair value of these consideration shares was determined by American Appraisal, using the closing share price of Pou Sheng as at 30th September, 2010.

(f) This represents 39,634,662 shares of HK$0.01 each in Pou Sheng 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 Pou Sheng'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 Pou Sheng as at 1st February, 2012.

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

The fair value of the guaranteed compensation as at 31st December, 2012, presented as the consideration payable for acquisition of business, was determined by Savills using the Binomial Option Pricing Model.

The key inputs into the model are set out below.

	31.12.2012	1.2.2012
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-months periods ending 30th September, 2013, if the audited annual after-tax profit of Yichuan is not less than RMB54,710,000 (equivalent to approximately US$8,400,000) (the "Pre-determined Profit Level"), Pou Sheng will be required to issue an additional 5,000,000 shares of HK$0.01 each in Pou Sheng to the vendors. The fair value of these contingently issuable shares was determined by American Appraisal, using the closing share price of Pou Sheng as at 30th September, 2010 and with reference to management's best estimate of the likelihood that the profit target will be met.

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

45. Acquisition of Subsidiaries and Business (continued)

notes: (continued)

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

(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 twelve months ended 30th September, 2011.

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

(k) 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

Included in the profit for the fifteen months ended 31st December, 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 31st December, 2012 includes US$65,906,000 and US$172,604,000 generated from Zhanxin and Pengda Business, respectively. Had the acquisitions been completed on 1st October, 2011, total group revenue for the fifteen months ended 31st December, 2012 would have been US$9,248,479,000, and profit for the same period would have been US$610,140,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1st October, 2011, nor is it intended to be a projection of future results.

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

46. Acquisition of Assets through Acquisition of Subsidiaries

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

The net assets acquired in the transaction are as follows:

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

47. Disposal of Subsidiaries

As set out in Note 33, the Group disposed of (i) entire interest in Yolland Holdings Limited and its subsidiaries; and (ii) 51% equity interest in Huge World Investments Limited, a disposal group classified as held for sale as at 30th September, 2011, during the current period. Details of the disposal are disclosed below.

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

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

The subsidiaries disposed of during the fifteen months ended 31st December, 2012 did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal.

48. Major Non-cash Transactions

For the twelve months ended 30th September, 2011, the Group capitalised an amount due from an associate of US$13,500,000 as investment in an associate in accordance with the proportionate share of that associate.

49. Operating Leases

The Group as lessee

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

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Operating leases rentals in respect of:		
Minimum leases payments:		
– leasehold land and buildings	**21,615**	26,684
– retail shops	**70,016**	43,787
– plant and machinery	**1,370**	1,428
	93,001	71,899
Contingent rentals:		
– retail shops	**194,229**	130,808
	287,230	202,707

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

	31.12.2012 US$'000	30.9.2011 US$'000
Within one year	**66,352**	54,491
In the second to fifth year inclusive	**91,706**	92,098
After five years	**44,865**	43,140
	202,923	189,729

49. Operating Leases (continued)

The Group as lessee (continued)

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

Included in the above are commitments under non-cancellable operating leases of approximately US$14.0 million as at 31st December, 2012 which expire in 2014 (30.9.2011: US$23.5 million which expire in 2014), payable to related companies, Godalming Industries Limited ("Godalming") and its subsidiaries, details of which are set out in Note 53(f).

The Group as lessor

All of the Group's investment properties held have committed tenants for the next one to ten years and rentals are fixed.

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

	31.12.2012	30.9.2011
	US$'000	US$'000
Within one year	**5,673**	6,855
In the second to fifth year inclusive	**17,121**	16,279
After five years	**23,081**	17,687
	45,875	40,821

In addition to the basic rental receipts as disclosed above, the lease agreements with certain tenants also include provisions for the payment of contingent rent to the Group. In general, these contingent rents are calculated with reference to the turnover 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 rent payable. Rental income of the Group for the fifteen months ended 31st December, 2012 was US$26,907,000 (twelve months ended 30th September, 2011: US$15,698,000), of which contingent rent amounted to US$14,262,000 (twelve months ended 30th September, 2011: US$7,463,000).

50. Commitments

	31.12.2012 US$'000	30.9.2011 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– construction of buildings	**11,837**	35,189
– acquisition of property, plant and equipment	**2,266**	10,654
– acquisition of the remaining interests in a jointly controlled entity	**11,254**	10,975
	25,357	56,818
Other commitments contracted for but not provided in the consolidated financial statements in respect of:		
– investment in available-for-sale investments	**–**	3,512
– investment in jointly controlled entities	**–**	1,626
	–	5,138
	25,357	61,956

Save as disclosed above, the Group had no other material capital commitments at 31st December, 2012 and 30th September, 2011.

51. Contingencies

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

	31.12.2012 US$'000	30.9.2011 US$'000
Guarantees given to banks in respect of banking facilities granted to		
(i) jointly controlled entities		
– amount guaranteed	**69,292**	91,855
– amount utilised	**47,888**	59,008
(ii) associates		
– amount guaranteed	**40,010**	26,269
– amount utilised	**13,395**	17,838
(iii) a former subsidiary		
– amount guaranteed	**–**	12,507
– amount utilised	**–**	12,507

52. Retirement Benefits Schemes

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. 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 only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The workers under subcontracting agreements and employees of the Group's subsidiaries in the PRC are subject to retirement benefit schemes established in the PRC. Specified percentages of their payroll are contributed to 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. No forfeited contributions are available to reduce the contribution payable in the future years.

53. Connected and Related Party Transactions and Balances

During the period/year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules.

The transactions with these companies during the period/year, and balances with them at the end of the reporting period, are as follows:

(I) Connected and Related Parties

Name of connected and related party	Nature of transactions/balances	31.12.2012 US$'000	30.9.2011 US$'000
Substantial shareholder of the Company with significant influence:			
PCC and its subsidiaries, other than members of the Group (collectively the "PCC Group")	Purchase of raw materials and shoe-related products by the Group (note a)	**2,037**	963
	Costs and expenses reimbursed and service fees paid to PCC under the Services Agreements by the Group (note b)	**456,629**	458,941
	Tanning facilities and processing service fees paid by the Group (note c)	**2,798**	7,167
	Rental expenses under the Rental Agreements paid by the Group (note d)	**1,689**	1,291
	Sales of leather, moulds, finished and semi-finished shoe products and packaging boxes by the Group (note a)	**13,852**	24,949
	Management services income received by the Group (note e)	**390**	529
	Balance due from/to as at period/year end and included in:		
	– trade receivables	**1,975**	3,477
	– trade payables	**36,091**	38,496
	– other receivables (note g)	**7,056**	7,693
	– other payables (note g)	**22,052**	20,823

53. Connected and Related Party Transactions and Balances (continued)

(I) Connected and Related Parties (continued)

Name of connected and related party	Nature of transactions/balances	31.12.2012 US$'000	30.9.2011 US$'000
Companies controlled by a substantial shareholder of the Company with significant influence:			
Golden Brands Developments Limited ("Golden Brands") and its subsidiaries (collectively the "Golden Brands Group")	Management services income received by the Group (note e)	**75**	32
	Balance due from/to as at period/year end and included in:		
	– other receivables (note g)	**9**	210
	– other payables (note g)	**172**	77
Company controlled by certain directors:			
Godalming Industries Limited ("Godalming")	Rentals paid on land and buildings by the Group (note f)	**8,967**	7,131
	Balance due from/to as at period/year end and included in:		
	– other receivables (note g)	**220**	1
	– other payables (note g)	**12**	13

(II) Connected Parties

Name of connected party	Nature of transactions/balances	31.12.2012 US$'000	30.9.2011 US$'000
Non-controlling shareholder of a subsidiary of the Company:			
Must Win	Consideration received by the Group for disposal of subsidiaries	**16,968**	–
	Consideration received by the Group for disposal of certain assets	**16,825**	–
	Deposit received by the Group for disposal of certain assets	**–**	3,700

53. Connected and Related Party Transactions and Balances (continued)

(III) Related Parties, Other than Connected Parties

Name of related party, other than connected party	Nature of transactions/balances	31.12.2012 US$'000	30.9.2011 US$'000
Jointly controlled entities:	Purchase of raw materials by the Group	**240,760**	165,109
	Sales of shoe-related products by the Group	**11,956**	4,699
	Sales of sportswear products by the Group	**2,257**	36,362
	Management service income received by the Group	**16,799**	12,366
	Interest income received by the Group	**1,497**	1,629
	Balance due from/to as at period/year end		
	– trade receivables	**3,691**	12,431
	– trade payables	**39,872**	48,147
	– other receivables (note i)	**8,901**	15,246
	– other payables (note g)	**965**	1,030
Associates:	Purchase of raw materials by the Group	**81,832**	79,473
	Purchase of sportswear products by the Group	**–**	1,840
	Sales of shoe-related products by the Group	**1,857**	2,208
	Sales of sportswear products by the Group	**413**	4,860
	Management service income received by the Group	**4,553**	3,895
	Service fee paid by the Group	**1,520**	1,459
	Interest income received by the Group	**343**	661
	Consideration received by the Group for disposal of jointly controlled entities	**4,600**	–
	Balance due from/to as at period/year end		
	– trade receivables	**837**	10,102
	– trade payables	**11,150**	16,997
	– other receivables (note g)	**22,055**	22,804
	– other payables (note g)	**1,871**	2,474
Joint venture partners of jointly controlled entities of the Group	Consideration paid and payable by the Group for acquisition of jointly controlled entities	**–**	37,346

53. Connected and Related Party Transactions and Balances (continued)

(IV) Compensation of Key Management Personnel

	1.10.2011 to 31.12.2012 US$'000	1.10.2010 to 30.9.2011 US$'000
Short term benefits	**7,336**	6,076
Post employment benefits	**4**	3
	7,340	6,079

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

notes:

(a) During the period, the Group sold leather, moulds, finished and semi-finished shoe products and packaging boxes to PCC Group. In addition, the Group purchased raw materials, production tools and shoe-related products from the PCC Group. The extent of these connected sales and purchases did not exceed the limit approved by the shareholders of the Company on 28th September, 2011. PCC is owned indirectly through Plantagenet Group Limited as to 11.85% by members of Tsai's family, including certain directors of the Company, Mr. Tsai Chi Neng and Mr. David N.F. Tsai and directly as to 7.16% by relatives of Mr. Tsai Chi Neng.

(b) Pursuant to services agreement dated 22nd February, 1997, first supplemental services agreement dated 9th January, 2007, second supplemental services agreement dated 20th November, 2008 and third supplemental services agreement dated 25th August, 2011 entered into between the Company and PCC (collectively the "Services Agreements"), the Company has engaged PCC to provide product research and development, know-how, technical and marketing services and to source raw materials and recruit staff in relation to the production and sale of the Group's products. The services to be provided by PCC may be provided by or through members of the PCC Group. But PCC will remain fully liable for the provision of these services.

In consideration of the services provided by the PCC Group under the Services Agreements, the Company shall reimburse the costs and expenses incurred by PCC and shall also pay to PCC the following fees:

(i) in respect of the products developed by the PCC Group and sold by the Group, 0.5% of the net invoiced amount of such products;

(ii) in respect of materials, machinery and other goods purchased by, shipment arranged for and inspected by the PCC Group on behalf of the Group from Taiwan, 1% of the merchandise cost invoiced to the PCC Group; and

(iii) in respect of materials, machinery and other goods sourced by PCC Group on behalf of the Group from overseas whereby purchases are directly handled by the Group, 0.5% of the cost of merchandise invoiced to the Group.

53. Connected and Related Party Transactions and Balances (continued)

(IV) Compensation of Key Management Personnel (continued)

notes: (continued)

(c) Pursuant to the production agreement dated 24th December, 1996, first supplemental production agreement dated 9th January, 2007, second supplemental production agreement dated 20th November, 2008 and third supplemental production agreement dated 25th August, 2011 (collectively the "Production Agreements") entered into between Prime Asia Leather Corporation, Taiwan Branch ("Prime Asia TW"), a wholly owned subsidiary of the Company and Barits Development Corporation ("Barits"), a company which is beneficially owned by PCC as to approximately 99.60%, Barits provides tanning facilities and processing services to Prime Asia TW for the processing of Prime Asia TW's raw leather into finished leather.

In consideration of the services provided by Barits under the Production Agreements, Prime Asia TW shall pay Barits a monthly production fee ("Production Fee") based on the followings:

(i) the cost for supplies and labour incurred by Barits;

(ii) the direct selling general and administrative costs incurred by Barits; and

(iii) the fixed costs on the rental for land, building and equipment. The fixed monthly rental on land and building is equivalent to the open market rental value and based on valuation report dated on 28th July, 2011, as certified by an independent firm of professional valuers. Rental charges for equipment are calculated by reference to the cost of the equipment plus a rate on the funding costs of the equipment purchased.

(d) Certain subsidiaries of the Company, PCC Group and certain subsidiaries of the PCC Group entered into four lease agreements on 9th January, 2007 and the respective supplemental lease agreements on 25th August, 2011 (collectively the "Rental Agreements") for leasing of PCC Group's premises for a term of 3 years from 1st October, 2011. Details of the Rental Agreements are as follows:

(i) between PCC as landlord and Pou Chien Chemical Company Limited (a wholly-owned subsidiary of the Company) as tenant;

(ii) between Pou Yuen Technology Co., Ltd. (99.81% beneficially owned subsidiary of PCC) as landlord and Yue Dean Technology Corporation (a wholly-owned subsidiary of the Company) as tenant;

(iii) between PCC as landlord and Yue Dean Technology Corporation (a wholly-owned subsidiary of the Company) as tenant; and

(iv) between PCC as landlord and Pou Chien Technology Company Limited (a wholly owned subsidiary of the Company) as tenant.

The premises under the Rental Agreements are all located in Taiwan.

The rentals on properties were based on agreed monthly rental under the Rental Agreements equivalent to the open market rental value at the date of entering the Rental Agreements, as certified by an independent valuer in Taiwan.

53. Connected and Related Party Transactions and Balances (continued)

(IV) Compensation of Key Management Personnel (continued)

notes: (continued)

(e) Highmark Services Limited ("Highmark"), a wholly-owned subsidiary of the Company, entered into certain supplemental management service agreements with PCC and Golden Brands on 9th January, 2007, 20th November, 2008 and 25th August, 2011 for the provision of management services to PCC and Golden Brands and their subsidiaries.

In addition, Highmark entered into a lease agreement and certain supplemental lease agreements on 9th January, 2007, 20th November, 2008 and 25th August, 2011 respectively with Golden Brands to lease certain dormitories within the Yue Yuen Industrial Estate, He Lu Industrial Area, Huang Jiang Town, Dongguan, the PRC ("Yue Yuen Industrial Estate") to Golden Brands.

Golden Brands is ultimately owned as to 94.12% by Mr. Tsai Chi Jui, a substantial shareholder of the Company, and PCC is a substantial shareholder of the Company.

In consideration of the services and facilities provided by Highmark, under the above agreements, Highmark charged PCC and Golden Brands the following fees:

(i) in respect of common services provided by Highmark, approximately a 10% mark up on the aggregate costs incurred by Highmark;

(ii) in respect of the supply of electricity by Highmark, approximately the aggregate of the costs of the oil consumed with a 5% mark up and the cost of overheads incurred for the production of electricity incurred by Highmark. In respect of electricity provided by the public sector, a service fee of RMB0.16 for each Kilowatt-hour unit of electricity is charged in addition to the price charged by the public sector;

(iii) in respect of supply of water by Highmark, a charge with reference to the price charged by the local authority; and

(iv) in respect of rental, a rent that is equivalent to the open market rental value as reviewed and agreed by both parties annually.

(f) Godalming is owned by Power Point Developments Limited, a company in which a former director of the Company, Mr. Choi Kwok Keung, and a discretionary trust, the objects of which include another director of the Company, Mr. Tsai Chi Neng and his relatives, have beneficial interests. The rentals on properties paid to Godalming were based on a tenancy agreement dated 8th June, 1992, together with a supplemental tenancy agreement which was entered into between the Group and subsidiaries of Godalming on 25th August, 2011 for a lease term of 3 years from 1st October, 2011.

The prevailing rent is equivalent to the open market rental value at 28th July, 2011 as certified by Knight Frank, an independent firm of professional valuers.

(g) The amounts due from/to are unsecured, interest-free and repayable on demand.

54. Non-Controlling Interests

	Interests attributable to shares held in subsidiaries US$'000	Share options reserve of a listed subsidiary US$'000 (note i)	Other reserve of a listed subsidiary US$'000 (note ii)	Total US$'000
At 1st October, 2010	403,869	1,578	–	405,447
Exchange difference arising on the translation of foreign operations	14,462	–	–	14,462
Profit for the year	33,696	–	–	33,696
Total comprehensive income for the year	48,158	–	–	48,158
Recognition of equity-settled share-based payments	–	2,473	–	2,473
Recognition of share-settled considerations for acquisition of subsidiaries	–	–	3,785	3,785
Contribution from non-controlling interests	1,886	–	–	1,886
Acquisition of additional interests in subsidiaries	(3,778)	–	–	(3,778)
Dividends paid to non-controlling interests of subsidiaries	(5,062)	–	–	(5,062)
At 30th September, 2011	445,073	4,051	3,785	452,909
Exchange difference arising on the translation of foreign operations	12,435	–	–	12,435
Loss for the period	(12,379)	–	–	(12,379)
Total comprehensive income for the period	56	–	–	56
Recognition of equity-settled share-based payments	–	2,012	–	2,012
Contribution from non-controlling interests	13,205	–	–	13,205
Shares repurchased by a subsidiary	(5,018)	–	–	(5,018)
Deemed partial disposal of interests in subsidiaries without losing control	1,827	–	–	1,827
Realised on deregistration of subsidiaries	(83)	–	–	(83)
Realised on disposal of subsidiaries	(10,767)	–	–	(10,767)
Recognition of consideration for acquisition of business settled by shares of a subsidiary	–	–	2,940	2,940
Deemed acquisition of additional interests in subsidiaries	(1,131)	–	–	(1,131)
Acquisition of additional interest in subsidiaries	(29,707)	–	–	(29,707)
Refund of investment cost in a subsidiary	(480)	–	–	(480)
Dividends paid to non-controlling interests of subsidiaries	(7,155)	–	–	(7,155)
At 31st December, 2012	405,820	6,063	6,725	418,608

54. Non-Controlling Interests (continued)

notes:

i. This reserve represents the amounts recognised in respect of share options granted under share-based payment arrangement of a non-wholly owned subsidiary.

ii. This reserve represents the amounts recognised in respect of share-settled consideration for acquisition of subsidiaries by a listed subsidiary.

55. Principal Subsidiaries

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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
			31.12.2012	30.9.2011	
A-Grade Holdings Limited	British Virgin Islands	US$9,000	**61.80%+**	56.05%+	Investment holding
Bangladesh Pou Hung Industrial Ltd	Bangladesh	US$145	**100%**	100%	Manufacture and sales of footwear
Baosheng Daoji (Beijing) Trading Company Limited	PRC**	US$20,000,000	**61.80%+**	56.05%+	Retailing of sportswear
Baoxin (Chengdu) Trading Company Limited	PRC**	US$5,000,000	**61.80%+**	56.05%+	Retailing of sportswear
Dah-Chen Shoe Materials Ltd.	Vietnam	US$437,500	**51%**	51%	Manufacture of shoe pads
Dedicated Group Limited	British Virgin Islands	US$1,000	**61.80%+**	56.05%+	Investment holding
Diodite (China) Sports Good Co., Ltd	PRC**	US$20,000,000	**61.80%+**	56.05%+	Retailing of sportswear
Dragon Light (China) Sporting Goods Co., Ltd	PRC**	US$66,000,000	**61.80%+**	56.05%+	Investment holding
Escon Enterprises Limited	British Virgin Islands	US$1	**–+++**	100%	Manufacture of leather

55. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group 31.12.2012	30.9.2011	Principal activities
Farsighted International Limited	British Virgin Islands	US$100	**61.80%+**	56.05%+	Investment holding and its subsidiaries are engaged in retailing of sportswear and sports footwear
Farquharson Holdings Corp.	British Virgin Islands	US$10,000	**–+++**	100%	Investment holding
Forearn Company Ltd.	British Virgin Islands	US$1	**100%**	100%	Manufacture of shoe moulds
Giacinto Investments Limited	British Virgin Islands	US$10,000	**–+++**	100%	Investment holding
Gold Plenty International Limited	British Virgin Islands	US$1	**100%**	100%	Manufacture and sales of footwear
Great Pacific Investments Ltd.	British Virgin Islands	US$1	**100%**	100%	Investment holding
Harbin Baosheng Sports Goods Company Limited	PRC***	RMB7,000,000	**61.80%+**	56.05%+	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited	PRC***	RMB1,000,000	**61.80%+**	56.05%+	Retailing of sportswear
High Shine Investments Limited	British Virgin Islands	US$100	**51%**	51%	Investment holding
Highfull Developments Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Idea (Macao Commercial Offshore) Limited	Macau	MOP100,000	**100%**	100%	Manufacture and sales of footwear

55. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
			31.12.2012	30.9.2011	
Key International Co., Ltd.	British Virgin Islands	US$1	**100%**	100%	Investment holding
Major Focus Management Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Murata Profits Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
P.T. Nikomas Gemilang	Indonesia	IDR 56,680,000,000	**99.38%**	99.38%	Manufacture and sale of footwear
P.T. Pou Chen Indonesia	Indonesia	US$24,000,000	**90%**	90%	Manufacture and sale of footwear
P.T. Sukespermata Indonusa	Indonesia	IDR3,500,000,000	**90%**	90%	Manufacture of mould and cutting for shoes
Pou Yuen Cambodia Enterprise Limited	Cambodia	US$4,000,000	**100%**	100%	Manufacture and sales of shoes
Pau Yuen Trading Corporation	Taiwan	NTD50,000,000	**55.62%**++	50.45%++	Distribution of licenced products
Pou Chen Vietnam Enterprise Ltd.	Vietnam	US$36,389,900	**100%**	100%	Manufacture and sales of footwear
Pou Chien Chemical Company Enterprise Limited	Taiwan	NTD1,268,100,000	**100%**	100%	Investment holding

55. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
			31.12.2012	30.9.2011	
Pou Chien Chemical (Holdings) Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Pou Ming Paper Products Manufacturing Company Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding and manufacture of paper carton boxes
Pou Sheng	Bermuda*	HK$42,905,000	**61.80%**	56.05%	Investment holding
Pou Sung Vietnam Co., Ltd	Vietnam	US$57,000,000	**100%**	100%	Manufacture and sale of footwear
Pou Yu (Chengdu) Trading Co., Ltd	PRC**	US$7,400,000	**61.80%+**	56.05%+	Retailing of sportswear
Pou Yuen Industrial (Holdings) Limited	Hong Kong	Ordinary – HK$12,000,000	**100%**	100%	Investment holding and property holding
		6% cumulative preference – HK$433,600,000	**100%**	100%	
Pouyuen Vietnam Company Limited	Vietnam	US$86,406,000	**100%**	100%	Manufacture and sale of footwear
Prime Asia China Leather Corporation	British Virgin Islands	US$1,000	**100%**	100%	Manufacture and sale of footwear
Prime Asia (S.E. Asia) Leather Corporation	British Virgin Islands	US$1,000	**100%**	100%	Manufacture and sale of leather

55. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
			31.12.2012	30.9.2011	
Prime Asia Leather Corporation	British Virgin Islands	US$50,000	**100%**	100%	Investment holding
Pro Kingtex Industrial Company Limited	British Virgin Islands	US$13,792,810	**91.68%**	91.68%	Manufacture of apparel
Selangor Gold Limited	British Virgin Islands	US$1,000	**61.80%+**	56.05%+	Investment holding
Sheng Dao (Yangzhou) Sporting Goods Dev. Co., Ltd	PRC**	US$66,000,000	**61.80%+**	56.05%+	Investment holding
Solar Link International Inc.	USA	US$9,000,000	**100%**	100%	Manufacture and sale of footwear
The Look (Macao Commercial Offshore) Company Limited	Macau	MOP100,000	**100%**	100%	Manufacture and sale footwear
Top Units Developments Limited	British Virgin Islands	US$100	**51%**	51%	Investment holding
Upturn Investments Limited	British Virgin Islands	US$1	**100%**	100%	Manufacture of paper inner boxes and carton boxes
Wellmax Business Group Limited	British Virgin Islands	US$9,000	**61.80%+**	56.05%+	Investment holding
Wuxi Baoyuen Sports Goods Trading Company Limited	PRC***	RMB1,000,000	**61.80%+**	56.05%+	Retailing of sportswear
Yue Cheng (Kunshan) Sports Co. Ltd.	PRC**	US$10,000,000	**61.80%+**	56.05%+	Distribution of licenced sportswear

55. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group 31.12.2012	30.9.2011	Principal activities
Yue Ming Industrial Limited	Hong Kong	HK$1	**61.80%+**	56.05%+	Distribution of licenced sportswear
Yue Yuen Industrial Limited	Hong Kong	Ordinary – HK$1,000	**100%**	100%	Investment holding and property holding
		Non-voting deferred – HK$47,000,000	**100%**	100%	
Yue-Shen (Taicang) Footwear Co., Ltd	PRC**	US$15,000,000	**61.80%+**	56.05%+	Manufacturing of sportswear
Yunnan Orientsport Trading Co. Ltd.	PRC**	RMB56,100,000	**31.52%++**	28.59%++	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited	PRC***	RMB87,500,000	**37.08%++**	33.63%++	Property leasing and management
YY Sports Holdings Limited	British Virgin Islands	US$1	**61.80%+**	56.05%+	Investing holding
Zhejiang Yichuan Sports Goods Chain Company Limited	PRC***	RMB92,000,000	**61.80%+**	56.05%+	Retailing of sportwear

* Pou Sheng is a listed company on the Stock Exchange.

** These companies are wholly-foreign owned enterprises established in the PRC.

*** These companies are wholly-domestic owned enterprises established in the PRC.

+ These companies were wholly-owned subsidiaries of Pou Sheng as at the end of the reporting period.

++ These companies were non-wholly owned subsidiaries of Pou Sheng as at the end of the reporting period.

+++ These companies have been deregistered by the Company during the period.

55. Principal Subsidiaries (continued)

The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have no rights to dividends or to participate in any distributions on winding up.

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 any debt securities outstanding during the period or at the end of the period.

56. Principal Associates

Details of the Group's principal associates at 31st December, 2012 and 30th September, 2011 are as follows:

Name of associate	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
		31.12.2012	30.9.2011	
Bigfoot Limited	British Virgin Islands	**48.76%**	48.76%	Cloth product trading/cloth dyeing & processing/cloth shoe material binding
Eagle Nice (International) Holdings Limited ("Eagle Nice") (Note (i))	Cayman Islands	**38.42%**	38.42%	Investment holding and its subsidiaries are engaged in manufacture and trading of sportswear and garments
Just Lucky Investments Limited	British Virgin Islands	**38.30%**	38.30%	Property holding
Liberty Bell Investments Limited	British Virgin Islands	**49%**	49%	Manufacture and sale of chemical for leather use
Luen Thai Holdings Limited ("Luen Thai") (Note (ii))	Cayman Islands	**8.93%**	8.98%	Manufacturing and trading of apparel
Nan Pao Resins Chemical Co., Ltd.	Taiwan	**22.15%**	22.15%	Manufacturing and trading of adhesives, coatings, chemical and special chemical products

56. Principal Associates (continued)

Name of associate	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital attributable to the Group 31.12.2012	30.9.2011	Principal activities
Natural Options Limited	British Virgin Islands	**38.30%**	38.30%	Manufacture of foamed cotton
Oftenrich Holdings Limited	Bermuda	**45%**	45%	Investment holding and its subsidiaries are engaged in manufacture and sale of safety shoes and casual shoes
Original Designs Developments Limited	British Virgin Islands	**49.47%**	49.47%	Manufacture of shoe lasts
Pine Wood Industries Limited	British Virgin Islands	**37%**	37%	Investment holding
Platinum Long John Company Limited	Taiwan	**48.76%**	48.76%	Cloth product trading/cloth dyeing & processing/cloth shoe material binding
Prosperous Industrial (Holdings) Limited	Cayman Islands	**30%**	30%	Investment holding and its subsidiaries are engaged in manufacture and sale of sports bags
San Fang Chemical Industry Co. Ltd. (Note (iii))	Taiwan	**44.72%**	44.72%	Manufacture and trading of synthetic leather
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	PRC*	**–**+	22.42%++	Retailing of sportswear
Zhejiang Baohong Sports Goods Company Limited	PRC*	**30.28%**++	27.46%++	Retailing of sportswear

* The companies are sino-foreign owned enterprises established in the PRC.

+ The company was associate of Pou Sheng and disposed of during the period.

++ These companies are associates of Pou Sheng at the end of the reporting period.

56. Principal Associates (continued)

Notes:

(i) Eagle Nice is incorporated in Cayman Islands with its shares listed on the Stock Exchange.

(ii) Luen Thai is incorporated in Cayman Islands with its shares listed on the Stock Exchange. The Group has been in a position to exercise significant influence to participate in the financial and operating policy decisions of Luen Thai since 17th September, 2007, when one of the senior managements of the Company was appointed into the board of directors of Luen Thai. Also, the Group is the holder of a convertible note issued by Luen Thai, refer to Note 25 for details. Therefore accordingly, the investment is accounted for as an associate.

(iii) The company is incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation.

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

57. Principal Jointly Controlled Entities

Details of the Group's principal jointly controlled entities at 31st December, 2012 and 30th September, 2011 are as follows:

Name of jointly controlled entity	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
		31.12.2012	30.9.2011	
Best Focus Holdings Limited	British Virgin Islands	**50%**	50%	Investment holding and its subsidiaries are engaged in manufacture and sale of paper carton boxes
Blessland Enterprises Limited	British Virgin Islands	**50%**	50%	Manufacture of shoe pads
Cohen Enterprises Inc.	British Virgin Islands	**50%**	50%	Manufacture and sales of leather products for shoes
Din Tsun Holding Co., Ltd.	British Virgin Islands	**50%**	50%	Manufacture of apparel
Great Skill Industrial Limited	British Virgin Islands	**50%**	50%	Investment holding and its subsidiaries are engaged in manufacture and sale of plastic shoe injection

57. Principal Jointly Controlled Entities (continued)

Name of jointly controlled entity	Place of incorporation/ establishment	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
		31.12.2012	30.9.2011	
Hua Jian Industrial Holding Co., Ltd.	British Virgin Islands	**50%**	50%	Manufacture and sale of ladies shoes
Jilin Lingpao Sports Goods Co., Ltd	PRC*	**30.90%****	28.03%**	Retailing of sportswear
Ka Yuen Rubber Factory Limited	British Virgin Islands	**50%**	50%	Manufacture and sale of rubber soles
Topmost Industries Limited	British Virgin Islands	**50%**	50%	Manufacture of counters for shoes
Twinways Investments Limited	British Virgin Islands	**50%**	50%	Manufacture of injection moulds for shoe components
Well Success Investment Limited	British Virgin Islands	**40%**	40%	Investment holding and its subsidiaries are engaged in the manufacturing and sales of footwear products, and are also engaged in retail and wholesale business of apparel and footwear
Yuen Thai Industrial Company Limited	Hong Kong	**–**+	50%	Manufacture and trading of Sports and active wear

* The companies are sino-foreign owned enterprises established in the PRC.

** These companies were jointly controlled entities of Pou Sheng as at the end of the reporting period.

+ The company has been disposed of by the Company during the period.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results or 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

	For the twelve months ended 30th September,				For the fifteen months ended 31st December,
	2008	2009	2010	2011	**2012**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Turnover	4,919,937	5,016,902	5,788,208	7,045,373	**9,193,226**
Profit before taxation	515,429	470,093	530,863	511,728	**636,900**
Income tax expense	(24,685)	(8,131)	(35,025)	(28,203)	**(25,578)**
Profit for the year/period	490,744	461,962	495,838	483,525	**611,322**
Attributable to:					
Owners of the Company	468,664	464,730	479,507	449,829	**623,701**
Non-controlling interests	22,080	(2,768)	16,331	33,696	**(12,379)**
	490,744	461,962	495,838	483,525	**611,322**

	As at 30th September,				As at 31st December,
	2008	2009	2010	2011	**2012**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Total assets	4,968,675	5,758,802	5,725,322	6,473,264	**6,836,110**
Total liabilities	(1,860,126)	(2,337,422)	(1,948,819)	(2,366,587)	**(2,414,714)**
	3,108,549	3,421,380	3,776,503	4,106,677	**4,421,396**
Equity attributable to:					
Owners of the Company	2,779,897	3,037,227	3,371,056	3,653,768	**4,002,788**
Non-controlling interests	328,652	384,153	405,447	452,909	**418,608**
	3,108,549	3,421,380	3,776,503	4,106,677	**4,421,396**

Corporate Social Responsibility
企業社會責任

Maintaining a sustainable and responsible business has risen in importance in the business world. As one of the more prominent multinational enterprises operating on a global basis, the Group believes in the importance of integrity, ethical behavior, long term relationships and trust in business partnerships. The Group recognises it has a duty to implement good Corporate Social Responsibility ("CSR") policy that proactively adapts to the ever changing environment so as to provide sustainable solutions to problems.

在商界經營可持續及負責任企業的重要性日益突顯。作為業務遍佈全球的領先跨國企業之一，本集團深信誠信道德、長期業務夥伴關係及相互信任的重要性，深覺有責任實踐優良的企業社會責任政策，主動適應瞬息萬變的環境，提供可持續的解決方案。

The Group is a leader in the footwear manufacturing industry and top management recognises that a mission statement is necessary to provide direction forward. Recently it launched the mission "From Big to Great" to guide corporate development and CSR for the coming years. The Group identifies that CSR policies have an integral role to play in society, the environment, ethics and human rights. The Group also believes its policies should follow standards that are consistent with those of its stakeholders. The Group monitors its progress in pursuing the various CSR policies by investing in the use of leading information systems, promoting communication and transparency amongst its operating departments.

本集團為鞋類製造業的領先企業，最高管理層意識到有必要提出企業使命指引前行方向。本集團近期提出「從大到好」之企業使命，引導未來數年的企業發展及企業社會責任。本集團認為企業社會責任政策在社會、環境、道德及人權方面起著不可或缺的作用，亦認為該等政策應遵循與利益相關方所採納者一致的準則。本集團通過投資使用先進信息系統、加強各個營運部門的交流及提高透明度，監察推進各項企業社會責任政策的進程。

The Group's membership in the Fair Labour Association ("FLA") demonstrates its strong commitment to following world class standards in labour management. The Group complies to "put employees first" as a promised action. The Group participated in its first official audit by the FLA in 2012 and received encouraging results. Since the FLA is an internationally recognised organisation, its audits are considered to be objective and impartial. The audit result provided findings that the mission "From Big to Great" had begun and the departments were following the guidelines laid down by the Sustainable Development department. The Group is building a platform to provide the public a report on the Group initiatives. The target is to collate the group reporting initiatives ("GRI") as a standard report format at the end of 2014.

本集團為公平勞工協會(「FLA」)成員，表明在勞務管理方面堅決致力遵照世界級標準。本集團承諾遵循「員工優先」。本集團於二零一二年首次參與公平勞工協會的官方審查，成績不俗。公平勞工協會為國際公認組織，因此審查客觀公平。審查結果顯示「從大到好」之企業使命業已開展，而各部門一直遵守可持續發展部門制訂的指引。本集團正在草擬揭示公眾的永續發展報告平台，計劃於二零一四年底將集團永續性報告指標(「GRI」)作為標準報告格式。

Corporate Social Responsibility
企業社會責任

The Group's commitment to maintain high standards in its operations led to its leather tannery unit, PrimeAsia China, winning the World Leather 2012 Global Tannery of the Year award as shown below. The unit was chosen by an independent panel of judges after considering nearly 50 tanneries. PrimeAsia's management believes in long term sustainability and focuses on the goals of best in class innovation, best in class environmental management, best in class corporate and community responsibility. Management considers the needs of employees from various aspects including room/board, health/safety, education/training, compensation/recognition and financial support. Management also thinks of the community. The unit's staff have participated in close to 1,000 hours of community service and have also been actively involved in PCC corporate community initiatives. The unit had previously won the Asia Tannery of Year award in 2009. PrimeAsia's mission statement is "to be the world class supplier of innovative quality leather committed to long-term partnerships with customers, employees, community, environment and suppliers".

本集團致力維持高標準營運，其皮革單位PrimeAsia China獲得全球皮革二零一二年度皮革商年度企業大獎(World Leather 2012 Global Tannery of the Year)（見下方）。該獎項經獨立評審委員會從近五十間皮革廠中選出。PrimeAsia管理層著重長期持續發展，追求維持最佳的創新、環境管理及企業和社區責任水平。管理層既顧及員工食宿、健康安全、教育培訓、報酬表彰及財務資助等各方面的需求，亦十分關懷社區，全體人員共參與近1,000小時的社區服務，並積極參與寶成企業社區活動。有關單位於二零零九年榮獲亞洲區皮革商年度企業大獎(Asia Tannery of Year)。PrimeAsia的願景為「邁向質量與創意領先之國際化制革廠，經營客戶、員工、社區、環境及供貨商互利共榮之夥伴關係」。

China

Organised by:

Corporate Social Responsibility
企業社會責任

China 中國

A music competition held by the factory that gave staff the opportunity to demonstrate their musical talents
工廠舉辦音樂比賽為員工提供展現音樂專長的機會

The competition had many good performances and factory staff were able to relax from their busy day routines
工廠員工在比賽中將最精彩的表演呈現給大家，能夠在緊張的工作之餘舒緩壓力

Paying visit to staff family
走訪員工家庭

A design competition held by the factory to encourage better understanding between factory staff
工廠舉辦設計比賽，拉近員工之間的距離

Factory employees showing their performance skills during celebrations for the Mid-Autumn Festival
工廠員工在賀中秋文藝晚會上展現表演才能

Factory management and staff take a picture together at the end of a factory event
工廠管理層與員工於活動後合影

Awards presented to factory staff for their volunteer work
向參與義工的工廠員工頒獎

The 12th Annual Sports Day event that promotes team spirit between factory staff
第十二屆趣味運動會促進工廠員工的團隊精神

Competition requiring cooperation and coordination between factory staff
比賽需要工廠員工的合作與協調

Competitive event requiring staff to move together at the same pace
比賽項目要求員工以相同步伐一起前進

Team members putting in their effort to win the Tug of War competition
團隊成員竭盡全力於拔河比賽爭勝

Sponsoring a "Community Leader for Tomorrow" (CLT) project for Hong Kong high school students and awarding the winning team a factory visit to our Dongguan factory
贊助香港中學生「今日公益，明日領袖」專案，並安排得獎團隊參觀我們在東莞的工廠

CORPORATE SOCIAL RESPONSIBILITY
企業社會責任

Indonesia 印尼

Donations given by the factory management to the local village
工廠管理層向當地村落捐贈物資

Factory management helping to celebrate an important Muslim festival
工廠管理層參與慶祝重要的穆斯林節日

Factory management donated construction materials to help build a road for a local village
工廠管理層捐贈建築材料，協助當地村落修路

Factory management donating rice packs to help a local village
工廠管理層捐贈大米援助當地村落

Factory management giving food to a villager in need of help
工廠管理層向需要幫助的村民提供食物

Factory management visiting the home of staff and making donation
工廠管理層前往員工家中探訪並捐贈物資

Factory management supplying school materials to children of production line staff to assist them with their school work
工廠管理層向生產綫員工子女提供上課用品，有助他們完成學業

Factory management presenting food assistance to a local villager
工廠管理層向當地村民提供糧食援助

Free medicals services to help villages recover from flood and understand the importance of hygiene
提供免費醫療服務，幫助村民從水災中恢復並了解衛生的重要性

Factory providing free medical services to local residents
工廠向當地居民提供免費醫療服務

Factory management help build a new bridge for a village
工廠管理層協助村落新建橋樑

Celebrating the opening ceremony for a new bridge
慶祝新橋樑動土儀式

Corporate Social Responsibility
企業社會責任

Vietnam 越南

Factory management and staff watch the performance of the students
工廠管理層及員工欣賞學生表演

Students performing on the stage during the award ceremony
學生在頒獎典禮台上盡情表演

The factory sponsored prizes for sixty students coming from under privileged families
工廠為六十名貧困家庭學生提供獎學金

Factory management present cash awards to students
工廠管理層向學生頒發現金獎勵

Entertaining moments during the awards ceremony to maintain a cheerful atmosphere
頒獎典禮上的輕鬆一刻，為活動增添歡樂的氣氛

Factory management donate medical and health equipment to a village in need
工廠管理層向有需要的村落捐贈醫療及保健設備

Factory management sponsor the awards for a competition for nine Chinese schools in Ho Chi Minh City
工廠管理層贊助胡志明市九所中文學校頒發比賽獎項

Factory staff participating on stage in a talent show
工廠員工在舞台上作才藝表演

The staff present the best performance at the end
員工在決賽中呈現最佳表現

Event for factory staff to entertain themselves after work
工廠員工工作之餘的娛樂活動

The winning staff who participated in competition held by the factory
在工廠舉辦的比賽中獲勝的員工

Factory management and staff taking a group photo after the competitive event of beauty pageant
工廠管理層與員工於選美比賽後合影

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