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

Stock Code 股份代號：551

2013 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 businesses 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.

Contents

Corporate Overview

Financial and Operating Highlights for the year ended 31st December, 2013 with the comparative figures for the fifteen months ended 31st December, 2012

(US$ millions, except where otherwise stated)	**1.1.2013 to 31.12.2013 (12 months)**	1.10.2011 to 31.12.2012 (15 months)	% change
Total Production Volume (million pairs)	**313.4**	393.3	(20.3)
Turnover	**7,582.5**	9,193.2	(17.5)
Profit attributable to Owners of the Company	**434.8**	623.7	(30.3)
Recurring Operating Profit attributable to Owners of the Company	**430.8**	583.1	(26.1)
Total Assets	**6,992.7**	6,836.1	2.3
Capital Expenditure	**191.8**	309.5	(38.0)
EBITDA	**666.2**	879.8	(24.3)
Basic Earnings Per Share (US cents)	**26.37**	37.82	(30.3)
Dividend Per Share			
1st Interim	**HK$0.35**	HK$0.35	–
2nd Interim	**N/A**	HK$0.65	N/A
Final	**(proposed) HK$0.75**	HK$0.25	200.0
Full Year/Period	**(proposed) HK$1.10**	HK$1.25	(12.0)
Total Equity	**4,736.5**	4,421.4	7.1
Return on Equity (% per annum)	**10.0**	12.5	(20.0)
Gearing Ratio (%)	**19.4**	25.0	(22.4)
Net Debt to Equity Ratio (%)	**0.3**	7.0	(95.7)
Number of Outstanding Issued Shares	**1,648,928,486**	1,648,928,486	–

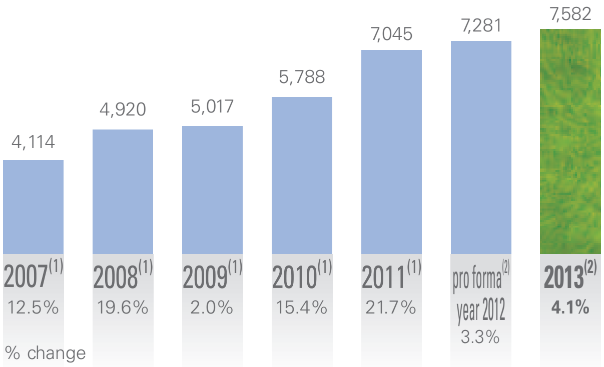
To provide a meaningful comparison, the key highlights for fiscal year 2013 and the pro forma year 2012 are as follows:

(US$ millions, except where otherwise stated)	**1.1.2013 to 31.12.2013 (audited)**	1.1.2012 to 31.12.2012 (pro forma)	% change
Turnover	**7,582.5**	7,280.6	4.1%
Profit attributable to owners of the Company	**434.8**	467.9	(7.1%)
Recurring operating profit attributable to owners of the Company	**430.8**	441.5	(2.4%)
Basic earnings per share (US cents)	**26.37**	28.37	(7.0%)

Key Shareholder Value Indices

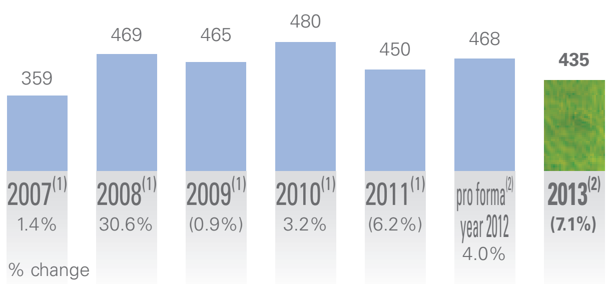
Turnover

US$ million

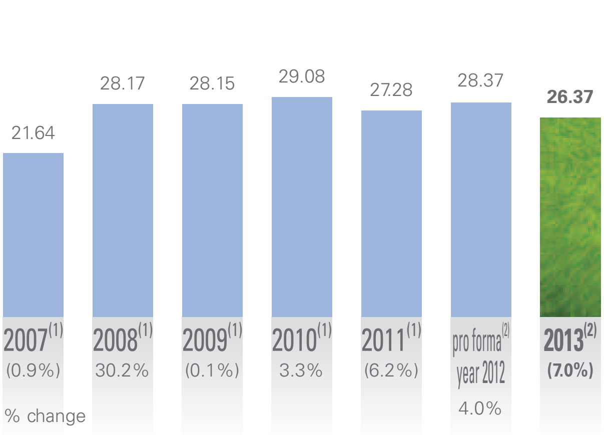


Profit Attributable to Owners of the Company

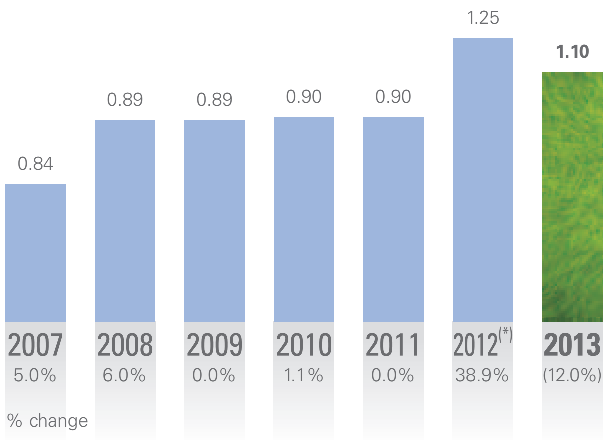
US$ million



Earnings Per Share
US cents



Dividend Per Share
HK$



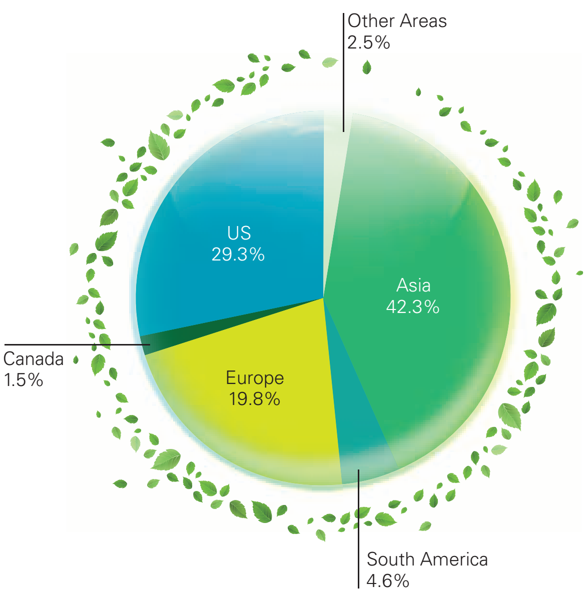
(1) For 2007 to 2011, the figures represent the results for the fiscal year ended 30th September.

(2) For pro forma year 2012 and 2013, the figures represent the results for the fiscal year ended 31st December.

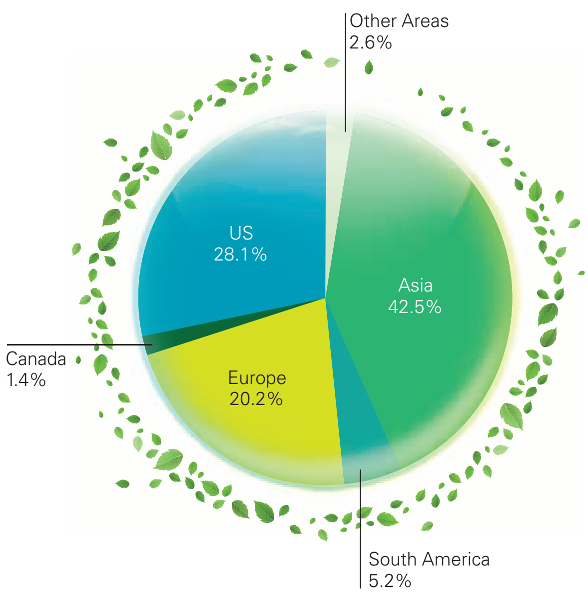
(*) It represents the fiscal period for the fifteen months ended 31st December, 2012.

Market Distribution for the year ended 31st December, 2013 with the comparative figures for the fifteen months ended 31st December, 2012

2013 Turnover by Geographical Market



2012 Turnover by Geographical Market



Corporate Information

Executive Directors

Lu Chin Chu *(Chairman)*
(appointed on 26th March, 2014)
Tsai Pei Chun, Patty[5]
(appointed as Managing Director on 28th June, 2013)
Tsai Chi Neng
Kuo Tai Yu
Kung Sung Yen
Chan Lu Min
Li I Nan, Steve
Lee Shao Wu
Tsai Ming-Lun, Ming *(appointed on 28th June, 2013)*
George Hong-Chih Liu *(appointed on 28th June, 2013)*
David N. F. Tsai *(resigned on 28th June, 2013)*
Kuo Li Lien *(resigned as Executive Director and member of the Nomination Committee on 31st May, 2013)*

Independent Non-executive Directors

Liu Len Yu[1, 3, 5, 7]
Leung Yee Sik[1, 2, 3, 4]
Huang Ming Fu[1, 3, 5, 6]
Chu Li-Sheng[1, 3, 5]
Yen Mun-Gie (also known as Teresa Yen)[1, 3, 5]
Hsieh, Yung Hsiang (also known as Alfred Hsieh)[1, 3]
(appointed on 26th March, 2014)

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 (appointed on 26th March, 2014)*
7. *Chairman of nomination committee (resigned on 26th March, 2014)*

Company Secretary

Chau Chi Ming *(appointed on 12th January, 2014)*
Ng Lok Ming *(resigned on 12th January, 2014)*

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

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 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 (Asia) Corporation Ltd.
- Chinatrust Commercial Bank, Ltd.
- Citibank, N.A.
- China Citic Bank International Ltd.
- Credit Agricole Corporate & Investment Bank
- DBS Bank Ltd.
- E. Sun Bank
- First Commercial Bank Ltd.
- Industrial Bank of Taiwan
- Land Bank of Taiwan
- Mizuho 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
- United Overseas Bank Ltd.

Solicitors

Reed Smith Richards Butler

Website

www.yueyuen.com

Stock Code: 00551


Hubei
Jiangxi
Guangdong
Bangladesh
Hong Kong
Taiwan
Cambodia
Vietnam
Indonesia

LOOKING FOR SUSTAINABLE GROWTH

Chairman's Statement

In 2012, Yue Yuen Industrial (Holdings) Limited (the "Company" and together with its subsidiaries, the "Group") changed its financial year end to 31st December from 30th September. Fiscal 2013 is the first financial year after the change and the audited financial statements for the period covers the year ended 31st December, 2013. The change of the financial year end date means the Company, Pou Sheng International (Holdings) Limited ("Pou Sheng") and the operating subsidiaries incorporated in the People's Republic of China (the "PRC"), will have contemporaneous fiscal periods.

During the year ended 31st December, 2013, the Group's sales to its customers were within management's expectations. Fiscal 2013 was expected to be somewhat weaker than the same reporting period in 2012 due to the lack of catalysts such as the European Cup and the Olympics. Furthermore, uncertainties continued to affect the different regions in the world. Economic and financial issues regarding the European Union ("EU") monetary system ("MS") were beginning to affect some of the leading member countries of the EUMS. In turn this hurt general consumer sentiment within the EU. In the United States (the "US"), national spending and the new health care act continued to dominate the discussion within the government. In various instances, the general public had the feeling that the US government would become increasingly dysfunctional. Both in Europe and the US, discussions regarding the need for reductions in government expenditures and social benefit payments, as well as approaches to increasing tax revenues, were in the news headlines. The PRC economy continued to be challenged with annual GDP growth occurring at a slower rate, rising consumer prices and the trend of further appreciation of the RMB during the year. Despite the challenging environment, the Group recorded increase in both footwear manufacturing and retail sales.

The operating environment for footwear manufacturing was difficult. Minimum wages across the different Asia regions continued to increase in accordance with government regulations. Costs were also up on account of efficiency issues with respect to newly opened factories and production lines, reallocation of production capacity, and high staff turnover in certain factories. Furthermore, rising government mandated social benefit costs in the PRC, as well as general inflation pressures across the Asia region, meant that input costs on the whole continue to move upward. Notwithstanding, the management team of footwear manufacturing operations continued to enhance factory productivity and supply chain efficiency to offset the rising input costs.

For this year, sales growth was achieved by the Group in both footwear manufacturing and retail businesses, as compared to the pro forma twelve months

Chairman's Statement

ended 31st December, 2012. Consolidated turnover of the Group increased by 4.1% to US$7,582.5 million, compared to US$7,280.6 million recorded in pro forma year 2012. When looking at the Group's listed subsidiary Pou Sheng, which is involved in the retail business, brand licensee and manufacturing business, it achieved sales of US$1,777.2 million, an increase of 1.4% compared to that recorded in pro forma year 2012. During the year, the consolidated net profit attributable to equity holders of the Company, decreased by 7.1% to US$434.8 million compared to US$467.9 million earned in pro forma year 2012. For Pou Sheng, the operating environment was still difficult so that it experienced a net loss attributable to equity holders of US$38.7 million; however, this was an improvement as compared to pro forma year 2012 net loss of US$77.2 million.

Similar to previous reporting periods, Asia region, which includes both manufacturing and retail activities, represented 42% of the Group's sales. The US market accounted for 29% and Europe 20% of the Group's sales. The rest of the world accounted for the remaining 9%.

During the year, the Group produced 313.4 million pairs of shoes, representing an increase of 1.1% compared to the same period last year. Given the rising costs across Asia, footwear manufacturing activities can take place only if there is adequate planning. To stay ahead of the competition, the management team of the footwear manufacturing business has been seeking to lower the cost structure of the manufacturing bases as well as fine tuning the efficiency of the Group's supply chain processes. In order to simplify and automate the production process further, the Group and the brand name customers have been working closely together to continue to enhance factory productivity and supply chain efficiency.

For the year, consumer spending in the PRC was still weak compared to the earlier years. Rapid expansion in the distribution channels for athletic shoes and apparel across the country in the past few years, combined with the increased sophistication in consumer tastes, created an extremely competitive environment for the athletic brand owners and their distribution partners. As a result, growth was limited for the sales of athletic footwear and apparel. Industrywide inventory levels were still elevated, and aggressive discounting was needed periodically. At the end of the year, the Group had 3,665 directly operated stores/counters in the Greater China region and 2,263 sub-distributors in the PRC. During the year, Pou Sheng's management team concentrated on improving operating efficiency and keeping the store network operating primarily in the 1st and 2nd tier cities. Management believes that less discounting, better inventory management and higher sales yield per unit of floor space, will steadily help the retail business return to profitability. In the longer term, prospects for the retail business remain attractive as the trend of economic growth in the PRC and consumer income are expected to continue to grow over time.

The Group's associate companies and joint ventures contributed a combined profit of US$49 million, a decrease compared to pro

forma year 2012 profit of US$87.1 million. The large difference between the 2 years is caused primarily by one-off gains and losses in pro forma year 2012 and 2013 respectively.

Sustainable Development

Long term planning is crucial to enable the Group to reach the various sustainable development targets. We believe sustainable development is important in human resource management, industrial process management, and end-to-end supply chain management. Fundamental principles need to be established across all factories to facilitate sustainable development. One set of standards should exist for ethical conducts and values, and an organizational structure must also be created for all factories to follow. Incentives must be established to reward factories that achieve the designated standards. The management appreciates that it is important for the employees to have a happy working environment. Whenever possible, the management looks to follow the best practices for sustainable production.

Looking Ahead

For the three months ended March 2014, the Group's consolidated turnover had increased by 7.4% year-on-year to approximately US$1.8 billion.

Major sporting event such as the World Cup could raise people's interests in sports and hence the demand for sporting goods, including athletic shoes. Nonetheless, the outlook for global economic environment in 2014 remains unclear at this point. The US economy appears to be on the path of recovery but still has challenges ahead. The economic outlook for each of the EU member countries also vary greatly. As the PRC government shifts its focus from high economic growth rate to market reforms, economic growth is expected to slow compared to that of the earlier years. However, the recent weakening of the RMB in March 2014 could be helpful to partly offset the rising input costs for manufacturers in the PRC involved in exports.

Pou Sheng's management still has many tasks ahead of them, and with greater focus on the retail operations, they should be able to achieve better results in the coming year and beyond.

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.

Lu Chin Chu
Chairman

Hong Kong
26th March, 2014

BUILD VALUE FOR OUR STAKEHOLDERS

Management Discussion and Analysis

Results

For the year ended 31st December, 2013, the Group recorded turnover of US$7,582.5 million, representing growth of 4.1% compared to the pro forma year 2012 turnover of US$7,280.6 million. The pro forma year 2012 refers to the twelve months of operations ended 31st December, 2012. Net profit attributable to owners of the Company decreased by 7.1% to US$434.8 million compared to US$467.9 million recorded in the pro forma year 2012. Basic earnings per share for 2013 decreased by 7.0% to US26.37 cents compared to the pro forma year 2012's US28.37 cents.

Recurring Operating Profit Attributable to Owners of the Company

For the year ended 31st December, 2013, excluding all items non-recurring operating in nature, the recurring operating profit amounted to US$430.8 million and non-recurring operating profit amounted to US$3.9 million. When reviewing the previous fifteen month period end 31st December, 2012, non-recurring operating profit amounted to US$40.6 million.

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Profit for the year/period attributable to owners of the Company	**434,768**	623,701
Less: Non-recurring operating income (expenses) attributable to owners of the Company (note)		
Impairment loss on investments in associates	**–**	(3,040)
Impairment loss on loan to an associate	**–**	(1,366)
Impairment loss on investments in joint ventures	**(585)**	(6,305)
Written back of impairment loss on amount due from a joint venture	**2,000**	–
Impairment loss on intangible assets	**(11,025)**	(8,485)
Impairment loss on amount due from joint ventures	**(8,345)**	–
Impairment loss on consideration receivable for disposal of properties	**(4,061)**	–
Impairment loss on property, plant and equipment	**(5,640)**	–
Fair value changes on derivative financial instruments	**7,978**	(4,637)
Fair value changes on consideration payable for acquisition of business	**(43)**	(2,085)
Gain on deemed disposal of a joint venture	**–**	5,898
Gain on disposal of subsidiaries (net of tax)	**25,548**	5,761
Gain on disposal of associates	**3,423**	–
Gain on disposal of joint ventures	**1,543**	–
Gain on certain disposal of property, plant and equipment	**–**	18,177
Gain on certain disposal of land leases	**3,859**	4,505
Share of result of a joint venture	**(23,169)**	18,830
Fair value changes on investment properties (net of tax)	**1,052**	390
Amounts attributable to non-controlling interests	**11,410**	12,928
Non-recurring operating profit attributable to owners of the Company	**3,945**	40,571
Recurring operating profit attributable to owners of the Company	**430,823**	583,130

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 pro forma financial information covering the twelve months ended 31st December, 2012. The pro forma figures have not been audited. They are derived by subtracting the unaudited figures for the 3 months ended 31st December, 2011, from the audited figures for the fifteen months ended 31st December, 2012. Figures for both periods have previously been reported to the public. The key highlights for fiscal year 2013 and the pro forma year 2012 are as follows:

	1.1.2013 to 31.12.2013 (audited) (US$'000)	1.1.2012 to 31.12.2012 (pro forma) (US$'000)	% change
Turnover	**7,582,471**	7,280,610	4.1%
Cost of sales	**(5,935,840)**	(5,620,571)	5.6%
Gross profit	**1,646,631**	1,660,039	(0.8%)
Profit for the year	**428,987**	449,531	(4.6%)
Recurring operating profit attributable to owners of the Company	**430,823**	441,503	(2.4%)
Non-recurring operating profit attributable to owners of the Company	**3,945**	26,367	(85.0%)
Profit attributable to owners of the Company	**434,768**	467,870	(7.1%)

Operations

General Overview

The Group 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 manufacturing business is managed with certain objectives in mind. Firstly the business is viewed as a partnership with the brand name customers so that the Group's operations are conducted on a basis that facilitates 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. Last but not least, the Group tries to provide choices to the brand name customers that enable the management of input costs and provide 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.

The Group manages these business units with certain key principles. Each business unit must be managed for sustainable development. In each business unit, corporate social responsibility is regarded as one of the important corporate strategies for business development. 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 solely by short term

profit motives. Corporate social responsibility means that the Company will operate as a member of society and lead in a manner that is harmonious with society at large. In recognizing 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.

Total Turnover by Product Category

The turnover for footwear manufacturing activity for the Group increased in 2013 when compared to the turnover in pro forma year 2012. The increase can be attributed to both increase in volume and average selling price. Profit margins decreased for the year due to increased input costs but were partly offset by currency depreciation and efficiency gains. The Group works with its brand name customers to continue to enhance factory productivity and supply chain efficiency. During the year under review, the Group's shoe production volume was distributed by locations as follows: 34% in the PRC, 34% in Vietnam, 31% in Indonesia and 1% in others.

When reviewing total turnover by product category, athletic shoes accounted for 50.3% of turnover. When considering only footwear manufacturing, then athletic shoes is the principal category representing 72.5% of footwear manufacturing turnover. Correspondingly casual/outdoor shoes represented 25.8% of footwear manufacturing turnover. The Group works with brand name customers to offer a wide range of footwear that vary in design, functionalities, and price points. This business strategy allows the Group to establish economy of scale and expertise in manufacturing to meet the different demands and interests of the brand name customers.

Retail sales are derived primarily from the retail operations in the PRC involving the sales of international brand name athletic footwear and apparel in the major cities. The turnover in retail sales for the Group increased in 2013 when compared to the turnover in pro forma year 2012. At the end of December 2013, the Group had 3,665 directly operated counters/stores in the Greater China region and 2,263 sub-distributors in the PRC. The operating environment for the retail business in the PRC was challenging but the management implemented cost control measures to manage staff salaries, rents, inflation and other costs, so that the operating costs in aggregate decreased when compared to that in pro forma year 2012.

	1.1.2013 to 31.12.2013		1.10.2011 to 31.12.2012	
	US$ millions	**%**	US$ millions	%
Athletic Shoes	3,813.3	50.3	4,744.7	51.6
Casual/Outdoor Shoes	1,356.9	17.9	1,562.0	17.0
Sports Sandals	86.2	1.1	105.4	1.1
Retail Sales – Shoes, Apparel & Leasing	1,726.6	22.8	2,052.7	22.3
Soles, Components & Others	599.5	7.9	728.4	8.0
Total Turnover	**7,582.5**	**100.0**	**9,193.2**	**100.00**

For the footwear manufacturing for the international brands, orders are received by the sales departments managing each brand name customer and normally take about ten to twelve weeks to fill.

Management Discussion and Analysis

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.

Production Review

During the year under review, the Group produced a total of 313.4 million pairs of shoes, whereas 393.3 million were produced in the fifteen months ended 31st December, 2012 ("FP2012"). The average selling price for shoes was US$16.77 per pair compared to US$16.30 during the fifteenth month period ended 31st December, 2012.

Cost Review

With respect to the footwear manufacturing operations, total annual sales amounted to US$5.8 billion (FP2012: US$7.1 billion), whereas the direct labour costs were US$1.0 billion (FP2012: US$1.1 billion). Total main material costs were US$2.4 billion (FP2012: US$2.9 billion) and total production overhead amounted to US$1.3 billion (FP2012: US$1.5 billion).

With respect to Pou Sheng, total annual sales amounted to US$1.8 billion (FP2012: US$2.2 billion). Retail stock costs were US$1.2 billion (FP2012: US$1.4 billion). In relations to Pou Sheng's manufacturing operation, direct labour costs were US$8.7 million (FP2012: US$21.3 million), total main material costs were US$23.9 million (FP2012: US$62.0 million), and total production overhead amounted to US$15.9 million (FP2012: US$29.2 million).

For the Group, selling and distribution expenses for the year were US$623.9 million (FP2012: US$788.2 million), equivalent to approximately 8.2% (FP2012: 8.6%) of turnover. Administrative expenses for the year were US$563.5 million (FP2012: US$678.0 million), equivalent to approximately 7.4% (FP2012: 7.4%) of turnover. Since the inflation pressures in both the manufacturing and retail businesses are significant, managements in both units have made cost control one of their key objectives.

Product Development

During the year under review, the Group spent US$174.8 million (FP2012: US$208.6 million) in product development. The product development expenses included items such as sample development, preparation work for the technical development package, and production efficiency enhancement. For each of the major brand name customers that has a research/development team, a parallel independent product development centre exists within the Group to look after the said research/development team. Besides this product development work, the Group also cooperates with its customers to seek improvements in production lead times and develop new techniques to produce high-quality footwear.

Financial Review

Liquidity

The Group's financial position was solid. As at 31st December, 2013, the Group had cash and cash equivalents of US$905.8 million (2012: US$809.2 million) and total borrowings of US$919.3 million (2012: US$1,099.0 million). The gearing ratio (total borrowings to total equity) was 19.4% (2012: 25.0%) and the net debt to equity ratio (total borrowings net of cash on hand to total equity) was 0.3% (2012: 7.0%). The low net debt to equity ratio reflects the Group's desire to maintain financial strength in these volatile times.

Capital Expenditure

During the year under review, the capital expenditure amounted to US$191.8 million (FP2012: US$309.5 million). The Group spent approximately US$26.2 million on constructing new factory buildings and ancillary facilities, mainly in the PRC, Vietnam and Indonesia. Another US$23.6 million was spent on buildings and properties, and a further US$114.9 million was spent on machinery and leasehold improvements.

The capital expenditure for fiscal 2014 will also include capacity expansion in areas including Vietnam and Indonesia and will be funded by internal resources.

Dividends

A final dividend of HK$0.75 per share (FP2012: HK$0.25 per share) has been recommended, making the dividend per share for the year amount to HK$1.10 (FP2012: HK$1.25).

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 year was 53.8%.

Foreign Exchange Exposure

For the footwear manufacturing 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. RMB exposure is partly hedged with forward contracts and structured contracts.

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 the PRC, both revenues and expenses are denominated in the local currencies.

Goodwill and Intangible Assets

The Group has Goodwill and Intangible Assets recorded on its Consolidated Statement of Financial Position due to previous acquisitions of businesses in the retail and manufacturing industries.

Employees

As at 31st December, 2013, the Group had about 413,000 staff employed across the regions globally. The Group adopts a remuneration system based on an employee's performance throughout the period, and offers equal opportunities to all staff.

Prospects

Rising costs in both the manufacturing and retail businesses require active planning within the Group to ensure stable profits. The Group has invested in supply chain integration and manufacturing excellence programs to improve quality and efficiency in production. Another important task at hand is the reallocation of production capacity across Asia in considering the different input costs for each production base. The retail business unit will continue to refine its sales and store opening strategies and inventory management so as to target a return to profitability and position for growth.

TREASURE TALENTS AND CONNECT PEOPLE

Biographical Data of Directors and Senior Management

Executive Directors

Lu Chin Chu, aged 60, has been an executive director and the chairman of the Company since 26th March, 2014. Mr. Lu was an executive director of the Company from 15th February, 1996 to 4th March, 2011. He joined Pou Chen Corporation ("PCC"), being listed on the Taiwan Stock Exchange ("TSE"), in 1977. He is the General Manager of the footwear global supply chain department of the Group and in charge of the management of the supply chain. He is a director of certain subsidiaries of the Company. Mr. Lu is also the President and a director of PCC and he is involved primarily in board level and strategic issues. PCC has interests in the shares of the Company which would need to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Lu has over 36 years of experience in the manufacturing of footwear and footwear materials, and is a college graduate. Mr. Lu has been a non-executive director since 2007 in Luen Thai Holdings Limited ("Luen Thai"), whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). He is also a director of San Fang Chemical Industry Co., Ltd. ("San Fang") and Evermore Chemical Industry Co., Ltd. ("Evermore"), both companies being listed on the TSE. Mr. Lu is involved in board level activities and is not engaged in the day-to-day management of Luen Thai, San Fang and Evermore.

Tsai Pei Chun, Patty, aged 34, has been the managing director of the Company since 28th June, 2013. She graduated from the Wharton School of the University of Pennsylvania in May 2002 with a Bachelor of Science Degree 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 and enterprise developments. Ms. Tsai currently also serves as a non-executive director of Pou Sheng, a non-wholly owned subsidiary of the Company, whose shares are listed on the Stock Exchange. She is also a director of Wealthplus Holdings Limited ("Wealthplus"). Wealthplus is a company having 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 SFO. 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 and a cousin of Mr. Tsai Ming-Lun, Ming, who are the executive directors of the Company.

Biographical Data of Directors and Senior Management

Tsai Chi Neng, aged 65, is responsible for overall management and in particular overseeing footwear manufacturing and production management. Mr. Tsai joined the Group in 1992, and was the Chairman of the Company from April 1993 to 25th March 2014. He has more than 31 years of experience in the footwear manufacturing business in Taiwan, Canada and the US. Over the years, he has implemented various cost control projects, innovative production management 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 Ms. Tsai Pei Chun, Patty, who is the managing director and an executive director of the Company, and Tsai Ming-Lun, Ming, who is an executive director of the Company.

Kuo Tai Yu, aged 63, joined the Group in 1996 and has been a General Manager of the garment department in charge of development and integration of garment manufacturing since 2012. He had over 30 years of experience in the footwear manufacturing. Mr. Kuo holds a Bachelor's Degree from Chung Hsing University in Taiwan. Mr. Kuo is also a director of Eagle Nice (International) Holdings Limited, whose shares are listed on the Stock Exchange, Wealthplus and certain subsidiaries of the Company.

Kung Sung Yen, aged 60, joined the Group in 1976 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 37 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 59, joined the Group in 2001, is in charge of finance and accounting of the Group. He has 33 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 certain subsidiaries of the Group. PCC is a company having 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 SFO. Mr. Chan was a director of Symphony Holdings Limited ("Symphony"), a company listed on the Stock Exchange prior to his resignation effective from 1st September, 2013.

Li I Nan, Steve, aged 72, 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 Bachelor's Degree and a Master's Degree in Arts from National Chengchi University in Taiwan and 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.

Lee Shao Wu, aged 50, holds a Master of International Enterprise Administration Degree granted by China Culture University, Taiwan and a Bachelor of Mechanical Engineering Degree 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 China as CFO and vice president of administration center in 2004. Mr. Lee then joined the Company as Head of Strategic Investment Planning Department and was appointed as an executive director of the Company in January 2011. He is also a director of certain subsidiaries of the Company.

Tsai Ming-Lun, Ming, aged 36, holds a Bachelor's Degree of Science from National Taiwan University. He graduated from Harvard University in 2004 and holds a Master's Degree in Design Studies with Major in Project Management. Mr. Tsai is specialized in factory management and is responsible for business development and production operation of major customers, and the sourcing of certain footwear materials. Mr. Tsai has served the Group since 2005 and was appointed as an executive director of the Company on 28th June, 2013. He is also a director of certain subsidiaries of the Company. Mr. Tsai is a nephew of Mr. Tsai Chi Neng, an executive director of the Company, and a cousin of Ms. Tsai Pei Chun, Patty, the managing director and an executive director of the Company.

George Hong-Chih Liu, aged 41, holds a Master of Business Administration Degree in Finance and Entrepreneurial Management from The Wharton School of University of Pennsylvania and Bachelor of Arts Degree in Economics and International Studies from Yale University. Mr. Liu worked as a management consultant with Bain & Company in the US and Beijing, China, after graduating from the university. Mr. Liu was with Morgan Stanley from 2000 to 2010 with primary responsibility in deal origination and execution and client coverage in Greater China. Mr. Liu last held the position of Executive Director with Morgan Stanley. In June 2010, Mr. Liu joined China International Capital Corporation as Managing Director and Head of Hong Kong Investment Banking Department. Mr. Liu joined the Company as Deputy Chief Financial Officer with effect from 29th April, 2013 and was appointed as an executive director of the Company on 28th June, 2013. He is also a director of certain subsidiaries of the Company.

Independent Non-executive Directors

Liu Len Yu, aged 53, 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 Degree from National Chung Hsing University.

Biographical Data of Directors and Senior Management

Leung Yee Sik, aged 52, 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.

Huang Ming Fu, aged 73, 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 worked for Formosa Plastics Corporation in Taiwan from 1966 to 1994. He then joined Chailease 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. He was appointed as a supervisor of San Fu Chemical Co., Ltd. in October 2012, a company listed on the TSE.

Chu Li-Sheng, aged 45, holds a Bachelor's Degree in Business Administration from Tatung University and Master's 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 lecturer in the Department of Business Administration at Asia University, and a supervisor of Trade-Van Information Services Co., a company listed on the TSE. Mr. Chu was a supervisor of Global Life Insurance Co., Ltd. from July 2012 to December 2013. Mr. Chu was appointed as an independent director of PharmaEngine, Inc. in June 2013, a company listed on OTC market in Taiwan.

Yen Mun-Gie (also known as Teresa Yen), aged 44, holds an undergraduate degree from University of California at Berkeley and a Master's 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.

Hsieh, Yung Hsiang (also known as Alfred Hsieh), aged 64, holds a Bachelor's Degree in Business Administration from National Taiwan University and a Master's Degree in Business Administration from National Cheng-chi University in Taiwan. Mr. Hsieh commenced his career in corporate banking in 1975. He acted as the Chief Financial Officer of Great Electric Co., Ltd. from 1987 to 1991. He was the Managing Director of Hanlink Capital Ltd. from 1994 to 2008. He took up the role of independent director of First Sino Bank from November 2008 to December 2013. He was the supervisor of Young Optics Inc., a company listed on the TSE from 2006 to 2012 and has been a director of Young Optics Inc. since June 2012 and an independent director of Wistron Information Technology & Services Corporation, a company listed on the GreTai Securities Market in Taiwan since November 2011.

Senior Management

Lee Chung Wen, aged 61, joined the Group in 1988 and is a General Manager of the Group. He graduated from National Taiwan University and is experienced in chemical materials and is currently in charge of planning and training chemical professionals and automated production management.

Lin Cheng Tien, Jerry, aged 54, joined the Group in 1990 and is an Executive Vice President of the Group responsible for the production, sales and marketing of certain footwear brand customers. He has more than 23 years of experience in the footwear sector.

Chin Chieh Huei, aged 53, 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.

Chang Chia Li, aged 56, joined the Group in 1997 and is a Vice President of the Group responsible for the business development and production management of certain major brands. He is a college graduate and has 17 years of experience in the footwear business.

Hsiao Tsai Yuan, aged 55, 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.

Biographical Data of Directors and Senior Management

Lee Cheng Chuan, aged 50, joined the Group in 1989 and is a senior executive manager of the Group in charge of business development and production management of certain brands. He graduated from National Taipei Institute of Technology.

Chau Chi Ming, Dickens, aged 50, is the Company Secretary and a Director of 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 Bachelor of Business Administration Degree, 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.

Chow Sai Kin, aged 62, 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 Bachelor of Social Science Degree, and has 32 years of working experience in the accounting and auditing fields. Before joining the Group in 1994, he was the chief accountant at a financial institution.

Yau Suet Fong, Christina, aged 53, 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) Degree from Charles Sturt University, Australia and has more than 22 years of accounting experience.

Shum, Jerry, aged 48, is the Head of the Investor Relations Department and joined the Group in 2008. He has a Bachelors of Arts Degree from McGill University and holds the designations CA (Canada), CPA (U.S.A.), 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 the pleasure to present their annual report and the audited consolidated financial statements for the year ended 31st December, 2013.

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 year ended 31st December, 2013 are set out in the consolidated income statement on page 52 of the annual report.

An interim dividend of HK$0.35 per share was paid to the shareholders during the year ended 31st December, 2013. The directors recommend the payment of a final dividend of HK$0.75 per share to the shareholders on the register of members on 9th June, 2014, amounting to approximately HK$1,236,696,000.

Subsidiaries, Associates and Joint Ventures

Details of the principal subsidiaries, associates and joint ventures of the Group as at 31st December, 2013 are set out in Notes 53, 20 and 22 to the consolidated financial statements, respectively.

Share Capital

Details of the share capital of the Company are set out in Note 38 to the consolidated financial statements.

Investment Properties

Details of movements in the investment properties of the Group during the year are set out in Note 14 to the consolidated financial statements.

Property, Plant and Equipment

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

Donations

During the year ended 31st December, 2013, the Group made charitable and other donations totalling approximately US$3.0 million.

Distributable Reserves of the Company

As at 31st December, 2013, the Company's reserves available for distribution to shareholders were US$580,325,000, which comprises contributed surplus of US$38,126,000, other reserve of US$18,272,000, investment revaluation reserve of US$4,463,000 and retained profits of US$519,464,000 of the Company.

Directors' Report

Distributable Reserves of the Company (continued)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account 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 year and up to the date of this report were:

Executive directors:

Lu Chin Chu *(Chairman)*	(appointed as Executive Director and Chairman on 26th March, 2014)
Tsai Pei Chun, Patty[5]	(appointed as Managing Director on 28th June, 2013)
Tsai Chi Neng	(resigned as Chairman on 26th March, 2014)
Kuo Tai Yu	
Kung Sung Yen	
Chan Lu Min	
Li I Nan, Steve	
Lee Shao Wu	
Tsai Ming-Lun, Ming	(appointed on 28th June, 2013)
George Hong-Chih Liu	(appointed on 28th June, 2013)
David N.F. Tsai	(resigned on 28th June, 2013)
Kuo Li Lien	(resigned as Executive Director and member of the Nomination Committee on 31st May, 2013)

Independent non-executive directors:

Liu Len Yu[1,3,5,7]	(resigned as Chairman of the Nomination Committee, member of Audit Committee and member of Remuneration Committee on 26th March, 2014)
Leung Yee Sik[1,2,3,4]	
Huang Ming Fu[1,3,5,6]	
Chu Li-Sheng[1,3,5]	
Teresa Yen[1,3,5]	(appointed as member of the Nomination Committee on 26th March, 2014)
Alfred Hsieh[1,3]	(appointed as Independent Non-Executive Director, member of Audit Committee and Remuneration Committee on 26th March, 2014)

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 (appointed on 26th March, 2014)*
7 *Chairman of nomination committee (resigned on 26th March, 2014)*

Directors and Directors' Service Contracts (continued)

Mr. Tsai Chi Neng, Mr. Lee Shao Wu, Dr. Liu Len Yu and Mr. Leung Yee Sik will retire by rotation at the forthcoming annual general meeting ("2014 AGM") of the Company in accordance with No. 87 of the Bye-laws and except for Mr. Tsai Chi Neng and Dr. Liu Len Yu who have informed the Company that they will not offer themselves for re-election due to their personal reasons, Mr. Lee Shao Wu and Mr. Leung Yee Sik, being eligible, offer themselves for re-election. Mr. Lu Chin Chu, Mr. Tsai Ming-Lun, Ming, Mr. George Hong-Chih Liu and Mr. Alfred Hsieh, who were appointed to fill casual vacancies or as additions to the Board, will hold office until the 2014 AGM and be eligible for re-election in accordance with No. 82 of the Bye-laws.

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 of Hong Kong Limited (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 2014 AGM 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

As at 31st December, 2013, 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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long positions

(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%
Tsai Pei Chun, Patty	Beneficiary of a trust *(Note)*	101,126,262	6.13%

Note: Each of Mr. Tsai Chi Neng 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' Report

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

Long positions (continued)

(b) Ordinary shares of HK$0.01 each in Pou Sheng International (Holdings) Limited ("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
Tsai Pei Chun, Patty	Beneficial Owner	5,575,000	0.10%
Chan Lu Min	Beneficial Owner	851,250	0.01%

(c) Ordinary shares of HK$0.10 each in Symphony Holdings Limited ("Symphony") whose shares are listed on the main board of the Stock Exchange, which was an associated corporation of the Company up to 16th October, 2013 pursuant to Section 308(1)(b) of the SFO.

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of Symphony
Li I Nan, Steve	Beneficial Owner (Note)	5,000,000	0.38%

Note: Mr. Li I Nan, Steve is interested in share options which are exercisable into a total of 5,000,000 shares in Symphony.

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, 2013.

Interests in Competing Businesses

The Company has a 61.27% 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.

There was 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 ("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 will not (except through Pou Sheng and its subsidiaries (collectively referred to as the "Pou Sheng Group")) solicit or manufacture for any of the brands: Li Ning, ANTA, Kappa, 361°, Umbro and XTEP. A meeting of the board of directors (the "Board") 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 Group) take up the opportunity of the New Business. Another meeting of the Board of the Company was held on 20th January, 2010 at which meeting 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 meeting of the Board of the Company held on 4th February, 2013, it was resolved that the Company would allocate certain number of 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 ("Pou Sheng Board") (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 meeting of the Board 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". The Business Separation Deed was due for renewal on 5th June, 2013. On 14th May, 2013, the Company was informed by Pou Sheng that the Business Separation Deed would not be renewed upon expiry and accordingly, it lapsed after 5th June, 2013.

On 16th December, 2013, Pou Sheng Group and the Group entered into an equity transfer agreement and an equipment transfer agreement pursuant to which Pou Sheng Group disposed of two of its subsidiaries' equity interests and equipment of its footwear manufacturing business to the Group for a total consideration of RMB62,866,298 (equivalent to approximately US$10,349,071, subject to adjustments). The total consideration was subsequently adjusted to RMB61,097,598 (equivalent to approximately US$10,057,907) with reference to the net asset values of the two indirect wholly-owned subsidiaries at Pou Sheng as at 31st December, 2013.

Directors' Report

Interests in Competing Businesses (continued)

Mr. David N. F. Tsai, who is a director of Pou Sheng, was an executive director and managing director of the Company prior to his resignation effective from 28th June, 2013. Ms. Kuo Li Lien, who was a director of Pou Sheng, was an executive director of the Company prior to her resignation effective from 31st May, 2013. As at 31st December, 2013, Ms. Tsai Pei Chun, Patty and Mr. Li I Nan, Steve who are directors of the Company, were also directors of Pou Sheng. Ms. Tsai Pei Chun, Patty also holds shares in Pou Sheng. 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 independent of, and at arms length from, Pou Sheng. The Company intends to maintain its shareholding in Pou Sheng.

It is expected that there will not be any competition between Pou Sheng Group and the Group in terms of the Group's footwear manufacturing business.

The Company also has an investment in Symphony. The principal activities of Symphony and its subsidiaries (collectively the "Symphony Group") had included the manufacturing and sales of footwear products before Symphony disposed of its manufacturing unit of its footwear products on 31st August, 2013 ("Symphony Disposal"). Symphony Group also engages in retail and wholesale business of apparel and footwear as well as outlet mall operation in the People's Republic of China (the "PRC"). Therefore, prior to the completion of the Symphony Disposal, the manufacturing of casual and outdoor footwear of the Group potentially competed with the businesses of Symphony. Mr. Chan Lu Min, who is a director of the Company, was a director of Symphony prior to his resignation effective from 1st September, 2013. Mr. Li I Nan, Steve, who is a director of the Company, is a director of Symphony. Based on public filings, as at 9th October, 2013, Mr. Li I Nan, Steve is also interested in share options which are exercisable into a total of 5,000,000 shares in Symphony. Prior to the completion of the Symphony Disposal, common directors of Symphony and the Company might have an interest in a competing business by virtue of their directorships in Symphony. As Symphony is and has been operating under separate and independent management, the directors of the Company believe that the Company is capable of carrying on its business independent of, and at arms length from, Symphony. After the completion of the Symphony Disposal, it is expected that there will not be any competition between Symphony Group and the Group in terms of the Group's footwear manufacturing business. As the Company's listed subsidiary, Pou Sheng, through its subsidiaries, engages in the retail and wholesale sales of sportswear and footwear in the PRC, the above common director may still have an interest in a competing business by virtue of his directorship in Symphony.

The Company holds indirectly 38.42% of the issued share capital of Eagle Nice (International) Holdings Limited ("Eagle Nice") whose shares are listed on the main board of the Stock Exchange. As the principal business activities of Eagle Nice and its subsidiaries are the manufacturing and trading of sportswear and garments, the retail and wholesale business of sportswear of the Group through Pou Sheng potentially competes with the businesses of Eagle Nice. Mr. Kuo Tai Yu, who is a director of the Company, is also a director of Eagle Nice. As Eagle Nice and the Company are operated under separate and independent management, the directors of the Company believe that the Company is capable of carrying on its business independent of, and at arms length from, Eagle Nice.

Save as described above, as at 31st December, 2013, 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 "Share Option Scheme") under which the Board of the Company may at its discretion grant any eligible participant share options, as it may determine appropriate. The Share Option Scheme is valid and effective for a period of ten years commencing on 27th February, 2009, after which no further options may be offered or granted.

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

Further details of the Share Option Scheme are set out in Note 41 to the consolidated financial statements.

(b) Share Award Scheme of the Company

On 28th January, 2014, the Company adopted a share award scheme (the "Share Award Scheme") to recognise the contributions by certain personnel of the Group and/or associated entities and to attract suitable personnel for further development of the Group. Under the Share Award Scheme the Board of the Company may at its discretion grant any eligible participant awarded shares which shall not exceed two per cent of the issued share capital of the Company as at the date of grant, as it may determine appropriate. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed one per cent of the issued share capital of the Company from time to time. The Share Award Scheme is valid and effective for a period of ten years commencing on 28th January, 2014, after which no further contribution to the trust fund will be made by the Company.

Further details of the Share Award Scheme are set out in Note 41 to the consolidated financial statements.

(c) Share Option Scheme of Pou Sheng

Pou Sheng recognises the importance of offering incentive and rewards through the grant of share-based incentive mechanism for attracting talents and retaining employees. Pou Sheng believes that this will align their interests with that of Pou Sheng.

On 14th May, 2008, Pou Sheng adopted a share option scheme under which 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.

Directors' Report

Share Incentive Schemes (continued)

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

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, 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 share 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 share 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 share 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 share option period.

No share options were granted or exercised under the Pou Sheng Share Option Scheme during the year ended 31st December, 2013.

During the year ended 31st December, 2013, the Group recognised a net income of US$51,000 as equity-settled share-based payments in the consolidated income statement with reference to the share options' respective vesting periods and the share options lapsed prior to their vesting dates after recognising share option expenses of US$662,000.

Share Incentive Schemes (continued)

(c) 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 year:

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1st January, 2013	Lapsed/ cancelled during the year	Number of options outstanding at 31st December, 2013
Employees/Consultants of Pou Sheng						
	21.01.2010	1.62	21.01.2011–20.01.2018	3,729,000	(833,550)	2,895,450
	21.01.2010	1.62	21.01.2012–20.01.2018	3,729,000	(833,550)	2,895,450
	21.01.2010	1.62	21.01.2013–20.01.2018	7,458,000	(1,667,100)	5,790,900
	21.01.2010	1.62	21.01.2014–20.01.2018	9,944,000	(2,222,800)	7,721,200
	20.01.2011	1.23	20.01.2012–19.01.2019	5,977,500	–	5,977,500
	20.01.2011	1.23	20.01.2013–19.01.2019	5,977,500	–	5,977,500
	20.01.2011	1.23	20.01.2014–19.01.2019	5,977,500	–	5,977,500
	20.01.2011	1.23	20.01.2015–19.01.2019	5,977,500	–	5,977,500
	07.03.2012	1.05	07.03.2013–06.03.2020	375,000	–	375,000
	07.03.2012	1.05	07.03.2014–06.03.2020	375,000	–	375,000
	07.03.2012	1.05	07.03.2015–06.03.2020	375,000	–	375,000
	07.03.2012	1.05	07.03.2016–06.03.2020	375,000	–	375,000
Sub-total				**50,270,000**	**(5,557,000)**	**44,713,000**

Directors' Report

Share Incentive Schemes (continued)

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

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1st January, 2013	Lapsed/ cancelled during the year	Number of options outstanding at 31st December, 2013
Former Employees of Pou Sheng						
	21.01.2010	1.62	21.01.2011–20.01.2018	2,430,000	(825,000)	1,605,000
	21.01.2010	1.62	21.01.2012–20.01.2018	2,430,000	(825,000)	1,605,000
	21.01.2010	1.62	21.01.2013–20.01.2018	2,910,000	(1,911,000)	999,000
	21.01.2010	1.62	21.01.2014–20.01.2018	3,880,000	(3,880,000)	–
	20.01.2011	1.23	20.01.2012–19.01.2019	5,760,000	–	5,760,000
	20.01.2011	1.23	20.01.2013–19.01.2019	2,385,000	(375,000)	2,010,000
	20.01.2011	1.23	20.01.2014–19.01.2019	2,385,000	(2,385,000)	–
	20.01.2011	1.23	20.01.2015–19.01.2019	2,385,000	(2,385,000)	–
	07.03.2012	1.05	07.03.2013–06.03.2020	375,000	–	375,000
	07.03.2012	1.05	07.03.2014–06.03.2020	375,000	(375,000)	–
	07.03.2012	1.05	07.03.2015–06.03.2020	375,000	(375,000)	–
	07.03.2012	1.05	07.03.2016–06.03.2020	375,000	(375,000)	–
Sub-total				**26,065,000**	**(13,711,000)**	**12,354,000**
Grand total				**76,335,000**	**(19,268,000)**	**57,067,000**

Further details of the Pou Sheng Share Option Scheme are set out in Note 41 to the consolidated financial statements.

Arrangements to Purchase Shares or Debentures

Save as disclosed in the "Share Incentive Schemes" above, at no time during the year 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.

Interests of 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, 2013, 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.

Directors' Report

Interests of Substantial Shareholders (continued)

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, 2013
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%
Mr. David N.F. Tsai	(e)	101,126,262	6.13%
Ms. Tsai Hsu Li Min	(e)	101,126,262	6.13%
Ms. Tsai Hsu Shu Chun	(e)	101,126,262	6.13%
Merrill Lynch & Co. Inc.	(f)	99,315,703	6.02%
Citigroup Inc.	(g)	101,965,294	6.18%
Short Position			
Merrill Lynch & Co. Inc.	(f)	109,341,792	6.63%
Citigroup Inc.	(g)	92,497,155	5.60%

Interests of 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. Chan Lu Min and Mr. Kuo Tai Yu, who are directors of the Company, are also directors of PCC. Ms. Tsai Pei Chun, Patty, Mr. Chan Lu Min, Mr. Kuo Tai Yu and Mr. Kung Sung Yen (who are directors of the Company) are directors of Wealthplus. Mr. Chan Lu Min is a director of Win Fortune.

(b) Mr. Tsai Chi Jui, the elder 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 56.068% 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) Mr. David N.F. Tsai is deemed to be interested in 101,126,262 ordinary shares of the Company by virtue of his capacity as a beneficiary of a discretionary trust. 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 is a director 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 has been prepared based on the disclosure of interest form filed with the Company.

Directors' Report

Interests of Substantial Shareholders (continued)

Long position (continued)

Notes: (continued)

(g) The 101,965,294 ordinary shares (long position) are held as to 92,638,750 ordinary shares as corporate interest, 9,308,044 ordinary shares in the capacity as Custodian Corporation/approved lending agent and 18,500 ordinary shares as security interest. Further, 92,497,155 ordinary shares in short position are held as corporate interest. Of the 101,965,294 ordinary shares in long position, 92,247,920 ordinary shares represent underlying interests in physically settled unlisted derivatives. Of the 92,497,155 ordinary shares in short position, 92,247,920 ordinary shares represent underlying interests in cash settled unlisted derivatives.

Of the 101,965,294 ordinary shares (long position) held by Citigroup Inc., 92,256,212 ordinary shares (long position) are directly held by Citigroup Global Markets Hong Kong Limited, 246,622 ordinary shares (long position) are directly held by Citigroup Global Markets Limited, 81,286 ordinary shares (long position) are directly held by Citigroup Global Markets Inc., 9,308,044 ordinary shares (long position) are directly held by Citibank N.A., 630 ordinary shares (long position) are directly held by Citigroup Trust South Dakota, and 72,500 ordinary shares (long position) are directly held by Citigroup Global Markets Asia Limited.

Of the 92,497,155 ordinary shares (short position) interested by Citigroup Inc., 92,252,134 ordinary shares (short position) are directly interested by Citigroup Global Markets Hong Kong Limited, and 245,021 ordinary shares (short position) are directly interested by Citigroup Global Markets Limited.

Each of Citigroup Global Markets Hong Kong Limited and Citigroup Global Markets Inc. is 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 30.83% by Citigroup Financial Products Inc., 18.74% by Citigroup Global Markets International LLC and 50.16% by Citigroup Global Markets (International) Finance AG. Each of Citigroup Global Markets International LLC and Citigroup Global Markets (International) Finance AG is wholly-owned by Citigroup Financial Products Inc.. Citigroup Global Markets Asia Limited is wholly-owned by Citigroup Global Markets Hong Kong Holdings 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 92,656,620 ordinary shares (long position) and 92,497,155 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., 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 9,308,674 ordinary shares (long position).

In light of the above, Citigroup Inc. is deemed to be interested in an aggregate of 101,965,294 ordinary shares (long position) and 92,497,155 ordinary shares (short position). The above has 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, 2013.

Connected Transactions and Directors' Interests in Contracts

Details of the transactions regarded as connected transactions for the year ended 31st December, 2013 are set out in Note 51(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 has reviewed the continuing connected transactions and the report of the 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. 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 the 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.

Connected Transactions and Directors' Interests in Contracts (continued)

Save as disclosed in Note 51(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 at the end of the year or at any time during the year; 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 22% of the Group's total sales for the year.

The aggregate purchases during the year attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases for the year.

At no time during the year, did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the 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 or suppliers 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 2013 interim report on 13th August, 2013 are set out below:

On 1st September, 2013, Mr. Chan Lu Min, an executive director of the Company, resigned as a director of Symphony.

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 year.

Emolument Policy

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

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the Board, 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.

Directors' Report

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 on pages 39 to 49 of this annual report.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st December, 2013.

Event after the Reporting Period

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

Auditor

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

On behalf of the Board

Tsai Pei Chun, Patty
Managing Director

Hong Kong, 26th March, 2014

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 year ended 31st December, 2013, the Company has applied the principles of and has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") 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 ten executive Directors (including the Chairman and the Managing Director of the Company) and six independent non-executive Directors, whose biographical details are set out in "Biographical Data of Directors and Senior Management" section on pages 17 to 22. Mr. Tsai Chi Neng, Ms. Tsai Pei Chun, Patty and Mr. Tsai Ming-Lun, Ming, are, amongst others, members of Tsai family. Mr. Tsai Chi Neng is an uncle of Ms. Tsai Pei Chun, Patty and Mr. Tsai Ming-Lun, Ming. Mr. Tsai Ming-Lun, Ming is a cousin of Ms. Tsai Pei Chun, Patty. Save as disclosed herein, none of the members of the Board are related to one another.

Matters which are material and may cause potential conflicts of interest will be dealt with by Board meetings instead of by way of circulation. The company secretary prepares minutes which are recorded in sufficient details 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 year ended 31st December, 2013, 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, and appointed independent non-executive directors representing at least one-third of the Board.

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.

Corporate Governance Report

Directors' Liability Insurance and Indemnity

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. During the year ended 31st December, 2013, no claims were made against the Directors.

Appointment and Re-Election of Directors

The appointment of a new Director is made on the recommendation of the Nomination Committee and the Board and 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.

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-law(s) of the Company (the "Bye-laws"). At least one-third of Directors shall retire from office every year at the Company's annual general meeting.

Mr. Tsai Chi Neng, Mr. Lee Shao Wu, Dr. Liu Len Yu and Mr. Leung Yee Sik will retire by rotation at the forthcoming annual general meeting of the Company in accordance with No. 87 of the Bye-laws and except for Mr. Tsai Chi Neng and Dr. Liu Len Yu who have informed the Company that they will not offer themselves for re-election due to their personal reasons, Mr. Lee Shao Wu and Mr. Leung Yee Sik, being eligible, offer themselves for re-election. Mr. Lu Chin Chu, Mr. Tsai Ming-Lun, Ming, Mr. George Hong-Chih Liu and Mr. Hsieh, Yung Hsiang (also known as Alfred Hsieh) ("Alfred Hsieh"), who were appointed to fill casual vacancies or as additions to the Board, will hold office until the forthcoming annual general meeting and be eligible for re-election in accordance with No. 86(2) of the Bye-laws.

Directors' Training

According to the code provision A.6.5 of the CG 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 January, 2013 to 31st December, 2013 are as follows:

	Self-study by reading seminar materials	Attending seminars
Executive Directors		
Lu Chin Chu[1]	N/A	N/A
Tsai Pei Chun, Patty	3 hours	1 hour
Tsai Chi Neng	2 hours	2 hours
Kuo Tai Yu	4 hours	N/A
Kung Sung Yen	4 hours	N/A
Chan Lu Min	2 hours	2 hours
Li I Nan, Steve	2 hours	2 hours
Lee Shao Wu	2 hours	2 hours
Tsai Ming-Lun, Ming[2]	2 hours	1 hour
George Hong-Chih Liu[2]	2 hours	1 hour
David N.F. Tsai[3]	N/A	1 hour
Kuo Li Lien[4]	N/A	1 hour
Independent Non-executive Directors		
Liu Len Yiu	2 hours	2 hours
Leung Yee Sik	2 hours	2 hours
Huang Ming Fu	2 hours	2 hours
Chu Li Sheng	2 hours	2 hours
Yen Mun Gie (also known as Teresa Yen) ("Teresa Yen")	2 hours	2 hours
Alfred Hsieh[5]	N/A	N/A

Notes:

1. Mr. Lu Chin Chu was appointed as an executive director and the Chairman of the Board of the Company on 26th March, 2014.

2. Mr. Tsai Ming-Lun, Ming and Mr. George Hong-Chih Liu were both appointed as the executive directors of the Company on 28th June, 2013.

3. Mr. David N.F. Tsai resigned as an executive director of the Company on 28th June, 2013.

4. Ms. Kuo Li Lien resigned as an executive director of the Company on 31st May, 2013.

5. Mr. Alfred Hsieh was appointed as an independent non-executive director of the Company on 26th March, 2014.

Corporate Governance Report

Board Meetings

During the year ended 31st December, 2013, the Board held nine meetings. The attendance of the 2013 Annual General Meeting of the Company, meetings of the Board and principal Board committees held in 2013 is set out in the table below.

	2013 Annual General Meeting	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
	Number of Meetings Attended/Held				
Executive Directors					
Lu Chin Chu[1]	N/A	N/A	N/A	N/A	N/A
Tsai Pei Chun, Patty	1/1	7/9	N/A	N/A	3/3
Tsai Chi Neng	1/1	6/9	N/A	N/A	N/A
Kuo Tai Yu	0/1	2/9	N/A	N/A	N/A
Kung Sung Yen	0/1	2/9	N/A	N/A	N/A
Chan Lu Min	1/1	9/9	N/A	N/A	N/A
Li I Nan, Steve	1/1	9/9	N/A	N/A	N/A
Lee Shao Wu	1/1	9/9	N/A	N/A	N/A
Tsai Ming-Lun, Ming[2]	N/A	3/3	N/A	N/A	N/A
George Hong-Chih Liu[2]	N/A	3/3	N/A	N/A	N/A
David N.F. Tsai[3]	1/1	4/6	N/A	N/A	N/A
Kuo Li Lien[4]	0/1	3/4	N/A	N/A	0/1
Independent Non-Executive Directors					
Liu Len Yu	1/1	7/9	4/4	2/2	3/3
Leung Yee Sik	1/1	7/9	4/4	2/2	N/A
Huang Ming Fu	0/1	7/9	4/4	2/2	3/3
Chu Li-Sheng	1/1	7/9	4/4	2/2	3/3
Teresa Yen	1/1	7/9	4/4	2/2	N/A
Alfred Hsieh[5]	N/A	N/A	N/A	N/A	N/A

Notes:

1. Mr. Lu Chin Chu was appointed as an executive director and the Chairman of the Board of the Company on 26th March, 2014.

2. Mr. Tsai Ming-Lun, Ming and Mr. George Hong-Chih Liu were both appointed as the executive directors of the Company on 28th June, 2013.

3. Mr. David N.F. Tsai resigned as an executive director on 28th June, 2013.

4. Ms. Kuo Li Lien resigned as an executive director on 31st May, 2013.

5. Mr. Alfred Hsieh was appointed as an independent non-executive director of the Company on 26th March, 2014.

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 31st May, 2013, was convened during the year ended 31st December, 2013.

Chairman and Chief Executive

The position of the Chairman is held by Mr. Tsai Chi Neng until 26th March, 2014 and Mr. Lu Chin Chu from 26th March, 2014. The position of Managing Director is held by Mr. David N.F. Tsai until 28th June, 2013 and Ms. Tsai Pei Chun, Patty from 28th June, 2013.

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 Mr. Leung Yee Sik, Mr. Huang Ming Fu, Mr. Chu Li-Sheng, Ms. Teresa Yen and Mr. Alfred Hsieh. 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.

Corporate Governance Report

Remuneration Committee (continued)

The following is a summary of the work performed by the Remuneration Committee for the year ended 31st December, 2013:

- 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.

Pursuant to B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31st December, 2013 set out in Note 11(c) to the consolidated financial statements.

Nomination Committee

The Board established a Nomination Committee on 29th December, 2011 with written terms of reference in compliance with the CG Code, setting out the duties (containing the minimum specific duties as set out in the CG 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 four members including three independent non-executive directors, Mr. Huang Ming Fu (Chairman), Mr. Chu Li-Sheng, Ms. Teresa Yen and the Managing Director, Ms. Tsai Pei Chun, Patty.

The following is a summary of the work performed by the Nomination Committee for the year ended 31st December, 2013:

- discussed and reviewed the structure and composition of the Board, and recommend the retirement and re-election of directors;
- nominated new directors;
- reviewed and made recommendation to the Board on the board diversity policy, the revised terms of reference of Nomination Committee and the revised directors succession plan; and
- assessed the independence of independent non-executive directors.

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 auditor 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 year ended 31st December, 2013 have been reviewed by the Audit Committee.

The Audit Committee currently comprises Mr. Leung Yee Sik, Mr. Huang Ming Fu, Mr. Chu Li-Sheng, Ms. Teresa Yen and Mr. Alfred Hsieh. 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 the year ended 31st December, 2013:

- 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 auditors for providing non-audit services to the Group;
- reviewed the Group's connected parties transactions;
- reviewed the Group Internal Audit Policy;
- received and approved the Group internal audit plan 2013;
- 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 30th June, 2013.

Corporate Governance Report

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. During the year ended 31st December, 2013, the Board also adopted an inside information policy and approved the amendments to Statement of Policy on Corporate Governance, Directors Succession Plan, Terms of Reference of Nomination Committee and Remuneration Policy.

The Board has also adopted a Board Diversity Policy on 13th August, 2013 (the "Date of Adoption"), which is available under the Corporate Governance section of the Company's Website. During the period from the Date of Adoption to the date of this Report, one executive director and one independent non-executive director has been appointed to the Company in March 2014, taking into account without limitation their educational background, professional experience, skills and knowledge for the benefits of diversity on the Board.

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's objectives. The system also ensures the maintenance of proper accounting records and compliance with relevant laws and regulations.

For the year under review, Audit Committee of the Company considered that the Group's internal control system was reasonably effective and adequate.

Auditors' Remuneration

During the year ended 31st December, 2013, the remuneration paid to the Company's external auditor, Messrs. Deloitte Touche Tohmatsu is set out as follows:

	US$'000
Audit services	2,087
Non-audit services	368
	2,455

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

Directors' Responsibility and Auditors' Responsibility in Respect of Financial Statements

The statement of the Directors' responsibility and auditor's statement of reporting responsibilities in respect of the financial statements of the Group for the year ended 31st December, 2013 are set out on page 50 of this annual report.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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 year ended 31st December, 2013.

Company Secretary

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update his skills and knowledge.

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 every year and at a 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.

Corporate Governance Report

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 detailed 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, 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

In respect of 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.

There were no changes to the constitutional documents of the Company during the year ended 31st December, 2013.

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 180, which comprise the consolidated statement of financial position as at 31st December, 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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, 2013, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26th March, 2014

Consolidated Income Statement

For the year ended 31st December, 2013

	NOTES	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Turnover	6	**7,582,471**	9,193,226
Cost of sales		**(5,935,840)**	(7,094,107)
Gross profit		**1,646,631**	2,099,119
Other income		**170,952**	194,801
Fair value changes on investment properties	14	**1,387**	390
Fair value changes on derivative financial instruments	7	**7,978**	(4,637)
Fair value changes on consideration payable for acquisition of business	44(e)	**(43)**	(2,085)
Selling and distribution expenses		**(623,917)**	(788,249)
Administrative expenses		**(563,475)**	(678,030)
Other expenses		**(208,370)**	(244,853)
Gain on deemed disposal of a joint venture	44(g)	**–**	5,898
Gain on disposal of subsidiaries	46	**28,452**	5,761
Impairment loss on property, plant and equipment	15	**(5,640)**	–
Impairment loss on consideration receivable for disposal of properties		**(4,061)**	–
Impairment loss on investments in associates	20(ii)	**–**	(3,040)
Impairment loss on loan to an associate		**–**	(1,366)
Impairment loss on investments in joint ventures	22(ii)	**(585)**	(6,305)
Impairment loss on amounts due from joint ventures	23	**(8,345)**	–
Impairment loss on intangible assets	17	**(11,025)**	(8,485)
Finance costs	8	**(24,483)**	(46,053)
Share of results of associates		**42,812**	58,702
Share of results of joint ventures		**5,951**	55,332
Profit before taxation		**454,219**	636,900
Income tax expense	9	**(25,232)**	(25,578)
Profit for the year/period	10	**428,987**	611,322
Attributable to:			
Owners of the Company		**434,768**	623,701
Non-controlling interests		**(5,781)**	(12,379)
		428,987	611,322
		US cents	US cents
Earnings per share	13		
– Basic		**26.37**	37.82
– Diluted		**24.97**	35.67

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2013

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Profit for the year/period	428,987	611,322
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange difference arising on the translation of foreign operations	27,340	35,749
Reclassification adjustment of translation reserve upon disposal of subsidiaries	(1,235)	–
Fair value gain on available-for-sale investments	5,664	3,504
Other comprehensive income for the year/period	31,769	39,253
Total comprehensive income for the year/period	460,756	650,575
Total comprehensive income attributable to:		
Owners of the Company	459,836	650,519
Non-controlling interests	920	56
	460,756	650,575

Consolidated Statement of Financial Position

At 31st December, 2013

	NOTES	2013 US$'000	2012 US$'000
Non-current assets			
Investment properties	14	**42,763**	42,290
Property, plant and equipment	15(a)	**1,770,899**	1,874,614
Deposits paid for acquisition of property, plant and equipment	15(b)	**11,682**	11,698
Prepaid lease payments	16	**164,878**	181,653
Intangible assets	17	**118,201**	134,031
Goodwill	18	**273,962**	273,962
Investments in associates	20	**433,853**	411,160
Amounts due from associates	21	**2,499**	4,906
Investments in joint ventures	22	**423,122**	424,197
Amounts due from joint ventures	23	**37,952**	59,836
Long-term loan receivables	25	**8,246**	827
Convertible note receivable	26	**–**	4,322
Available-for-sale investments	27	**29,156**	23,492
Rental deposits and prepayments		**19,729**	23,159
Derivative financial instruments	29	**–**	936
Deferred tax assets	37	**8,858**	4,051
		3,345,800	3,475,134
Current assets			
Inventories	31	**1,239,676**	1,207,787
Trade and other receivables	32	**1,457,497**	1,317,735
Prepaid lease payments	16	**5,080**	5,428
Available-for-sale investment	27	**166**	–
Taxation recoverable		**7,621**	7,278
Investments held for trading	28	**2,983**	9,024
Derivative financial instruments	29	**5,685**	2,897
Structured bank deposit	30(a)	**2,144**	–
Bank balances and cash	30(b)	**926,054**	809,153
		3,646,906	3,359,302
Assets classified as held for sale	33	**–**	1,674
		3,646,906	3,360,976

	NOTES	2013 US$'000	2012 US$'000
Current liabilities			
Trade and other payables	34	**1,232,997**	1,094,545
Dividend payable		**–**	138,320
Taxation payable		**22,653**	19,464
Derivative financial instruments	29	**–**	92
Bank overdrafts	30(c)	**20,220**	–
Bank borrowings	35	**519,299**	734,110
		1,795,169	1,986,531
Net current assets		**1,851,737**	1,374,445
Total assets less current liabilities		**5,197,537**	4,849,579
Non-current liabilities			
Long-term bank borrowings	36	**400,000**	364,895
Consideration payable for acquisition of business	44(e)	**18,016**	17,980
Consideration payable for acquisition of additional interest in a subsidiary	44	**550**	–
Deferred tax liabilities	37	**42,521**	45,308
		461,087	428,183
Net assets		**4,736,450**	4,421,396
Capital and reserves			
Share capital	38	**53,211**	53,211
Reserves		**4,285,447**	3,949,577
Equity attributable to owners of the Company		**4,338,658**	4,002,788
Non-controlling interests	52	**397,792**	418,608
Total equity		**4,736,450**	4,421,396

The consolidated financial statements on pages 52 to 180 were approved and authorised for issue by the Board of Directors on 26th March, 2014 and are signed on its behalf by:

Tsai Pei Chun, Patty
MANAGING DIRECTOR

George Hong-Chih Liu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2013

	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, 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
Fair value gain on available-for-sale 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 joint venture	–	–	–	–	–	–	–	–	(451)	451	–	–	–
Realised on disposal of joint ventures	–	–	–	–	–	–	–	–	(409)	409	–	–	–
Realised on disposal of an associate	–	–	–	–	–	–	–	–	(443)	443	–	–	–
Disposal of subsidiaries (Note 46)	–	–	–	–	–	–	–	–	–	–	–	(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 44(d))	–	–	–	–	–	–	–	–	–	–	–	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
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	20,639	–	20,639	6,701	27,340
Reclassification adjustment of translation reserve upon disposal of subsidiaries	–	–	–	–	–	–	–	–	(1,235)	–	(1,235)	–	(1,235)
Fair value gain on available-for-sale investments	–	–	5,664	–	–	–	–	–	–	–	5,664	–	5,664
Profit for the year	–	–	–	–	–	–	–	–	–	434,768	434,768	(5,781)	428,987
Total comprehensive income for the year	–	–	5,664	–	–	–	–	–	19,404	434,768	459,836	920	460,756
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options not yet vested	–	–	–	–	–	–	–	–	–	–	–	(51)	(51)
Realised on deregistration of subsidiaries	–	–	–	–	–	–	–	–	(171)	171	–	(171)	(171)
Realised on disposal of joint ventures	–	–	–	–	–	–	–	–	(601)	601	–	–	–
Realised on disposal of an associate	–	–	–	–	–	–	–	–	(452)	452	–	–	–
Disposal of subsidiaries (Note 46)	–	–	–	–	–	–	–	–	–	–	–	(2,209)	(2,209)
Deemed partial disposal of interests in subsidiaries without losing control	–	–	–	–	(710)	–	–	–	–	–	(710)	710	–
Refund of investment cost in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(50)	(50)
Acquisition of additional interests in subsidiaries	–	–	–	–	3,619	–	–	–	–	–	3,619	(12,870)	(9,251)
Dividends (Note 12)	–	–	–	–	–	–	–	–	–	(127,548)	(127,548)	–	(127,548)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(6,422)	(6,422)
Transfer to non-distributable reserve fund	–	–	–	–	–	–	–	4,202	–	(4,202)	–	–	–
Release upon lapse of contingently issuable shares	–	–	–	–	–	–	–	–	–	673	673	(673)	–
At 31st December, 2013	53,211	695,536	11,785	(16,688)	48,121	4,551	519	35,884	141,182	3,364,557	4,338,658	397,792	4,736,450

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"). The premium received by the Company was 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 during the fifteen months ended 31st December, 2012.

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").

Up to 31st December, 2013, 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 year ended 31st December, 2013

	NOTES	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
OPERATING ACTIVITIES			
Profit before taxation		**454,219**	636,900
Adjustments for:			
Release of prepaid lease payments		**5,080**	6,122
Depreciation of property, plant and equipment		**240,401**	295,627
Amortisation of intangible assets		**8,215**	10,083
Dividend income from available-for-sale investments		**(471)**	(290)
Finance costs		**24,483**	46,053
Interest income		**(9,276)**	(14,831)
Impairment loss on property, plant and equipment		**5,640**	–
Impairment loss on consideration receivable for disposal of properties		**4,061**	–
Impairment loss on intangible assets		**11,025**	8,485
Impairment loss on trade receivables		**2,760**	9,335
Impairment loss on investments in joint ventures		**585**	6,305
Impairment loss on loans to an associate		**–**	1,366
Impairment loss on investments in associates		**–**	3,040
Impairment loss on loan to joint ventures		**8,345**	–
Written back of impairment loss on amount due from a joint venture		**(2,000)**	–
Impairment loss on other receivables		**836**	608
Allowance for inventories, net		**7,184**	5,061
(Reversal) recognition of share-based payment expense of a listed subsidiary		**(51)**	2,012
(Gain) loss on disposal of joint ventures		**(1,543)**	1,150
Loss (gain) on disposal of property, plant and equipment		**15,702**	(1,382)
Gain on disposal of land leases		**(3,859)**	(4,871)
Gain on disposal of subsidiaries	46	**(28,452)**	(5,761)
Gain on disposal of associates		**(3,423)**	–
Gain on deregistration of a joint venture		**(790)**	–
Gain on deemed disposal of a joint venture	44(g)	**–**	(5,898)
Loss on deregistration of an associate		**133**	–
Loss on deemed disposal of an associate		**179**	–
Fair value changes on investment properties		**(1,387)**	(390)
Fair value changes on derivative financial instruments		**(7,978)**	4,637
Fair value changes on consideration payable for acquisition of business		**43**	2,085
Share of results of associates		**(42,812)**	(58,702)
Share of results of joint ventures		**(5,951)**	(55,332)

	NOTES	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Operating cash flows before movements in working capital		680,898	891,412
Increase in inventories		(29,201)	(36,388)
Increase in trade and other receivables		(151,779)	(146,618)
Decrease in rental deposits and prepayments		4,037	4,282
Decrease (increase) in investments held for trading		6,041	(9,024)
Increase (decrease) in trade and other payables		144,726	(20,095)
Cash generated from operations		654,722	683,569
Hong Kong Profits Tax paid		(30)	(16)
Overseas taxation paid		(33,551)	(36,862)
Refund of overseas taxation		2,562	2,997
NET CASH FROM OPERATING ACTIVITIES		623,703	649,688
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(172,643)	(290,197)
Deposit paid for acquisition of property, plant and equipment		(11,671)	(12,089)
Prepaid land leases		(7,509)	(7,184)
Investments in associates		(4,453)	(380)
Investment in structured bank deposit		(2,144)	–
Investments in joint ventures		(500)	–
Purchase of available-for-sale investments		(166)	(2,172)
Refund of investment cost in a subsidiary		(50)	(563)
Refund of investment cost in an associate		62	498
Interest received from Convertible Note (as defined in Note 26)		282	25
Proceeds from disposal of investment properties		383	–
Refund of investment costs in joint ventures		429	2,078
Dividends received from available-for-sale investments		471	290
Proceed from disposal of joint ventures		1,543	3,124
Repayment of advance from associates		2,407	5,083
Proceeds on disposal of prepaid lease		5,567	14,214
Interest received		8,984	14,500
Dividends received from joint ventures		15,181	13,045
Proceeds from disposal of associates		15,718	1,569
Repayment from joint ventures		17,803	9,078
Dividends received from associates		23,901	28,856
Proceeds from disposal of property, plant and equipment		26,997	41,566
Proceeds on disposal of subsidiaries (net of cash and cash equivalents disposed of)	46	40,256	13,213
Acquisition of subsidiaries and business (net of cash and cash equivalents acquired)	44	–	(107,162)
Acquisition of assets arises through acquisition of subsidiaries (net of cash and cash equivalents acquired)	45	–	(4,491)
Deposit received for sales of assets classified as held for sale		–	1,674
Decrease in loan receivables		–	2,155
Withdrawal in pledged bank deposits		–	12,665
Proceeds from maturity of available-for-sale investments		–	13,799
NET CASH USED IN INVESTING ACTIVITIES		(39,152)	(246,806)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2013

	NOTES	**1.1.2013 to 31.12.2013 US$'000**	1.10.2011 to 31.12.2012 US$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(2,281,715)**	(8,448,420)
Dividends paid		**(265,868)**	(193,464)
Interest paid on bank borrowings		**(24,483)**	(43,830)
Acquisition of additional interests in subsidiaries		**(8,701)**	(1,463)
Dividends paid to non-controlling interests of subsidiaries		**(6,422)**	(7,155)
Bank borrowings raised		**2,098,181**	8,666,540
Redemption of convertible bonds		**–**	(286,043)
Share repurchased of a subsidiary		**–**	(5,018)
Contribution from non-controlling interests		**–**	13,205
Proceeds from partial disposal of interests in subsidiaries without losing control		**–**	2,737
NET CASH USED IN FINANCING ACTIVITIES		**(489,008)**	(302,911)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**95,543**	99,971
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,138**	1,332
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		**809,153**	707,850
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		**905,834**	809,153
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**926,054**	809,153
Bank overdrafts		**(20,220)**	–
		905,834	809,153

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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

During the previous financial period, 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 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 fifteen months from 1st October, 2011 to 31st December, 2012 and therefore may not be comparable with amounts shown for the current year.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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

Except as described below, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". However, since the new terminology under the amendments to HKAS 1 is not mandatory and the directors of the Company opt to remain the titles of "statement of comprehensive income" and "income statement" unchanged.

Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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.

Except as described in the above paragraph, the amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"

The Group has applied for the first time the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Group reviewed the Group's investment property portfolios and concluded that majority of the investment properties are to be consumed substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, and that the presumption set out in the amendments to HKAS 12 is rebutted. The Group continues to recognise deferred taxes on changes in fair value of these investment properties on the basis that the carrying amounts of these properties were recovered through use and hence, the adoption of the amendments to HKAS 12 has no material effect on the amounts reported.

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

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1st January, 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over the investees which are consolidated into the consolidated financial statements before the application of HKFRS 10. The adoption of HKFRS 10 has therefore had no material effect on the amounts reported in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC) – Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in each of the joint arrangements, each of which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and continue to be accounted for using the equity method. The adoption of HKFRS 11 has therefore had no material effect on the amounts reported in the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see Notes 20, 22 and 24 for details).

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

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements.

The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see Notes 14 and 43(c) for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New and revised HKFRSs in issue 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:

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1st January, 2014.
2 Effective for annual periods beginning on or after 1st July, 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 will have no material effect on the Group's financial assets and financial liabilities based on the analysis of the Group's financial assets and financial liabilities as at 31st December, 2013.

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

Amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Other than the above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "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 at the end of the reporting period, 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

4. Significant Accounting Policies (continued)

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

4. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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 in 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 as established at the date of acquisition of the business (see the accounting policy above) 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 CGUs, 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. 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.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, 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, an investment in an associate or a joint venture is 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 associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

4. Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 or a joint venture. 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 of disposal) 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture 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 the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4. Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. 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.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an assoicate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discountiues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see accounting policy regarding investments in associates or joint ventures above).

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 of disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

4. Significant Accounting Policies (continued)

Revenue recognition (continued)

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 is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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.

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 and freehold land 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 decrease 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.

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.

Freehold land is stated at cost less accumulated impairment losses, if any.

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 and freehold land, 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.

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 acquired in a business combination 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 acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

4. Significant Accounting Policies (continued)

Impairment 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 CGUs, or otherwise they are allocated to the smallest group of CGUs 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 of disposal 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 immediately in profit or loss.

Leasing

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

The Group as lessor

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

4. Significant Accounting Policies (continued)

Leasing (continued)

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, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined based on 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

4. Significant Accounting Policies (continued)

Financial instruments (continued)

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.

Financial assets at FVTPL

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 stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or 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, trade and other receivables, amounts due from associates and joint ventures and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or are not classified as (a) financial assets at FVTPL or (b) loans and receivables.

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 on 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.

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 investments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy on impairment of financial assets below).

Impairment of financial assets

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security 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 or 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, 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.

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 (see the accounting policy below).

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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

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 in profit or loss. 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 overdrafts, bank borrowings, consideration payable for acquisition of business and consideration payable for acquisition of additional interest in a subsidiary) are subsequently measured at amortised cost, 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case 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 FVTPL.

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 terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured 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.

4. Significant Accounting Policies (continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and 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 options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

When the share options are exercised, the amount previously recognised in equity will be transferred to share premium of the relevant group entity. When the share 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.

When the share options are cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount previously recognised in 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 year/period. Taxable profit differs from "profit before taxation" as reported in the consolidated income statement because of income or expense that are taxable or deductible in other years and 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

4. Significant Accounting Policies (continued)

Taxation (continued)

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.

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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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 recognised 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.

4. Significant Accounting Policies (continued)

Foreign currencies (continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. USD) 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).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 other comprehensive income.

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;

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

4. Significant Accounting Policies (continued)

Research and development expenditure (continued)

- 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 that are acquired separately.

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.

(iii) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group continues to recognise deferred taxes on changes in fair value of investment properties on the basis that the carrying amounts of these properties were recovered through use.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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 CGUs 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 CGUs containing goodwill and the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise. Details of the recoverable amount calculation and the impairment loss made for the year are disclosed in Note 19.

(ii) Estimated impairment of trade receivables

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

(iii) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and non-financial instruments. Notes 14 and 43(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

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 turnover analysis by principal categories of the Group's business and the profit of the Group as a whole. The principal categories of the Group's business are manufacturing and sales of footwear products ("Manufacturing Business") and retail and distribution of sportswear products ("Retailing Business") which includes the operating and leasing of large scale commercial spaces to retailers and distributors.

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

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Turnover		
Manufacturing Business	**5,855,940**	7,140,577
Retailing Business	**1,726,531**	2,052,649
Total turnover	**7,582,471**	9,193,226

Revenue from major products

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

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Athletic shoes	**3,813,275**	4,744,743
Casual/outdoor shoes	**1,356,859**	1,561,988
Sports sandals	**86,197**	105,409
Soles and components	**526,768**	662,720
Retail sales – shoes and apparel	**1,712,598**	2,036,100
Others	**86,774**	82,266
	7,582,471	9,193,226

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

6. Turnover And Segmental Information (continued)

Geographical information

The Group's revenue is mainly derived from customers located in the United States of America ("US"), 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:

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
US	**2,219,541**	2,584,254
Europe	**1,500,783**	1,855,496
PRC	**2,178,813**	2,700,307
Others	**1,683,334**	2,053,169
	7,582,471	9,193,226

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:

	2013 US$'000	2012 US$'000
PRC	**1,213,216**	1,350,643
Vietnam	**463,077**	431,871
Indonesia	**407,747**	439,990
Others	**44,112**	44,941
	2,128,152	2,267,445

note: Non-current assets excluded goodwill, investments in associates, investments in joint ventures, deferred tax assets 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:

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Customer A	**1,663,948**	2,069,725
Customer B	**1,185,202**	1,476,338

7. Fair Value Changes On Derivative Financial Instruments

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Gain (loss) on changes in fair value of:		
– JV Call Options (Note 29(a))	**–**	(20,917)
– HKD Call Option	**–**	(3)
– derivative embedded in convertible note receivable (Note 26)	**5,098**	352
– other derivative financial instruments (Note 29(b))	**2,880**	15,931
	7,978	(4,637)

8. Finance Costs

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Interest on bank borrowings:		
– wholly repayable within five years	**24,483**	43,830
Effective interest expense on convertible bonds	**–**	2,223
	24,483	46,053

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

9. Income Tax Expense

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Taxation attributable to the Company and its subsidiaries:		
Hong Kong Profits Tax (note i)		
– current year/period	**30**	721
PRC Enterprise Income Tax ("EIT") (note ii)		
– current year/period	**15,167**	16,475
– overprovision in prior years	**(569)**	(768)
Overseas taxation (note iii)		
– current year/period	**19,147**	15,376
– (over)underprovision in prior years	**(56)**	166
	33,719	31,970
Deferred tax credit (Note 37)	**(8,487)**	(6,392)
	25,232	25,578

notes:

(i) Hong Kong

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

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except 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 were 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 both 2012 and 2013.

9. Income Tax Expense (continued)

notes: (continued)

(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 including Vietnam, Indonesia and Taiwan is calculated at the rates prevailing in the respective jurisdictions, which were 25%, 25% and 17% respectively.

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

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Profit before taxation	**454,219**	636,900
Tax at domestic rates applicable to profits of taxable entities in the countries concerned (note)	**73,259**	101,912
Tax effect of share of results of associates and joint ventures	**(8,724)**	(16,093)
Tax effect of expenses not deductible for tax purpose	**43,256**	37,895
Tax effect of income not taxable for tax purpose	**(59,492)**	(79,881)
Tax effect of tax losses not recognised	**13,579**	22,919
Effect of reduced and preferential tax rates granted to PRC subsidiaries	**(256)**	(748)
Effect of tax exemption granted to overseas subsidiaries	**(38,906)**	(38,543)
Deferred tax relating to dividend withholding tax	**237**	(1,281)
Overprovision in prior years	**(625)**	(602)
Tax effect of capital gain on disposal of a subsidiary	**2,904**	–
Income tax expense for the year/period	**25,232**	25,578

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

10. Profit for the Year/Period

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Profit for the year/period has been arrived at after charging:		
Employee benefit expense, including directors' emoluments		
– basic salaries and allowances	1,743,680	2,016,056
– retirement benefit scheme contributions	90,831	62,239
– share-based payment	(51)	2,012
	1,834,460	2,080,307
Release of prepaid lease payments	5,080	6,122
Auditor's remuneration	2,087	2,310
Impairment loss on intangible assets	11,025	8,485
Amortisation of intangible assets (included in selling and distribution expenses)	8,215	10,083
Impairment loss on property, plant and equipment	5,640	–
Depreciation of property, plant and equipment	240,401	295,627
Loss on disposal of property, plant and equipment (included in other expenses)	15,702	–
Loss on disposal of joint ventures (included in other expenses)	–	1,150
Loss on deregistration of an associate	133	–
Loss on deemed disposal of an associate	179	–
Impairment loss recognised on trade receivables (included in other expenses)	2,760	9,335
Impairment loss recognised on other receivables (included in other expenses)	836	608
Impairment loss on amount due from an associate	–	1,366
Impairment loss on amounts due from joint ventures	8,345	–
Allowance for inventories, net (included in cost of sales)	7,184	5,061
Research and development expenditure (included in other expenses)	174,808	208,589
Share of taxation of associates (included in share of results of associates)	6,553	8,795
Share of taxation of joint ventures (included in share of results of joint ventures)	14,211	–
and after crediting:		
Interest income (included in other income)	9,276	14,831
Dividend income from available-for-sale investments (included in other income)	471	290
Net exchange gain (included in other income)	22,106	28,000
Written back of impairment loss on amount due from a joint venture (included in other income)	2,000	–
Gain on disposal of property, plant and equipment (included in other income)	–	1,382
Gain on disposal of land leases (included in other income)	3,859	4,871
Gain on disposal of associates (included in other income)	3,423	–
Gain on disposal of joint ventures (included in other income)	1,543	–
Gain on deregistration of a joint venture (included in other income)	790	–
Subsidies, rebates and other income from suppliers (included in other income)	29,504	38,138
Utility income from provision of electricity and water supply (included in other income)	9,256	10,347
Subcontracting income (included in other income)	472	1,606
Gross rental income on investment properties, before deduction of direct operating expenses of approximately US$252,000 (2012: US$287,000) (included in other income)	9,908	12,645
Share of taxation of joint ventures (included in share of results of joint ventures)	–	17,418

note: For the year ended 31st December, 2013 and fifteen months ended 31st December, 2012, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

11. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 16 (fifteen months ended 31st December, 2012: 14) 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 year ended 31st December, 2013					
Executive directors:					
Tsai Chi Neng	–	258	826	–	1,084
David N.F. Tsai (note i)	–	167	464	–	631
Kuo Tai Yu	–	130	727	–	857
Kung Sung Yen	–	126	726	–	852
Chan Lu Min	–	124	181	–	305
Li I Nan, Steve	–	214	52	2	268
Tsai Pei Chun, Patty	–	101	206	–	307
Lee Shao Wu	–	133	52	1	186
Kuo Li Lien (note ii)	–	38	7	–	45
George Hong-Chih Liu (note iii)	–	108	103	1	212
Tsai Ming-Lun, Ming (note iii)	–	46	83	–	129
Independent non-executive directors:					
Liu Len Yu	33	–	–	–	33
Leung Yee Sik	34	–	–	–	34
Huang Ming Fu	33	–	–	–	33
Chu Li-Sheng	33	–	–	–	33
Teresa Yen (note iv)	33	–	–	–	33
	166	1,445	3,427	4	5,042

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

11. Directors' and Employees' Emoluments (continued)

(a) Directors' emoluments (continued)

	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 (note i)	–	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 (note ii)	–	71	24	–	95
Lee Shao Wu	–	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	42	–	–	–	42
Teresa Yen (note iv)	3	–	–	–	3
	172	1,806	5,358	4	7,340

notes:

(i) Mr. David N.F. Tsai resigned as an executive director on 28th June, 2013.

(ii) Ms. Kuo Li Lien resigned as an executive director on 31st May, 2013.

(iii) Mr. George Hong-Chih Liu and Mr. Tsai Ming-Lun, Ming were appointed as executive directors on 28th June, 2013.

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

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

11. Directors' and Employees' Emoluments (continued)

(b) Employees' emoluments

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

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Basic salaries and other allowances	**130**	199
Bonus	**456**	829
Retirement benefit scheme contributions	**–**	1
Share-based payments	**–**	(110)
	586	919

Their emoluments were within the following bands:

	1.1.2013 to 31.12.2013 Number of employees	1.10.2011 to 31.12.2012 Number of employees
HK$4,500,001 to HK$5,000,000	**1**	–
HK$7,000,001 to HK$7,500,000	**–**	1
	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 year and prior period. None of the directors has waived any emoluments during current year and prior period.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

11. Directors' and Employees' Emoluments (continued)

(c) Emoluments of senior management

Of the eleven (fifteen months ended 31st December, 2012: fourteen) senior management of the Group for the year ended 31st December, 2013, none of them are directors of the Company (fifteen months ended 31st December, 2012: none) and one of the senior management (fifteen months ended 31st December, 2012: none) is one of the top five highest paid individuals and the respective remuneration has been disclosed in Note 11(b).

The emoluments of the remaining ten (fifteen months ended 31st December, 2012: fourteen) individuals for the year/period were within the following bands:

	For the year ended 31st December, 2013 Number of employees	For the fifteen months ended 31st December, 2012 Number of employees
HK$1 to HK$500,000	–	1
HK$1,000,001 to HK$1,500,000	4	4
HK$1,500,001 to HK$2,000,000	3	4
HK$2,000,001 to HK$2,500,000	1	1
HK$2,500,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$3,500,000	1	1
HK$3,500,001 to HK$4,000,000	–	1
HK$4,000,001 to HK$4,500,000	–	–
HK$4,500,001 to HK$5,000,000	–	1
	10	14

12. Dividends

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Dividends recognised as distribution during the year/period:		
2013 Interim dividend of HK$0.35 per share (2012: 2012 First interim dividend of HK$0.35 per share)	**74,430**	74,380
2012 Final dividend of HK$0.25 per share (2012: 2011 Final dividend of HK$0.56 per share)	**53,118**	119,084
2012 Second interim dividend of HK$0.65 per share (2013: Nil)	**–**	138,320
	127,548	331,784

The directors recommend the payment of a final dividend of HK$0.75 per share for the year ended 31st December, 2013. The proposed dividend of approximately HK$1,236,696,000 will be paid on or before 17th June, 2014 to those shareholders whose names appear on the Company's register of members on 9th June, 2014.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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:

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Earnings:		
Profit for the year/period attributable to owners of the Company for the purpose of basic earnings per share	**434,768**	623,701
Effect of dilutive potential ordinary shares:		
Finance costs on convertible bonds (net of income tax)	**–**	1,856
Profit for the year/period attributable to owners of the Company for the purpose of diluted earnings per share	**434,768**	625,557

	1.1.2013 to 31.12.2013	1.10.2011 to 31.12.2012
Number of shares:		
Number of ordinary shares in issue during the year/period, for the purpose of basic earnings per share	**1,648,928,486**	1,648,928,486
Effect of dilutive potential ordinary shares:		
USD Call Options 2011	**–**	6,513,488
USD Call Options 2015	**92,247,920**	92,247,920
Convertible bonds	**–**	6,096,624
Number of ordinary shares in issue during the year/period, for the purpose of diluted earnings per share	**1,741,176,406**	1,753,786,518

note: The computation of diluted earnings per share for the year ended 31st December, 2013 and fifteen months ended 31st December, 2012 do not assume the exercise of share options of Pou Sheng International (Holdings) Limited ("Pou Sheng"), a listed subsidiary of the Company, because the exercise price of those options was higher than the average market price of Pou Sheng's shares in the respective year/period.

14. Investment Properties

	Completed investment properties US$'000
FAIR VALUE	
At 1st October, 2011	41,469
Unrealised gain on property revaluation recognised in profit or loss	390
Transfer from property, plant and equipment (Note 15(a))	431
At 31st December, 2012	42,290
Realised gain on property revaluation recognised in profit or loss	45
Unrealised gain on property revaluation recognised in profit or loss	1,342
Transfer to property, plant and equipment (Note 15(a))	(531)
Disposals	(383)
At 31st December, 2013	42,763

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

As at 31st December, 2013 and 31st December, 2012, the fair value of the Group's investment properties situated in the PRC of US$29,931,000 (2012: US$30,318,000) has been arrived at based on a valuation carried out by Knight Frank Petty Limited ("Knight Frank"), independent qualified professional valuers not connected with the Group. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar properties in the PRC.

As at 31st December, 2013 and 31st December, 2012, the fair value of the Group's investment property situated in the US of US$12,832,000 (2012: US$11,972,000) has been determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The fair value was determined by the directors of the Company based on market comparable approach, where the prices per square feet of the property are assessed by reference to market evidence of transaction prices for similar properties in the same location and conditions in the US.

There has been no change from the valuation technique used in the prior period. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

14. Investment Properties (continued)

One of the key inputs used in valuing the investment properties situated in the PRC was the rental yield, which ranged from 8.5% to 11.5%. A slight increase in the market yield used would result in a significant decrease in fair value measurement of the respective investment properties, and vice versa.

One of the key inputs used in valuing the investment property situated in the US was the price per square feet, which ranged from US$85 to US$89. A slight increase in the price per square feet used would result in a significant increase in fair value measurement of the respective investment property, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31st December, 2013 are as follows:

	Level 3 US$'000	**Fair value as at 31st December, 2013 US$'000**
Investment properties located in:		
PRC	29,931	**29,931**
US	12,832	**12,832**

There were no transfers into or out of Level 3 during the year.

	2013 US$'000	2012 US$'000
The carrying value of investment properties shown above comprises properties situated on:		
– long-term lease or land use rights in the PRC	**1,216**	1,191
– medium-term lease land use rights in the PRC	**28,715**	29,127
– freehold land in the US	**12,832**	11,972
	42,763	42,290

As at 31st December, 2013, 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$4.0 million (2012: US$4.2 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$'000 (notes i, ii & iii)	Construction in progress US$'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, 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 44)	–	–	–	–	–	11,147	1,083	58	12,288
Acquired on acquisition of assets through acquisition of subsidiaries (Note 45)	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
Exchange realignment	2,060	–	301	–	704	3,300	978	98	7,441
Additions	23,552	–	–	26,197	93,252	21,690	16,722	2,928	184,341
Reclassification	45,870	–	–	(45,870)	–	–	–	–	–
Transfer from investment properties (Note 14)	–	–	531	–	–	–	–	–	531
Disposals	(9,461)	–	–	–	(264,213)	(38,260)	(32,533)	(6,856)	(351,323)
Disposal of subsidiaries (Note 46)	–	–	–	–	(7,702)	(1,639)	(435)	(357)	(10,133)
At 31st December, 2013	**1,397,406**	**4,496**	**104,012**	**29,293**	**1,173,765**	**346,740**	**202,311**	**35,600**	**3,293,623**
Comprising:									
At cost	1,397,406	4,496	68,499	29,293	1,173,765	346,740	202,311	35,600	3,258,110
At valuation – 1995	–	–	35,513	–	–	–	–	–	35,513
	1,397,406	4,496	104,012	29,293	1,173,765	346,740	202,311	35,600	3,293,623
DEPRECIATION AND IMPAIRMENT									
At 1st October, 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
Exchange realignment	542	–	46	–	326	2,576	612	63	4,165
Provided for the year	58,374	–	2,502	–	113,204	38,933	23,336	4,052	240,401
Eliminated on disposals	(2,269)	–	–	–	(243,739)	(25,352)	(30,676)	(6,588)	(308,624)
Eliminated on disposal of subsidiaries (Note 46)	–	–	–	–	(5,339)	(958)	(375)	(338)	(7,010)
Impairment loss recognised in profit or loss (note iv)	–	–	–	–	4,924	–	716	–	5,640
At 31st December, 2013	**407,444**	**–**	**27,135**	**–**	**707,636**	**219,953**	**137,627**	**22,929**	**1,522,724**
CARRYING VALUE									
At 31st December, 2013	**989,962**	**4,496**	**76,877**	**29,293**	**466,129**	**126,787**	**64,684**	**12,671**	**1,770,899**
At 31st December, 2012	984,588	4,496	78,593	48,966	513,464	156,895	73,565	14,047	1,874,614

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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, 2013, 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$103.3 million (2012: US$104.0 million) and US$4.8 million (2012: US$4.9 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, 2013, 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$23,039,000 (2012: US$23,749,000) instead of US$22,549,000 (2012: US$23,259,000).

(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, 2013, the carrying value of such properties situated in the PRC was US$76,877,000 (2012: US$78,593,000).

(iv) In the current year, the directors of the Company conducted a review of the property, plant and equipment of the Group and determined that certain assets were impaired, due to technical obsolescence. Management determined that the fair value less costs to sell of those assets (mainly comprises plant and machinery, and furniture, fixture and equipment) is less than its carrying amount. Accordingly, an impairment loss of US$5,640,000 (fifteen months ended 31st December, 2012: Nil) was recognised in profit or loss. The estimated fair value less costs to sell is determined by reference to the recent market prices for similar assets.

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	
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)

	2013 US$'000	2012 US$'000
The carrying value of the properties shown above comprises properties situated on:		
Land or land use rights under long-term leases in		
– PRC	**12,923**	3,940
– Indonesia	**206,810**	218,599
Land or land use rights under medium-term leases in		
– Hong Kong	**1,183**	1,232
– PRC	**569,263**	582,280
– Vietnam	**264,305**	243,112
– Mexico	**1,189**	2,401
– Bangladesh	**11,166**	11,617
Freehold land in Mexico	**4,496**	4,496
	1,071,335	1,067,677

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

Details of the related capital commitments are set out in Note 48.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

16. Prepaid Lease Payments

	2013 US$'000	2012 US$'000
The Group's prepaid lease payments comprise leasehold land held under:		
Long-term leases or land use rights in		
– PRC	**6,629**	6,144
– Indonesia	**31,068**	31,482
Medium-term leases or land use rights in		
– PRC	**94,044**	112,473
– Vietnam	**38,217**	36,982
	169,958	187,081
Analysed for reporting purposes as:		
Current asset	**5,080**	5,428
Non-current asset	**164,878**	181,653
	169,958	187,081

The Group has acquired various interests in land in the PRC, Indonesia and Vietnam and erected buildings thereon. As of 31st December, 2013, 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$20.3 million (2012: US$22.5 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.

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, 2011	4,629	73,063	–	46,235	123,927
Acquired on acquisition of subsidiaries and business (Note 44)	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
Exchange realignment	237	2,073	280	1,973	4,563
At 31st December, 2013	**8,807**	**77,072**	**10,423**	**73,361**	**169,663**
AMORTISATION AND IMPAIRMENT					
At 1st October, 2011	1,270	–	–	10,775	12,045
Provided for the period	1,151	–	1,084	7,848	10,083
Impairment loss recognised in profit or loss	–	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
Provided for the year	1,075	–	1,026	6,114	8,215
Impairment loss recognised in profit or loss	426	4,831	–	5,768	11,025
Exchange realignment	91	206	46	810	1,153
At 31st December, 2013	4,062	9,822	2,171	35,407	51,462
CARRYING VALUE					
At 31st December, 2013	**4,745**	**67,250**	**8,252**	**37,954**	**118,201**
At 31st December, 2012	6,100	70,214	9,044	48,673	134,031

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

17. Intangible Assets (continued)

Addition of the Group's intangible assets during the fifteen months ended 31st December, 2012 arose from the acquisition of (i) 河北展新體育用品有限公司 Hebei Zhanxin Sports Development Company Limited ("Zhanxin") and (ii) the Pengda Business (as defined in Note 44(b)). Details are set out in Note 44.

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, licensing agreements and non-compete 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 and 16% for Pengda Business. 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 year ended 31st December, 2013, the Group recognised an impairment loss of US$7,944,000 (fifteen months ended 31st December, 2012: US$8,485,000) in relation to the brandnames and the non-compete agreements which arose on acquisition of certain retail business that operate chains of retails stores in Northern China, the PRC, and an impairment loss of US$3,081,000 (fifteen months ended 31st December, 2012: Nil) in relation to the customer relationship and non-compete agreements which arose on acquisition of certain retail business that operate chains of retails stores in Liaoning Province, the PRC. The impairment losses arose due to the worse than expected operating results of the relevant CGU of the Retailing Business. The basis of the impairment loss is set out in Note 19 and due primarily to difficulties arising from excessive inventory and fierce competitions in the region. This, combined with the rising operating costs, has therefore deteriorated both the operating environments and profitability of the relevant CGU and an impairment loss of certain intangible assets of the CGU is therefore recognised during the year/period.

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, 2011	233,211
Arising on acquisition of subsidiaries and business (Note 44)	40,751
At 31st December, 2012 and 2013	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	
	2013	2012
	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**	86,111
	273,962	273,962

Management of the Group determined that there were no impairment in any of its CGUs containing goodwill during the year ended 31st December, 2013 and the fifteen months ended 31st December, 2012. 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.

As set out in Note 17, due to the worse than expected operating results of the chains of stores in Northern China and Liaoning Province, an aggregate impairment loss amounting to US$11,025,000 (fifteen months ended 31st December, 2012: US$8,485,000) has been made during the year ended 31st December, 2013.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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

The recoverable amounts of the above CGUs and group of 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% for all CGUs (2012: 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% (2012: 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

	2013 US$'000	2012 US$'000
Cost of investments in associates (note i):		
Listed in Hong Kong	57,947	52,647
Listed in Taiwan	92,505	88,053
Unlisted	106,964	118,727
Share of post-acquisition profits and reserves, net of dividends received	177,937	153,233
Less: impairment losses (note ii)	(1,500)	(1,500)
	433,853	411,160
Fair value of listed investments	250,712	192,842

notes:

(i) Included in cost of investments is goodwill of US$79,728,000 (2012: US$81,785,000) and the movements thereon are as follows:

	US$'000
COST	
At 1st October, 2011 and 31st December, 2012	81,785
Recognised on acquisition of additional interest in an associate	76
Derecognised on disposal of an associate	(2,000)
Derecognised on deregistration of an associate	(133)
At 31st December, 2013	79,728

(ii) During the fifteen months ended 31st December, 2012, impairment losses of US$3,040,000 (2013: Nil) were made in respect of the Group's interests in an associate, the entire amount of which has been derecognised upon the completion of the disposal of the associates during the same period. Impairment loss of US$300,000 (2013: Nil) made in prior years was derecognised upon the completion of the disposal during the fifteen months ended 31st December, 2012. 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.

20. Investments in Associates (continued)

The Group's material associates at the end of the reporting period are Oftenrich Holdings Limited ("Oftenrich"), Prosperous Industrial (Holdings) Limited ("Prosperous") and San Fang Chemical Industry Co. Ltd. ("San Fang"). In the opinion of the directors, the nature of the activities of these associates are strategic to the Group's activities. Oftenrich, Prosperous and San Fang are accounted for using equity method in these consolidated financial statements. Details of the Group's material associates at the end of the reporting period are as follows:

Name of entity	Form of entity	Country/ place of incorporation/ establishment	Principal place of operation	Class of shares held	Proportion of issued and fully paid up share capital held by the Group		Principal activities
					2013	2012	
Oftenrich	Incorporated	Bermuda	PRC	Ordinary	45%	45%	Investment holding and its subsidiaries are engaged in manufacture and sale of safety shoes and casual shoes
Prosperous	Incorporated	Cayman Islands	PRC	Ordinary	30%	30%	Investment holding and its subsidiaries are engaged in manufacture and sale of sports bags
San Fang (note)	Incorporated	Taiwan	Taiwan	Ordinary	44.72%	44.72%	Manufacture and trading of synthetic leather

note: 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 net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Summarised financial information in respect of each of the Group's material associates and the aggregate of other associates set out below. The summarised financial information below represents amount shown in the associates' financial statements prepared in accordance with HKFRSs.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

20. Investments in Associates (Continued)

	1.1.2013 to 31.12.2013					1.10.2011 to 31.12.2012				
	Oftenrich US$'000	Prosperous US$'000	San Fang US$'000	Others US$'000	Total US$'000	Oftenrich US$'000	Prosperous US$'000	San Fang US$'000	Others US$'000	Total US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income										
Turnover	360,511	190,238	322,925	2,286,150	3,159,824	576,076	221,298	453,509	2,519,062	3,769,945
Profit for the year/period	13,094	20,747	25,842	93,739	153,422	21,183	27,626	32,319	122,868	203,996
Other comprehensive income (expense) for the year/period	50	(1,080)	(5,053)	(4,032)	(10,115)	(7)	411	2,169	5,406	7,979
Total comprehensive income for the year/period	13,144	19,667	20,789	89,707	143,307	21,176	28,037	34,488	128,274	211,975
Profit for the year/period, attributable to the Group	5,892	6,224	11,557	19,139	42,812	9,532	8,288	14,453	26,429	58,702
Other comprehensive income (expense) for the year/period, attributable to the Group	23	(324)	(2,260)	3,034	473	(3)	123	970	2,275	3,365
Total comprehensive income for the year/period, attributable to the Group	5,915	5,900	9,297	22,173	43,285	9,529	8,411	15,423	28,704	62,067
Dividends received from associate during the year/period	4,500	3,000	7,404	8,997	23,901	9,000	1,200	6,349	12,307	28,856

20. Investments in Associates (continued)

	2013					2012				
	Oftenrich US$'000	Prosperous US$'000	San Fang US$'000	Others US$'000	Total US$'000	Oftenrich US$'000	Prosperous US$'000	San Fang US$'000	Others US$'000	Total US$'000
Financial information of consolidated statement of financial position										
Non-current assets	31,832	41,505	268,102	578,713	920,152	33,898	38,052	179,459	527,272	778,681
Current assets	343,825	115,088	108,913	1,235,028	1,802,854	252,025	102,900	220,392	999,414	1,574,731
Current liabilities	(260,316)	(41,831)	(106,333)	(854,069)	(1,262,549)	(173,728)	(35,618)	(111,289)	(669,085)	(989,720)
Non-current liabilities	–	(1,302)	(66,410)	(118,824)	(186,536)	–	(1,540)	(88,006)	(96,690)	(186,236)
Non-controlling interests	–	–	–	(15,728)	(15,728)	–	–	–	(26,135)	(26,135)
	115,341	113,460	204,272	825,120	1,258,193	112,195	103,794	200,556	734,776	1,151,321
Reconciliation to the carrying amount of interest in the associate:										
Net assets attributable to the equity holders of the associate	115,341	113,460	204,272	825,120	1,258,193	112,195	103,794	200,556	734,776	1,151,321
Proportion of the Group's ownership interest in the associate	45%	30%	44.72%	varies	varies	45%	30%	44.72%	varies	varies
Net assets of the Group's interest in the associate	51,903	34,038	91,351	180,371	357,663	50,488	31,138	89,689	163,090	334,405
Goodwill	16,110	11,474	35,586	16,558	79,728	16,110	11,474	35,586	18,615	81,785
Impairment losses of interest in the associate	–	–	–	(1,500)	(1,500)	–	–	–	(1,500)	(1,500)
Other adjustments	–	–	–	(2,038)	(2,038)	–	–	(231)	(3,299)	(3,530)
Carrying amount of the Group's interest in the associate	68,013	45,512	126,937	193,391	433,853	66,598	42,612	125,044	176,906	411,160
Fair value of listed associate	–	–	171,308	79,404	250,712	–	–	129,976	62,866	192,842

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

20. Investments in Associates (continued)

There are no significant restrictions on the ability of associates to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group noted.

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 year/period and cumulatively, are as follows:

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Unrecognised share of losses of associates for the year/period	**470**	107

	2013 US$'000	2012 US$'000
Cumulative unrecognised share of losses of associates	**5,930**	5,460

21. Amounts Due from Associates

As at 31st December, 2012, included in the balance was a loan of US$2,407,000 receivable from an associate which was secured by the equity interest in the associate held by the other majority shareholders. The loan had no fixed repayment terms and carried interest at the lending rate quoted by the People's Bank of China ("PBOC"). The loan was fully settled during the year ended 31st December, 2013.

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 qualities and the intended usages of the loans by the associates. The recoverability of the loans is reviewed throughout the tenures of the loans. In the opinion of the directors, the associates are of good credit qualities. At 31st December, 2013, the loans were neither past due nor impaired.

During the fifteen months ended 31st December, 2012, impairment losses of US$1,366,000 (2013: Nil) were made in profit or loss in respect of the Group's loan to an associate. The remaining loan 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.

22. Investments in Joint Ventures

	2013 US$'000	2012 US$'000
Cost of unlisted investments in joint ventures (note i)	**236,548**	247,828
Share of post-acquisition profits and reserves, net of dividends received	**192,464**	184,468
Less: impairment losses (note ii)	**(5,890)**	(8,099)
	423,122	424,197

notes:

(i) Included in cost of investments is goodwill of approximately US$11,327,000 (2012: US$11,327,000) and the movements thereon are as follows:

	US$'000
COST	
At 1st October, 2011	11,507
Derecognised on disposal of a joint venture	(180)
At 31st December, 2012 and 2013	11,327

(ii) During the year ended 31st December, 2013, impairment losses of US$585,000 (fifteen months ended 31st December, 2012: US$6,305,000) were made in respect of the Group's interest in certain joint ventures. Impairment loss of US$2,794,000 (fifteen months ended 31st December, 2012: US$1,600,000) made in prior years was derecognised upon the completion of the disposal during the year/period. The recoverable amounts of the relevant joint ventures were estimated by reference to their expected disposal proceeds from the joint venture partners of the relevant joint ventures from their anticipated disposals after the end of the respective reporting periods.

(iii) During the year ended 31st December, 2013, the Group recognised gain on disposal of certain joint ventures of US$1,543,000 (fifteen months ended 31st December, 2012: loss on disposal of US$1,150,000) upon the disposal of these joint ventures during the year/period, calculated as the difference between the net disposal proceeds and the carrying amounts of the joint ventures.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

22. Investments in Joint Ventures (continued)

The Group's material joint ventures at the end of the reporting period include Din Tsun Holding Co., Ltd. ("Din Tsun"), Ka Yuen Rubber Factory Limited ("Ka Yuen") and Texas Clothing Holdings Corp. ("Texas Clothing"). In the opinion of directors, the nature of the activities of these joint ventures are strategic to the Group's activities, all of the Group's joint ventures are accounted for using equity method in these consolidated financial statements. Details of the Group's material joint ventures at the end of the reporting period are as follows:

Name of entity	Form of entity	Country of incorporation/ establishment	Principal place of operation	Class of shares held	Proportion of issued and fully paid share capital held by the Group		Principal activities
					2013	2012	
Din Tsun	Incorporated	British Virgin Islands ("BVI")	Vietnam	Ordinary	**50%**	50%	Manufacture of apparel
Ka Yuen	Incorporated	BVI	PRC	Ordinary	**50%**	50%	Manufacture and sale of rubber soles
Texas Clothing	Incorporated	US	US	Ordinary	**49.99%**	49.99%	Design, import and sale of apparels

Under the relevant shareholders' agreements, decisions on certain matters of these entities require unanimous consent from all of the relevant joint venture partners. In the opinion of the directors of the Company, these certain matters relate to the activities that significantly affect the returns of each of these entities. Accordingly, neither the Group nor the other relevant joint venture partners has the ability to control the respective entities unilaterally and each of these entities is therefore considered as jointly controlled by the Group and the relevant joint venture partners. As the Group has rights to the net assets of each of these joint arrangement, the above entities are accounted for as joint ventures of the Group.

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

22. Investments in Joint Ventures (continued)

Summarised financial information in respect of each of the Group's material joint ventures and the aggregate of other joint ventures is set out below. The summarised financial information below represents amount shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

	1.1.2013 to 31.12.2013					1.10.2011 to 31.12.2012				
	Din Tsun US$'000	Ka Yuen US$'000	Texas Clothing US$'000	Others US$'000	Total US$'000	Din Tsun US$'000	Ka Yuen US$'000	Texas Clothing US$'000	Others US$'000	Total US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income										
Turnover	129,175	137,510	321,078	1,017,591	1,605,354	144,484	182,445	358,673	1,262,984	1,948,586
Profit (loss) for the year/period	8,200	20,234	17,543	(53,511)	(7,534)	16,888	12,210	56,711	20,116	105,925
Other comprehensive income (expense) for the year/period	34	–	543	17,799	18,376	24	–	432	12,283	12,739
Total comprehensive income (expense) for the year/period	8,234	20,234	18,086	(35,712)	10,842	16,912	12,210	57,143	32,399	118,664
Profit (loss) for the year/period, attributable to the Group	4,100	10,117	8,770	(17,036)	5,951	8,444	6,105	28,352	12,431	55,332
Other comprehensive income for the year/period, attributable to the Group	17	–	271	8,468	8,756	12	–	216	4,970	5,198
Total comprehensive income (expense) for the year/period, attributable to the Group	4,117	10,117	9,041	(8,568)	14,707	8,456	6,105	28,568	17,401	60,530
Dividends received from joint venture during the year/period	–	3,000	–	12,181	15,181	–	3,800	–	9,245	13,045
The above profit (loss) for the year/period include the following:										
Depreciation and amortisation	(2,029)	(2,279)	(3,891)	(16,860)	(25,059)	(1,988)	(2,457)	(3,955)	(21,484)	(29,884)
Interest income	17	125	587	1,159	1,888	27	16	629	1,312	1,984
Interest expense	(22)	(191)	(2,575)	(3,587)	(6,375)	(62)	(200)	(20,435)	(7,385)	(28,082)
Income tax (expense) credit	(10)	(730)	(10,315)	(12,045)	(23,100)	(330)	(142)	44,045	(10,151)	33,422

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

22. Investments in Joint Ventures (continued)

	2013					2012				
	Din Tsun US$'000	Ka Yuen US$'000	Texas Clothing US$'000	Others US$'000	Total US$'000	Din Tsun US$'000	Ka Yuen US$'000	Texas Clothing US$'000	Others US$'000	Total US$'000
Financial information of consolidated statement of financial position										
Non-current assets	34,061	11,641	49,013	367,354	462,069	26,160	11,350	70,760	442,699	550,969
Current assets	86,644	66,296	202,334	775,954	1,131,228	80,293	86,856	139,448	1,103,010	1,409,607
Current liabilities	(40,788)	(12,122)	(37,775)	(523,107)	(613,792)	(34,771)	(46,702)	(20,642)	(740,794)	(842,909)
Non-current liabilities	(15,443)	(2,095)	(52,653)	(73,272)	(143,463)	(15,443)	(2,017)	(24,606)	(70,974)	(113,040)
Non-controlling interests	–	–	–	(17,905)	(17,905)	–	–	–	(141,860)	(141,860)
	64,474	63,720	160,919	529,024	818,137	56,239	49,487	164,960	592,081	862,767
The above amounts of assets and liabilities include the following:										
Cash and cash equivalents	7,227	16,904	17,172	103,351	144,654	12,932	18,511	24,368	131,000	186,811
Current financial liabilities (excluding trade and other payables and provision)	–	(1,572)	–	(188,059)	(189,631)	–	(23,728)	–	(268,277)	(292,005)
Non-current financial liabilities (excluding trade and other payables and provision)	–	–	(20,816)	(65,542)	(86,358)	–	–	–	(148,947)	(148,947)
Reconciliation to the carrying amount of interest in the joint venture:										
Net assets attributable to the equity holders of the joint venture	64,474	63,720	160,919	529,024	818,137	56,239	49,487	164,960	592,081	862,767
Proportion of the Group's ownership interest in the joint venture	50%	50%	49.99%	varies	varies	50%	50%	49.99%	varies	varies
Net assets of the Group's interest in the joint venture	32,237	31,860	80,444	262,131	406,672	28,120	24,743	82,464	283,816	419,143
Goodwill	–	–	–	11,327	11,327	–	–	–	11,327	11,327
Impairment losses of interest in the joint venture	–	–	–	(5,890)	(5,890)	–	–	–	(8,099)	(8,099)
Other adjustments	–	–	11,033	(20)	11,013	–	–	(28)	1,854	1,826
Carrying amount of the Group's interest in the joint venture	32,237	31,860	91,477	267,548	423,122	28,120	24,743	82,436	288,898	424,197

There are no significant restrictions on the ability of joint ventures to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group noted.

22. Investments in Joint Ventures (continued)

Unrecognised share of losses of joint ventures is as follow:

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
The unrecognised share of losses of joint ventures for the year/period (note)	4,233	1,098

	2013 US$'000	2012 US$'000
Cumulative unrecognised share of losses of joint ventures (note)	5,331	2,413

note: Cumulative unrecognised share of losses of US$1,315,000 of a joint venture as at 31st December, 2012 has been derecognised upon disposal during the year.

23. Amounts due from Joint Ventures

Included in the balance are loans of US$23,063,000 (2012: US$30,491,000) receivable from certain joint ventures which are secured by the equity interests in the relevant joint ventures held by the other joint venture partners, interest bearing at the prevailing 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 joint ventures, the Group assesses the joint ventures' credit qualities and the intended usages of the loans by the joint ventures. The recoverability of the loans is reviewed throughout the tenure of the loans.

During the year ended 31st December, 2013, impairment loss of US$8,345,000 (2012: Nil) was made in respect of the loans to certain joint ventures due primarily to their weakening financial positions. Upon the disposal of a joint venture, impairment loss of US$2,000,000 (2012: Nil) was written back during the year. The directors consider that the fair value of the loans to joint ventures approximate to their carrying amounts. Other than the above, no balance of loans to other joint ventures has been past due at the end of the reporting period for which the Group has not provided for impairment loss. No provision for impairment loss for the balance not yet past due as at the end of the reporting period was considered necessary since there has been no past default history in respect of other joint ventures and the directors considers these counterparties are of good credit qualities based on their regular assessments.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

24. Interests in Subsidiaries

The Group's non-wholly-owned subsidiaries that have material non-controlling interests at the end of the reporting period include Pou Sheng and its subsidiaries (collectively referred to as the "Pou Sheng Group"). The table below shows details of Pou Sheng Group that have material non-controlling interests:

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**1.1.2013 to 31.12.2013 US$'000**	1.10.2011 to 31.12.2012 US$'000	**2013 US$'000**	2012 US$'000
Pou Sheng Group	PRC	**38.73%**	38.20%	**(14,857)**	(29,555)	**343,930**	351,923
Individually immaterial subsidiaries with non-controlling interests				**9,076**	17,176	**53,862**	66,685
Total				**(5,781)**	(12,379)	**397,792**	418,608

24. Interests in Subsidiaries (continued)

Summarised financial information in respect of the Pou Sheng Group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income		
Turnover	1,777,187	2,182,450
Net operating expenses	(1,815,684)	(2,250,887)
Loss for the year/period	(38,497)	(68,417)
Loss for the year/period attributable to owners of Pou Sheng	(38,670)	(69,151)
Loss for the year/period attributable to owners of Pou Sheng, attributable to		
– owners of the Company	(23,813)	(39,596)
– non-controlling interests	(14,857)	(29,555)
	(38,670)	(69,151)
Other comprehensive income, attributable to		
– owners of the Company	11,030	16,086
– non-controlling interests	6,882	12,007
	17,912	28,093
Total comprehensive expense, attributable to		
– owners of the Company	(12,783)	(23,510)
– non-controlling interests	(7,975)	(17,548)
	(20,758)	(41,058)
Dividends paid to non-controlling interests of Pou Sheng Group	487	880

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

24. Interests in Subsidiaries (continued)

	2013 US$'000	2012 US$'000
Financial information of consolidated statement of financial position		
Non-current assets	**391,815**	449,312
Current assets	**1,067,992**	1,051,098
Current liabilities	**(461,574)**	(513,166)
Non-current liabilities	**(101,301)**	(69,172)
Non-controlling interests	**(16,018)**	(16,349)
	880,914	901,723
Equity attributable to owners of Pou Sheng, attributable to		
– owners of the Company	**536,984**	549,800
– non-controlling interests	**343,930**	351,923
	880,914	901,723
Financial information of consolidated statement of cash flows		
Net cash from (used in) operating activities	**29,804**	(131,931)
Net cash used in investing activities	**(14,826)**	(104,430)
Net cash (used in) from financing activities	**(102,486)**	189,700
Effect of foreign exchange rate changes	**1,379**	2,461
Net cash outflow	**(86,129)**	(44,200)

25. Long-Term Loan Receivables

	2013 US$'000	2012 US$'000
The loan receivables are expected to be repayable as follows:		
Within one year	**2,090**	8,700
More than one year, but not exceeding two years	**–**	827
More than two years, but not exceeding five years	**8,246**	–
	10,336	9,527
Less: amount due within one year shown under current assets (Note 32)	**(2,090)**	(8,700)
Amount due after one year	**8,246**	827
Analysed as:		
Secured	**9,487**	7,874
Unsecured	**849**	1,653
	10,336	9,527

These related to loan receivables due from certain former joint ventures and a third party which carry variable interests ranging from 0.01% to 5.25% (2012: 6.65% to 7.32%) per annum.

The collaterals for the secured portion of these loans, are certain property, plant and equipment of the relevant entities and Pengda Consideration Shares (as defined in Note 44(d)) held by a third party. 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 balance of the loan receivables at the end of the reporting period is recoverable.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

26. Convertible Note Receivable

During the fifteen months ended 31st December, 2012, 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 joint ventures 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 at conversion price 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.

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. The derivative component is measured at fair value using the Binomial Option Pricing Model at the end of the reporting period.

During the year ended 31st December, 2013, Convertible Note with principal amount of US$4,600,000 was fully converted into 29,746,666 ordinary shares of US$0.01 each in Luen Thai and such additional interest in Luen Thai with carrying amount of approximately US$10,362,000 was transferred to investment in an associate.

Details of fair value measurements of the derivative component at the date of subscription and at 31st December, 2012 are set out in Note 43(c)(iii).

26. 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
Effective interest income	292	–	292
Coupon interest received	(282)	–	(282)
Change in fair value	–	5,098	5,098
Converted into ordinary shares	(4,328)	(6,034)	(10,362)
Transferred to other receivable	(4)	–	(4)
At 31st December, 2013	**–**	**–**	**–**

27. Available-for-sale Investments

Available-for-sale investments comprise:

	2013 US$'000	2012 US$'000
Listed investments:		
– Equity securities listed in Hong Kong	**16,411**	16,458
– Equity securities listed overseas	**11,476**	5,765
	27,887	22,223
Unlisted investments:		
– Private entities	**1,435**	1,269
	29,322	23,492
Analysed for reporting purposes as:		
Current asset	**166**	–
Non-current asset	**29,156**	23,492
	29,322	23,492

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

27. Available-for-sale Investments (continued)

The unlisted private entities are equity issued by private entities incorporated overseas.

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.

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 investment of US$166,000 (2012: Nil) as at 31st December, 2013 which will be disposed of 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:

	2013 US$'000	2012 US$'000
Hong Kong dollars ("HKD")	16,411	16,458
New Taiwan dollars ("NTD")	11,476	5,765
	27,887	22,223

28. Investments Held for Trading

Investments held for trading include:

	2013 US$'000	2012 US$'000
Unlisted overseas funds	2,983	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.

29. Derivative Financial Instruments

		2013		2012	
		Assets	**Liabilities**	Assets	Liabilities
	notes	**US$'000**	**US$'000**	US$'000	US$'000
Derivatives:					
Non-current:					
JV Call Options	(a)	**–**	**–**	–	–
Derivative embedded in Convertible Note (Note 26)		**–**	**–**	936	–
Current:					
Foreign currency derivatives	(b)	**5,685**	**–**	2,897	92
		5,685	**–**	3,833	92

notes:

(a) JV Call Options

In October 2007, the Group entered into call option agreements with the other shareholders (the "Relevant Partners") of certain subsidiaries, associates and joint ventures (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 for any of the JV Call Options as at 31st December, 2012.

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 management expected that the remaining unexercised JV Call Options would at no time during the remaining exercisable period be exercised to acquire the Relevant Equity Interests in subsidiaries, an associate and certain joint ventures. The valuation of each of the JV Call Options was therefore considered to be zero at 31st December, 2012.

All of the remaining unexercised JV Call Options were expired during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

29. Derivative Financial Instruments (continued)

notes: (continued)

(b) Foreign currency derivatives

	notes	2013 Assets US$'000	2013 Liabilities US$'000	2012 Assets US$'000	2012 Liabilities US$'000
Foreign currency derivatives:					
Forward contracts	(i)	4,281	–	1,025	92
Currency structured forward contracts	(ii)	1,404	–	1,600	–
Currency swaps	(iii)	–	–	272	–
		5,685	–	2,897	92

(i) Forward contracts

Major terms of foreign currency forward contracts are as below:

Aggregate notional amount	Maturity	Forward exchange rates
As at 31st December, 2013		
US$122 million	From January 2014 to September 2014	Sell USD/buy RMB at 6.2348 to 6.3680
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

(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, 2013, the Group had outstanding USD/RMB structured forward contracts which cover monthly settlements up to December 2015. However, there are also knock out features for certain contracts under which the contracts will terminate earlier under certain conditions.

(iii) Currency swaps

The Group 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.

The valuation techniques of the above forward contracts, currency structured forward contracts and currency swaps include Black-Scholes Option Pricing Model. Key inputs to the valuation model include forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

30. Structured Bank Deposit/Bank Balances and Cash/Bank Overdrafts

(a) Structured bank deposit

On 26th December, 2013, the Group entered into a structured contract with a bank with a principal sum of RMB13,000,000 (equivalent to US$2,144,000). The investment is a principal-protected yield enhancement bank deposit and contains an embedded derivative, which represents the returns varying with the underlying investment portfolio of the structured bank deposit and comprises primarily of debt instrument products including government and corporate bonds. The principal amount together with the investment return would be repaid to the Group anytime upon request, and therefore, the amount is classified as current assets.

The structured bank deposit carries a minimum interest rate at 2.1% per annum plus a maximum additional interest rate of 1.5% per annum which will be determined by reference to the returns of the underlying investments. The management considers the amount paid for the structured bank deposit approximates its fair value at the end of the reporting period and the fair value of the embedded derivative in the structured bank deposit as of the same date is insignificant.

(b) Bank balances

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 8.00% (fifteen months ended 31st December, 2012: 0.01% to 3.75%) per annum during the year.

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

	2013 **US$'000**	2012 US$'000
USD	**5,940**	44,079
RMB	**202,230**	232,321
HKD	**8,348**	12,735
NTD	**4,637**	1,830
Vietnamese Dong ("VND")	**9,682**	15,260
Indonesian Rupiah ("IDR")	**19,714**	14,253
	250,551	320,478

(c) Bank overdrafts

Bank overdrafts carry interest at market rates ranging from 6.00% to 6.16% per annum for the year ended 31st December, 2013.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

31. Inventories

	2013 US$'000	2012 US$'000
Raw materials	**220,723**	262,538
Work in progress	**154,616**	155,417
Finished goods	**864,337**	789,832
	1,239,676	1,207,787

32. Trade and Other Receivables

	2013 US$'000	2012 US$'000
Trade and bills receivables	**1,028,008**	973,715
Less: allowance for doubtful debts	**(16,962)**	(14,202)
	1,011,046	959,513
Other receivables (note)	**174,860**	150,927
Rental deposits, unamortised mould costs and prepayments	**98,136**	109,364
Deposits paid to suppliers	**97,400**	20,827
Value-added tax recoverable	**66,604**	61,824
Loan receivables (Note 25)	**2,090**	8,700
Consideration receivable for disposal of property	**2,639**	6,580
Consideration receivable for disposal of subsidiaries	**4,722**	–
	1,457,497	1,317,735

note: Included in other receivables are amounts due from associates, joint ventures and connected parties of US$11,120,000 (2012: US$22,055,000), US$12,083,000 (2012: US$8,901,000) and US$6,411,000 (2012: US$7,285,000), respectively. Except for an aggregate amount of US$3,742,000 (2012: US$4,349,000) due from certain joint ventures which is interest-bearing and carries variable interest rate ranging from 6.16% to 6.72% (2012: 5.25% to 7.32%) per annum, the remaining amounts 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$1,011,046,000 (2012: US$959,513,000) 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:

	2013 US$'000	2012 US$'000
0 to 30 days	694,060	661,795
31 to 90 days	301,920	283,847
Over 90 days	15,066	13,871
	1,011,046	959,513

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$42,471,000 (2012: US$42,545,000) 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 (2012: 90 days).

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

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Balance at beginning of the year/period	14,202	4,867
Impairment losses recognised on receivables	2,760	9,335
Balance at end of the year/period	16,962	14,202

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$16,962,000 (2012: US$14,202,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

32. Trade and Other Receivables (continued)

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

	2013 US$'000	2012 US$'000
RMB	63,710	32,891
HKD	4,849	4,210
NTD	6,109	2,385
VND	10,341	16,408
IDR	14,108	2,952
	99,117	58,846

33. Assets Classified as Held for Sale

The class of asset classified as held for sale is as follows:

	2013 US$'000	2012 US$'000
Investment in a joint venture (note)	–	1,674

note:

On 30th April, 2012, the Group entered into a sale and purchase agreement with the joint venture partners of a joint venture, pursuant to which the parties agreed to, amongst other matters, the disposal of the Group's investment in the relevant joint venture. The Group had recognised an impairment loss of US$1,000,000 during the fifteen months ended 31st December, 2012, which was calculated based on the difference between the carrying value of the Group's interest in the relevant joint venture as at the date of sale and purchase agreement and the estimated consideration receivables.

A deposit of US$1,674,000 had been received by the Group and included in trade and other payables as at 31st December, 2012. The transaction has been completed on 15th August, 2013.

34. Trade and Other Payables

	2013 US$'000	2012 US$'000
Trade and bills payables	**472,291**	407,168
Accrued staff costs and bonus and other accruals	**381,604**	349,205
Other payables (note)	**299,486**	222,267
Construction payable	**25,990**	53,776
Receipts in advance from customers	**53,151**	53,584
Deposits received for assets classified as held for sale	**–**	1,674
Royalty payables	**475**	1,497
Consideration received in advance for disposal of subsidiaries (Note 46)	**–**	5,374
	1,232,997	1,094,545

note: Included in other payables are amounts due to associates, joint ventures and connected parties of US$4,681,000 (2012: US$1,871,000), US$3,436,000 (2012: US$965,000) and US$20,647,000 (2012: US$22,236,000), 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.

Included in trade and other payables are trade and bills payables of US$472,291,000 (2012: US$407,168,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	2013 US$'000	2012 US$'000
0 to 30 days	**340,889**	285,213
31 to 90 days	**112,363**	102,851
Over 90 days	**19,039**	19,104
	472,291	407,168

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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:

	2013 US$'000	2012 US$'000
RMB	127,121	91,140
HKD	20,202	9,385
NTD	48,351	30,094
VND	55,721	22,538
IDR	36,155	8,985
	287,550	162,142

35. Bank Borrowings

	2013 US$'000	2012 US$'000
Current portion of long-term bank borrowings (Note 36)	294,771	378,058
Short-term bank borrowings	224,528	356,052
Amount classified as current liabilities	519,299	734,110

The Group's bank borrowings classified as current liabilities are unsecured and variable rate borrowings.

The Group's variable rate borrowings carry interest at a premium over London Interbank Offered Rate ("LIBOR"), Hong Kong Interbank Offered Rate ("HIBOR") or prevailing lending rate quoted by PBOC, as appropriate.

35. Bank Borrowings (continued)

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

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Effective interest rate:		
Variable rate borrowings	0.80% to 7.02%	1.00% to 8.24%

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

	2013 US$'000	2012 US$'000
USD	121,747	91,750
HKD	210,524	51,620
	332,271	143,370

36. Long-Term Bank Borrowings

	2013 US$'000	2012 US$'000
The long-term bank borrowings are unsecured and repayable:		
Within one year	294,771	378,058
In more than one year, but not exceeding two years	50,000	364,895
In more than two years, but not exceeding three years	350,000	–
	694,771	742,953
Less: Amount due within one year included in current liabilities (Note 35)	(294,771)	(378,058)
Amount due after one year	400,000	364,895

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

36. Long-Term Bank Borrowings (continued)

notes:

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

	2013 US$'000	2012 US$'000
USD	50,000	14,247
HKD	–	260,648
	50,000	274,895

(ii) All long term borrowing are variable rate borrowings and the borrowings carry interest at a premium over LIBOR or HIBOR, as appropriate. Interest is recalculated every six months.

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

	1.1.2013 to 31.12.2013	1.10.2011 to 31.12.2012
Effective interest rate:		
Variable rate borrowings	1.09% to 2.98%	0.91% to 1.63%

37. Deferred Taxation

The major deferred tax liabilities (assets) recognised and movements thereon during the year/period 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$'000	Accrual for severance allowance US$'000	Total US$'000
At 1st October, 2011	3,271	3,801	4,186	26,217	(1,978)	–	35,497
Charge (credit) to profit or loss	1,291	–	(1,281)	(4,642)	(1,760)	–	(6,392)
Acquired on acquisition of subsidiaries (Note 44)	–	–	–	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
(Credit) charge to profit or loss	(1,332)	335	237	(4,810)	1,139	(4,056)	(8,487)
Exchange realignment	–	–	60	853	(20)	–	893
At 31st December, 2013	**3,230**	**4,136**	**3,734**	**29,551**	**(2,932)**	**(4,056)**	**33,663**

note: These entities include subsidiaries, associates and joint ventures.

37. Deferred Taxation (continued)

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

	2013 US$'000	2012 US$'000
Deferred tax assets	(8,858)	(4,051)
Deferred tax liabilities	42,521	45,308
	33,663	41,257

At 31st December 2013, the Group had unused tax losses of approximately US$329.5 million (2012: US$272.7 million). A deferred tax asset has been recognised in respect of such tax losses of approximately US$11.8 million (2012: US$16.2 million). No deferred tax asset has been recognised in respect of the remaining tax losses of US$317.7 million (2012: US$256.5 million) due to the unpredictability of future profit streams. Except for the unused tax losses of approximately US$200.6 million (2012: US$161.2 million) that will expire between 2014 and 2018, other unused tax losses may be carried forward indefinitely.

Deferred taxation has not been provided in respect of certain undistributed earnings of the Group's PRC subsidiaries 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, 2013, 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$266.6 million (2012: US$253.1 million).

Under the relevant laws of Republic of China ("Taiwan"), 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$3.6 million (2012: US$4.3 million).

On 24th October, 2012, the Ministry of Finance of Vietnam issued Circular 180/2012/TT-BTC ("Circular 180") guiding financial treatment on severance allowance. According to the Circular 180, the accrual of severance allowance is no longer allowed and neither regarded as deductible expense since the effective date of Circular 180. Only the payment of severance allowance in line with Circular 180 shall be recorded as deductible overhead expense for Corporate Income Tax purpose. The amount of the temporary differences between the accrued expenses and payment of the severance allowance was US$4.1 million which was recognised as deferred tax credit for the year.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

38. Share Capital

	No. of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.25 each		
At 1st October, 2011, 31st December, 2012 and 31st December, 2013	2,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.25 each		
At 1st October, 2011, 31st December, 2012 and 31st December, 2013	1,648,928,486	412,232

	US$'000
Shown in the consolidated financial statements as at 31st December, 2012 and 2013	53,211

39. Information on the Financial Position of the Company

	2013 US$'000	2012 US$'000
ASSETS		
Property, plant and equipment	**368**	504
Investments in subsidiaries	**60,832**	60,832
Amounts due from subsidiaries	**2,968,364**	2,854,346
Available-for-sale investments	**12,958**	14,101
Sundry receivables	**676**	1,220
Derivative financial instruments	**5,686**	2,815
Bank balances and cash	**344,106**	233,417
	3,392,990	3,167,235
LIABILITIES		
Sundry payables	**10,568**	10,338
Dividend payable	**28**	138,320
Derivative financial instruments	**–**	92
Bank borrowings	**630,524**	725,768
Amounts due to subsidiaries	**1,422,798**	835,194
	2,063,918	1,709,712
NET ASSETS	**1,329,072**	1,457,523
CAPITAL AND RESERVES		
Share capital	**53,211**	53,211
Reserves (Note 40)	**1,275,861**	1,404,312
	1,329,072	1,457,523

40. Reserves Of The Company

	Share premium US$'000	Contributed surplus US$'000 (note a)	Other reserve US$'000 (note b)	Investments revaluation reserve US$'000	Retained profits US$'000	Total US$'000
At 1st October, 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	–
Fair value gain on available-for-sale 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
Profit for the year	–	–	–	–	240	240
Fair value loss on available-for-sale investments	–	–	–	(1,143)	–	(1,143)
Dividends (Note 12)	–	–	–	–	(127,548)	(127,548)
At 31st December, 2013	695,536	38,126	18,272	4,463	519,464	1,275,861

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 during the fifteen months ended 31st December, 2012.

Up to 31st December, 2013, the holders of the USD Call Option 2015 had not exercised any of their rights thereof.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

41. 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.

41. Share-based Payment Transactions (continued)

(ii) Share Award Scheme of the Company

On 28th January, 2014, the Company adopted a share award scheme (the "Share Award Scheme") to recognise the contributions by certain personnel of the Group and/or associated entities and to attract suitable personnel for further development of the Group. Under the Share Award Scheme, the board of directors of the Company may at its discretion grant any eligible participant awarded shares which shall not exceed 2% of the issued share capital of the Company as at the date of grant, as it may determine appropriate. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed 1% of the issued share capital of the Company from time to time. The Share Award Scheme is valid and effective for a period of ten years commencing on 28th January, 2014, after which no further contribution to the trust fund of the Share Award Scheme will be made by the Company.

Pursuant to the Share Award Scheme, the board of directors of the Company approved on 26th March, 2014 to grant 1,507,500 shares in the Company to participants under the scheme.

(iii) 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 preceding the date of grant; and (iii) the nominal value of Pou Sheng's share.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

41. Share-based Payment Transactions (continued)

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

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

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1st October, 2011	Granted during the period	Lapsed/ cancelled during the period	Number of options outstanding at 31st December, 2012	Lapsed/ cancelled during the year	Number of options outstanding at 31st December, 2013
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)	–	–	–
	21.1.2010	1.62	21.1.2014 – 20.1.2018	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)	–	–	–
	20.1.2011	1.23	20.1.2014 – 19.1.2019	1,250,000	–	(1,250,000)	–	–	–
	20.1.2011	1.23	20.1.2015 – 19.1.2019	1,250,000	–	(1,250,000)	–	–	–
				8,800,000	–	(6,410,000)	2,390,000	–	2,390,000
Employees/consultants									
	21.1.2010	1.62	21.1.2011 – 20.1.2018	6,534,750	–	(945,750)	5,589,000	(1,658,550)	3,930,450
	21.1.2010	1.62	21.1.2012 – 20.1.2018	6,534,750	–	(945,750)	5,589,000	(1,658,550)	3,930,450
	21.1.2010	1.62	21.1.2013 – 20.1.2018	13,069,500	–	(2,701,500)	10,368,000	(3,578,100)	6,789,900
	21.1.2010	1.62	21.1.2014 – 20.1.2018	17,426,000	–	(3,602,000)	13,824,000	(6,102,800)	7,721,200
	20.1.2011	1.23	20.1.2012 – 19.1.2019	12,500,000	–	(2,012,500)	10,487,500	–	10,487,500
	20.1.2011	1.23	20.1.2013 – 19.1.2019	12,500,000	–	(4,137,500)	8,362,500	(375,000)	7,987,500
	20.1.2011	1.23	20.1.2014 – 19.1.2019	12,500,000	–	(4,137,500)	8,362,500	(2,385,000)	5,977,500
	20.1.2011	1.23	20.1.2015 – 19.1.2019	12,500,000	–	(4,137,500)	8,362,500	(2,385,000)	5,977,500
	07.3.2012	1.05	07.3.2013 – 06.3.2020	–	1,350,000	(600,000)	750,000	–	750,000
	07.3.2012	1.05	07.3.2014 – 06.3.2020	–	1,350,000	(600,000)	750,000	(375,000)	375,000
	07.3.2012	1.05	07.3.2015 – 06.3.2020	–	1,350,000	(600,000)	750,000	(375,000)	375,000
	07.3.2012	1.05	07.3.2016 – 06.3.2020	–	1,350,000	(600,000)	750,000	(375,000)	375,000
				93,565,000	5,400,000	(25,020,000)	73,945,000	(19,268,000)	54,677,000
Grand total				102,365,000	5,400,000	(31,430,000)	76,335,000	(19,268,000)	57,067,000
Exercisable as at 1st October, 2011, 31st December, 2012 and 31st December, 2013				7,104,750			24,055,500		36,265,800

41. Share-based Payment Transactions (continued)

(iii) 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 rate	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.

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 be automatically lapsed upon cessation of employment with Pou Sheng Group, 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

41. Share-based Payment Transactions (continued)

(iii) 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 year ended 31st December, 2013, the Group recognised a net income of US$51,000 as equity-settled share-based payments in the consolidated income statement with reference to the share options' respective vesting periods and the share options lapsed prior to their vesting dates after recognising share option expenses of US$662,000.

During the fifteen months ended 31st December 31, 2012, the Group recognised a net expense of US$2,012,000 as equity-settled share-based payments in the consolidated income statement with reference to the share options' respective vesting periods and the effects of the amendments to the scheme as set out above after reversal of share option expenses of US$954,000 for those lapsed prior to their vesting dates.

42. 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.

43. Financial Instruments

(a) Categories of financial instruments

	2013 US$'000	2012 US$'000
Financial assets		
Derivative financial instruments	5,685	3,833
Loans and receivables (including cash and cash equivalents)	2,105,511	1,943,262
Available-for-sale investments	29,322	23,492
Investments held for trading	2,983	9,024
Structured bank deposit	2,144	–
Financial liabilities		
Derivative financial instruments	–	92
Amortised cost	1,674,228	1,653,648
Consideration payable for acquisition of business	18,016	17,980

(b) Financial risk management objectives and policies

The Group's financial instruments include amounts due from associates, amounts due from joint ventures, long-term loan receivables, available-for-sale investments, derivative financial instruments, investments held for trading, convertible note receivable, trade and other receivables, bank balances and cash, structured bank deposit, bank overdrafts, trade and other payables, bank borrowings and consideration payable for acquisition of business. 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

43. 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 partially hedge USD against RMB. Details of the contracts are set out in Note 29. 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	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
USD	**5,940**	44,079	**171,747**	105,997
RMB	**265,940**	265,212	**127,121**	91,140
NTD	**25,205**	9,980	**48,351**	30,094
VND	**20,023**	31,668	**55,721**	22,538
IDR	**33,823**	17,205	**36,155**	8,985
HKD	**31,154**	33,403	**230,726**	321,653

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of USD, HKD, RMB, NTD, VND and IDR. 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 currency 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 in currencies exchange rates.

43. 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% (fifteen months ended 31st December, 2012: 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 year/period 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 currency of the relevant group entities. For a 5% (fifteen months ended 31st December, 2012: 5%) weakening of these currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the profit before taxation.

	notes	2013 US$'000	2012 US$'000
(Loss) gain in relation to:			
– USD	(i)	**(8,290)**	(3,096)
– RMB	(i)	**6,941**	8,704
– NTD	(ii)	**(1,157)**	(1,006)
– VND	(ii)	**(1,785)**	457
– IDR	(ii)	**(117)**	411

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

43. 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 (Note 21) and joint ventures (Note 23), loan receivables (Note 25), structured bank deposit (Note 30(a)), bank balances (Note 30(b)), bank overdrafts (Note 30(c)) and bank borrowings (Notes 35 and 36) 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 joint ventures, variable-rate bank borrowings, bank overdrafts 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 year/period and the stipulated change taking place at the beginning of the financial year/period and held constant throughout the financial year/period. A 100 basis points (fifteen months ended 31st December, 2012: 100 basis points) 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 joint ventures, loan receivables, structured bank deposit, bank overdrafts and bank borrowings had been 100 basis points (fifteen months ended 31st December, 2012: 100 basis points) higher and all other variables were held constant, the Group's profit before taxation for the year/period would decrease by US$9,002,000 (fifteen months ended 31st December, 2012: decrease by US$10,566,000). If interest rates were lower by 100 basis points (fifteen months ended 31st December, 2012: 100 basis points), there would be an equal and opposite impact on the profit before taxation for the year/period.

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

43. 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 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 27 and 29.

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% (fifteen months ended 31st December, 2012: 10%), the Group's reserve would increase/decrease by US$2,789,000 (fifteen months ended 31st December, 2012: US$2,222,000) at 31st December, 2013.

(b) 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% (fifteen months ended 31st December, 2012: 5%) higher/lower, profit before taxation for the year ended 31st December, 2013 would decrease/increase by US$284,000 (fifteen months ended 31st December, 2012: decrease/increase by US$140,000) 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 49.

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 51% (2012: 64%) of the trade receivables and the largest trade receivable was approximately 22% (2012: 19%) of the Group's total trade receivables. For both year/period, 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

43. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

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.

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 joint ventures. 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 joint ventures as these spread across a number of entities.

The Group's concentration of credit risk by geographical locations of customers are mainly in the US, Europe and Asia which accounted for 31%, 23% and 36% (2012: 31%, 22% and 38%, respectively), respectively, of the trade receivables at 31st December, 2013.

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

Liquidity risk

The Group has net current assets of US$1,851,737,000 (2012: US$1,374,445,000) as at 31st December, 2013. 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.

43. 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 considers 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$'000	Carrying amount at 31.12.2013 US$'000
As at 31st December, 2013							
Non-derivative financial liabilities							
Trade and other payables	–	634,157	86,531	13,471	–	734,159	734,159
Bank borrowings							
– variable rate	2.06	206,150	11,908	305,759	405,257	929,074	919,299
Bank overdraft	6.08	20,322	–	–	–	20,322	20,220
Consideration payable for acquisition for business	–	–	–	–	18,016	18,016	18,016
Consideration payable for acquisition of additional interest in a subsidiary	–	–	–	–	550	550	550
Financial guarantee contracts	–	92,933	–	–	–	92,933	–
		953,562	98,439	319,230	423,823	1,795,054	1,692,244

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

43. 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$'000	Carrying amount at 31.12.2012 US$'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 borrowings							
– 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

43. 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 measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3 as set out in note 4) based on the degree to which the inputs to the fair value measurements is observable.

	2013 US$'000	2012 US$'000	Fair value hierarchy
Financial assets at FVTPL			
Structured bank deposit (note i)	**2,144**	–	Level 3
Derivative financial instruments			
Foreign currency derivatives (note ii)	**5,685**	2,897	Level 2
Derivative embedded in Convertible Note (note iii)	**–**	936	Level 3
Investments held for trading (note iv)	**2,983**	9,024	Level 1
Available-for-sale investments			
Listed equity securities (note v)	**27,887**	22,223	Level 1
Total	**38,699**	35,080	
Financial liabilities at FVTPL			
Derivative financial instruments			
Foreign currency derivatives (note ii)	**–**	92	Level 2
Consideration payable for acquisition of business (note vi)	**18,016**	17,980	Level 3
	18,016	18,072	

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

43. Financial Instruments (continued)

(c) Fair value measurements of financial instruments (continued)

notes:

(i) The fair value of the structured bank deposit is based on its redemption price from the bank, where an significant key input in the valuation model is the yields of the underlying debt instruments. No reconciliation of the structured bank deposit during the year is presented as the carrying amount at the end of the reporting period principally represented its purchase price on 26th December, 2013. The management therefore considers that the fair value change of the deposits for the year ended 31st December, 2013 was insignificant.

(ii) Foreign currency derivatives mainly represents foreign currency forward contracts and currency structured forward contracts. The valuation techniques of these financial assets and liabilities include Black-Scholes Option Pricing Model. Key inputs to the valuation model includes forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

(iii) The fair value of the derivative embedded in Convertible Note was determined based on the Binomial Option Pricing Model whereas the key inputs to the valuation model included share price of Luen Thai at date of valuation, risk free rate, expected volatility, option life and the expected dividend yield. The significant unobservable inputs in the valuation model included the expected volatility with reference to the historical price volatility of Luen Thai and the expected dividend yield. Both inputs were positively related to the fair value of the derivative embedded in Convertible Note. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the derivative embedded in Convertible Note would not be significant.

The fair value of the derivative embedded in Convertible Note at the date of subscription and at 31st December, 2012 was determined by Savills Valuation and Professional Services Limited using the Binomial Option Pricing Model and the key inputs into the model were set out below.

	At 31st December, 2012	Date of subscription
Share price of Luen Thai	HK$1.17	HK$0.98
Expected volatility	49%	49%
Risk free rate	0.04%	0.28%
Option life	1.41 years	2 years
Expected dividend yield	8%	8%

As disclosed in Note 26, the Convertible Note was fully converted into ordinary shares in Luen Thai during the year.

(iv) The fair values of investments held for trading are determined with reference to prices provided by the respective issuing financial institutions.

(v) Listed equity securities are traded on active markets and their fair values are determined with reference to quoted market bid prices in active market.

43. Financial Instruments (continued)

(c) Fair value measurements of financial instruments (continued)

notes: (continued)

(vi) Consideration payable for acquisition of business represents the amount that the Group may have to compensate Pengda (as defined in Note 44(b)) for the Pengda Consideration Shares (as defined in Note 44(d)) which are issuable for the acquisition of the Pengda Business (as defined in Note 44(b)). The valuation technique adopted is Binomial Option Pricing Model whereas the key inputs to the valuation models include the share price of Pou Sheng's share at date of valuation, risk free rate, expected volatility, expected life of the guaranteed compensation and the expected dividend yield. The significant unobservable inputs in the valuation model include the expected volatility with reference to the historical price volatility and the expected dividend yield of Pou Sheng. Both inputs are positively related to the fair value of the consideration payable for acquisition of business. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the consideration payable for acquisition of business would not be significant.

The fair value of the guaranteed compensation as at 31st December, 2013 is determined by APAC Asset Valuation and Consulting Limited (2012: by American Appraisal), independent valuers, using the Binomial Option Pricing Model.

The key inputs into the model are set out below:

	At 31st December, 2013	At 31st December, 2012	At 1st February, 2012
Share price of Pou Sheng's share at date of valuation	**HK$0.400**	HK$0.455	HK$0.960
Exercise price per share	**HK$4.000**	HK$4.000	HK$4.000
Risk free rate	**0.650%**	0.220%	0.395%
Expected volatility	**44%**	52%	59%
Expected life of the guaranteed compensation	**2.89 years**	3.89 years	4 years
Expected dividend yield	**Nil**	Nil	Nil

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

	Derivative embedded in Convertible Note US$'000
At 1st October, 2011	–
Initial recognised upon subscription of Convertible Note (Note 26)	584
Unrealised gains recognised in profit or loss (included in fair value changes on derivative financial instruments)	352
At 31st December, 2012	936
Unrealised gains recognised in profit or loss (included in fair value changes on derivative financial instruments)	5,098
Exercise of Convertible Note	(6,034)
At 31st December, 2013	**–**

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

43. Financial Instruments (continued)

(c) Fair value measurements of financial instruments (continued)

	Consideration payable for acquisition of business US$'000
At 1st October, 2011	–
Acquired on acquisition of business	(15,862)
Unrealised loss, recognised in profit or loss (included in fair value changes in consideration payable for acquisition of business)	(2,085)
Exchange realignment	(33)
At 31st December, 2012	(17,980)
Unrealised loss, recognised in profit or loss (included in fair value changes in consideration payable for acquisition of business)	(43)
Exchange realignment	7
At 31st December, 2013	**(18,016)**

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets or any reclassification of financial assets in the year/period.

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

At the end of the reporting period, except for the available-for-sale investments measured at cost less impairment, of which the directors of the Company are of the opinion that the fair value cannot be measured reliably because the range of reasonable fair value estimates is so significant.

44. Acquisition of Additional Interests in Subsidiaries/Acquisition of Subsidiaries and Business

For the year ended 31st December, 2013

During the year, the Group acquired the remaining 18.32% equity interest in Grand Wealth Group Limited ("Grand Wealth") and 25.5% equity interest in New Peak Services Limited ("New Peak") for considerations of approximately US$3,754,000 and approximately US$5,497,000 respectively. Of the total consideration, approximately US$550,000 shall be payable after one year from the end of the reporting period and is classified as non-current. Grand Wealth and New Peak are investment holding companies and both of them become wholly-owned subsidiaries of the Group after the acquisition. The difference of approximately US$3,619,000 between the proportionate share of the carrying amount of the net assets and the consideration for the additional interest has been credited to other reserve.

44. Acquisition of Additional Interests in Subsidiaries/Acquisition of Subsidiaries and Business (continued)

For the fifteen months ended 31st December, 2012

The Group acquired Zhanxin and the Pengda Business (as defined in Note 44(b)) during the fifteen months ended 31st December, 2012. 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, were set out below.

	notes	2012		
		Zhanxin	Pengda Business	Total
	(a)(b)	US$'000	US$'000	US$'000
The consideration for the acquisitions comprise the following:				
Cash consideration	(c)	12,344	98,201	110,545
Consideration shares with trading restrictions	(d)	–	2,940	2,940
Fair value of guaranteed compensation	(e)	–	15,862	15,862
Related call options	(f)	1,171	–	1,171
Fair value of previously held interests	(g)	6,959	–	6,959
Total consideration		20,474	117,003	137,477
Fair value of assets acquired and liabilities recognised at the date of acquisitions were as follow:				
Property, plant and equipment		1,404	10,884	12,288
Intangible assets		13,800	23,491	37,291
Inventories		12,060	55,516	67,576
Trade and other receivables	(h)	8,869	–	8,869
Bank balances and cash		2,176	–	2,176
Trade and other payables		(14,712)	–	(14,712)
Taxation payable		(56)	–	(56)
Bank borrowings		(7,383)	–	(7,383)
Deferred tax liabilities		(3,450)	(5,873)	(9,323)
		12,708	84,018	96,726
Goodwill arising on acquisitions	(i)	7,766	32,985	40,751
Acquisition-related costs	(j)	36	217	253

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

44. Acquisition of Additional Interests in Subsidiaries/Acquisition of Subsidiaries and Business (continued)

For the fifteen months ended 31st December, 2012 (continued)

	1.10.2011 to 31.12.2012 US$'000
Cash flows arising on acquisitions:	
Cash consideration paid for acquisition of	
– Yichuan (note k)	(3,139)
– Zhanxin	(11,125)
– Pengda Business	(95,074)
Less: bank balances and cash acquired	2,176
	(107,162)

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 joint venture of the Group before the completion of this transaction on 1st December, 2011.

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

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 in 2012 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 from this transaction.

(c) For the cash consideration of US$12,344,000 for the acquisition of Zhanxin, US$1,219,000 was paid in prior years and US$11,125,000 was paid during the fifteen months ended 31st December, 2012.

For the cash consideration of US$98,201,000 for the acquisition of the Pengda Business, US$3,127,000 was paid in prior years and US$95,074,000 was paid during the fifteen months ended 31st December, 2012.

(d) This represented 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.

44. Acquisition of Additional Interests in Subsidiaries/Acquisition of Subsidiaries and Business (continued)

For the fifteen months ended 31st December, 2012 (continued)

notes: (continued)

(e) Pursuant to the relevant agreements, the Group has to compensate Pengda for the shortfall, if any, between the market value of each Pengda Consideration Share and HK$4 at the expiry of the Restricted Period. The market value applied being the average closing price of 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 Binomial Option Pricing Model with reference to the closing share price of Pou Sheng as at 1st February, 2012.

Details of the fair value measurement of the guaranteed compensation as at 31st December, 2013, represented as consideration payable for acquisition of business, was set out in Note 43(c)(vi).

The fair value loss of the guaranteed compensation amounting to US$43,000 (fifteen months ended 31st December, 2012: US$2,085,000) is recognised in profit or loss during the year.

(f) Amount represented the carrying value of the Group's JV Call Options relating to Zhanxin as at the date of acquisition.

(g) 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 fifteen months ended 31st December, 2012.

The above fair value at the date of acquisition was determined using the discounted cash flow approach and the guideline companies method approach. The significant inputs into the models included 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.

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

(i) Goodwill arose in each of the acquisition of Zhanxin and Pengda Business 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.

(j) The acquisition-related costs of the above transactions were recognised as an expense during the fifteen months ended 31st December, 2012.

(k) Acquisition of 浙江易川體育用品連鎖有限公司 Zhejiang Yichuan Sports Goods Chain Company Limited ("Yichuan") has been completed on 1st October, 2010 and the remaining balance of cash consideration of US$3,139,000 was paid during the fifteen months ended 31st December, 2012.

(l) Pro-forma revenue and profit/loss

Included in the profit for the fifteen months ended 31st December, 2012 was 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 included 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 was for illustrative purposes only and was 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 was it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

45. Acquisition of Assets Through Acquisition of Subsidiaries

For the fifteen months ended 31st December, 2012

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 had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination.

The net assets acquired in the transaction were 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

46. Disposal of Subsidiaries

For the year ended 31st December, 2013

During the year ended 31st December, 2013, the Group disposed of a number of subsidiaries which mainly include:

(a) The Group disposed of 51% equity interests in Chifley Tower Limited and its subsidiaries ("Chifley Tower") and 51% equity interests in Sunplus Industrial Limited and its subsidiary ("Sunplus") to the same independent third party at an aggregate consideration of US$1,061,000 and US$771,000, respectively. Chifley Tower and Sunplus are principally engaged in rubber label manufacturing.

(b) The Group disposed of its entire interest in 揚州裕順建設開發有限公司 ("Yangzhou Yue Shun") to three independent third parties at an aggregate consideration of RMB318,675,000 (equivalent to approximately US$51,630,000). Yangzhou Yue Shun is principally engaged in property investment in the PRC.

(c) The Group disposed of 80% equity interest in Pou Ming Paper Products Manufacturing Company Limited and its subsidiaries ("Pou Ming") to an independent third party at an aggregate consideration of US$4,306,000. Pou Ming is principally engaged in manufacturing of shoe boxes and paper boxes.

46. Disposal of Subsidiaries (continued)

For the year ended 31st December, 2013 (continued)

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

	US$'000
Net assets disposed of:	
Property, plant and equipment	3,123
Prepaid lease payments	18,527
Inventories	2,785
Trade and other receivables	8,305
Bank balances and cash	7,501
Trade and other payables	(6,317)
Total net assets	33,924
Less: Non-controlling interests	(2,209)
	31,715
Gain on disposal of subsidiaries:	
Consideration received and receivable	57,768
Net assets disposed of	(33,924)
Non-controlling interests	2,209
Fair value of 20% retained interest in Pou Ming as interest in an associate (note)	1,164
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	1,235
Gain on disposal	28,452
Net cash inflow arising on disposal:	
Cash consideration received	47,757
Less: bank balances and cash disposed of	(7,501)
	40,256

note: The fair value of 20% retained interest in Pou Ming was determined by the directors of the Company based on a valuation carried out by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected with the Group. The valuation has been determined based on income approach which is calculated based on a 5-year cash flow forecast derived from the most recent financial budget approved by its management. The rate used to discount the forecast cash flows is approximately 14.7%.

The subsidiaries disposed of during the year ended 31st December, 2013 did not contribute significantly to the results and cash flows of the Group during the year prior to the disposal.

The income approach estimates the future economic benefits and discounts these benefits to its present worth using a discount rate appropriate for the risks associated with realising those benefits.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

46. Disposal of Subsidiaries (continued)

For the fifteen months ended 31st December, 2012

During the fifteen months ended 31st December, 2012, the Group disposed of (i) entire interest in Yolland Holdings Limited and its subsidiaries and (ii) 51% equity interest in Huge World Investments Limited.

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	(21,974)
Non-controlling interests	10,767
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.

47. Operating Leases

The Group as lessee

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

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Operating leases rentals in respect of:		
Minimum leases payments:		
– leasehold land and buildings	21,103	21,615
– retail shops	54,950	70,016
– plant and machinery	1,196	1,370
	77,249	93,001
Contingent rentals:		
– retail shops	157,379	194,229
	234,628	287,230

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:

	2013 US$'000	2012 US$'000
Within one year	70,583	66,352
In the second to fifth year inclusive	83,336	91,706
After five years	43,730	44,865
	197,649	202,923

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 rents payable.

Included in the above are commitments under non-cancellable operating leases of approximately US$6.1 million as at 31st December, 2013 which expire in 2014 (2012: US$14.0 million which expire in 2014), payable to related companies, Godalming Industries Limited ("Godalming") and its subsidiaries, details of which are set out in Note 51(f).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

47. Operating Leases (continued)

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:

	2013 US$'000	2012 US$'000
Within one year	7,827	5,673
In the second to fifth year inclusive	12,753	17,121
After five years	44,341	23,081
	64,921	45,875

In addition to the basic rental receipts as disclosed above, the lease agreements with certain tenants also include provisions for the payment of contingent rents 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 rents receivable. Rental income received by the Group during the year ended 31st December, 2013 was US$21,510,000 (fifteen months ended 31st December, 2012: US$26,907,000), of which contingent rental income arising from contingent lease contracts amounted to US$11,602,000 (fifteen months ended 31st December, 2012: US$14,262,000).

48. Commitments

	2013 US$'000	2012 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– construction of buildings	33,759	11,837
– acquisition of property, plant and equipment	3,991	2,266
– acquisition of the remaining interests in a joint venture	11,565	11,254
	49,315	25,357

Save as disclosed above, the Group had no other material capital commitments at 31st December, 2012 and 2013.

49. Contingencies

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

	2013 US$'000	2012 US$'000
Guarantees given to banks in respect of banking facilities granted to		
(i) joint ventures		
– amount guaranteed	**62,208**	69,292
– amount utilised	**36,925**	47,888
(ii) associates		
– amount guaranteed	**30,725**	40,010
– amount utilised	**7,995**	13,395

50. 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

51. Connected and Related Party Transactions and Balances

During the year/period, 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 parties during the year/period, 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	2013 US$'000	2012 US$'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)	**450**	2,037
	Merchandise costs reimbursed to PCC under the Services Agreements by the Group (note b)	**288,216**	320,756
	Expense reimbursed to PCC under the Service Agreements by the Group (note b)	**96,953**	115,562
	Service fees paid to PCC under the Services Agreements by the Group (note b)	**15,187**	20,311
	Tanning facilities and processing service fees paid by the Group (note c)	**–**	2,798
	Rental expenses under the Rental Agreements paid by the Group (note d)	**1,240**	1,689
	Other rental expenses paid	**56**	–
	Interest expense paid by the Group	**86**	–
	Sales of leather, moulds, finished and semi-finished shoe products and packaging boxes by the Group (note a)	**7,627**	13,852
	Management services income received by the Group (note e)	**324**	390
	Balance due from/to as at year/period end and included in:		
	– trade receivables	**2,705**	1,975
	– trade payables	**34,905**	36,091
	– other receivables (note g)	**6,227**	7,056
	– other payables (note g)	**19,184**	22,052

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

(I) Connected and Related Parties (continued)

Name of connected and related party	Nature of transactions/balances	2013 US$'000	2012 US$'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)	**55**	75
	Interest expenses paid by the Group	**164**	–
	Balance due from/to as at year/period end and included in:		
	– other receivables (note g)	**11**	9
	– other payables (note g)	**1,460**	172
Company controlled by certain directors:			
Godalming Industries Limited ("Godalming")	Rentals paid on land and buildings by the Group (note f)	**5,682**	8,967
	Balance due from/to as at year/period end and included in:		
	– other receivables (note g)	**173**	220
	– other payables (note g)	**3**	12

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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

(II) Connected Parties

Name of connected and related party	Nature of transactions/balances	2013 US$'000	2012 US$'000
Non-controlling shareholders of subsidiaries of the Company			
Power Plus Limited	Consideration paid by the Group for acquisition of additional interest in a subsidiary	**3,754**	–
	Consideration received by the Group for disposal of a joint venture	**1,543**	–
Wonderful World International Co., Ltd.	Consideration paid and payable by the Group for acquisition of additional interest in a subsidiary	**5,497**	–
Must Win International Limited	Consideration received by the Group for disposal of subsidiaries	**–**	16,968
	Consideration received by the Group for disposal of certain assets	**–**	16,825

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

(III) Other Related Parties

Name of related party	Nature of transactions/balances	2013 US$'000	2012 US$'000
Joint ventures	Purchase of raw materials by the Group	155,362	240,760
	Sales of shoe-related products by the Group	2,806	11,956
	Sales of sportswear products by the Group	3,905	2,257
	Management service income received by the Group	7,099	16,799
	Interest income received by the Group	1,055	1,497
	Interest expenses paid by the Group	124	–
	Balance due from/to as at year/period end		
	– trade receivables	2,063	3,691
	– trade payables	39,196	39,872
	– other receivables (note g)	12,083	8,901
	– other payables (note g)	3,436	965
Associates	Purchase of raw materials by the Group	52,036	81,832
	Sales of shoe-related products by the Group	664	1,857
	Sales of sportswear products by the Group	–	413
	Management service income received by the Group	4,143	4,553
	Service fee paid by the Group	1,340	1,520
	Interest income received by the Group	–	343
	Consideration received by the Group for disposal of joint ventures	–	4,600
	Exercise of convertible note receivables	10,362	–
	Consideration received by the Group for disposal of an associate	5,000	–
	Balance due from/to as at year/period end		
	– trade receivables	4,430	837
	– trade payables	8,975	11,150
	– other receivables (note g)	11,120	22,055
	– other payables (note g)	4,681	1,871

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

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

(IV) Compensation of Key Management Personnel

	1.1.2013 to 31.12.2013 US$'000	1.10.2011 to 31.12.2012 US$'000
Short term benefits	5,038	7,336
Post employment benefits	4	4
	5,042	7,340

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

notes:

(a) During the year, 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 (resigned as an executive director of the Company on 28th June, 2013) 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 is obligated to reimburse the merchandise costs and expenses incurred by PCC.

In addition, the Company shall also pay to PCC the following service 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.

51. 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

51. 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 owned as to 94.12% by a discretionary trust set up by Mr. Tsai Chi Jui, a substantial shareholder of the Company, for the benefits of certain members of the Tsai's family, including Mr. Tsai Chi Neng and Ms. Tsai Pei Chun, Patty, the directors 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 and a discretionary trust set up for the benefits of Mr. Tsai Chi Jui and certain members of the Tsai's family, including Mr. Tsai Chi Neng and Ms. Tsai Pei Chun, Patty, the directors of the Company. 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) Except for the amounts due from joint ventures of approximately US$37,952,000 (2012: US$59,836,000) and amounts due from associates of approximately US$2,499,000 (2012: US$4,906,000), which are non-current in nature, the remaining amounts due from/to are unsecured, interest-free and repayable on demand.

52. 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, 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)
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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

52. Non-Controlling Interests (continued)

	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
Exchange difference arising on the translation of foreign operations	6,701	–	–	6,701
Loss for the year	(5,781)	–	–	(5,781)
Total comprehensive income for the year	920	–	–	920
Recognition of equity-settled share-based payments, net of amount forfeited relative to share options not yet vested	794	(845)	–	(51)
Deemed partial disposal of interests in subsidiaries without losing control	710	–	–	710
Realised on deregistration of subsidiaries	(171)	–	–	(171)
Disposal of subsidiaries	(2,209)	–	–	(2,209)
Acquisition of additional interests in subsidiaries	(12,870)	–	–	(12,870)
Refund of investment cost in a subsidiary	(50)	–	–	(50)
Dividends paid to non-controlling interests of subsidiaries	(6,422)	–	–	(6,422)
Release upon lapse of contingently issuable shares	6,052	–	(6,725)	(673)
At 31st December, 2013	392,574	5,218	–	397,792

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 and business by a listed subsidiary.

53. Principal Subsidiaries

Details of the Company's principal subsidiaries at 31st December, 2013 and 2012 are as follows:

Name of subsidiary	Country/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
			2013	2012	
A-Grade Holdings Limited	BVI	US$9,000	**61.27%+**	61.80%+	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	**61.27%+**	61.80%+	Retailing of sportswear
Baoxin (Chengdu) Trading Company Limited	PRC**	US$5,000,000	**61.27%+**	61.80%+	Distribution of licenced sportswear
Dah-Chen Shoe Materials Ltd.	Vietnam	US$437,500	**51%**	51%	Manufacture of shoe pads
Dedicated Group Limited	BVI	US$1,000	**61.27%+**	61.80%+	Investment holding
Diodite (China) Sports Good Co., Ltd	PRC**	US$20,000,000	**61.27%+**	61.80%+	Retailing of sportswear
Dragon Light (China) Sporting Goods Co., Ltd	PRC**	US$66,000,000	**61.27%+**	61.80%+	Investment holding
Farsighted International Limited	BVI	US$100	**61.27%+**	61.80%+	Investment holding and its subsidiaries are engaged in retailing of sportswear and sports footwear
Forearn Company Ltd.	BVI	US$1	**100%**	100%	Manufacture of shoe moulds

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

53. Principal Subsidiaries (continued)

Name of subsidiary	Country/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
			2013	2012	
Gold Plenty International Limited	BVI	US$1	100%	100%	Manufacture and sales of footwear
Great Pacific Investments Ltd.	BVI	US$1	100%	100%	Investment holding
Harbin Baosheng Sports Goods Company Limited	PRC***	RMB7,000,000	61.27%+	61.80%+	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited	PRC***	RMB1,000,000	61.27%+	61.80%+	Retailing of sportswear
High Shine Investments Limited	BVI	US$100	51%	51%	Investment holding
Highfull Developments Limited	BVI	US$1	100%	100%	Investment holding
Idea (Macao Commercial Offshore) Limited	Macau	MOP100,000	100%	100%	Manufacture and sales of footwear
Key International Co., Ltd.	BVI	US$1	100%	100%	Investment holding
Major Focus Management Limited	BVI	US$1	100%	100%	Investment holding
Murata Profits Limited	BVI	US$1	100%	100%	Investment holding
P.T. Nikomas Gemilang	Indonesia	IDR56,680,000,000	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

53. Principal Subsidiaries (continued)

Name of subsidiary	Country/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 2013	2012	Principal activities
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	**55.14%++**	55.62%++	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
Pou Chien Chemical (Holdings) Limited	BVI	US$1	**100%**	100%	Investment holding
Pou Ming Paper Products Manufacturing Company Limited	BVI	US$1	**–+++**	100%	Investment holding and manufacture of paper carton boxes
Pou Sheng	Bermuda*	HK$53,788,000	**61.27%**	61.80%	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$22,400,000	**61.27%+**	61.80%+	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%	

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

53. Principal Subsidiaries (continued)

Name of subsidiary	Country/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
			2013	2012	
Pouyuen Vietnam Company Limited	Vietnam	US$86,406,000	100%	100%	Manufacture and sale of footwear
Prime Asia China Leather Corporation	BVI	US$1,000	100%	100%	Manufacture and sale of leather
Prime Asia (S.E. Asia) Leather Corporation	BVI	US$1,000	100%	100%	Manufacture and sale of leather
Prime Asia Leather Corporation	BVI	US$50,000	100%	100%	Investment holding
Pro Kingtex Industrial Company Limited	BVI	US$13,792,810	91.68%	91.68%	Manufacture of apparel
Selangor Gold Limited	BVI	US$1,000	61.27%+	61.80%+	Investment holding
ShangGao Yisen Industry Co., Ltd.	PRC**	US$29,240,000	100%	100%	Manufacture and sale of footwear
Sheng Dao (Yangzhou) Sporting Goods Dev. Co., Ltd	PRC**	US$66,000,000	61.27%+	61.80%+	Investment holding
Solar Link International Inc.	US	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 of footwear
Top Units Developments Limited	BVI	US$100	51%	51%	Investment holding
Upturn Investments Limited	BVI	US$1	100%	100%	Manufacture of paper inner boxes and carton boxes

53. Principal Subsidiaries (continued)

Name of subsidiary	Country/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 2013	2012	Principal activities
Wellmax Business Group Limited	BVI	US$9,000	61.27%+	61.80%+	Investment holding
Wuxi Baoyuen Sports Goods Trading Company Limited	PRC***	RMB1,000,000	61.27%+	61.80%+	Retailing of sportswear
Yue Cheng (Kunshan) Sports Co., Ltd.	PRC**	US$10,000,000	61.27%+	61.80%+	Retailing of sportswear
Yue Ming International Limited	Hong Kong	HK$1	61.27%+	61.80%+	Retailing of 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	61.27%+	61.80%+	Manufacturing of sportswear
Yunnan Orientsport Trading Co., Ltd.	PRC**	RMB56,100,000	31.25%++	31.52%++	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited	PRC***	RMB87,500,000	36.76%++	37.08%++	Property leasing and management
YY Sports Holdings Limited	BVI	US$1	61.27%+	61.80%+	Investing holding
Zhejiang Yichuan Sports Goods Chain Company Limited	PRC***	RMB164,000,000	61.27%+	61.80%+	Retailing of sportswear

* 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.
+++ This company has been disposed by the Company during the year.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2013

53. Principal Subsidiaries (continued)

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 year or at the end of the period.

At the end of the reporting period, the composition of the Company's subsidiaries are as follows. Majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Country/place of incorporation/ establishment	Number of subsidiaries 2013	2012
Manufacturing and/or sales of footwear	PRC	**28**	28
	Indonesia	**6**	6
	Vietnam	**7**	7
	Macau	**2**	2
	Others	**7**	7
Investment holding and/or property holding	PRC	**19**	18
	HK	**41**	44
	Taiwan	**2**	2
	Macau	**1**	1
	Others	**92**	85
Manufacturing and/or sales of apparel and others	PRC	**14**	19
	Indonesia	**1**	1
	Vietnam	**7**	9
	Taiwan	**5**	5
	Others	**21**	28
Retailing business	PRC	**52**	54
	HK	**1**	1
	Taiwan	**2**	2
		308	319

Financial Summary

	For the year ended 30th September, 2009 US$'000	2010 US$'000	2011 US$'000	For the fifteen months ended 31st December, 2012 US$'000	For the year ended 31st December, 2013 US$'000
RESULTS					
Turnover	5,016,902	5,788,208	7,045,373	9,193,226	**7,582,471**
Profit before taxation	470,093	530,863	511,728	636,900	**454,219**
Income tax expense	(8,131)	(35,025)	(28,203)	(25,578)	**(25,232)**
Profit for the year/period	461,962	495,838	483,525	611,322	**428,987**
Attributable to:					
Owners of the Company	464,730	479,507	449,829	623,701	**434,768**
Non-controlling interests	(2,768)	16,331	33,696	(12,379)	**(5,781)**
	461,962	495,838	483,525	611,322	**428,987**

	As at 30th September, 2009 US$'000	2010 US$'000	2011 US$'000	As at 31st December, 2012 US$'000	As at 31st December, 2013 US$'000
ASSETS AND LIABILITIES					
Total assets	5,758,802	5,725,322	6,473,264	6,836,110	**6,992,706**
Total liabilities	(2,337,422)	(1,948,819)	(2,366,587)	(2,414,714)	**(2,256,256)**
	3,421,380	3,776,503	4,106,677	4,421,396	**4,736,450**
Equity attributable to:					
Owners of the Company	3,037,227	3,371,056	3,653,768	4,002,788	**4,338,658**
Non-controlling interests	384,153	405,447	452,909	418,608	**397,792**
	3,421,380	3,776,503	4,106,677	4,421,396	**4,736,450**

Corporate Social Responsibility
企業社會責任

Corporate Social Responsibility
企業社會責任

This corporate social responsibility ("CSR") section communicates environmental and social data and governance issues to address the informational needs of all stakeholders, beyond the important financial results included in the annual report.

本企業社會責任一節旨在傳達環境及社會數據及管治事項，以滿足所有利益相關方對獲取年報所載重要財務業績以外資訊方面的需要。

Sustainable development ("SD") is an important strategy for the Group. As a part of managing the business operation spanning multiple regions, the Group recognizes that it has the responsibility to implement good CSR policy in relations to environment, social, governance, labour and compliance. For example, to improve the working condition and production efficiency, the Group has implemented SD mechanisms that help identify potential problems and provide solutions for improvement. The Group also periodically shares SD best practices with employees in all regions to promote better understanding and adoption of SD best practices. The Group will continue to raise the standards to calibrate all manufacturing facilities in order to achieve sustainable development.

本集團以永續發展為其重要策略。本集團意識到，作為管理跨越多地區業務運作的一部份，其責任在於推行有關環境、社會、管治、勞務和合規的良好企業社會責任政策。舉例而言，為了改善工作環境及提高生產效率，本集團設有永續發展機制，以識別潛在的問題及提供改善的解決方案。為確保本集團內部更清楚理解及採納永續發展的最佳實踐，本集團亦定期向所有地區的員工分享永續發展的最佳實踐。本集團將繼續提升標準，使所有製造設施達到永續發展的水平。

Since June 2011, the Group has been a Participating Supplier member of the Fair Labor Association ("FLA") and is committed to a continual upgrade of the Group's CSR performance through FLA partnership and learning. The Group adopted FLA's sustainable compliance initiative ("SCI") audit program requirements in the areas of human resource management system and environmental and health/safety in order to define "One CSR Standard" across the Group's manufacturing facilities. The Group believes the adoption of a unified CSR standard and the continual pursuit of CSR excellence will further enhance the Group's leadership in the industry.

自二零一一年六月起，本集團一直為公平勞動協會的參與供應商成員，並致力透過與公平勞動協會建立合作關係及向其學習，持續提升本集團企 業社會責任的表現。本集團於人力資源管理系統、環境及健康／安全方面採納公平勞動協會的永續發展合規方案審核計劃規定，從而於本集團旗下的製造設施界定「一致的企業社會責任標準」。本集團相信，採納劃一的企業社會責任標準與追求卓越的企業社會責任標準，將有助進一步提升本集團於業界的優勢。

Corporate Social Responsibility
企業社會責任

The Group's priority consideration is to provide a safe and healthy working environment for the employees. The Group periodically and systematically reviews and evaluates its internal management system to ensure the effective monitoring and timely response to emergency situations, as well as to daily operation issues including employee health, workplace condition, and mechanical safety. In the process, the Group enhanced its emergency response training to raise the employee awareness of workplace safety. The Group also improved the electronic equipment inspection method, for example, by adopting infrared scanning.

Fire prevention is another key focus for the Group. In addition to reviewing and revising the fire safety policy and managerial system, the Group also standardized fire safety requirements, such as the fire prevention equipment and emergency response procedures to fire incidents. Particular attentions have been paid to the control of electricity and fire sources. The Group has established standard fire safety assessment procedures and routinely carried out fire safety checks. For the purpose of consistency and transparency, multiple communications and actions have taken place to facilitate the stakeholders' understanding of Group's focus on fire safety. The continued commitment of resources to the development of a better and safer working place is the Group's commitment to the well-being of its employees.

本集團凡事務必以為僱員提供安全健康的工作環境優先。本集團定期及有系統地檢討及評估其內部管理制度，確保有效監測並及時應對緊急情況，以至日常營運問題，包括員工健康、工作場所狀況，和機械安全。在這個過程中，本集團亦改善其緊急應變訓練，以提高僱員對工作場所安全的意識。本集團亦已改善有關電氣設備的檢驗方法，例如採用紅外線掃描檢查。

本集團另一方面關注防火。除了檢討及修訂消防政策及管理系統外，本集團亦規範有關消防條件的規定，如防火設備及火警

緊急應變程序等，尤其關注電力及火源的控制。本集團已制訂標準防火安全評估程序，並定期進行消防檢查。本集團已通過不同通訊方式及採取不同行動，促進利益相關者明白本集團對防火安全的關注，旨在確保一致性及透明度。本集團承諾保障僱員福祉，將繼續投放資源，建立更安全妥善的工作環境。

Corporate Social Responsibility
企業社會責任

To instill the Group's people-oriented corporate culture, the employee relationship team has initiated the iCARE program and a series of projects since the end of 2012 to deliver the Group's core values. The iCARE program is designed to empower and inspire local talents to strive to realize their capabilities, leadership, organizational and project management skills. The Group designated the factory in Zhongshan, Guangdong as the initial training ground for the program while choosing the factory in Sukabumi, Indonesia as the first iCARE factory to establish best practices in developing local talent and increasing employees' sense of belonging. Through the iCARE program, the Group intends to create a positive work atmosphere to stimulate cross-departmental cooperation, increase production efficiency, and progressively achieve the Group's mission to be the employer of choice.

傳承本集團多年來以「人」為本的企業文化，員工關係團隊在二零一二年底開展一系列傳遞集團核心價值的iCARE專案。iCARE專案旨在授權及啟發當地人才致力發揮他們的實力、領導才幹、組織及項目管理技能。本集團由印尼Sukabumi區的工廠為示範點，廣東中山區為初始培訓基地，發展有潛力的當地人才，提高員工對公司的向心力，也希望由iCARE專案營造積極正向的工作氣氛，促進跨部門合作以提升產效，逐步實現集團致力成為最佳僱主的願景。

To attain industry leadership, the iCARE program aims to deliver the core values to every corner in the Group. After multiple sessions of cross-cultural teambuildings and trainings, the factory in Sukabumi, Indonesia has established a solid foundation in creating a harmonious cross-cultural work environment, achieving the iCARE motto of "As team, As family". Given the initial success of the program, the Group has extended the program to our factories in Serang, Indonesia and Vietnam to integrate the iCARE program into the annual plans of the respective factories in order to further spread the Group core values.

走在傳統產業的前端，將核心價值傳播至集團的各個角落是iCARE執行的主要目標，多次跨文化團隊建設、跨文化培訓鞏固了印尼Sukabumi區發展的地基，由宣誓推展iCARE的決心至今，示範點已走過「團隊即家人」的第一階段，多次工作坊發展該區域和諧的跨文化環境。鑑於專案初步取得成功，本集團已將專案擴展至印尼Serang區及越南，將iCARE專案納入各區工廠的年度計劃，以傳播集團核心價值。

Over the past few years and as a part of the iCARE program, the Group hosted summer camps at our factory in Zhongshan, Guangdong for children to reunite with their parents, who are employees at the Group factories. In cooperation with Wave 5 Foundation, a non-profit organization, the summer camp brought together volunteers from the Group and China's education sector to serve the children. The summer camp helped to win recognition and align core values with the factory employees, which contributed to employee retention. The summer camp program was also conducted in Sukabumi, Indonesia after Ramadan (the Islamic month of fasting) in 2013. Local employees were trained to be leaders in the summer camp and volunteered in neighboring elementary school as part of exercising the Group core values.

作為iCARE專案的一部分，本集團於過去幾年在廣東中山工廠為集團工廠的員工舉辦員工子女夏令營。夏令營期間與非牟利機構伍濤基金會合作，結合來自本集團及中國各省教育界菁英義工，共同服務員工子女。夏令營有助贏得工廠員工認同及配合核心價值，穩定員工的留任率。二零一三年印尼齋戒月後，印民Sukabumi區也舉辦了夏令營。當地員工在夏令營中接受訓練成為領袖，服務鄰近社區小學以實踐集團核心價值。

Corporate Social Responsibility
企業社會責任

The second phase of iCARE program in Sukabumi, Indonesia has made encouraging progress in fostering local talent. Through role playing in the workshops, the employees began to comprehend the importance of empathy and show their appreciation to colleagues and supervisors via positive feedbacks. Towards the end of the year, the iCARE program also moved away from expatriate management-led model to one led by local employees. Seven local senseis (instructors) were trained and certified who can lead the iCARE workshops using the common language of the local employees, as well as combining learnings from their daily works and iCARE principles, to further develop local talent.

In the second half of 2013, management in various factory locations in Serang, Indonesia, Vietnam, and Hubei, China began to initiate iCARE programs with the aim to raise employees' sense of belonging, promote cross-departmental cooperation through core values, and strengthen employees' accountability mindset in order to increase productivity. The Group will continue to train and foster employee relation champions in the training ground of Zhongshan, Guangdong. Local talent training will also continue in Indonesia and Vietnam to achieve the Group's objective to become the employer of choice.

經過一年iCARE文化洗禮，印尼Sukabumi區逐步走向第二階段：本土化人才培育，員工由工作坊中各式情境演練體會換位思考的重要性，在營造積極正向工作環境的過程中，員工善用內部正面評價系統，表達對同儕、主管間的感謝；年底的iCARE工作坊也跳脱以往海外幹部主導的型式，由七位受訓並得到認證的本地Sensei（老師）帶領iCARE工作坊，讓本地Sensei用同仁們習慣的語言，搭配過去所學及iCARE原則，強化本土化人才培育。

二零一三年的下半年，集團不同的據點-印尼Serang區、越南區與中國湖北的管理團隊也陸續投入iCARE專案，藉由傳遞集團核心價值的平台凝聚員工、促進跨部門合作，並藉由相互激勵提升員工當責的心態，依iCARE節奏步步提升產效；本集團將持續善用廣東中山的基地，培育集團各地員工關係的種子；印尼、越南也會持續往本土人才培育努力，均衡發展；以實踐集團成為最佳僱主的目標。

Corporate Social Responsibility
企業社會責任

Teambuilding

Teambuilding is conducted through a series of activities that involve ice-breaking, learning and doing. Through iCARE teambuilding, participants get to learn the Group's core values and ethics through interaction with peers. In addition, employees from different cultural background learn to convey ideas in simple terms in order to facilitate mutual trust and respect for different cultures. The objective of teambuilding is to achieve the goal of "As team, As family".

建立團隊精神

本集團透過一系列涉及破冰、學以致用的活動建立團隊精神。透過iCARE團隊建設，參加者與同事之間進行互動，從而了解本集團的核心價值及道德觀。此外，來自不同文化背景的員工學習以簡單術語傳達想法，以促進彼此信任及對不同文化的尊重。建立團隊精神旨在實現「團隊即家人」的目標。

Corporate Social Responsibility
企業社會責任

Workshop

The iCARE workshops incorporate methods to identify local employees whose behaviors are consistent with the Group's core values. Starting with the process of leading the employees and then mentoring, the employees are empowered to showcase their talent and competence. The identified local talents would be further groomed as coaches to deliver the Group's core values to other colleagues in iCARE workshops.

工作坊

iCARE工作坊融合各種方法來識別行為與集團核心價值一致的當地員工。從帶領員工開始到陪伴員工，員工繼而被授權得以展示他們的才華及能力。被物色的當地人才將進一步培育成為導師，在iCARE工作坊上將集團核心價值傳遞至其他同事。

Corporate Social Responsibility
企業社會責任

Community Outreach

Reaching out to the community is an integral part of the Group's core values. The Group's employees, regardless of ranks, are required to participate in community services. The local talents, in particular, are empowered to take the lead to serve the community. With similar language and background, the participation of the local employees can help foster closer ties between the Group and its society at large. Over time, a cooperative and harmonious relationship with the community is established.

社區服務

社區服務是集團核心價值不可或缺的一部分。本集團員工(不論職級)必須參與社區服務。尤其是，當地人才均獲授權帶頭為社區服務。憑藉語言及背景類同，當地員工的參與有助促進本集團與當地社會的關係更加密切。本集團隨時間得以與社區建立合作和諧的關係。

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